

Under pressure: an exploration of demand and spending in children's social care and for children with special educational needs in London

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Executive summary

1. This research, commissioned by London Councils, shows that children's services across London are facing an unsustainable level of financial risk. In 2017-18 all but one council in London were in deficit on their high-needs expenditure and all but six were in deficit on their children's social care expenditure. The total in-year shortfall in funding across both SEND and children's social care in London came to £185 million in 2017-18.
2. National Government, London Councils and individual local authorities need to act now to ensure that these vital services remain sustainable in the future. This will require concerted and collaborative action from senior leadership in local government. Furthermore, more far-reaching collaborative activity will need to be resourced appropriately to support effective delivery. This report makes 24 recommendations that aim to maximise the impact of current resources, redress perverse incentives for behaviours that lead to increasing costs, empower creative thinking and provide local government with the levers it needs to manage demand.

Recommendations for London Councils, boroughs acting jointly and/or Directors of Children's Services to support greater collaboration between local authorities. They should work with boroughs collectively to:

- Review the progress of sub-regional commissioning arrangements and share the learning between the different partnerships.
- Work across London to better identify the 'hard to place' older age cohort of young people presenting as LAC or with complex SEND, who combine mental health and behavioural issues and rapidly trial and evaluate initiatives for working with them.
- Establish a Pan-London partnership for commissioning secure and semi-independent placements.
- Work more collaboratively post-16 to develop pathways to adulthood with post-16 providers and employers.
- Generate more efficiency out of the marketplace by collaborating on estimating demand and jointly commissioning places for young people with high cost and low incidence needs and explore options for pooling resources to collaboratively manage the risk of very high cost placements more effectively.
- Develop a pan-London workforce strategy for social workers, educational psychologists and other key professionals to create a stronger pipeline, maximise opportunities for learning and career development and better manage the pressure exerted by the agency market.
- Support boroughs to develop consistent and evidence-based approaches to evaluating the impact of innovative ways of working and create opportunities to share the evidence of what works more widely.

Recommendations for National Government to address the system level changes and broader funding and policy landscape that have led to an increased need to spend across Children's Social Care and the High Needs Block

- National government should urgently address the lack of funding for both children's social care and SEND to ensure the sustainability of these vital services in the next Spending Review. Local government in London would support the DfE and MHCLG to make

representations to the Treasury in the run up to the Spending Review for more investment to cover the shortfalls in funding.

- In making future funding decisions in the next Spending Review, national government should recognise that children's services operate within a complex eco-system and that significant and ongoing reductions in one area of local government and partner funding are likely to have knock-on implications in other areas.
- DfE should review the impact of the Children's and Families Act 2014 on demand for EHCPs.
- DfE should address the perverse incentives in the system which make it cheaper and easier for a school to exclude a child than to make good quality preventative support available, in line with the proposals in the recent Timpson review.
- The DfE should review the legislative underpinning and guidance for SEND Tribunals so that the true relative lifetime costs of different placement options are routinely taken into consideration and have significant weighting alongside the wishes of the parent and the needs of the child.
- The DfE should relax the current restrictions around establishing new special schools and allow local authorities to create additional provision without having to enter into a free school competition.
- To improve inclusivity in mainstream schools, The DfE should review the impact of Progress 8, Attainment 8 and the narrowing of the curriculum at GCSE and develop ways of holding schools to account that better incentivise an inclusive approach to education.
- The DfE, DH and local authorities should work together to clarify the specific responsibilities for CCGs in supporting and funding placements for looked after children and for those with EHCPs and use existing examples of good practice to promote the benefits of close joint working more widely to CCGs.
- MHCLG should extend funding for early intervention for the Troubled Families programme beyond 2020. Without this funding much of the current early help offer would be unsustainable.
- MHCLG should review the implementation of the new duty to prevent homelessness, introduced in April 2018, and assess whether there have been changes to support for families who would previously have been made intentionally homeless.
- The Home Office should act to ensure that the national transfer scheme for UASC is operating as fairly and efficiently as possible so that London boroughs are not disproportionately burdened.
- The Ministry of Justice should review grants given to local authorities for procuring secure accommodation for children and young people on remand to ensure that they are keeping pace with the increasing numbers, placement costs and duration of remand.

Recommendations for local authorities acting individually

- Focus on doing the basics, in terms of core SEND and CSC support and financial management, really well.

- Carry out more forensic analysis of the impact of creative solutions to address particular areas of cost or demand.
- Work to break down internal silos between different parts of local government so that decision-making maximises the cost benefits to local government as a whole, rather than one service at the expense of another.
- Conduct more joint analysis, commissioning and pathway planning for those young people who straddle both the SEND and CSC cohorts.
- Be open and proactive in drawing on good practice from elsewhere.

Purpose of the research

3. The purpose of this research is to understand what is driving financial pressures in children's services in London, explore how local areas are able to mitigate or reduce pressures on budgets and develop a series of recommendations for how national and local government might act to secure a more sustainable financial position for Children's Social Care and SEND going forward. It is based on analysis of financial survey returns collected by London Councils and fieldwork visits to 14 local authorities.

Trends in expenditure

4. In SEND there has been a dramatic and sustained rise in demand for support, brought about by the very rapid increase in children and young people with Education Health and Care Plans (31% over four years). While budgets have increased, spending has increased faster, leaving London boroughs with an in-year shortfall in 2017-18 of 7% or £77 million. This, however, underestimates the true scale of the pressure in high needs as many councils have been holding the overspend within their Dedicated Schools Grant (DSG) and are now facing cumulative overspends of many millions.
5. In children's social care, the overspend stands at 9% in 2017-18, or £108 million. This, however, is caused by more modestly rising net expenditure (5% over four years) combined with flatlining budgets. This is a result of intense pressure on wider children's services and local government funding. While expenditure has been rising, the number of looked after children in London has fallen slightly. This demonstrates how increased complexity of need, workforce dynamics and competition within the market for places are leading to rapidly rising individual costs of care.

Factors which help to explain rising expenditure

System level changes in SEND and Children's Social Care

6. Following the introduction of the Children's and Families Act 2014 and the new Code of Practice, the system for supporting children and young people with SEND in England has undergone fundamental reform. The act extended responsibility for children and young people with SEND from 0 to 25; raised parental expectations and established parental preference as a key determinant in decisions about how and where a child or young person with SEND should be educated; and reinforced these decisions through a Tribunal system which routinely finds in favour of the parent. Many local authorities described how these changes have contributed both to an exponential rise in the number of children requiring education health and care plans and to a movement of children and young people with SEND out of mainstream schools and into more specialist forms of provision.

7. In Children's Social Care there has not been a fundamental shift in either the scope or focus of services in the last four to five years to engender the same degree of funding turbulence as has been seen in SEND. Nonetheless, the impact of inspection, changes in court expectations and specific unfunded pressures have all played a part in driving up costs. The high proportion of local authorities which were found to be inadequate or requiring improvement under Ofsted's previous inspection framework has undoubtedly contributed to escalating costs in those boroughs. The extension of local authorities' responsibility for young people leaving care up to the age of 25 in 2018 and transferring responsibility for accommodation for young people on remand to local authorities from 2012 have both created significant new pressures which are either unfunded or not sufficiently funded for the current context. Finally, changing trends in court decisions about permanency, away from adoption and towards special guardianship, although not the most significant factor in rising costs, is arguably locking a higher rate of long-term support costs into the system.

The broader funding and policy landscape

8. Children's services have been operating in a climate of austerity for more than a decade and it is now clear how wider budget reductions in local government and partner agencies are having a serious knock-on effect on children's social care and SEND. At the same time the changes introduced to the accountability regime and curriculum in mainstream schools, such as Progress 8 and the Ebacc, do not incentivise mainstream schools to be inclusive. Many local authorities and schools have attested that this is contributing to the movement of children with EHCPs into higher cost, more specialist forms of provision. It is also contributing to rising numbers of exclusions (and hence use of alternative provision) and greater number of children out of school which puts pressure on high needs and children's social care budgets alike.
9. The final element of the broader funding and policy landscape which is contributing to increased costs is asylum and immigration. The national system for reallocating unaccompanied asylum-seeking children has stalled and the burden for accommodating and caring for these young people is falling disproportionately on London boroughs. In London, expenditure on UASCs has increased by £8.6 million over four years. Additionally, the direct and indirect cost to children's social care budgets of supporting families with No Recourse to Public Funds (NRPF) in London in 2017-18 totalled at least £40 million.¹ These remain significant financial burdens that local authorities in London bear disproportionately on behalf of the national asylum and immigration system.

Demographic and societal influences

10. The combination of the changing face of poverty, highly mobile populations and severe constraints around housing capacity are contributing to a very vulnerable cohort of families in London requiring significant support. Deprivation remains a key issue for many London boroughs as a driver of demand for services, particularly with rising numbers of working families living in poverty. Population mobility has led to significant population growth in some areas, particularly outer London, and increasing numbers of very vulnerable children moving into boroughs with no previous engagement with local services and support. The lack of affordable housing has also contributed to the displacement of very vulnerable families relocated from other boroughs; increasing levels of poverty due to high housing

¹ Based on financial returns from 28 boroughs

costs; too many families housed in temporary or unsuitable accommodation; and lack of large family housing restricting placement options for looked after children.

11. Boroughs also referenced changes in the complexity and nature of needs with which children and young people presented to children's social care and SEND. Advances in medical care for children born prematurely or with other complications meant that children were surviving life-threatening conditions in greater numbers and entering into the early years and school system with a range of profound and complex needs. Local areas also reported seeing very significant increases in children and young people with autism, children and young people with complex mental health needs, and the growing impact of parental mental health conditions and learning disabilities.
12. Finally, more young people are coming to the attention of children's social care as victims or perpetrators of crime: through gang affiliation; knife crime; criminal or sexual exploitation and county-lines drug trafficking. The placement options available for this cohort of young people are extremely limited and very high cost.

The marketplace for providers and professionals

13. As lower-cost placement options become saturated, the market for more specialist provision in London has become extremely competitive with a paucity of places for children and young people with the most complex needs. There is increasing evidence that good quality providers, across both SEND and children's social care, are able to be very selective about which young people they choose to take. This was particularly acute for placements for looked after children in residential care where the data shows evidence of rapidly rising unit costs. Boroughs also reported a growing cohort of very hard to place young people for whom there is not currently an adequate range of support options.
14. The marketplace for professionals – particularly social workers and educational psychologists – was also very competitive. Many local authorities remain dependent on a large percentage of relatively high-cost agency staff driving up core staffing expenditure; and the development of the private market in educational psychology is making recruitment more difficult and, at times, leading to assessments of need and recommendations for provision which may not be sufficiently independent or well-informed about the range and nature of local provision on offer.

How local authorities can mitigate or reduce the cost pressures

15. Effective leadership of the system is the fundamental bedrock which underpins all the other strategies to mitigate rising demand and costs. This is reinforced by maintaining a strong grip on decision-making, assessments and resource allocation for individual children and young people. Having skilled commissioning teams in place provided greater opportunities to negotiate on price, shape the market and develop stronger relationships with providers. Furthermore, strong collaboration between councils through well-developed sub-regional commissioning arrangements was seen as essential to achieve better management of the market, greater economies of scale and improved quality of outcomes.
16. Beyond these core underpinning systems, boroughs had deployed a range of strategies to support children and young people effectively at an earlier point, or through a more bespoke approach, to prevent needs escalating. There is strong qualitative evidence that putting in place good quality early intervention and preventative services has a positive impact in stemming the demand for more costly children's social care interventions or EHCPs. There

were also clear benefits to be achieved through more joined up pathway planning for children and young people, working with a broad range of partners including health and schools, community partners and parents to jointly own some of the challenges which can lead to increasing expenditure and co-develop solutions which are based on more effective and better value for money support options for children and young people. Finally, deploying greater creativity at thresholds for care or more specialist provision enables local authorities and their partners to develop good quality alternatives to the highest cost placements, be those in SEND or children's social care.

The limitations of what local authorities can achieve

17. What local authorities do, and how well they do it, can and does make a difference to levels of expenditure, but the capacity of boroughs to continue to absorb the significant countervailing pressures that are pushing expenditure upwards is now extremely limited.
18. In terms of high needs expenditure local authorities described a 'perfect storm' of factors which, if left unchecked, could lead to expenditure spiralling out of control. The impact of the new legislation has been to increase the scope of children and young people eligible for an EHCP; create a demand-driven system where preferences for increasingly specialist and costly forms of provision has become embedded; and establish a Tribunal system which significantly curtails the ability of local authorities to take decisions in the interests of the fair and equitable distribution of a finite set of resources. These system-level changes have been exacerbated by accountability measures in the mainstream education system which do not incentivise inclusion of the most vulnerable learners; the broader impact of austerity in reducing the range of early preventative support available; and the capital and legislative constraints which make it difficult and time-consuming for local authorities to create new, lower cost local provision to cope with the rising demand. These come at a time when societal and demographic changes are creating new cohorts of very vulnerable children, young people and families in need of support.
19. These same societal and demographic factors are also bringing more children to the attention of children's social care. Despite this, without the fundamental policy changes which have contributed to an exponential rise in demand for support for children with SEND, many boroughs have been able to act decisively and effectively to reduce demand, both in terms of LAC and child protection. This has led to children's social care expenditure growing more slowly in London than in other areas of the country. However, spend is still growing despite success in controlling demand. This is because boroughs are at the mercy of a market for places and professionals which is not functioning adequately. Average weekly placement costs for looked after children in London have risen by 14% in four years, and this is not sustainable. Furthermore, on average net children's social care budgets have not kept pace with expenditure, with more money still to come out of the system. Further cuts to children's social care and associated budgets could be devastating. Areas of expenditure likely to be targeted in the further budget cuts are early help and preventative work, potentially leading to rising demand and a downward spiral in outcomes. If expenditure on high needs is a 'perfect storm' then expenditure on children's social care is a time-bomb, that the system can ill afford to ignore.

Introduction

There is a substantial and growing body of evidence that points to the pressures on children's services expenditure in terms of Special Educational Needs and Disabilities (SEND) and Children's Social Care (CSC). The LGA's budget submission Autumn 2018 identified a funding gap of £1.1 billion facing children's services in 2019-20.² Research carried out by Newton for the LGA showed that over 50% of the variation in children's services spending between different local areas was due to factors outside a local area's control.³ Other publications such as *Turning the Tide – Children's Society, Action for Children & NCB (2017)* and *A country that works for all children – ADCS (2017)*, point to the impact of rising demand and costs and seek to analyse the range of factors, in particular those related to poverty, contributing to these trends. In terms of high needs expenditure, Isos Partnership's recent research, again commissioned by the LGA, showed that by the end of 2018-19 local high needs expenditure was projected to be in a cumulative deficit position of £470 million.⁴ It also showed that the degree of cumulative overspend on the high needs block is higher in London than in any other region.

The focus of this research is to understand how these national spending pressures are affecting local authorities in London, explore how local areas are able to mitigate or reduce pressures on budgets and develop a series of recommendations for how national or local government might act to secure a more sustainable financial position for Children's Services going forward. A further interesting dimension of this research has been its dual focus on SEND and CSC. While there has been considerable previous research exploring spending pressures in these two areas, they have often been treated as discrete and self-contained areas of policy and practice. A key insight from this research has been the degree of complex and multi-faceted interaction between children's social care and SEND, and how decisions in one aspect of local authority practice may drive spending in other areas of work with children and families. It has also been striking that many of the same underlying contextual and demographic factors cut across both children's social care and SEND.

Methodology

Isos Partnership was commissioned by London Councils to undertake this research into children's services in January 2019. The specific aims for the research were to:

- Identify the causes of increased spending in children's social care and high needs budgets.
- Reach conclusions on the types of management action that can reduce cost while assuring quality and safeguarding.
- Provide evidence for London Councils to support them in advocating for sufficient funding for children's services, both for children's social care and the high needs block.
- Develop an evidence base for policy changes that might be needed at a national level.
- Support the boroughs to make changes to practice and so reduce costs whilst maintaining positive outcomes for children.

The methodology that we developed for carrying out the research contained both qualitative and quantitative elements. In terms of the quantitative underpinning for the research, we carried out a detailed analysis of the data on funding and expenditure on high needs and children's social care

² LGA, *Moving the conversation on: LGA Autumn budget submission to HM treasury*, September 2018

³ Newton Europe, *Making Sense – understanding the drivers of variation in spend in children's services*, 2018

⁴ Isos Partnership – *Have we reached a tipping point? Trends in spending for children and young people with SEND in England*, 2018

collected through the London Councils survey.⁵ We also triangulated this with published data such as councils' section 251 returns, other financial returns, and statistical first releases covering CiN, child protection, LAC, children and young people with EHCPs and exclusions. Through the data analysis we have tried to illustrate the average levels of expenditure, the range in per capita expenditure between different local areas, and whether we can identify any factors from published data which help to explain differences in demand or expenditure. Many of these correlations have been explored robustly at the national level, but the focus of this research has been to understand how factors outside local authority control such as deprivation, as well as factors within local authority's control, such as decisions about placements, interact in a London context.

To inform the qualitative strand of the research we carried out fieldwork visits to 14 different local authorities – six with a focus on special educational needs, six with a focus on children's social care and two with a focus on both. We selected the local authorities based on a sampling framework that aimed to achieve a spread in terms of the extent to which local authorities were overspent (or underspent) on their children's social care or high needs budgets, and whether expenditure per capita had increased or decreased over the last year. We also tried to balance the sample between inner and outer London, size of borough, level of deprivation and the rate of child protection and EHCPs. The local authorities that we visited with a focus on SEND were Barking and Dagenham, Bexley, Brent, Kensington and Chelsea, Kingston and Merton. The local authorities that we visited with a focus on children's social care were Ealing, Hackney, Havering, Hillingdon, Lambeth and Richmond. Greenwich and Lewisham hosted fieldwork visits for both SEND and children's social care.

The purpose of the fieldwork visits was to develop a deeper understanding of current financial pressures, how councils had managed these pressures to date, and how councils were projecting future demand and need to spend. We held a series of one to one or small group semi-structured interviews with a selection of members and officers. These differed depending on the focus of the visit, and guidance from the borough in question on who would be best placed to inform the research. Through the course of the fieldwork we met with:

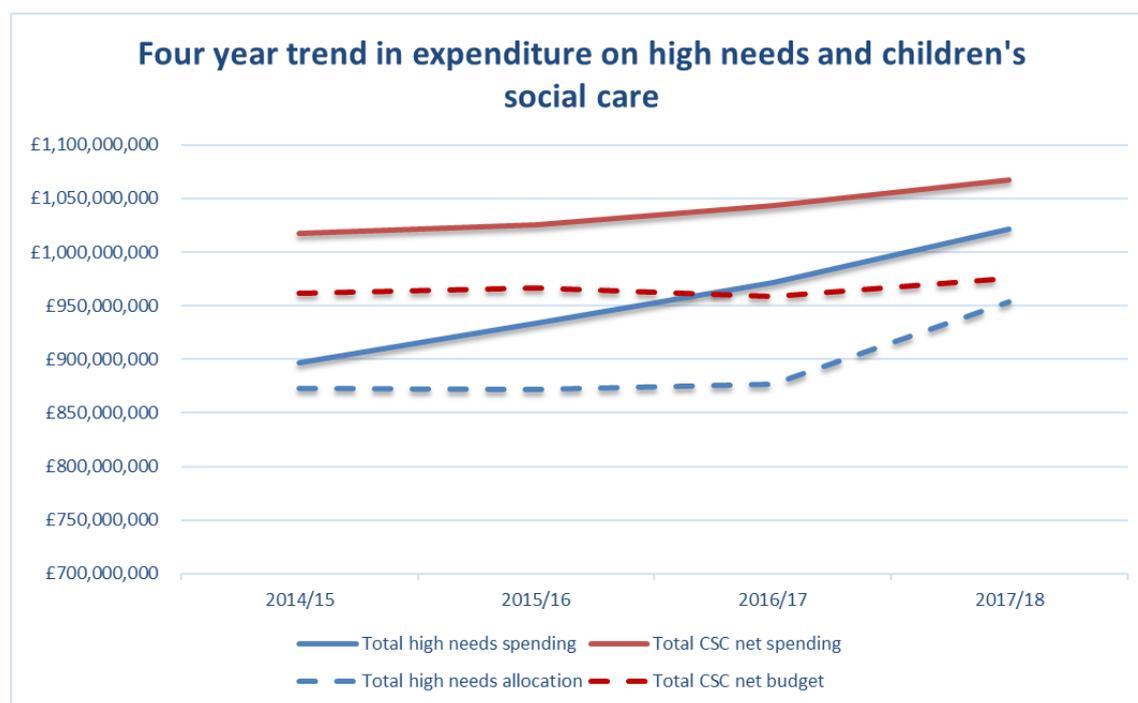
- Directors of Children's Services;
- Directors of Finance and lead officers for children's services finances;
- Assistant Directors responsible for inclusion and high needs; children's social care; early help; and strategy and commissioning;
- Service managers responsible for early help, duty and assessment, CiN, children subject to CPPs, LAC and children with disabilities; inclusion and SEND;
- a selection of officers involved in day-to-day decisions relating to placements of children and young people with high needs (e.g. Principal Educational Psychologists, managers within the SEND casework teams, SEND commissioners);
- a selection of officers involved in day-to-day decisions about early help and child protection – for example, managers or lead professionals with a strategic role within or across some of the early help and social work teams;
- Officers responsible for placement commissioning and planning;
- Heads of School Forums and other headteachers; and
- Health representatives.

Finally, we also carried out a review of 52 anonymised EHC Plans from four boroughs.

⁵ The survey was carried out by London Councils, in partnership with ALDCS (Association of London Directors of Children's Services) and SLT (Society of London Treasurers).

London wide trends in expenditure over last four years

An analysis of the expenditure and budget data provided by London boroughs to the London Councils Children's Services survey shows that over the last four years net expenditure on high needs across London has grown from just under £897 million in 2014-15 to £1.02 billion in 2017-18.⁶ This is an increase of £124 million – 14% of 2014-15 expenditure. Over the same period expenditure on children's social care has also grown steadily, albeit the increase has been less dramatic. Net expenditure on Children's Social Care has increased from £1.02 billion to £1.07 billion – a rise of £50 million or 5%.⁷



Comparing overall expenditure against budgets, however, tells a somewhat different story. For SEND, high needs block allocations through the Dedicated Schools Grant have increased quite significantly over the four-year period by £81 million (around 9%). This is mainly driven by a large increase in allocations to London boroughs between 2016-17 and 2017-18. This reflects the re-baselining exercise that local authorities were asked to carry out in 2016-17 which resulted in a net reallocation from the schools block and early years block into the high needs block. However, the rate of increase has not kept pace with expenditure, and therefore the in-year deficit on high needs has increased from 3% of the high needs allocation in 2014-15 to 7% in 2017-18. The in-year shortfall in the 26 boroughs whose data is included in this multi-year analysis stood at £68 million. The 2017-18 in-year shortfall across all London boroughs was £77 million.

In order to shore up high needs block allocations, almost all London boroughs have transferred money from either the schools block or early years block within the DSG, from the council's general fund or from other funding sources. Fifteen boroughs reported transferring money from within the

⁶ This analysis and the corresponding chart are based on responses from 28 of the 33 London local authorities for high needs and 27 for children's social care. Some local authorities did not provide a full series of expenditure and budgetary data over the four-year sequence and therefore have not been included in these calculations.

⁷ The data supplied through the survey and reported here are cash amounts. They have not been adjusted for inflation.

DSG to the high needs block in 2017-18, with an average transfer of £1.3 million. Just one council reported allocating money from the General Fund in 2017-18, with a very significant allocation of £9.4 million. Nine councils reported using reserves to support the high needs block, at an average rate of £1.4 million per council. Finally, 16 councils reported supplementing the high needs block from other sources of funding, at an average level of £2.2 million per council. Only one council reported making no transfers into the high needs block from other sources in 2017-18. In total London boroughs transferred £77 million into the high needs block from other funding sources in 2017-18.

In contrast to high needs funding, net budgets for Children's Social Care have flatlined over the period despite the trend of increasing expenditure. This is a direct reflection of the pressure on overall local government finances. London Councils has found that between 2010 and 2020 even after allowing for grants from government and Council Tax, boroughs' 'spending power' will have fallen by over a third (37% in real terms per person, compared with 29% across the rest of England).⁸ In comparison to overall funding decreases in local government, Children's Social Care net budgets have been relatively protected but it is telling that between 2017-18 and 2018-19 children's social care budgets declined in at least 12 boroughs. The combined effect of rising expenditure and flatlining budgets means that in London the in-year overspend on children's social care has increased from 6% to 9% between 2014-15 and 2017-18 and now stands at £92 million for the 28 local authorities that provided data for all four years. Across all London boroughs the 2017-18 overspend stood at £108 million – approximately 9% of the budget.

The extent to which either the high needs budget or children's social care budget is overspent may be slightly misleading. For high needs expenditure the level of overspend is likely to be an underestimate as it only looks at an in-year comparison of expenditure against the high needs block allocation. We know that many councils have been overspending for a number of years, and some of these are holding their overspends as a cumulative deficit within their DSG. Data supplied for the survey shows that at least 20 councils have recorded in-year shortfalls in their high needs allocation every year from 2014-15 to 2017-18 and the number recording an in-year shortfall has risen inexorably from 20 in 2014-15 to 32 in 2017-18. Research completed by Isos for the LGA estimated that the cumulative (rather than in-year) overspend on high needs in London is likely to be closer to 12%.⁹

The overspend on children's social care is problematic in different ways. A number of the councils which engaged in the fieldwork for this research suggested that children's social care budgets were often set historically and may not have responded to changes in the population or need over time. Some of those boroughs which had a particularly high level of overspend argued strongly that this was more a function of whether budgets had been set at a sufficient level in the first place, or had been sufficiently responsive to changing needs, rather than whether they were managing spend efficiently. Analysis of the data suggests that councils with both high and low per capita budgets are equally likely to be overspent, and that there is no discernible correlation with the degree of overspend and whether per capita expenditure is below or above average or has increased or decreased over the period.

Comparisons with national trends in expenditure are informative. The rate at which high needs expenditure has increased is very similar between London and the rest of the country. An analysis of

⁸ London Councils - *London's local services: investing in the future*, 2018

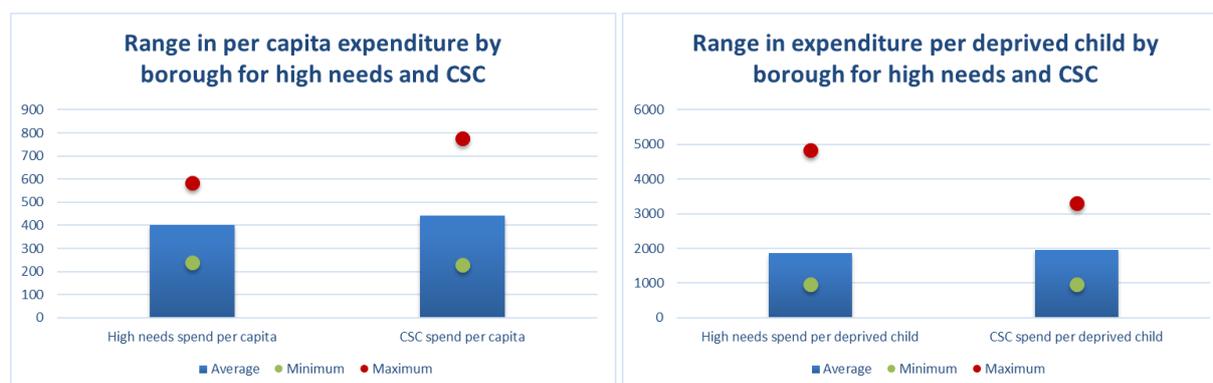
⁹ Isos Partnership – *Have we reached a tipping point? Trends in spending for children and young people with SEND in England*, 2018

S251 budget outturn statements shows that nationally expenditure on high needs rose from £4.8 billion to £5.4 billion between 2014-15 and 2017-18 which represents an increase of 13% – very slightly less than the corresponding increase in expenditure in London. However, trends in expenditure on Children’s Social Care are somewhat different nationally to those seen in London. A further comparison of S251 outturn statements shows that expenditure on Children’s Social Care nationally increased from £7.2 billion to £7.9 billion – an increase of 9%.¹⁰ That is almost double the rate of increase seen across London.

Going forward the financial position for both high needs and children’s social care in London looks very precarious indeed. In around 70% of boroughs 2017-18 expenditure on high needs or children’s social care exceeds the allocation or budget set for 2018-19.

Trends in expenditure at borough level

While it is useful to look at trends in spending across London as a whole, these high-level analyses do not capture the very significant variation between London boroughs. The charts below show the average and the range in 2017-18 expenditure for high needs and children’s social care across London. Expenditure is displayed both per capita of the 0-25 population and per deprived child or young person (based on Income Deprivation Affecting Children Index 2015). This shows that annual expenditure on high needs varies between £238 per capita to £584 per capita.¹¹ The variation in spend per deprived child or young person is even more marked, ranging from £973 to £4,839. This belies the simple assumption that the need to spend is simply a function of the level of deprivation in a particular area, and hints at the multiple and complex interactions that drive expenditure. Spend on children’s social care varies between boroughs in a similar fashion to expenditure on high needs. The range in per capita expenditure for children’s social care is between £230 and £776 for all children and young people aged 0-25 and between £966 and £3,307 for deprived children and young people.



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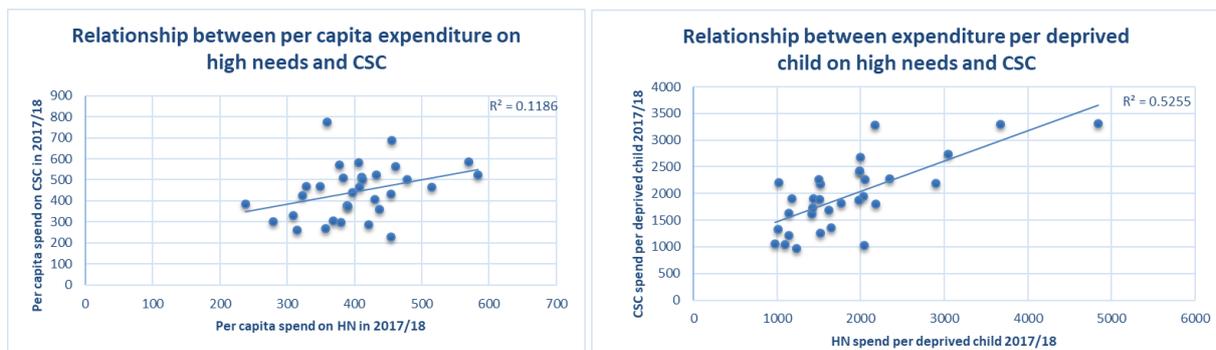
Perhaps unsurprisingly, given that there is a relationship between these budgets for a number of children, there appears to be a correlation between rates of expenditure on children’s social care and high needs. In terms of per capita expenditure, the correlation is positive but relatively weak –

¹⁰ For HN spend S251 budget lines 1.01 (special schools & AP) and 1.2.1 to 1.2.13; for CSC spend S251 budget lines 3.1.11; 3.2.1; 3.3.4; 3.4.6; 3.5.3

¹¹ Population data used to estimate the per capita expenditure is based on GLA 2016 housing led population projections

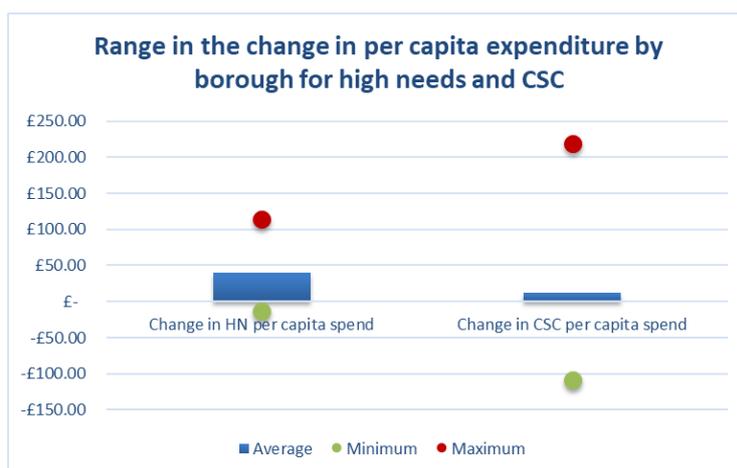
¹² City of London excluded from this chart due to small numbers

those local authorities which spend more per capita on high needs are also slightly more likely to spend more per capita on children’s social care. However, the correlation for expenditure per deprived child on high needs and children’s social care is very strong. Local authorities which spend more per deprived child for high needs are also much more likely to spend more per deprived child for children’s social care. This might indicate that a similar range of societal pressures factors, above and beyond deprivation, are impacting on both the SEND and children’s social care populations within individual boroughs. It might also indicate the impact that good leadership and management can have in managing pressure on budgets.



Just as there are differences between London boroughs in the level of expenditure per capita on children’s social care and high needs, so there are equally substantial differences in how expenditure has changed over the last 4 years. The chart below shows the range in the change in per capita (0-25) expenditure London boroughs between 2014-15 and 2017-18. This analysis takes out the impact of changes in the basic 0-25 population from the overall calculation of how expenditure has either increased or decreased over time. It therefore shows that, controlling for population changes, on average London boroughs increased their per capita expenditure on high needs by £40 per child, but this ranged from a decrease of £13 per child in one borough to an increase of £114 per child at the top of the range. In fact, all but two London boroughs saw an increase in their per capita expenditure on high needs between 2014-15 and 2017-18. This change in expenditure ranged from -4% to +25%.

The picture in children’s social care is even more varied. Again, controlling for changes in population size the per capita expenditure on children’s social care decreased or was static in just under half the boroughs and increased in just over half. On average, per capita expenditure rose by £12 per child, but this ranged from a decrease of £108 per child through to an increase of £220. In percentage terms, the most significant decrease was a reduction of 20% in per capita expenditure through to the most significant increase of 78%.



To summarise, across the capital, expenditure on high needs has grown more quickly than expenditure for children’s social care and more closely resembles the national picture. For both children’s social care and high needs there is significant variation in per capita expenditure between boroughs irrespective of whether this is based on total 0-25 population numbers or deprived population numbers. However, the increases to per capita expenditure on high needs show more uniformity between boroughs than those for children’s social care. For high needs all boroughs except two saw a per capita increase in expenditure. For children’s social care just under half the boroughs spent less per capita and just over half spent more.

Throughout the rest of this report we will try to shed light on what is driving the increases in expenditure across the capital as a whole and how to explain the differences between individual local authorities.

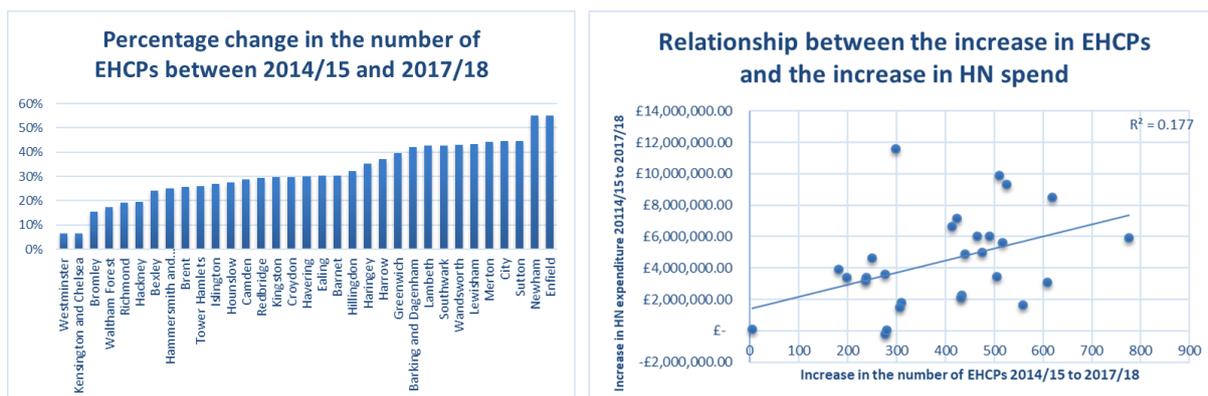
Trends in demand for Children’s Social Care and SEND

Both high needs and children’s social care are demand-driven areas of expenditure. This means that there is a direct and strong correlation between the number of children and young people requiring support, the complexity of the needs with which they present and the overall level of expenditure. Data supplied by London boroughs through the London Councils Children’s Services survey shows that on average 89% of high needs expenditure in London is given to schools, colleges and alternative provision. This is predominantly to fund places and top-ups for individual children and young people with Education Health and Care Plans (EHCPs) or for those who have been excluded or are at risk of exclusion. Similarly, around 56% of Children’s Social Care expenditure funds placements for looked after children, support for families and young people and S17 costs. A further 31% expenditure is for children’s social care staff costs, the large majority of whom are engaged in direct work with families. An important first step in understanding changing expenditure, therefore, is to understand trends in the number of children with education health and care plans and the number of children coming to the attention of children’s social care as children requiring protection and looked after children.

Nationally there has been a dramatic and sustained rise in the number of children and young people with EHCPs since the introduction of the new SEND code of practice in 2014. Data published by the DfE shows that nationally the number of children and young people with EHCPs has risen from 240,000 to 320,000 between 2014-15 and 2017-18. This represents an increase of 33%. In London the trajectory has been almost identical, with an increase from 41,000 children and young people

with EHCPs to 54,000 – a 31% rise.¹³ It is striking that the percentage increase in the number of EHCPs is considerably greater than the corresponding increase in expenditure – a 31% increase in EHCPs compared with a 14% increase in expenditure. This suggests that London boroughs have been able to counteract some of the increase in EHCP numbers by achieving lower average costs per child with an EHCP. This hypothesis is borne out by data provided by London boroughs through the London Councils survey. It shows that the average unit cost of placements for children and young people with EHCPs has reduced from £26,800 in 2014-15 to £23,900 in 2017-18.

There is a degree of uniformity in the trends in the number of children with EHCPs at borough level. As shown in the chart below, it is striking that every borough has seen an increase in the number of EHCPs over the last four years. Over 80% of the boroughs have seen an increase of more than 20%. It is also apparent, and unsurprising, that there is a relationship between the increase in the number of EHCPs and the increase in high needs expenditure. The chart on the right shows that around 18% of the variation in a borough's increase in expenditure since 2014-15 can be explained by the increase in the number of EHCPs. However, equally interesting and important is the variation between boroughs in the impact that the number of EHCPs have had on their need to spend. To take a concrete example, in one borough an increase of 430 children with EHCPs has translated into an increase in expenditure of just over £2 million over four years. In another borough a similar rise in the number of EHCPs has led to additional expenditure of over £7 million. Through the qualitative aspects of this research we will try to shed light on the reasons behind some of these differences.



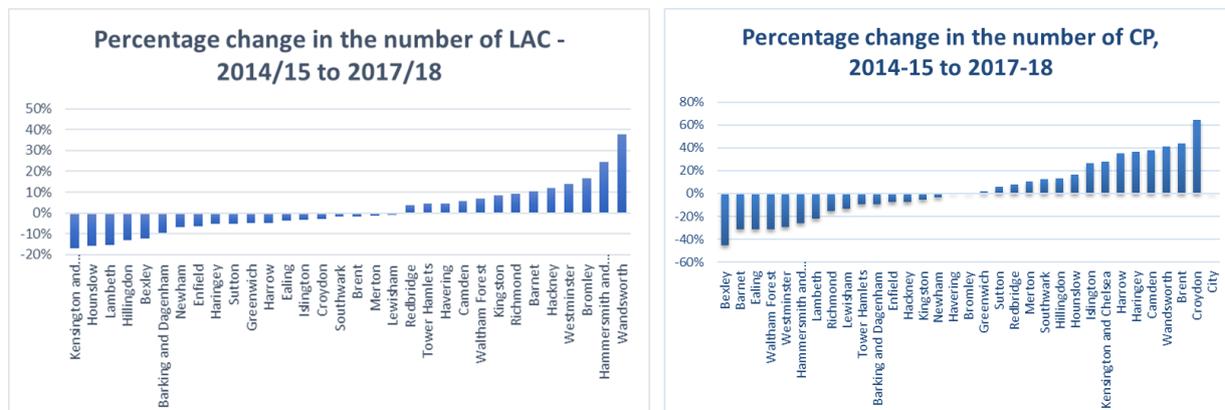
Turning to the demand trends that underpin expenditure for children's social care the picture is rather different. At a national level there has been a modest but steady rise between 2014-15 and 2017-18 in the number of children requiring support from children's social care. Data published by the DfE shows that in that four-year period there was an 8% rise in the number of children who were subject to a child protection plan and a 9% rise in the number of Looked After Children. London, however, appears to be bucking the national trend in some respects. Across the capital the number of Looked After Children fell very slightly between 2014-15 and 2017-18, by 1%. The number of children subject to a child protection plan rose slightly, by 2%, but at a much slower rate of growth than seen nationally.¹⁴

At borough level the picture is very mixed. The charts below show that the number of looked after children fell in 19 boroughs. Despite this overall positive trend, the range of movement in LAC numbers between different boroughs is striking. At the extremes, the number of looked after children has fallen in some boroughs by more than 15%, while in another borough it has risen by

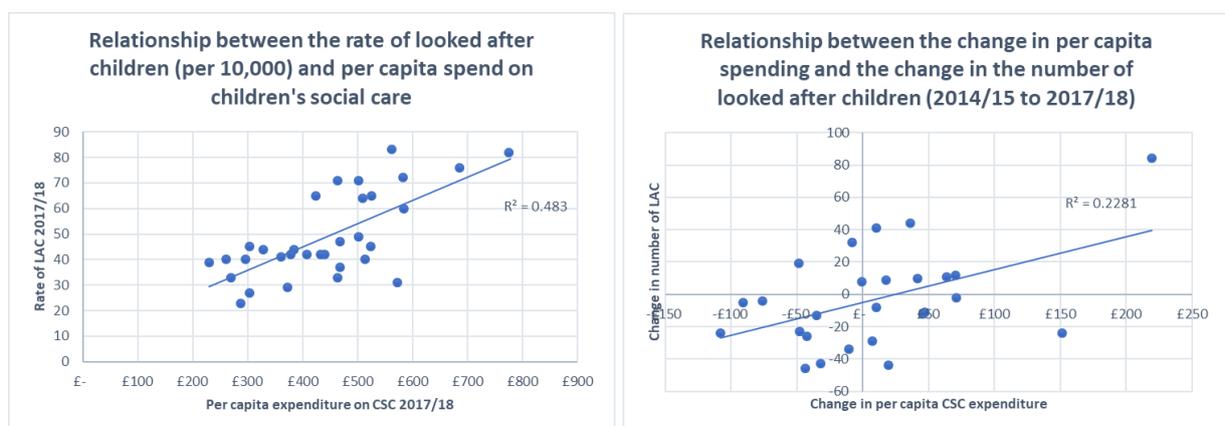
¹³ DfE, *Statements of SEN and EHC Plans: England, 2018*

¹⁴ DfE, *Characteristics of children in need, 2017-18*; DfE, *Children Looked after in England including adoption: 2017-2018*

over 30%. For children requiring protection the variability between boroughs is even greater. While there are roughly equal numbers of boroughs recording a rise or a fall in children protection, the range extends from a 42% decrease to a 62% increase.

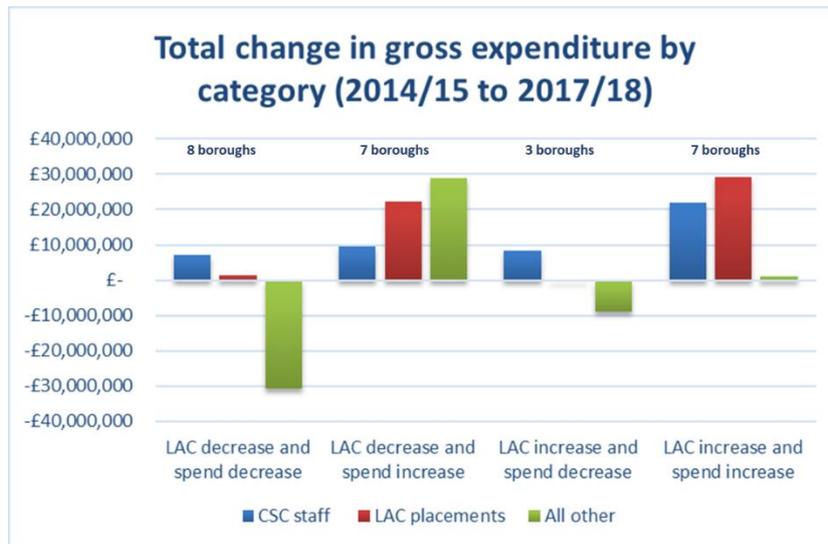


There is a strong relationship between the number of looked after children and per capita expenditure on children’s social care – around 48% of the variation between boroughs in per capita expenditure can be explained by variations in the number of looked after children. There is also a reasonably strong relationship between changes in expenditure on children’s social care and changes in the number of looked after children. Around 23% of the variation in boroughs’ change in expenditure between 2014-15 and 2017-18 can be explained by changes in the number of looked after children. This is illustrated in the two charts below:

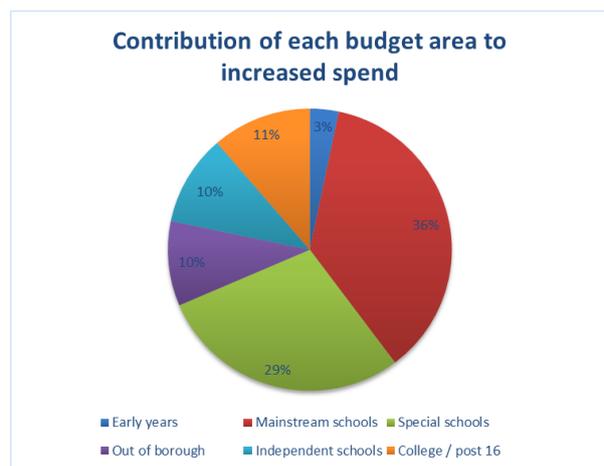
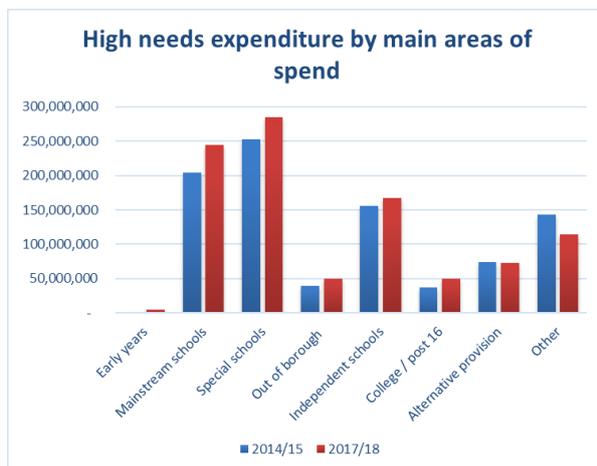


However, what is striking in children’s social care is that overall net expenditure is rising at a time when the number of looked after children – a key driver of demand – is falling slightly. The chart below explores the relationship between demand and expenditure in children’s social care further. The analysis divides boroughs into four groups – those where the number of looked after children fell between 2014-15 and 2017-18 *and* expenditure per capita fell; those where the number of looked after children fell but expenditure increased; those where the number of looked after children increased but expenditure fell; and finally those where both the number of looked after children and expenditure increased. For each of these groups of authorities the chart shows the total change in gross expenditure on children’s social care staff, LAC placements and all other spend. It is striking that in the seven boroughs in which per capita expenditure grew while the number of looked after children fell, expenditure on LAC placements actually grew by around 20% – a much higher proportionate rise than in many other boroughs. This suggests that, in London, increases in children’s social care expenditure are being fuelled not solely by the volume of children coming to

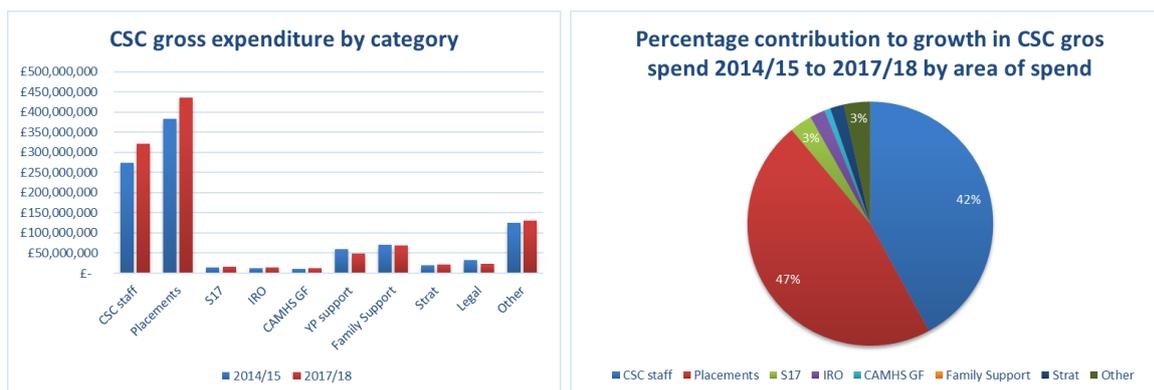
the attention of children’s social care, but also by the complexity of need, workforce costs and market changes which in combination tend to drive up the unit cost of providing care for these children.



Examining where expenditure on high needs and children’s social care is allocated, and how that has shifted in the last four years, begins to add some further depth to the emerging narrative around demand. In terms of high needs expenditure, the charts below show that although early years, colleges and out-of-borough placements have seen the greatest proportional increase in spend it is in fact the growth in the two highest spend categories (top-ups in mainstream schools and places and top-ups in in-borough special schools) that have contributed most to the expenditure uplift between 2014-15 and 2017-18. In fact, nearly two-thirds of the increased expenditure can be attributed to these two areas.



A similar analysis of how gross expenditure on children’s social care has changed over the same time period shows that the biggest contributor to the growth in expenditure are placements for looked after children which makes up just under half the £112 million increase in gross expenditure on the eight areas listed in the right hand chart below. Increased expenditure on children’s social care staffing contributes a further 42% of the growth with all the other categories together making up the remaining 11%.



This brief analysis of both demand and expenditure for high needs and children’s social care in London shows two areas under budgetary pressure but in quite different ways. In SEND there has been a dramatic and sustained rise in demand, brought about by the increase of children and young people with EHCPs. While budgets have increased spending has increased faster, leaving London boroughs with an in-year overspend in 2017-18 of 7%. This significantly underestimates the true scale of the pressure in high needs as many councils have been holding the overspend within their DSG and are now facing cumulative deficits of many millions. The overall picture in London both in terms of demand and spend is very similar to the national picture.

The areas of expenditure which have grown the most are top ups and places in mainstream schools and special schools indicating that pure volume of children requiring support is a main driver of spend. Indeed, the fact that expenditure has grown more slowly than demand indicates that boroughs have been effective in managing to place more children at lower costs.

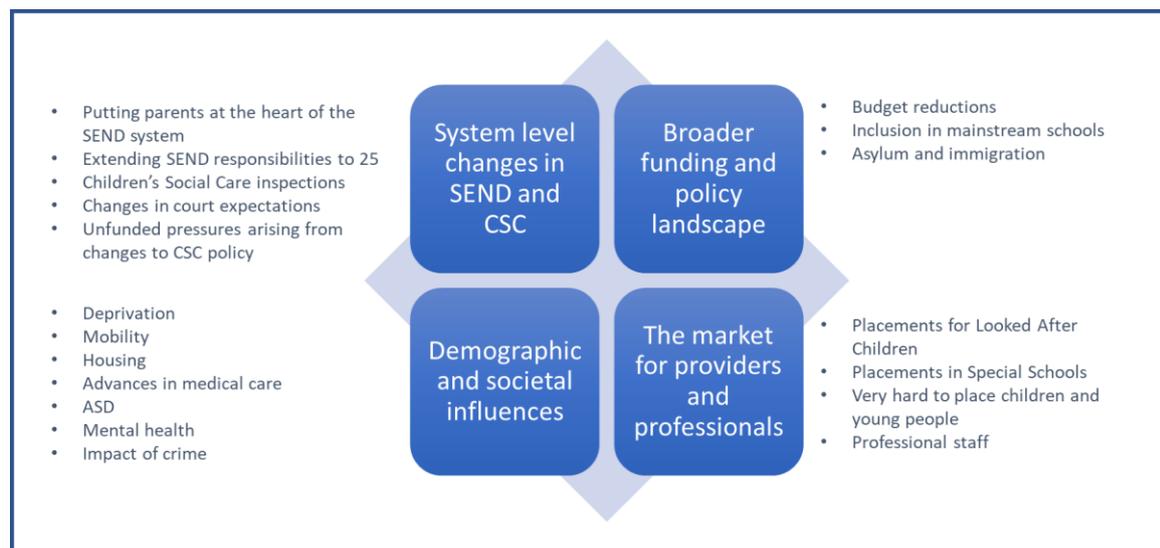
In children’s social care the percentage overspend stands at 9% in 2017-18. This, however, is driven by more modestly rising net expenditure combined with flat budgets over the period. Unlike the national picture where demand for all forms of intervention by children’s social care has risen over the last four years, in London the number of looked after children has actually fallen slightly and the increase in child protection cases has been small. The increasing expenditure, therefore, is likely to be driven not only by the volume of children coming into the statutory system but also a range of factors which contribute to the costs associated with supporting and caring for these children including complexity of need, workforce dynamics and competition within the market for places. It is interesting that placements for looked after children accounted for nearly half the increase in expenditure at a time when the number of looked after children has reduced. This suggests strongly the individual placement costs may be a strong inflationary pressure in the system.

With a combined shortfall in funding of £185 million across the capital, the level of financial pressure facing children’s social care and high needs is not sustainable. In the large majority of boroughs expenditure in 2017-18 in children’s social care and high needs exceeds the budgets set for 2018-19, making future delivery of these vital services for children very precarious.

The factors which help to explain the increasing need to spend

In the following pages this report will try to analyse the different factors which, based on our fieldwork and supporting quantitative analysis, can be seen to influence the need to spend on children’s social care and high needs in London. The analysis looks at the impact of system level reform, the broader funding and policy landscape, demographic and societal influences and the market for providers and professionals. A number of factors under each of these broad themes are

contributing to budgetary pressures in CSC and SEND as illustrated in the diagram below. These are explored in detail in the following sections of the report:



System level changes in SEND

Perhaps the biggest difference between children's social care and SEND in terms of the nature of the funding pressure experienced is the degree to which the latter has been subject to comprehensive and fundamental system change in the last 5 years. The SEND code of practice introduced in 2014 has both raised expectations for children with SEND and at the same time widened the scope of children and young people who might receive an EHCP and therefore be entitled to funding through the high needs block. This deep and far-reaching system-level change helps to account for the relative uniformity in experience between London and England, and the more limited variation between individual boroughs. In this section we will explore two aspects of SEND reform which have, arguably, had the biggest impact on the need to spend – putting parents at the heart of the system and increasing the age-range covered by EHCPs up to 25.

Putting parents at the heart of the SEND system

The SEND reforms raised expectations about the quality and type of support that young people with SEND should receive in order to help them thrive in their education. The reforms also established parental preference as a key determinant in decisions about how and where a child or young person with SEND should be educated. Evidence from our fieldwork local authorities suggests that while these changes in emphasis are important and need to be encouraged, they are also contributing to increasing expenditure in two main ways.

The first is that the SEND code of practice sets a relatively low threshold for carrying out an assessment for an EHCP. The code says: "A local authority **must** conduct an assessment of education, health and care needs when it considers that it **may** be necessary for special educational provision to be made for the child or young person in accordance with an EHC plan". Local authorities felt that this had made it easier for parents to request that the local authority carries out an assessment for an EHCP if they have concerns about their child's performance at school, and in some cases was leading them to assess more children and young people for EHCPs than they would have done previously. If local authorities refuse to undertake an assessment because they do not believe there to be evidence of special educational needs, parents can take those decisions to tribunal. Data shows that nationally 30% of all appeals brought to Tribunal in 2017-18 were for a refusal to secure an EHC assessment. In the large majority of these (around 70%) the appeal was either withdrawn or

conceded before the appeal was heard at Tribunal. However, overall, 89% of all appeals that came to a tribunal hearing in 2017/18 were found in favour of the parent.¹⁵

Local areas cited a complex range of reasons why more parents were coming forward to request an EHCP. In some cases, it was because parents believe the EHCP gives them an entitlement or access to a form of support that they do not have confidence the system will provide otherwise. In other cases, it was because parents felt that an EHCP would secure support for their child for the long-term irrespective of changes in school or where they lived. In other cases, parents had lost confidence in the ability of the current setting in which their child was placed to meet their needs and felt that they needed an EHCP to secure access to another type of provision. Finally, some local authorities reported a rise in applications for EHCP assessments around the point of transition from primary to secondary school in order to facilitate the move into the next phase of education.

The net effect on the number of assessments for EHCPs carried out by London local authorities is plain to see. In 2014/15, 5,070 assessments for EHCPs were carried out in London during the calendar year but by 2017/18 this figure had risen to 8,541. It is also telling that, according to data supplied by 21 boroughs to the London Councils survey, in 2018/19 London LAs completed assessments on around 70% of the total EHCP applications. Published data for 2017/18 shows that across London, on average, 93% of assessments led to the child or young person receiving an EHCP and, while that percentage has decreased slightly as the number of assessments has increased, it has not offset the basic rise in the number of assessments. This, therefore, is leading to upwards pressure on the number of children and young people with EHCPs.

The second way in which raised parental expectations has contributed to increasing costs is around choice of placement. Many of the local authorities we visited through the fieldwork for this research described the impact on expenditure of parents requesting special school education in preference to mainstream education, or a more costly independent and non-maintained special school placement in preference to a maintained special school. Again, a complex set of reasons for these choices were cited including some parents lacking confidence in the mainstream offer, some children and families with SEND feeling unwelcome within mainstream schools, a belief in some cases that a special school education will be more targeted to the particular needs of their children, and in some cases a desire for the smaller and more nurturing environment that can be available in some special schools. One local authority described how the inclusion debate amongst parents has been inverted – 15 years ago, parents fought to get their children into mainstream schools; now, it is the opposite. The average basic cost implications of one of those decisions for a single child is very clear. Data supplied through the London Councils survey showed that the average maintained or academy special school placement cost £22,000 per year compared with the average INMSS placement costing £47,000 per year. Research carried out by Isos for the LGA suggested that, nationally, the average cost of top-ups in mainstream schools was around £6,000 per year.¹⁶

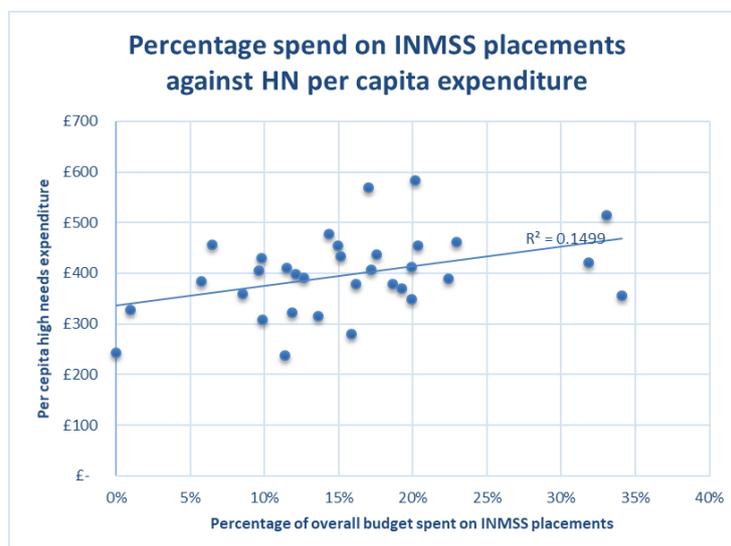
Again, data shows that where the choice of placement is in dispute Tribunals will typically find in favour of the parent (in 89% of cases overall) even where the placement decision may have significant additional cost implications for the local authority. Some of the fieldwork local authorities also described how, in a small number of cases, parents had placed children in independent mainstream schools at their own expense. Subsequently the child was assessed as having special

¹⁵ Tribunals and gender recognition certificate statistics quarterly: July to September 2018 (SEND tribunal tables 2017 to 2018)

¹⁶ Isos Partnership, – *Have we reached a tipping point? Trends in spending for children and young people with SEND in England, 2018*

educational needs and received an EHCP. The local authority was then required to pay the mainstream school tuition fees plus any additional specialist or therapeutic support the child or young person might require. Although this was not a widespread phenomenon it provides a vivid illustration of how parental preference, backed up through the tribunal system, might lead to the cost of an individual child’s education rising from about £6,000 per year (in a mainstream school with an average level of top-up) to £30,000 per year or more. Given that the use of independent education is more prevalent in London than elsewhere in the country (10% of pupils compared with 7% nationally) this phenomenon may be encountered more regularly in London.

Parental choice is by no means the only, or perhaps indeed the chief, factor leading to increasing use of higher cost placements for children with EHCPs. Indeed, later in this report we explore a number of other factors fuelling the movement of children into higher cost and more specialist placements. Nonetheless, it is striking that there appears to be a moderate correlation between the use of relatively high cost independent and non-maintained special school places and high per capita expenditure on high needs. The chart below suggests that around 15% of the variation in per capita high needs expenditure might be explained by variations in the percentage of the overall budget spent on places in independent and non-maintained special schools.



An interesting theme that was apparent through the fieldwork is that in some London boroughs – often those with significantly below average levels of deprivation – that there is a very well-educated, well-informed and well-networked group of parents advocating strongly for the rights of their children in terms of SEND provision. While analysis carried out nationally has shown a strong correlation between SEND and factors such as disadvantage and poor health, in London it is interesting that there are a number of LAs which appear to buck this trend. Excluding the City of London, in the eight boroughs in the lowest quartile for deprivation on average 25% of their high-needs expenditure is spent on placements in INMSS, compared to 13% in all other London boroughs. Arguably, in these LAs we are seeing the impact of well-organised groups of parents individually and collectively driving a set of decisions about placements which have a significant impact on the need to spend.

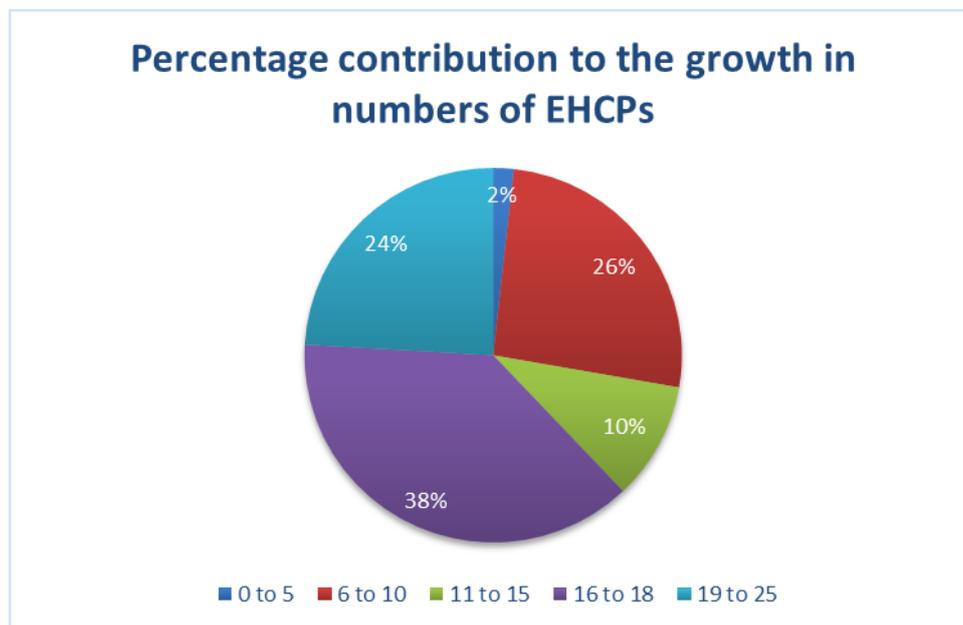
Extending responsibility for SEND to age 25

The second big change brought in by the Children’s and Families Act 2014, which resulted in the new SEND Code of Practice, was the extension of responsibility for children and young people with SEND from 0 to 25. This has had two significant implications for the number of young people with EHCPs.

First it has meant that every year a cohort of young people leaving school at 16 or 18 keep their EHCPs many of whom would not have done previously. Prior to the Children and Families Act young people with a statement of SEND going on to college would have had to reapply for a Learning Difficulty Assessment and the attrition rate was high. This ‘cohort effect’ is likely to continue up until around 2020 at which point those who were aged 18 at the time the new legislation was introduced will have reached age 25 and transitioned out of high needs block funding.

The second implication of the extension of the responsibility of children’s services up to age 25 is that for the first time new EHCPs are being created for young people over the age of 19. In the majority of cases these will be for young people attending GFE colleges which are not able to access ‘element 2’ funding from the Education Funding Agency unless the young person has an EHCP. However, local authorities also described a small number of young people with complex and multiple disabilities coming to the attention of children’s services for the first time post-19, perhaps as a result of moving from another country or as a result of a deteriorating health condition.

The contribution that post-19 growth in EHCPs has made to demand for services can clearly be seen in the data. In 2014/15, the 19-25-year-old cohort accounted for around 1.4% of EHCPs. By 2017/18 this cohort accounted for 7.4% of all EHCPs. The chart below shows that, across 14 boroughs that provided an age profile of their EHCPs for the full time series, around a quarter of the growth in EHCPs is attributable to increased numbers of 19-25-year-olds. Over 60% of the growth in EHCPs is attributable to increases in the number post-16. For some individual boroughs the impact of the growth in the post-19 cohort has been even more marked – in one borough, for example, the increase in 19-25-year-olds accounted for over 80% of their growth in EHCPs.



The cost of this policy change across London has been significant. For example, one local authority had calculated that £1.8 million out of their £2.5 million overspend on high needs could be accounted for by increased expenditure on their post-16 cohort. Interestingly, our review of EHCPs across four boroughs identified that planning for adulthood and transitions beyond schools were one of the least well-developed dimensions of young people’s plans.

System level changes in Children’s Social Care

In Children’s Social Care there has not been a fundamental shift in either the scope or focus of services in the last four to five years to engender the same degree of funding turbulence as has been

seen in SEND. Nonetheless, there have been some major system-wide drivers of expenditure that have been felt differentially across individual boroughs. Here we look at the impact of inspection, changes in court expectations and specific unfunded pressures.

Inspection

In 2014 Ofsted launched its Single Inspection Framework for children in need of help and protection, looked after children and care leavers. By 2018, when the four-year inspection cycle was complete, 95 local authorities had been judged as either inadequate or requiring improvement by Ofsted. Six of the 23 local authorities judged inadequate were in London.¹⁷ There is a very clear financial impact from being judged inadequate, which was highlighted in Isos' research for the LGA on securing improvement in children's services. Often, the local authority receiving an inadequate judgement will put in place a programme of rapid improvement that is supported through a significant injection of additional funding for example to increase staffing levels in core children's social care teams and invest in management, audit and quality assurance. At the same time, an inadequate inspection judgement often leads to high numbers of staff leaving the organisation to be replaced by agency staff at much higher cost. Local authorities may then carry the legacy of this rapid and significant increase in expenditure for many years.¹⁸ Looking at the data supplied through the London Councils survey it is striking that children's social care expenditure in the six councils that were judged to be inadequate under the previous framework was, on average, £474 per capita compared with £449 per capita in all other councils – 6% higher.

Changes in court expectations

A second system-wide factor contributing to increased spending in children's social care identified by the fieldwork local authorities was the changing trend in court decisions around permanency. A number of local authorities described a much higher bar in the courts for agreeing to adoptions than had previously been the case and consequently a more extensive use of Special Guardianship Orders as an alternative to adoption. There is some evidence for this in the data. Published statistics show that in London the percentage of LAC adopted during the year has fallen from 9% in 2015 to 6% in 2018. At 6% the percentage of LAC being adopted is only around half the national average and is by some distance the lowest regional percentage in the country. Over the same period, in London, the percentage of children who became the subject of a Special Guardianship Order when they ceased to be looked after remained more stable, dropping only slightly from 10% to 9%.¹⁹ This may have an implication for local spending as a number of local authorities suggested that Special Guardians were more likely to apply for financial allowances than adopters, with levels of payment often being pegged to local foster care rates. It is argued by some local authorities that increased use of Special Guardianship Orders may be one of the factors contributing to the rise in placement costs identified on p 17. However, it is also the case that SGOs may also be used as an alternative to long-term foster or residential care in which case the overall cost to the local authority might be less. This is an issue where more precise information is needed to cost the impact fully.

¹⁷ Ofsted, *Children's social care data in England 2017 to 2018*

¹⁸ Isos Partnership, *Action research into improvement in local children's services – research report commissioned by the Local Government Association, 2016*

¹⁹ DfE, *Children Looked after in England including adoption: 2017-2018 (underlying data)*

Specific unfunded pressures arising from changes in policy or responsibility

Just as the extension of responsibilities for SEND for young people up to the age of 25 have created an unfunded pressure in high needs expenditure, there are a number of areas where children's social care is facing its own unfunded pressures, albeit at a slightly lesser scale.

Perhaps the most comparable development is the extension for local authorities' responsibility for young people leaving care up to the age of 25. This duty was introduced through the Children and Social Work Act 2017 and came into force through statutory guidance in April 2018. It requires local authorities to provide care leavers with support from a Personal Advisor until the age of 25. Previously local authorities were only required to provide such support up until the age of 21, unless the care leaver was in education or training. The guidance makes clear that support may be of limited intensity and short duration, or more intensive and of longer duration based on the needs of the particular young person. Although the new duties have only been in place for a year, a number of local authorities were reporting a significant impact on increasing leaving care costs as a result.

The second area where a change in policy or responsibility has created a new unfunded pressure is around accommodation for young people on remand. The Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 introduced a new remand framework for 10 to 17-year olds. This places responsibility and the financial burden for accommodating young people on remand with local authorities. While LAs receive funding from the Youth Justice Board to meet these costs, boroughs to which we spoke in the fieldwork were clear that the funding pressures significantly exceeded the budget allocated by the Youth Justice Board. The key issue is that the level of offending and complexity of need is high resulting in longer remands and higher costs.

One local authority explained that the number of young people on remand awaiting trial is the highest for 3 years and the amount of bed nights occupied by young people on remand is at the highest level for 7 years. This is because the seriousness of offending by young people (including murder, GBH, and possession of drugs with intent to supply) results in them being on remand for longer awaiting trial. The complex needs of the young people in question are also leading to increased cost, for example two young people who were the subject of hospital orders for significant periods. The local authority estimates that the total expenditure for Youth Detention Accommodation this year will be in the region of £600,000 against a YJB grant of £117,000.

The broader policy and funding landscape

The previous section explored a range of cost pressures generated by system changes and policy developments within the areas of SEND and children's social care. This next section recognises the fact that both these areas of practice sit within a complex eco-system of broader public policy and spending and will be profoundly affected by them. Here we look at the impact on expenditure of broader public-sector austerity, the culture of inclusion within mainstream education, and asylum and immigration.

Wider budget reductions

Children's Services do not operate in a vacuum. The broader funding landscape in which they are situated has experienced a 63% real-terms cut in core funding from central government over the decade to 2020 – or a cumulative real-terms cut of £4 billion. In terms of overall resources, boroughs have around 30% less than they had in 2010.²⁰ While children's services have been relatively well protected compared with other areas of government expenditure, this broader climate of austerity is now beginning to have a knock-on effect across children's services. All the local authorities were

²⁰ London Councils - *London's local services: investing in the future*, 2018

very clear about the impact that public sector austerity was having on their need to spend, both in relation to SEND and children's social care.

In relation to local government's own spending on children's services and related areas, it has already been noted that the London-wide overspend on children's social care is being driven both by a flatlining budget and by increased expenditure. In practice this has meant that savings have tended to be found in non-statutory elements of the children's social care budget such as support for early intervention with families, or targeted and universal support for young people. One local authority described how their early help offer had seen five restructures in five years, forcing them to cut, among other things, a successful programme for working with the siblings of offenders. Across London, survey data suggests that between 2014-15 and 2017-18 spending on targeted and universal youth services fell by £10.5 million, or around 18%.²¹ Many of the fieldwork local authorities posited a link between this decrease in preventative spending and a growing cohort of hard to place adolescents entering the care system – a topic to which we return in more detail later in this research. Indeed, one DCS described the reduction in youth services as 'a catastrophe for young people'.

In terms of high needs, Educational Psychology and core casework functions will be funded not through the high needs block but through council general fund. A number of local authorities described the importance of having high quality assessments, timely reviews and effective decision-making and moderation to both deliver a good quality of support for children and young people with SEND and to manage costs. Where local areas have stripped back these core teams it can have a knock-on implication for expenditure on placements and top-ups through the high-needs budget.

However, it is not just local government spending that has been affected by austerity. Partner agencies such as health, schools and the Police are also very stretched, limiting the contribution that they can make to supporting children's services. Fieldwork authorities described the following pressures and their impact:

- Police funding reductions have led to a reduced police presence in some areas. Some local authorities felt that this might be one of the factors contributing the challenges in keeping young people safe from risks such as such as knife-crime, criminal and sexual exploitation of young people, organised crime and drugs-trafficking. The prevalence of some of these issues is contributing to a growing and highly vulnerable cohort of young people who are both perpetrators and victims of crime coming to the attention of children's social care.
- Clinical Commissioning Groups in health are struggling to manage pressures on their own limited budgets. This has meant that health investment in therapies for children on EHCPs are often insufficient. This contributes to the movement of children and young people out of the maintained sector and into more costly independent or non-maintained provision where these therapies and support are provided in-house. Similarly, securing a financial contribution from health into the cost of residential placements for children with EHCPs or with disabilities, where a significant proportion of the cost is generated by the health needs of the child, is variable.
- In mainstream schools cost pressures have led to a reduction in support staff and pastoral staff. This has directly affected the ability of schools to do the intensive work with individual pupils on SEN support that might reduce their need for an EHCP or might prevent a fixed-term or permanent exclusion in future. Increasingly, local authorities reported schools as seeing the securing of an EHCP as an essential route to funding for children with above-

²¹ Based on returns from 27 boroughs

average support needs. Similarly, some local authorities also commented that when a school had high numbers of pupils with EHCPs they might not be able to meet the first £6,000 in support for each child which falls within the scope of schools' base budgets. This could provide a driver or incentive for a mainstream school to seek a special school placement for a pupil, again leading to inflationary pressures in the system.

Over and above the budgetary pressures described above, fieldwork local authorities identified a lack of clarity in the financial and other contributions that health should be making to both high needs and children's social care and how such a contribution could be more consistently achieved. Our review of EHCPs across four boroughs revealed that in too many cases the health input into the plan was somewhat cursory, often just listing the health services engaged with the young person and who had commissioned them. Many local authorities described the inconsistency between local areas in the extent to which health colleagues were able to engage with children's services issues. To illustrate the inconsistency, in one authority all expenditure on therapies including speech and language therapies, occupational therapy and physiotherapy in schools were all funded through the high needs budget with no contribution from health. In another fieldwork local authority there was a fully integrated commissioning model for all therapies which pooled money from children's social care, the CCG and public health. This had led to improved access, reduced waiting times and better oversight of quality.

It was felt that too often good engagement came as a result of having a coterminous CCG and local authority, stability in key posts such as the Designated Medical Officer for children and the children's commissioning lead, and a history of good relationships between senior leaders in the CCG and the authority rather than because health responsibilities had been clearly defined and there was a mechanism for following up where these were not being fulfilled. In essence, securing a strong financial and service contribution from health was too dependent on local relationships and therefore variable from place to place. Such fragile arrangements, it was felt, were unlikely to stand the test of further funding pressures, even in areas where they were currently working reasonably well.

Inclusion in mainstream schools

Pages 20-23 above described a set of policy changes within SEND that have dramatically changed the high needs landscape. Equally important, however, have been a set of policy decisions in relation to qualifications and accountability in mainstream schools which have, arguably, had a significant impact on expenditure in both SEND and children's social care.

In recent years mainstream secondary schools have seen the introduction of Progress 8 and Attainment 8 as high-stakes accountability measures, combined with the development of the EBacc at GCSE. As argued in Isos' report on high needs funding for the LGA, these new accountability measures, taken together, have led to both a narrowing of the curriculum away from vocational subjects and towards academic subjects and have created a disincentive for schools to accept and sustain children and young people within mainstream education who make below-average levels of progress or start from a position of low prior attainment.²² Furthermore, changes to the curriculum, away from coursework and with a greater emphasis on examinations has provided an additional disincentive for inclusion. This has been reinforced, until recent changes to the inspection

²² Isos Partnership, *Have we reached a tipping point? Trends in spending for children and young people with SEND in England*, 2018

framework came into effect, by the very strong focus that Ofsted has placed on Progress 8 as a key determinant of a school's quality.

It must be remembered that nearly half of children with EHCPs are educated in mainstream schools, and the large majority of schools remain highly inclusive. However, for many headteachers the decision to deliver inclusive education is taken from a position of moral purpose and despite the countervailing incentives in the system. One local authority observed that children with Moderate Learning Difficulties (MLD) tend to be educated successfully in mainstream primary schools, but that around Year 9 there is an influx to out of borough special schools and INMSS as the curriculum (and the demands of Progress 8) become less achievable.

Nationally there has been a gradual movement of children with EHCPs out of mainstream schools and into more specialised forms of education which is estimated to have come at a cost of around £200 million to the high needs budget nationally.²³ In London there is a higher percentage of children with EHCPs educated in mainstream schools than nationally – 39% compared with 34% in 2017/18 and a correspondingly lower proportion in special provision. However, London has seen the same trend as the rest of the country in the reduction in the percentage of children and young people educated in mainstream provision compared with other forms of provision. In 2014/15 the percentage of children with EHCPs in mainstream schools in London was 49%, dropping to 39% by 2017/18.²⁴

Changes to the qualification and accountability regime in schools, alongside other funding, societal and demographic factors, have also contributed to a national rise in exclusions. While London has broadly followed the national trajectory in the reduction in the proportion of children and young people with EHCPs in mainstream schools, it has been slightly more successful than the country, as a whole, in stemming the rise in exclusions. In London the number of permanent exclusions grew by 22% between 2014/15 and 2016/17 compared with national growth of 33%. Over the same time period fixed term exclusions grew by 15% in London and 26% nationally.²⁵ Despite the fact that the rate of growth has been less in London than across England it is still a significant rise in 3 years. Interestingly, this has not had a direct impact on high needs expenditure – the spend on alternative provision placements has actually fallen by £1.26 million over the last four years in total. However, there are some individual boroughs where spend on alternative provision is having a very significant impact. There are four boroughs where expenditure on alternative provision has increased by more than £1.5 million over four years, accounting for between 23% and 80% of their overall increase in high needs spending.

The financial impact of children being out of school is not confined to high needs spending. A number of heads of children's social care described the strong protective effect that being in school has on children and young people, and how the impact on a family of a young person being excluded from school can be 'catastrophic'. In a number of cases the impact of exclusions (both fixed term and permanent) very reduced timetables, off-rolling and elective home education for highly vulnerable young people had precipitated crises that had led to children being taken into care. A powerful thematic review of vulnerable young people who had been engaged in gang activity, violent crime and at risk of criminal and sexual exploitation carried out by Croydon LSCB identified

²³ Isos Partnership, *Have we reached a tipping point? Trends in spending for children and young people with SEND in England*, 2018

²⁴ DfE, *Statements of SEN and EHC Plans: England*, 2018

²⁵ DfE, *Permanent and Fixed Period Exclusions in England: 2016 to 2017, Local Authority Tables*; DfE, *Permanent and Fixed Period Exclusions in England: 2014 to 2015, Local Authority Tables*

that 19 of the 60 young people who later became so vulnerable had experienced fixed term exclusions in primary school and all of those went on to receive a criminal conviction.²⁶

Asylum and immigration

The final area where the broader policy and funding landscape is having an impact on the need to spend in children's services is around asylum and immigration. Two of the more significant unfunded cost pressures faced by children's social care are the support and care provided for Unaccompanied Asylum-Seeking Children (UASC) and families with No Recourse to Public Funds (NRPF).

Nationally there has been a significant rise between 2014 and 2017 in the number of UASCs entering the UK and local authorities which took part in the fieldwork report that national systems for fairly distributing UASCs across the country are not operating efficiently. As London is a main destination for many UASC, boroughs argue that they have been disproportionately influenced by the recent rise in numbers. Indeed, data published by DfE shows that one third of all UASC are in London.²⁷ Data supplied through the London Councils survey suggests that the number of UASC in London has risen from 909 at the start of 2014-15 to 1,402 at the start of 2017-18, representing an increase of 53%.²⁸ Children are arriving on an almost daily basis and, therefore, in the current circumstances where the national system for distribution has stalled, the number of UASC cared for in London may well be higher than the 1,402 at the start of 2017-18. There has been a concomitant increase in expenditure of £8.6 million over the period.²⁹ Across London the total spend in 2017-18 on UASCs in the 28 boroughs that supplied data came to around £44 million. There is an agreement in place that number of UASC will not rise higher than 0.07% of a local authority's 0-18 population but in a number of boroughs, including some of those engaged in the fieldwork for this research, this threshold is being breached. This is particularly acute for Croydon (with 295 UASC in 2018) as it is home to the Home Office UK Visas and Immigration service. Boroughs which include large mainline train stations and airports also said that they had seen high numbers.

The impact of the rising numbers of UASC is not simply a question of direct costs. Local authorities have argued that one of the issues is that UASC block places in foster care and semi-independent living, making the local authority more dependent on higher cost external placements for the remainder of their LAC population. This is particularly an issue when local authorities are engaged in the process of contesting the age of an UASC which can take many months to be resolved. In such cases local authorities might be accommodating an adult at significant expense and using a place that may be needed for a more vulnerable child.

The issues around providing support to children and families with No Recourse to Public Funds (NRPF) are somewhat different. These are families whose immigration status means that they cannot claim the range of benefits normally open to people such as jobseekers' allowance or housing benefit. Often these will be families who have overstayed their right to remain or those who have been refused asylum and their rights of appeal are exhausted. The issue is that Home Office decision-making in relation to these families can often take months or even years, and in the meantime local authorities are responsible for children in any such families whose wellbeing is at risk. This can lead to local authorities having to find and fund accommodation for families with NRPF as well as a range of other support services. Evidence from fieldwork authorities also suggests that the system can be susceptible those seeking to take advantage of the provision in place and

²⁶ Croydon LSCB, *Vulnerable adolescents thematic review*, February 2019

²⁷ DfE, *Children Looked after in England including adoption: 2017-2018 (underlying data)*

²⁸ Based on survey data reported by 26 local authorities.

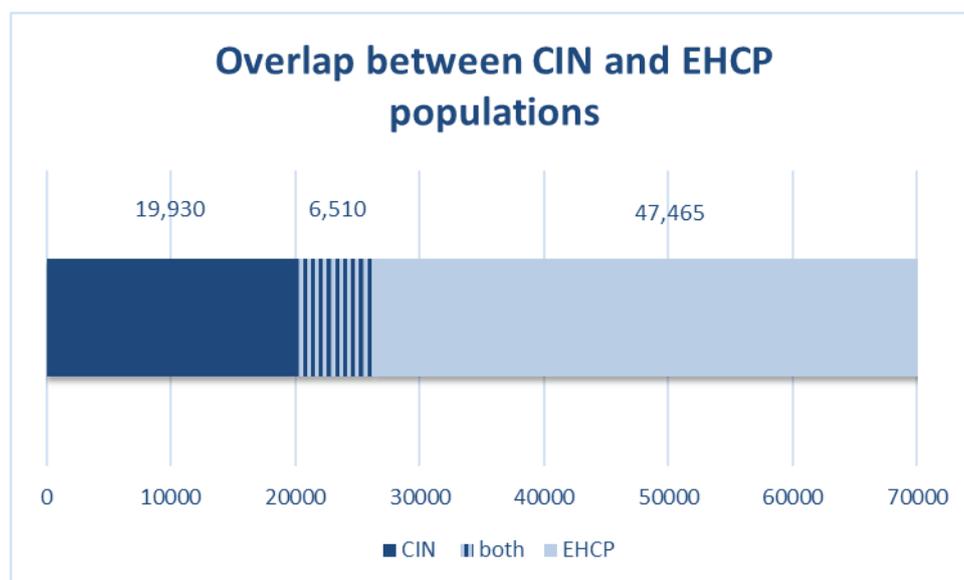
²⁹ Based on survey data reported by 25 local authorities.

considerable effort needs to be taken to distinguish between those genuinely in need from more opportunistic claims for support.

Data supplied through the London Councils survey shows that in 2017-18 children's social care direct expenditure on NRPF totalled £35.3 million across 28 boroughs that supplied data and a further £5.3 million was allocated in indirect expenditure on NRPF families. However, it is worth noting that such expenditure has actually reduced slightly over the last three years. In the 26 boroughs which supplied data across multiple years the total direct expenditure on NRPF reduced from £33 million in 2015-16 to £28 million in 2017-18, suggesting that local authority efforts to weed out bogus claims for support, and to work with the Home Office to speed up and facilitate decision-making are paying dividends. However, local authorities also refer to the fact that the burden of supporting families with NRPF can sometimes simply be displaced rather than really reduced. There is some anecdotal evidence that as procedures for working with families presenting as NRPF tighten up in one borough, presentations increase in other neighbouring boroughs and the issue simply moves around the system.

Demographic and societal influences

The following two sections have sought to describe how system, policy and funding changes both within and surrounding children's social care and SEND have led to increased need to spend. This section looks at the demographic and societal context in London within which children's services operates and the way in which these are compounding the spending pressures described above. It is worth reflecting that while we can think of children's social care and SEND as serving relatively discrete populations of children there is in fact a high degree of overlap, as shown in the chart below. This indicates that there are around 6,500 children and young people in London who are children in need *and* have an EHCP or statement of SEND, accounting for around 25% of the CiN cohort and 12% of the EHCP cohort.³⁰ These demographic and societal trends are therefore likely to influence both SEND and CSC spending.



Poverty

Data published by the DWP shows that, nationally, the percentages of children living in both absolute and relative low income (before housing costs) have grown between 2016-17 and 2017-18

³⁰ DfE, *Outcomes for Children in Need*, 31 March 2018; DfE, *Statements of SEN and EHC Plans: England, 2018*

and now stand at 18% and 22% respectively. Compared to the overall population children remain more likely to be in income deprived households.³¹ The correlations between financial disadvantage and risk factors associated with both SEND and the need for intervention by children's social care are well documented.

The extent to which individual London boroughs are affected by overall rising levels of poverty is quite varied. The Index Deprivation Affecting Children Index, based on data from 2015, shows that London holds both the highest ranking local authority in the country for childhood deprivation (Tower Hamlets) through to the fifth most affluent (Richmond) indicating that there is almost as much variety within London in terms of deprivation as there is in the country as a whole.

Furthermore, recent years have seen borough-level changes in deprivation. Data shows that in both inner and outer London that the percentage of children eligible for and claiming free school meals in primary, secondary and special schools has, in fact, declined fairly consistently. However, underlying population growth or losses in individual boroughs lead to quite significant variation between boroughs in whether the actual number of children and young people in schools eligible for free school meals is growing or shrinking. On average the cohort of children eligible for free school meals reduced by around 1,100 per borough between 2014/15 and 2017/18. However, that ranged from reductions of more than 3,000 children in some boroughs to increases of nearly 500 in another. A number of boroughs who were engaged in the fieldwork suggested that the nature of poverty has changed, with fewer families eligible for and claiming benefits, but with a very significant rise in working families living in poverty. They cited zero-hours contracts, low wages and employment instability as factors which not only contributed to poverty but also put tremendous strain on family life. It is very striking that in London, after housing costs, 35% of children live in households in the bottom quintile in terms of net equivalised disposable income compared with 28% of children in England. This is particularly marked for Inner London, where the percentage is 42%.³²

Mobile population

Associated with the changing patterns of poverty in London, many councils have attested to the impact that highly mobile at-risk families and young people have on expenditure, both in terms of children's social care and SEND. For some councils (particularly in outer London) inward migration from other parts of the London or the UK has also contributed to significant population increases which are mirrored by the number of children and young people requiring support and services. Budgets have not always kept pace with population growth.

In terms of children's social care, a number of fieldwork authorities commented that some of the most difficult and expensive looked after children to place came from families who had only recently moved to the borough and where there was no history of working with the borough's social work teams or with preventative / capacity building services. In one local authority, for example, an analysis of 20 young people who had been involved in knife crime, showed that 45% had only recently moved into the borough or were not currently living there.

In terms of how population mobility influenced expenditure on SEND, boroughs involved in the research highlighted two main trends. A number of local areas cited experiences of families moving to London from abroad with children with a very significant level of complex needs, having had little or no previous access to specialist support, teaching or equipment. Such children and young people often required a very significant level of investment, at least initially, to meet their needs. A smaller

³¹ DWP, *Households below average income: an analysis of the UK income distribution: 1994-95 to 2017-18*

³² DWP, *Households below average income: 2017-18, Children detailed breakdowns*

number of areas also put forward anecdotal evidence to suggest that some families with children with SEND had consciously moved into the area as it had a reputation for a high-quality offer for SEND and good local special school provision.

Housing

Historic issues related to the transiency of some families in London are being exacerbated by the lack of affordable family housing and very limited access to social housing. Some local authorities referenced the fact that action by their own housing departments in making families intentionally homeless, on account of rent arrears or persistent anti-social behaviour had a knock-on detrimental impact on their section 17 budgets in instances where they had to continue to fund temporary accommodation for the family as an alternative to much more disruptive and costly care proceedings. Although contributing only a small percentage of total spend, it is notable that Section 17 budgets were one of the more rapidly growing areas of spend across London, increasing by over £3 million pounds in four years – an increase of 24%.³³ Other fieldwork authorities, particularly those with low relative housing costs compared with the rest of London, referenced the fact that they frequently received vulnerable families with complex needs relocated from social housing in other London boroughs, thereby increasing demand for both CSC and SEND services.

Beyond the displacement of vulnerable families, described above, boroughs described a number of ways in which constraints around housing were driving up either demand or costs for children's social care in particular. Some local authorities commented that the number of families living in either temporary or unsuitable accommodation was putting significant strains on families' ability to cope and leading to more families presenting to children's social care in crisis. Other local areas felt that the scarcity of housing was impacting negatively on their ability to recruit in-house foster carers or to gain access to other forms of placement for looked after children such as semi-independent living arrangements. Finally, some local authorities felt that the high costs of housing in London contributed to a growing number of working families in poverty and the concomitant rise in deprivation-related issues. This is supported by the high proportion (42%) of children in inner London living in families in the lowest quintile of income *after housing costs*.

Medical advances

A relatively high proportion of fieldwork authorities shared either anecdotal evidence or data suggesting they were seeing an increase in the number of children in the early years with profound and complex needs (often SLD/PMLD, and related physical health conditions) whom they knew would require special school places and/or continuing support from the children with disabilities team. One borough said they used to have around five early years children with these needs each year but are now seeing around 20 per year. Another borough observed that the numbers of children requiring continuing care had increased significantly, from five children 10 years ago, to 30 children today. For example, they had seen a very big increase in the number of children with tracheotomies who needed 12 hours overnight care. A third borough had seen an increase of 35% in the cost of care packages for children with disabilities in just over a year leading to £1.1m overspend on that aspect of the budget.

A number of local authorities put forward the hypothesis that advances in healthcare for children born prematurely or with other complications meant that children were surviving life-threatening conditions in greater numbers and entering into the early years and school system with a range of profound and complex needs. The argument, put strongly by one borough, was that the effect of these children being in local special schools meant other children with less profound needs who

³³ Based on data supplied by 27 councils.

would previously have been in special schools were now being placed in units or mainstream schools.

Autism

Many of the local authorities which took part in the research felt that one of the key factors contributing to greater demand for support, both in terms of SEND and children's social care were growing numbers of children and young people either diagnosed with autism or with complex social, emotional and mental health needs. One fieldwork authority described an 'explosion' in the number of children with ASD in their borough. Data published by the DfE shows that nationally the percentage of children with EHCPs or on SEN support whose primary need is autism grew from 8.8% in 2016 to 10.3% in 2018. In Inner London, however, the rate grew faster and from a higher level rising from 9.9% to 12.7%. In Outer London the trend was slightly less marked but still above national averages, growing from 9.3% to 11.1%. One borough described how over 40% of the EHCPs they issued last year were for ASD with complex needs and that the waiting time for an autism diagnosis was now 2 years.

It is beyond the scope of this research to try and untangle the complex web of interactions which may be driving increasing levels and diagnoses of autism. Speaking to professionals from both children's social care and SEND they point to increasing professional and familial awareness of the signs of autism leading to rising diagnoses of previously unmet need; better understanding of how autism presents in girls leading to some rebalancing of the gender-bias in diagnosis; the higher prevalence of autism rates in some ethnic communities concentrated in particular London boroughs; and the potential impact of societal factors on gestational health such as the increasing average age of first time mothers within certain demographic groups.

The impact of the increase in the number of children and young people presenting with ASD or as their primary need is significant not simply because of the contribution these individual might make to the overall demand for SEND support or children's social care but because there is some evidence that these young people can be some of the hardest to place and consequently command the highest cost placements. Some local authorities also cited the financial impact of parents requesting particular therapies or interventions for children with autism, such as Advanced Behavioural Analysis (ABA) which can be relatively costly to deliver. It is worth noting that nationally 43% of all appeals to the SEND tribunal were for children and young people with ASD – both significantly higher than any other category of need and out of proportion with the percentage of children and young people with EHCPs for ASD.³⁴

Mental health

Alongside the apparent growth in autism, boroughs report a consistent growth in young people presenting with complex mental health needs. Although the percentage of children with SEMH as their primary need has remained relatively stable over time, professionals describe an adjustment since the Code of Practice was introduced with a move away from labelling purely behavioural needs among children and young people as a form of SEND, counterbalanced by an increasing trend in presentations for more complex mental health needs. Although data on children's mental health is not comprehensive, there are a number of sources of information which support this assertion. Information published by the NHS mental health benchmarking network in 2018 stated that "*Within community CAMHS, sustained increases in demand have been demonstrated through increased*

³⁴ Tribunals and gender recognition certificate statistics quarterly: July to September 2018 (SEND tribunal tables 2017 to 2018)

referral rates which have reached their highest ever level this year".³⁵ Similarly, a publication by the Education Policy Institute on access to children and young people's mental health services, based on responses to FOI requests, showed that the number of referrals to specialist children's mental health services has increased by 26% over the last five years.³⁶ One borough involved in our fieldwork estimated that mental health needs among young people had quadrupled in the last five years.

Despite the additional investment that has been made nationally in CAMHS services in recent years, the evidence suggests that demand continues to significantly outstrip capacity for support. The Education Policy Institute found that as many as one in four children (24.2 %) referred to specialist mental health services were rejected in 2017-18 and that these rates have failed to improve substantially over the last 5 years. For those young people who are accepted for treatment the report also found that "Many still face unacceptably long waiting times, and there are great disparities across providers." The longest wait for treatment reported by mental health service providers in England ranges from 188 days, to just 1 day. On average, children in London experience the longest wait for specialist treatment (64 days).³⁷ One of the boroughs which took part in this research reported a 9-month waiting list for CAMHS. The growing need for mental health support for children and young people, and the lack of capacity in specialist services or the community to provide such support, places a financial burden on both CSC and SEND services in attempting to address unmet demand and responding to crises in care and wellbeing that might have been averted had high quality support been available at an earlier stage.

A number of local areas also commented on the interaction between adults and children's mental health. Anecdotally, a relatively high proportion of children and young people coming to the attention of both SEND and CSC services live in families where one or both parents suffer from mental health conditions or learning disabilities. Local areas felt that they were witnessing increasing numbers of parents with mental health needs which were leading to growing demand for support from children's services.

Young people as victims and perpetrators of crime

The final important trend in terms of changing demographic and societal factors influencing spend in children's services is the increasing number of young people who come to the attention of children's social care both as victims and perpetrators of crime. The rise of 'contextual safeguarding' is a phenomenon which is being reported by children's social care services across the country. It refers to a shift in emphasis in which the imperative for children's social care is to keep young people safe not from their families but from themselves, their peers, and other harmful elements within their society or context. Arguably this is an issue which is particularly concentrated and acutely felt in London. To provide a sense of scale, one borough estimated that around 15 to 20 young people at any one time were at risk of contextual safeguarding issues including criminal or sexual exploitation, association with gangs or long periods missing from home, from education or from care.

A number of the local authorities that we engaged in this research reported that a large proportion of the children and young people becoming newly looked after were adolescents and that many of those were coming to the attention of children's social care for contextual safeguarding rather than traditional safeguarding issues. Some local authorities also observed that the impact on expenditure of increasing numbers of young people engaged in crime either as perpetrators, victims or very frequently both, will also be felt in the high needs budget through placements in alternative

³⁵ NHS benchmarking network, *CAMHS 2018 benchmarking project key findings*

³⁶ Education Policy Institute, *Access to children and young people's mental health services*, 2018

³⁷ Education Policy Institute, *Access to children and young people's mental health services*, 2018

provision needed for many of these young people. Data shows that, in London, the percentage of looked after children who are 16 or over increased from 33% in 2014-15 to 36% in 2017-18, which is more pronounced than the increase seen nationally.³⁸

Again, it is beyond the scope of this research to be definitive about why more young people are coming to the attention of children's services as victims and perpetrators of crime. Reports show an increase in knife crime among young people in London, and this has in turn been attributed to rising gang affiliation, the greater reach and impact of organised crime, the impact of poverty, reductions in police numbers and lack of investment in good quality youth provision and services. 'County Lines' drugs trafficking is a growing phenomenon which has its origins in big cities and reaches out into other areas of the country. Social care professionals also point to the impact of social media and the speed of communication in facilitating the recruitment and retention of young people into organised criminal activity. Croydon's published LSCB report into the cases of 60 young people who were both perpetrators and victims of crime also pointed to the missed opportunities to join up services and intervene more effectively at an earlier age as a contributory factor.³⁹ One of our fieldwork authorities had carried out a review of its LAC population and highlighted a number of cases where adolescents had been open to children's services multiple times (by referral, assessment, or a short period on a plan), and were then closed. They then came back into the system at a later date and went straight into care.

In terms of cost implications, this cohort of young people is significant because the placement options available are extremely limited and very high cost. A very small number of young people had even been turned down by secure accommodation as 'too high risk' leaving the local authority no option but to commission bespoke placements at very significant cost – in one case around £8,000 per week. Some of the constraints and challenges in the market for commissioning placements which contribute to this level of spending are discussed in greater detail in the next section. However, it is also worth noting that a number of DCSs and heads of social care were also quite open about the fact that they did not feel that local authorities had not yet found the right form of intervention, support and placement that would be most effective for these young people. Certainly, some of the traditional approaches, such as placing young people at a distance from their home communities in an attempt to disrupt locally based gang affiliations or membership of other criminal networks, had not proved successful in the majority of cases. Too often those young people either went missing or came back to the borough themselves, increasing their levels of vulnerability.

The market for providers and professionals

London is unique in terms of the number of local authorities concentrated into a relatively small geographical area. A large number of more or less independently operating commissioning bodies combined with rising levels of demand and limited numbers of providers in a concentrated geography leads to high levels of competition for placements for looked after children and for those with EHCPs. Similarly, in the market for professional staff, there are a lot of employers within easy commuting distance and a limited potential workforce in certain core professions which again increases the element of competition and drives rising cost.

Placements for looked after children

The data on children's social care expenditure and demand clearly showed that although across London overall the number of looked after children has reduced, the LAC placement budget remains the biggest area of overall expenditure and has made the most significant proportionate

³⁸ DfE, *Children Looked after in England including adoption: 2017-2018 (underlying data)*

³⁹ Croydon LSCB, *Vulnerable adolescents thematic review*, February 2019

contribution to rising costs over the last four years. Data shows that average weekly placement costs across London for LAC (non-UASCs) have increased by 14% in the last 4 years, from an average of £1,722 per week to an average of £1,969 per week.⁴⁰ It is also, perhaps unsurprisingly, the area of the children’s social care budget about which the DCSs and heads of children’s social care who took part in the research were most concerned.

Many of the local authorities ascribed the rising average cost of LAC placements to constraints and shortcomings in the range of provision available for looked after children and the way that the market operated. The table below shows the average weekly rates for different types of placement across London.

Provision type	Average weekly rate in 2017-18
In house fostering	£431
External fostering	£871
Internal residential	£2,575
External residential	£3,316
Semi-independent living	£856
Secure remand	£2,060
Secure welfare	£5,468

It is very clear that the balance of placements achieved by a local authority in terms of the different forms of provision will have a significant impact on levels of expenditure. A number of local authorities engaged in the research argued that a combination of limited access to large family housing, competitive recruitment and support packages from independent fostering agencies, and limited incentives to become a local authority foster carer had restricted their access to high quality and relatively low-cost in house foster carers. This left them relatively at the mercy of more expensive independent fostering agencies, exposed to higher average costs and with less control over the children who would be accepted into the placements and potentially less engagement in preventing the breakdown of placements in which there were difficulties.

At the other end of the needs spectrum, all the local authorities engaged in the fieldwork reported that the market for residential placements was extremely challenging and competitive. Local authorities described a market place in which good quality providers were able to be very selective about which young people they chose to take knowing that they would have no difficulty in filling their available places; paying for additional assessment, support or therapeutic costs over and above the placement costs has become the norm as local authorities know that if they refuse they are likely to lose the place to another local authority willing to pay the additional fees; and they routinely pay the continuing full cost (rather than a retainer) to keep a place open for a young person who is absent or who has absconded fearing that it will be extremely difficult and even higher cost to secure a new place when the young person returns. Boroughs indicated that the pressure of Ofsted inspection was leading providers to be more risk-averse in which children and young people they were willing to take, and some felt that the increasing privatisation of the residential care market and investment by Private Equity firms was also contributing to providers becoming increasingly selective in the young people they could accommodate. London Councils survey data indicates that average placement costs in external residential provision have increased from £2,690 per week in 2014-15 to £3,350 per week in 2017-18 – a rise of 24%.

⁴⁰ Based on returns from 22 boroughs. This is an unweighted average across all forms of LAC placement.

Local authorities identified various types of placement as being particularly costly and scarce. Secure placements were a particular issue, with some authorities paying upwards of £6,000 per week. Semi-independent living arrangements were also often challenging to commission, with a large unregulated market of variable quality and constraints in the housing market impacting on supply. One borough commented that they had seen a rise in the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. In the borough in question fourteen of the current semi-independent young people – or around 35% – were in placements costing between £1,100 and £1,500 per week. For some very specialised types of placement, for example for young people with highly sexualised behaviour, local authorities reflected that an individual borough was too small a footprint to be an effective commissioner, as they might only need one or two of a particular type of placement a year.

Given the constraints around the market for external residential placements, some local authorities, either singly or in partnership, are looking to grow or re-establish their own in-house residential provision as a means to ensuring quality and keeping children and young people within their home communities. However, in many cases increasing the capacity or creating new in-house provision is challenging in terms of finding appropriate and available sites in London and the scale of up-front capital investment required.

In the context of this very challenging marketplace, a number of joint commissioning arrangements have developed or are emerging in London with a view to giving local authorities more purchasing power and greater leverage in developing provision. Perhaps the most developed of these is the West London Alliance (WLA) which includes Brent, Barnet, Ealing, Hillingdon, Harrow, Hounslow, and Hammersmith and Fulham. The WLA has a focus on both LAC and SEND placements and has a significant programme of ongoing work which includes:

- Tendering for a framework contract for Independent Fostering Agencies and using the combined purchasing power to encourage IFAs on the framework to take a very pro-active approach to recruitment of carers;
- Working with residential care providers to encourage them to set up services in the north and west London area;
- An ongoing programme of price negotiations using collective purchasing power to try to achieve better prices;
- Tendering for an approved list of semi-independent providers with a focus on quality assessment given the lack of statutory registration and inspection in the market;
- Introducing an e-brokerage system (CarePlace) to comply with EU Procurement regulations and ensure enhanced market oversight;
- From 2018, setting up formal Dynamic Purchasing Vehicles (DPVs) to provide more effective management of the local placements market across the 10 boroughs; and
- Re tendering to expand the approved list of semi-independent providers.

This focused work is, according to some of the boroughs engaged in the West London Alliance, proving helpful as a means of more actively managing the market and beginning to have greater traction around costs. However, in other parts of London consortium arrangements are much less well developed and even the best constructed joint commissioning systems cannot shield local authorities from the most extreme effects of market competition.

Special school placements

For local authorities placing children and young people with EHCPs in special schools, a number of the same challenges, relating to limited provision and intensive market competition, apply. Most of the local authorities engaged in the research reported that the rising numbers of children with EHCPs and the increasing complexity of need explained in the preceding sections had left their local maintained special schools full. Many local authorities which had a relatively higher number of special school places also described the impact of neighbouring boroughs placing significant numbers of children in their schools. The options for local authorities when local maintained special school places are used up include expanding existing provision wherever possible to the limits imposed by the site, working with mainstream schools and academies to create units or resourced provision, applying to the DfE to create new special free schools and making increased use of independent and non-maintained special schools. There was evidence of all these actions being taken in the local areas we visited. One local authority described how they had incurred a £4 million overspend on the use of day placements mostly due to lack of available local provision. Without this overspend their high-needs expenditure would be largely within budget.

Evidence provided by the fieldwork authorities suggested that the market for independent and non-maintained special school places, whilst competitive, was perhaps not quite as liable to inflationary pressures as the external residential market for LAC placements. Certainly, the data does not show the same unit cost increases as can be seen in the residential LAC sector. Nonetheless, a number of local authorities described how increased dependence on high-cost provision INMSS created competition for places and drove up expenditure. As set out in relation to LAC placements above, local authorities explained how some INMSS had become more selective in the types of children and young people they would accept knowing that they would have no difficulty in filling places. Some INMSS were also engaged in shaping their own market by actively attracting parents of children with SEND whose needs they felt they could meet, by offering free assessment places.

Local authorities also described situations in which the costs for an individual child or young person placed in an INMSS would rise over time, not as a result of core placement cost increases, but because additional support and therapies were provided which were over and above the original plan set out in the EHCP and were charged back to the local authority. Too often local authorities did not feel able to sufficiently challenge these additional costs for fear of losing an established placement for the child. It is also worth noting that our review of EHCPs across a selection of boroughs showed that in many cases plans can be overly descriptive of symptoms and not specific enough about underlying needs, which means that they are not always a useful starting point for tightly commissioning provision.

It is striking that 33 boroughs which provided data reported a total of 237 young people across London with placements that cost more than £100,000 per year. This cohort represents just 0.4% of all children with EHCPs and costs boroughs at least £23.7 million per year.

Very hard to place young people

One of the most interesting insights afforded by this piece of research is what happens when the rapidly changing needs of the population collide with a somewhat unresponsive sellers' market for places. It was really striking that when professionals were asked which children and young people were hardest to place, the answer was very often the same, irrespective of whether the professional was speaking from a children's social care or SEND perspective: adolescent males with complex social, emotional mental health needs, possibly with autism or ADHD (both diagnosed and undiagnosed), presenting with challenging and sometimes violent behaviour. This is exactly the

cohort of young people who have been identified in rising numbers in the LAC, EHCP and Alternative Provision cohorts and is the group for whom there is not a strong system response or range of provision.

Some local authorities vividly described the difficulty in finding any kind of appropriate placement for young people fitting this description. One head of social care said that if such a case came in on an emergency basis, late on a Friday – which are the least propitious circumstances for finding a suitable placement for any young person – then commissioners might expect to contact 80 to 100 providers, across the whole country, before finding a placement that could meet the young person’s needs.

Professional staff

Finally, the competitive London market, with a multiplicity of buyers and limited supply also applies to securing professional staff. In children’s social care, a number of local authorities in London remain heavily dependent on agency staff. Overall, the total expenditure on agency staff in London has in fact come down quite dramatically in the last year from a peak of £127 million in 2016-17.⁴¹ However, this overall downward trend masks significant differences between boroughs. In the worst affected borough (excluding the city of London) the annual spend on agency staff trebled between 2014-15 and 2017-18. The increase in the use of agency staff can be particularly acute in local authorities which have recently received an adverse Ofsted judgement. The basic cost implications of employing high percentages of agency staff are well rehearsed, but DCSs also pointed to other indirect costs associated with poor retention of agency staff such as increased recruitment costs, instability in professional relationships with families increasing the risk of needs escalating or cases drifting and potentially a lack of incentive for non-permanent staff to consider how decisions they make around placements could affect the local authority’s financial position going forwards. Although there is a Memorandum of Understanding in place across London relating to the maximum agency rates a local authority will pay, many DCSs pointed to examples where this agreement had in effect been breached for example by advertising vacancy at higher rates and justifying this through describing the posts as part of ‘special teams’ or needing ‘enhanced skills’. A review has recently been undertaken of the MOU and a revised version is due to be agreed, seeking recommitment from participating boroughs.

Local authorities described some of the same pressures in recruiting and retaining Educational Psychologists (EPs) to work with children with SEND. A nationally documented shortage in qualified EPs combined with between-borough competition has led to a shortage of EPs in some boroughs. Furthermore, the increasing focus of local authority paid EP work on carrying out assessments and keeping abreast of the rise in EHCPs rather than working directly with children has made the role less attractive to professionals, some of whom are instead moving to work in the competitive and better paid private EP market to be commissioned by schools or in some cases directly by families to provide assessments and support to children independently of the local authority. For example, one borough described how they are reliant on agency staff for a significant proportion of their Educational Psychology team. They commented that schools would be keen to buy in additional support, but they have not yet been able to recruit more staff to fulfil this need.

Both these trends can increase a borough’s need to spend. Having an insufficiently staffed EP service impacts on a local authority’s capacity to intervene early with children showing signs of SEND to prevent the escalation of need and, importantly, to maintain the confidence of parents in the system. At the same time, the burgeoning private EP market, in some areas, can lead to assessments

⁴¹ Based on data from 27 boroughs

of need and recommendations for provision being provided to schools and parents which may not be sufficiently independent or well-informed about the range and nature of local provision on offer.

How local authorities can mitigate or reduce the cost pressures

The preceding sections have set out a range of factors which, across London to varying degrees, are leading either to increased numbers of children and young people requiring support from SEND services or children's social care or to more complex needs which are harder, and by implication more costly, to meet. However, differences between local authorities in both the levels and trajectories of children's services expenditure suggest that while many of these factors may ultimately be beyond the power of local authorities to address completely, there are nonetheless actions which individual boroughs can take which may serve to mitigate or reduce the demands on expenditure.

The following section identifies six areas of focus for local authorities seeking to mitigate or reduce cost pressures in relation to children's social care and high needs. These are leadership; achieving a strong grip on the system; early intervention; partnerships and pathway planning; commissioning, market shaping and developing provision; and creativity at thresholds.

These themes are illustrated by short vignettes of practice drawn from the authorities which took part in the fieldwork. The authorities were selected because they represented a broad range in terms of levels of, and change in, expenditure. We have taken the decision to include examples of practice not only from those authorities where there has been a demonstrable positive impact on overall levels of expenditure over time, but also from some of the boroughs facing the most challenging budgetary pressures, as we felt that reflecting this breadth of experience might be most relevant to other councils looking to address their own financial challenges. We have been guided by the fieldwork local authorities' views on elements of their practice which have either contributed to controlling cost and demand pressures or have the potential to do so.

Leadership

Effective leadership of the system is the bedrock which underpins all the other strategies detailed below. Leaders who had been effective in reducing cost pressures knew their populations and their services really well; they had created a culture in which staff could be creative and innovative, and make mistakes, but within a framework of strong accountability for outcomes; they personally invested in partnership building and led with moral purpose; they bore down on areas of redundancy in the system without losing sight of quality; and they advocated strongly within the council and beyond for maintaining an investment in effective preventative work and early intervention.

One of the particularly challenging aspects of addressing spending pressures in relation to SEND is that local authorities have been charged with the responsibility of managing within a finite budget and yet have been stripped of many of the powers which might make such a task possible. The most effective leaders have nonetheless made the most of whatever leverage is at their disposal to forge a collective sense of responsibility among schools and colleges for high quality provision leading to better outcomes for children and young people with SEND and shared ownership of the actions needed to address the budgetary challenges.

Bexley: Building collective ownership of SEND and inclusion

Bexley is a diverse local education and SEND system, with every type of school represented in a small, tight-knit outer London borough. A significant priority in Bexley over the last twelve months

has been to strengthen collaborative working across the local system. A new strategic partnership between the Council and schools has been launched, with two of four sub-groups focusing on SEND and inclusion respectively to ensure these issues are understood and owned by schools and the Council collectively, and new ideas can be co-produced. At the same time, Bexley and the local schools forum have focused on understanding the areas where high needs block resources are under pressure and how they should respond. This has resulted in a clear strategy for fostering inclusion and shaping local services and provision. Priorities include:

- building confidence and capacity in supporting pupils' emotional wellbeing and mental health needs in mainstream schools;
- maximising the impact and effectiveness of Bexley's offer of targeted support services (in which the Council has sought to protect investment);
- developing swifter routes for schools to access top-up funding for pupils with high needs; and
- re-shaping local specialist provision, both through ensuring the offer of resourced provisions reflects the changing needs of pupils in the borough and through pro-actively developing two new special free schools to create local alternatives to day placements in the independent sector.

Achieving a strong grip on the system

For both SEND and CSC carrying out child and family casework well, achieving a strong grip on decision-making, ensuring quality and monitoring outcomes play an important role in keeping unnecessary additional costs at bay. And the counterpoint is of course also true – that where local authorities lose their grip on core processes around assessment, decision-making, timely case management, reviews and sharp resource allocation costs can quickly spiral out of control. This is particularly the case when poor casework leads to parents losing confidence in the SEND system or statutory partners losing confidence in children's social care. In either case that loss of confidence can lead to much higher costs being incurred in an effort to bypass or shore up the central local offer of support, services and provision.

The hallmarks of a local authority which has achieved a strong and effective grip over its SEND system are a strong and suitably staffed SEN team; good processes around assessments, plans and reviews; multi-agency panels for moderating decisions around EHCPs and placements; an effective system for distributing top-ups; and an efficient process for commissioning and quality assuring places in special schools. Similarly, children's social care services with a good grip of their core systems tend to demonstrate good quality social work on a consistent practice model, with ratios that allow for sufficient time with children; active case management through supervision to avoid drift and enable decisions to be taken swiftly; strong panel processes around decision-making such as taking a child into care or complex place packages; and managers who know the detail of frontline practice backed up by strong delegated leadership functions. As one social work manager remarked "You can bring budgets down just by grip – good assessment, timely reviews, and reduced packages".

Reducing expenditure on NRPF in Lambeth

Lambeth has been successful in achieving very significant savings in their NRPF expenditure – reducing the total number of families being supported from 375 to between 40 and 50. Managers described this process as "all about resource management". They set up a multi-disciplinary team, led by social workers but also including housing, legal support and a finance officer. They developed stronger relationships with the Home Office and paid into 'Connect' – the Home Office system to support case management of NRPF. They changed the culture to avoid cases drifting and to speed up

assessments and decision-making. This included carrying out the assessment and writing it up on the day and completing background checks promptly. They also developed links with a wider circle of charities to support families in resolving their immigration status. Their ethos has been to treat families presenting as NRPF as vulnerable and to work with them to develop an exit plan and settle their immigration status. However, they are also ready to take cases to judicial review if they have a robust case. To date they have successfully discharged 68 families – 66 with public funds. They described the service now as “a steady and tight ship”. As a result of this transformation the service has saved £800,000 this financial year.

There was evidence from a number of local authorities that putting in place really thorough and robust systems to review every single placement (both SEND and LAC) and the associated costs could bear dividends in taking unnecessary cost out of the system. Greenwich commented that they had achieved savings in their looked after children placement budget by taking this forensic child by child approach. Lewisham described the impact that they had achieved in reducing costly post-19 places for young people with SEND in specialist provision.

Strong management of casework in Hillingdon

In terms of demand management, HARP (Hillingdon Access to Resources Panel) is regarded as a strength by senior managers and frontline staff. It is a good model in that it gives senior managers visibility of casework and frontline practice. Social workers and team managers receive feedback on practice and good practice is recognised by senior managers. Front line staff value it for the support given by senior managers. HARP ensures cases are tracked and that any drift and delay can be identified and tackled.

Good principles of budget management also underpin efficient and effective use of resources. Across both SEND and CSC this entails good systems of devolving budgetary responsibility so that senior managers and team managers know what their budgets are and the importance of managing within that envelope wherever possible; Management Information Systems that allow for reliable and accurate real-time tracking of the cost implications of placement and care-package decisions; and systems for effective payment of providers so that the local area becomes known as a reliable and financially secure partner with whom to work. As one head of children’s services finance explained “two years ago we made it much clearer to team leaders what each line of the budget was and how overspent it was – it was like a light bulb moment. You need to break it down so that so people can understand it and give a greater sense of how small decisions contribute to the whole.”

The implications of not getting this right were vividly illustrated by one local authority that was making the journey from an unfavourable Ofsted judgement of their children’s social care. Staff within the LA reflected how historically lax systems around making payments to partners and providers meant they were still contending with increased costs as foster carers were unwilling to be employed directly by the local authority and providers of residential children’s homes were similarly unwilling to take children, significantly reducing the breadth of places available and the negotiating power of the council.

Early intervention and prevention

There is strong qualitative evidence from the fieldwork authorities that putting in place good quality early intervention and preventative services can have a positive impact in stemming the demand for more costly children’s social care interventions or EHCPs for individual children and young people. However, we also know that in some areas this area of activity is coming under budgetary pressure.

A number of local authorities commented that without the continuation of the Troubled Families programme grant their ability to provide early help would be significantly diminished.

In terms of SEND, a number of fieldwork areas reflected positively on the impact of work to build an effective graduated response to SEND in mainstream schools, to develop the skills of SENCOs through clustering arrangements, and commissioning outreach support to help schools effectively maintain children with more challenging needs in a mainstream setting. In Lewisham the graduated approach is reaping dividends in terms of more inclusive schools, higher thresholds for assessments and subsequently lower levels of spend. The council has chosen to invest in a team of SEND practitioners who can provide this support to schools, so schools get the expert advice they need when they need it and are therefore less likely to apply for an EHCP unless it is really necessary.

In Kingston a much stronger focus on early intervention has been a key element of their strategy for reducing high needs expenditure, as well as increasing the quality of provision. They have established an Early Intervention panel which provides schools with quick access to time-limited funding designed to prevent needs from escalating. They are also working with schools to identify development opportunities for staff, particularly in working with children with needs that they had not seen before. Through this work they are picking up, and acting on, systemic issues relating to school performance in working with children and young people on SEN support. In Bexley they have introduced an early years' intervention fund and found that 70% of the children who receive this early support and investment do not need EHCPs at a later date. They have also continued to invest in a strong offer of central support services at a cost of around £2million per year because they have recognised that without this investment the demand for specialist and statutory support will simply increase.

In children's social care a number of local authorities had focused on the provision of an effective early help offer to work with families at risk of developing poorer outcomes and felt that this had helped them to manage costs in other areas. Lambeth, for example, reported a 25% reduction in referrals to CSC as a result of piloting a new and more targeted approach to early help. Many of the key enablers for an effective early help offer identified by the fieldwork authorities resonated with the findings of Isos recent report for the LGA on effective partnership based early help offers – setting clear outcomes and forensically analysing needs; purposefully engaging a broad range of partners and the community; working with families holistically and joining up services around the family; and a focus on strengths-based assessments and meaningful interactions with the family.

Developing early help in Greenwich

Greenwich has a strong, partnership-based early help offer in place that they believe is paying dividends in allowing them to identify needs earlier and prevent them from escalating. The offer operates at three levels – a universal offer delivered through children's centres and other partners; "Connect" which provides additional time limited support to families and is aimed at 'nipping problems in the bud'; and "Core" an intensive service delivered through multi-disciplinary units and targeted more directly at families close to the children's social care threshold. One of the important enablers of Greenwich's approach has been their investment in their workforce so that they are able to engage families in a different way and build their capacity and resilience. They put in place a systemic workforce development strategy which supports early help practitioners to engage with the whole family. Following an eight-day training programme, all early help practitioners are now Systemic Focused and Trauma informed – this has completely changed ways of working. A second important plank of their strategy has been developing partnerships both with statutory partners and in the community. For example, they have a longstanding partnership with Charlton Athletic Football

Club. The Club has been mentoring young people in Greenwich, in some cases for as long as eight or nine years continuously. Greenwich is clear that having this kind of stability and continuity of support for some young people is absolutely critical.

Partnerships and pathway planning

Across both children's social care and SEND there are strong examples of local authorities working with a broad range of partners, including statutory partners such as health and schools, community partners and parents to jointly own some of the challenges which can lead to increasing expenditure and co-develop solutions which are based on more effective and better value for money pathways for children and young people.

In a number of local authorities, schools were working constructively together, through Schools Forum, to develop more secure and collectively owned approaches to funding the support for children and young people with EHCPs in mainstream schools. For example, in Kensington and Chelsea the high needs reference group – a sub-group of the Schools Forum- is proving a useful mechanism for enabling school leaders to gain a clearer understanding of the financial pressures affecting the high needs block. This is contributing to strategic consideration of and developments in the way school's forum allocate high needs funding. For example, headteachers have been involved in a review of arrangements for the use of targeted support and there is evidence of emerging collaboration to manage cost pressures.

Schools working in partnership to develop new pathways for children with SEND in Lewisham

In Lewisham, the Schools Forum have led a significant review of all top-up arrangements which has resulted in consistent banding descriptions being agreed across all schools (both mainstream and special). Decisions about top-up levels are taken on the basis of the needs of each individual child, based on the banding descriptors but with flexibility to reflect individual differences, and these decisions are moderated through a multi-agency panel which meets weekly. Although it is still in its early days Lewisham believes the new approach is encouraging schools to think differently and more creatively about how they can use top-up funding to best support the needs of the child. As part of this process, Lewisham has also worked with all its special schools to develop individual pathways for young people around challenging behaviour, PMLD, SLD and more able. This enables placements to be made which better fit children and young people's needs and builds the confidence of parents in the local special school offer.

There were also examples of local authorities working across SEND, children's social care, adults social care, colleges and post-16 providers to improve pathways to adulthood for young people with more complex SEND. For example, in Greenwich they have been working with parents of young people post-19 with very complex needs who are no longer making educational progress but whose parents want an alternative to day care. They are therefore looking to develop a range of alternative learning pathways which are not delivered through educational institutions but will still enable young people to progress in their personal development. These will be overseen and funded by adults social care. They have also invested for training for parents to support transition for young people with SEND and additional training for the parents of young people with autism or behavioural difficulties so that they can manage their behaviour effectively as they get older, grow bigger and move through adolescence as this is often the time when families find it increasingly hard to cope with very challenging behaviour.

Developing pathways to adulthood in Kingston

A key focus of developing the range of post-16 options available in Kingston has been on creating routes to independence and employment. This has been a significant area of development and focus in recent years. The borough now has a growing percentage of young people with SEND on apprentices through a range of different employers. To support this work the Planning For Adulthood team meet with every young person with an EHCP in Y10 and Y11 to discuss the range of options that are open for them. They also host a 'marketplace' event which showcases the extent of opportunities and gives young people and their families the opportunity to ask questions and gather information. They have put in place a joint panel with adults and children's social care to consider all young people approaching transition for whom there is a risk.

Although joint working with health to support children with SEND or known to children's social care was quite variable across boroughs, there were nonetheless some examples of very good practice. In Lambeth, for example, they had secure tripartite funding and decision-making processes in place for complex placements (across health, education and children's social care) allowing the cost burden to be shared more equitably and responsibility for reducing costs where possible to be owned collaboratively. In other boroughs they were making progress towards having a secure system in place, for example in Kensington and Chelsea the local authority and health were working constructively together to secure the continuing care input to specific placements. There were also some examples of effective joint commissioning with health. For example, in Greenwich all therapies had been jointly commissioned with the CCG and public health and they had also jointly commissioned a tier two CAMHS service to work in schools which was proving effective at supporting children and young people with lower level mental health needs.

Finally, a number of boroughs were also looking at how a more partnership-based offer could help them provide a different type of support to vulnerable and at-risk adolescents. In Richmond, for example, they had invested in a new service, through pooled budgetary arrangements. The service comprised 45 practitioners, made up of 12 social workers, police, health, probation and youth justice whose role was to work with young people at risk to support them to make positive choices, keep them safe, and engage them in constructive activities that build their skills, capacity and resilience. The service has been in place for 12 months, and the borough believes it is having a really positive impact on the young people with whom it has been working.

Commissioning, market shaping and developing provision

Local authorities were clear that having skilled commissioning teams in place provided greater opportunities to negotiate on price, shape the market and develop the quality of the provision. For both children's social care and SEND, having a well-evidenced sufficiency strategy in place which identified the quantity and range of provision that would be needed going forward, to highlight gaps in provision and to support strategies to actively shape and influence the market was an important pre-requisite.

In Greenwich they described the work they had done to maximise the contribution commissioning teams could make to both improving quality and managing costs in children's social care placements. They had trained all their commissioning workers in negotiating skills and this had become a core part of their role; they had cultivated strong relationships with a group of good quality providers to understand from them how the relationship could be strengthened and made to work effectively as possible; and following feedback from providers they worked with social workers to improve the ways in which they would make referrals so that providers received the most holistic picture possible of the young person to allow them to tailor the placement that they could offer. Commissioners felt that producing better, more rounded referrals was having an impact in reducing

the need for providers to 'cost in' services for risks or behaviour patterns that they did not fully understand. Feedback from providers suggested that having information upfront about trigger points that might lead to behavioural incidents as well as information about strengths and positive incentives that could be used to motivate young people made it more likely that they would put the right support and frameworks in place from the outset and prevent placement breakdowns.

The majority of the boroughs engaged in this research were also engaged in sub-regional commissioning arrangements either for CSC or for SEND, or for both. Most councils also utilised London Care Placements as a mechanism for joint negotiation around costs, with one borough saying this was helpful in providing a notional ceiling for placement costs. Individual sub-regional groupings were at different points in their development, with some being very well established and others in their infancy. Many local authorities view the sub-regional arrangements as having real potential to address some of the weaknesses in the market. For example, the North East London Commissioning Programme, funded by the DfE Innovation Fund, is a collaboration between Havering (as the lead authority) and seven other boroughs. It is delivering a new model to commission residential beds in North East London, with a view to increasing sufficiency by up to 35 beds. Another borough commented on the potential for sub-regional arrangements to enable the market to evolve to meet need more effectively by providing joined-up data around numbers of children and young people with different types of need. Those boroughs which had been engaged in the better-established joint commissioning arrangements were convinced that collaboration between boroughs was essential to achieve better management of the market, greater economies of scale and improved quality of outcomes. However, they reflected that collaboration and partnership arrangements have to be fully resourced if they are to succeed. They also reflected that too often immediate pressures of the job, or issues of political or managerial 'sovereignty' could take precedence over attention to serious, focused and effective collaboration.

Boroughs also recognised that, in addition to securing a good range of high-quality placements through effective commissioning, part of the strategy for stabilising LAC placement costs must be preventing placement breakdown, or the escalation of needs within placements that have to be funded at ever high levels of expenditure. Hackney, for example, recognised that second and subsequent placements tend to be progressively more costly. They therefore put in place a placement stability strategy whereby the agreement of the Head of Service is required when units request a placement change; there is more active monitoring of placements in the initial phases – placement planning meetings are taking place within 5 working days of a placement being made so that placement needs are identified and supported and therefore placements are less likely to break down; and placement stability meetings are held to prevent breakdown of fragile placements.

An important element in developing the market is creating additional provision where capacity is insufficient and needs are not being met. At the specialist end of the market most of the boroughs engaged in the research had either opened, or were considering opening, new special free schools and/or new in-house residential children's homes to ensure that they had sufficient capacity and were less at the mercy of competitive market forces. However, perhaps more interesting is the work that local authorities were doing to create provision that enabled needs to be met in a less intensive and costly way. In terms of creating the right provision for children with EHCPs, many boroughs had created a range of specialist units within special schools, also called enhanced resourced provisions, in order to better meet the needs of children and young people who required more support than could be offered in a mainstream school environment. The effective use of such units can alleviate the pressure on special school or INMSS places. However, as Barking and Dagenham argued very persuasively, the key to ensuring that this type of provision both maintains quality and contains

costs is by having really tight commissioning arrangements in place so that, over time, the units can change focus, reduce or increase places and be really responsive to fast-moving needs. Without these strong commissioning arrangements in place there is a risk that units can simply become filled with children who would otherwise be successfully educated in mainstream classes.

Merton: Re-shaping the offer of local specialist provision to meet changing local needs

Merton places a higher proportion of pupils with EHCPs in independent and non-maintained special schools, outside the local area than is the case on average nationally and across London. The Council undertook a piece of work to understand this profile and the factors contributing to it. They found that the majority of pupils were placed in independent day provision outside the local area due to there not being enough places available in local specialist provision. They also analysed the needs of the cohort of young people placed in independent day provision and found that most of those pupils had needs relating to autism and/or social, emotional and mental health needs. To address this, the Council are doing four things. First, they have worked with the three local maintained special schools to help them to shape their offer so that they are better able to support young people with the most complex needs, including those needs that are leading to pupils currently being placed outside the local area. Second, they are working with mainstream schools to develop some new additionally resourced provisions and to build inclusive capacity. Third, Merton is playing an active role within the South West London Partnership's dynamic purchasing system to ensure that where they are placing pupils in the independent sector, they are commissioning placements effectively and efficiently. Fourth, Merton are considering and seeking to strengthen their internal processes to ensure that decisions about placements are taken consistently, robustly and effectively with joint involvement of education and social care.

Within the remit of children's social care, good quality lower cost provision which enables children and young people to be kept within their communities often entails the development of additional in-house foster care capacity. This was a challenge in many boroughs, and consequently some had invested in targeted campaigns or approaches to address the issue. In Hackney, for example, they had developed a strategy around in-house foster carer recruitment, retention and training to reduce reliance on agency carers. As part of this they were working with the North London Adoption and Fostering Consortium to pool recruitment and training activity for foster carers and share placements. The strategy had resulted in above average numbers of foster carers recruited and below average foster carers deregistered in the year compared with statistical neighbours.

A number of boroughs were using the 'Mockingbird' approach to support in-house foster carers with some positive results in terms of making the in-house offer more attractive to potential foster carers and growing the resilience of existing foster carers. As one local authority described it, this approach aims to create a well-functioning extended family of in-house foster carers with hub foster carers at the centre of a constellation of satellite foster families. The hub foster carers can make delegated decisions about support for satellite carers and are responsible for developing meaningful relationships between the satellite carers, for example all foster carers and children in the extended family come together once a month. Children in foster care also benefit from regular overnight stays with hub foster carers who can also provide emergency respite.

Creativity at thresholds

The final dimension of good practice that this report explores is the creative and innovative work done by local authorities and their partners to develop good quality alternatives to the highest cost placements, be those in SEND or CSC.

As set out a page 22 above, one of the key drivers of high or increasing expenditure on high needs is the use of INMSS placements. For many of the boroughs engaged in this research, work to reduce high numbers of children in INMSS had been a key part of their strategy to contain high needs expenditure. In Lewisham, for example, they worked closely with families who wanted their children to stay close to home to develop creative and more bespoke packages of support within local special schools. In Barking and Dagenham a long-term strategy of ensuring decision-making around INMSS was right, tighter commissioning around time-limited and outcomes focused placements, and working with families to bring children back at points of transition led to the reduction of INMSS from 73 to 39 over four years and savings of around £4million.

Reducing the use of INMSS places in Kingston

Kingston have had a strategy in place for the last 3-4 years to reduce the proportion of their children and young people with EHCPs educated in INMSS. The strategies they have employed to achieve this include establishing robust panel decision making over all INMSS placements, engaging in much earlier conversations with parents about the range of provision on offer, selling the benefits of mainstream and maintained special education, developing stronger transition pathways into Y7, developing the quality of education in their special schools, expanding the special school provision and investing in new enhanced resource provision, and achieving strong buy-in from both special and maintained schools. A specific strategy that helped secure the buy-in was carrying out joint visits to INMSS providers where Kingston young people were being educated. This helped schools to see how they might provide a high-quality offer locally at a reduced cost which would better meet the needs of those young people currently educated out of borough. These combined strategies led to a reduction in the use of INMSS from 17.6% to 9.2% of children with EHCPs.

Another area of attention for a number of boroughs, which had the potential to reduce both children coming into care and residential placements for children with EHCPs was the more imaginative use and recommissioning of short break and respite provision. For example, in Lewisham they had recommissioned the short breaks offer towards meeting the needs of young teenagers and those with behavioural issues. They had also added a mentoring provision to the short breaks framework. The commissioning team in Greenwich worked with the voluntary sector and parents to recommission a short break offer that better met the needs of local families. They increased the number of short breaks providers from 3 to 9 providers, developed a better range of short break options for young people with ASD and/or complex needs, and created a new core offer of 100+ hours with greater flexibility around overnight and weekend respite.

Ealing: Intervening early with hard to place young people

Building My Future is a 2-year DfE Innovation funded project that is developing an evidence-based model for intervention with those aged 11-25 with complex SEN and mental health issues including autism. It is based around an established and successful Ealing model ITSB (Intensive Therapeutic Short Breaks) already tried and tested with a much smaller group of young people on the edge of residential care. The model is being rolled out to include those with complex emotional and behavioural needs in mainstream schools to prevent placement breakdown.

As set out at page 17 above, a number of local authorities across London have been successful in achieving a reduction of children coming into care as well as reductions in the use of the highest cost placements. In general, this has been achieved through good quality family-facing social work, tight management of care decisions and innovative edge of care services. Many local authorities were using strategies such as family group conferencing and the PAUSE project to explore alternatives to

care. Some were also trialling new approaches to working with emerging and hard to place cohorts, through innovation funded pilots. For example, Hillingdon was successful in a bid to 'What Works' to develop an additional 'edge of care' service called the 'Adolescent team' – eight workers have so far worked with 73 young people since December 2018.

Leaders in Greenwich described their approach to the careful and sustained reduction in looked after children as combining the following elements: empowering social workers as agents of the change process; developing models of practice of direct work with children; commissioning external support for families for a time-limited duration to get through a crisis (for example commissioning a two day home visit can sometimes be enough to reassure a family and social worker about inherent strengths); working with partners to consider whether care is the best option or whether it is possible to hold risk in the community in a different way.

Supporting children on the edge of care: Havering

Havering is bucking a national trend by reducing the total number of children in care over a sustained period. This has been achieved by supporting children and families with intensive support – through the Families Together team, which launched 2 years ago. The Families Together team provides intensive support to children and families where family breakdown may occur and result in a child becoming Looked After and taken into the care of the local authority. Workers in the Families Together team form relationships with families and support them to find and build on strengths in the family. Their work is purposeful, planned and time limited and separate to that of social workers in the council's social care service. The aim of Families Together is to work face-to-face with families and "de-escalate" safeguarding concerns. In tandem application of thresholds has become more robust, and the multi-agency approach to care planning and subsequent reviewing and permanency planning is becoming more focused and quicker.

A further aspect of the overall approach is Havering's Face to Face Pathways programme which is funded by the Department of Education as part of their national innovation programme. It offers a multi-agency (systemic) service for 11-24 year olds, through a co-produced framework to transform outcomes for young people in care and Care Leavers. As the name suggests, the emphasis of the programme is to move social workers from behind the desk and create the capacity for more face to face interaction with children on the edge of care, in care and leaving care. The in-care strand (Pathways Carers) provides intensive, systemic support to foster carers to look after the most vulnerable young people who may otherwise be placed some distance away in IFAs. Leaving Care is redrawing the pathway planning process for Care Leavers, placing Pathway Coordinators into other agencies and pushing young people to the fronts of queues, basing services on need rather than eligibility criteria. Finally, there is focus on more traditional edge of care strategies, such as family group conferencing, supported through the innovative use of predictive analysis to identify children with whom they can intervene earlier and better.

Whole borough case studies

The examples above describe a range of initiatives being taken by individual boroughs that have the potential to mitigate, or in some cases reduce, the cost and demand pressures being felt by children's services. In a number of our fieldwork local authorities there was good evidence to show how a strategic and concerted response to managing expenditure, which focused on many of the themes described above, could pay dividends in the medium term. In this section we aim to illustrate how boroughs have constructed a holistic response to the pressures of increasing demand and expenditure in children's social care and high needs. Although several of the boroughs which

took part in the survey could demonstrate this joined up and strategic approach to managing expenditure, we have chosen to profile two: Barking and Dagenham which combined lower than average per capita expenditure on high needs with an increase of per capita expenditure of just 3% over four years – one of the lowest in London; and Ealing which has achieved a 8% reduction in per capita expenditure on children’s social care over the last four years and per capita expenditure levels that are slightly below the average for London.

Re-shaping support for young people with SEND and high needs in the London borough of Barking and Dagenham

Barking and Dagenham is a rapidly growing outer London borough. It has seen a rate of growth in its pupil population that is three times the national average and twice the average rate for London. Six years ago, in 2013-14, the borough recognised that it was facing significant demand pressures, which, if left unchecked, were projected to result in a large overspend on the high needs block.

To address and manage this challenge, the Council adopted a multi-faceted strategic approach to how the local area – the Council and its key partners across education, health and care – supported children and young people with SEND and high needs. There were five key elements to this.

1. **Establishing some common core principles** – first, the Council worked with local education leaders, from both mainstream and specialist settings, and partners to agree some common core principles about collective responsibility for young people with SEND and high needs, the importance of meeting needs in mainstream settings where this could be achieved, and the aspiration to support those young people within the local area where possible.
2. **Ensuring collective ownership and leadership of the work on high needs funding** – the Council put in place a more robust set of decision-making processes. A high needs block working group, chaired by a current headteacher, was set up as a sub-group of the schools forum to ensure transparency and collective ownership of the challenges of managing high needs block expenditure and ensuring it is used effectively. A lead professional for the high needs was appointed to ensure that there was a clear and central point of leadership and a strong “grip” on the high needs block. The lead professional holds single oversight of the high needs block, working closely with the Council, schools forum and partners.
3. **Pro-actively building inclusive capacity across the borough** – the Council put in place measures to build inclusive capacity in mainstream settings and schools and ensure there was swift access to practical support around inclusion. For example, mainstream schools received a one-off investment of devolved funding to build their inclusive capacity. There are also well-established processes to route additional funding to schools with relatively high proportions of pupils with SEN and to provide top-up funding to schools for pupils with high needs but without an EHCP. There has been a continual investment in training and a strong focus on building understanding and skills around SEMH needs, particularly in the primary phase, where levels of exclusions remain very low.
4. **Adopting a forward-thinking, responsive approach to commissioning specialist provision** – the Council have developed a strong and extensive offer of additionally-resourced provisions (ARPs) in the local area. These are commissioned through a formal service-level agreement (SLA), with a clear understanding that the nature and/or focus of the ARP may need to change over time to reflect local needs. The Council argue that the development of ARPs has been crucial to being able to support children with more complex needs in local specialist provision. The Council have also developed a new approach to projecting and planning future demand for places in specialist provision, either special schools or ARPs, and has worked with the EFSA to open a new special free school in September 2019 to help meet demand.

5. **Taking a forensic approach to deciding on placing young people away from the local area** – a key part of the new approach was reducing the need for placements in special schools outside the local area. Out-of-area placements had reached a high of 73 in 2013-14, with the Council making 15 new placements annually. The Council did three key things. First, they homed in on out-of-area placements being made straight from mainstream schools. Second, they put in place sharper, outcomes-focused contracts when making placements, with clear exit plans and transitions criteria. Third, they focused on children coming up to key transition points, and worked on developing alternative, local packages for those children. At the same time, the Council also took a pro-active approach to negotiating fees for both existing placement and new placements with INMSSs, creating mutually beneficial, pragmatic and mature relationships with providers. Over three years, the number of children placed outside the borough due to a lack of alternatives within Barking and Dagenham reduced by almost 50%. Whilst continued growth in the borough and increase in demand is seeing numbers placed out of borough start to rise, levels remain significantly below the 2013/14 figure. The opening of the new special free school should help to ease demand and maintain local provision.

Looking ahead, the Council and its partners have plans to build on this work, by:

- streamlining top-up funding;
- developing an approach to enable mainstream schools to work together to develop specialist expertise and inclusive capacity within clusters, designed to provide an additional form of support between the core offer of mainstream inclusion and the APRs;
- implementing a programme of work to build awareness, understanding and skills around supporting young people with autism, building on the work the council has undertaken around SEMH;
- developing a programme of post-16 placement reviews, building on the child-focused, outcomes-orientated approach the Council used to strengthen the commissioning of out-of-area placements for school-age children; and
- undertaking a review of local alternative provision and how best to foster school responsibility for pupils placed in AP.

Leaders in Barking and Dagenham reflect that the context remains challenging – both in demand for support and the population growth in the borough – but that the actions taken in 2013-14 and since have ensured the borough is not facing a far greater set of challenges and pressures than it would have otherwise. They argue, however, that even having taken these measures they are still experiencing the same rise in demand pressures as other London boroughs and indeed local areas across the country.

[Keeping children out of care and close to home in the London borough of Ealing](#)

Ealing is the third largest and third most diverse borough in London with a growing and youthful population. Over the last decade the council has witnessed a 30% rise in the birth rate coupled with significantly declining budgets – since 2010 children’s services have absorbed an overall reduction in their budget of 64%. To address this challenging context, Ealing has put in place a comprehensive strategy to influence and safely manage demand for children’s social care whilst at the same time ensuring that all interventions commissioned internally and externally are effective, safe and evidence-based. This has resulted in a reduction in the number of looked after children by 4% in four years, despite the fact that over the same period the number of UASCs has doubled from 24 to 51. Per capita expenditure on children’s social care has also reduced, by 8%.

Ealing's transformation of its service has been based on the **Brighter Futures** programme. This was introduced in 2014, following a successful DfE Innovation Fund bid, and was piloted for two years before being fully rolled out in 2016. The programme focuses on transforming the offer of support to children and young people in care and on the edge of care and aims to ensure that more children and young people are able to stay safely at home, and those who are taken into care are placed locally and in family environments, wherever possible, to support better stability of placements. The consequent reduction in placement costs are being reinvested in more effective early help and preventative services. Key elements of the Brighter Future programme include:

- **Developing a comprehensive and evidence-based early help offer** by building capacity in universal and community-based services to provide universal and targeted support; focusing early intervention services at those with the greatest need and developing community-based services to help young people on the edge of care to stay local.
- **Reorganising children's social work teams to enable more purposeful and consistent work with children and young people and their families.** The new multi-disciplinary teams comprise a range of core professionals including social workers, teachers, psychologists, youth workers and outreach workers. The teams have smaller caseloads that enable them to build consistent, responsive and positive relationships and to work intensively with the young person and their family or foster carer and remain with them throughout their journey, even if their status changes.
- **Developing the range and quality of local placements for looked after children** by recruiting more foster carers into the in-house service using word of mouth and local campaigns to attract interest as well as providing higher levels of support and training, in particular those caring for children with more challenging behaviour; working closely with regeneration, housing and independent housing providers to increase local supply of semi-independent and independent accommodation for young people leaving care, including the increased cohort of unaccompanied minors; developing creative approaches to increase existing local foster carer capacity including adaptations and extensions to foster carers homes and options to provide affordable accommodation for their adult children to move on allowing them to take other looked after children; and working with IFAs to extend in-house foster carer support services to carers that they recruit.
- **Working to bring young people in "at a distance" residential placements back to the local area and where possible placing them in family settings** where this is in the best interests of the young person. There are currently only 17 young people in external residential placements.

In addition to developing its own transformation programme, Ealing is convinced that the key to unlocking further reductions in demand and expenditure lies in collaboration between London boroughs. Ealing is a core member of the West London Alliance which is supporting the eight member authorities to commission more effectively, reshape provision, improve quality and establish strong relationships with providers of placements.

Ealing is also part of the West London Social Work Teaching Partnership (WLSWTP) which brings together 8 local authorities (Ealing, Harrow, Hillingdon, Hounslow, Brent, Westminster, Kensington and Chelsea and Hammersmith and Fulham) and two universities that are part of the University of London (Royal Holloway and King's College London). The aim of the Partnership is to create a learning environment across the West London region that promotes excellence in practice leading to

positive outcomes for children, adults and local communities. Ealing also became a Partner in Practice authority from April 2018. This provides a welcome opportunity to contribute and learn from national best practice as well as continuously improve local practice to improve outcomes for children and families.

Despite the very significant progress that has been made in managing demand and costs in children's social care, the future looks challenging. Ealing's children's services have to find an additional £6 million in savings over the next 3 years. These savings targets are based on further reductions of looked after children and children with EHCPs, a reorganisation of the fostering service and a review of children centres. This includes re shaping provision to meet the underlying drivers of demand more effectively such as domestic violence, substance misuse and mental health at an earlier stage. It also includes detailed review of current initiatives to get a clearer evidence base of effectiveness. This work on demand management aims to continue to reduce the impact of significant budget reductions over the next 3 years.

However, the reducing financial envelope is leading to increased risk. In particular leaders are concerned about:

- the financial sustainability of the Brighter Futures programme which has contributed significantly to the delivery of strong social work practice, reductions in the number of looked after children and good staff retention.
- The implementation of a coordinated and effective model of contextual safeguarding and challenges relating to serious youth violence.

The limitations of what local authorities can achieve

The preceding sections describe the range of strategies and approaches that local authorities and their partners have put in place to mitigate, limit and in some cases reduce the demands on children's services and the need to spend. It is clear that what local authorities do, and how well they do it, can and does make a difference to levels of expenditure. However, there are also structural limitations to what local authorities can achieve by way of reducing expenditure.

In the area of high needs it is striking that even those local authorities that are doing all the right things in terms of managing costs are still overspent and cannot see how the situation can be retrieved without either a significant injection of funding or a fundamental rebalancing of the powers and levers in relation to SEND. The new legislation has extended the scope of EHCPs and created new drivers for increased demand. These are exacerbated by accountability measures in the mainstream education system which do not incentivise inclusion of the most vulnerable learners and the broader impact of austerity in reducing the range of early preventative support available. At the same time, local authorities' ability to manage demand and gatekeep access to the highest cost interventions have been eroded by the accumulation of Tribunal judgements that have found in favour of parents, the threat of judicial review when services are reduced and constraints around the ability to create new provision that might alleviate constraints in the market.

The picture in relation to children's social care expenditure in London is not currently quite as challenging as the pressures facing high needs. Boroughs have been able to act decisively and effectively to reduce demand, both in terms of LAC and CP and this has led to expenditure growing more slowly in London than in other areas of the country. However, children's social care expenditure is, arguably, a time-bomb. Over the last four years boroughs have had to make significant savings, which many have achieved through reduction in their LAC populations. Such

reductions are not achievable indefinitely. Areas of expenditure likely to be targeted in further budget cuts are early help and preventative work, and possibly some of the more innovative edge of care services. Reducing such interventions is likely to have a knock-on impact on the number of children and young people coming to the attention of children's social care, potentially as LAC. In tandem with societal and demographic changes which appear to be leading to an increased cohort of young people with a range of complex and interdependent needs, the market for placements is such that very high-end placements are taking up an increasing proportion of local expenditure. It is of some concern that at present there are few effective system-level or market responses to the growing cohort of particularly troubled young people entering the care system at a late stage.

Recommendations

The conclusion of this research is that more needs to be done urgently to address the sustainability of funding for children's social care and SEND, if local government and its partners are to continue to meet the needs of the most vulnerable children, young people and their families. However, the solutions are not as simple as just pouring in more money – although additional funding is needed. Instead, there needs to be a multi-level response, from individual local authorities, authorities working together across the capital and from national government which aims to maximise the impact of current resources, redress perverse incentives for behaviours that lead to increasing costs, empowers creative thinking and provides local government with the levers it needs to manage demand. This will require concerted and collaborative action from senior leadership in local government. The recommendations below provide some suggestions for a focus of activity at each of these three levels. The recommendations for national government are particularly targeted at addressing unfunded pressures that are outside local authority control and rebooting the powers of local authorities to manage demand effectively in a resource-constrained environment.

Recommendations for London Councils, boroughs acting jointly and/or Directors of Children's Services to support greater collaboration between local authorities. They should work with boroughs collectively to:

- **Review the progress of sub-regional commissioning arrangements and share the learning between the different partnerships.** Most local authorities are engaged in sub-regional joint commissioning arrangements across an area within London. However, these differ quite significantly in their level of development and the focus of their work. There would be a benefit in reviewing the progress of the respective sub-regional arrangements to ensure that learning is shared between them and develop a consistency of approach across sub-regions where this is needed.
- **Work across London to better identify the 'hard to place' older age cohort of young people presenting as LAC or with complex SEND, who combine mental health and behavioural issues, and rapidly trial and evaluate initiatives for working with them.** This cohort of young people was proving a challenge for many of the boroughs engaged in this research. Often these young people also present with contextual safeguarding issues as either victims or perpetrators of crime. A number of boroughs commented that it is not yet clear 'what works' for this cohort either in terms of ongoing support or placement options. It is therefore recommended that a joint working approach is established across London to identify the size and cost of the cohort more specifically and then trial and evaluate a range of initiatives for working with them so that good practice approaches can be generated and disseminated quickly. A particular focus of this work should be keeping these hard to place

young people safe from organised crime, addressing gang affiliations and tackling knife crime.

- **Establish a Pan-London partnership for commissioning secure and semi-independent placements.** There are some aspects of the market where sub-regional commissioning arrangements may struggle to have the desired impact because there appear to be more systemic failures in how the market is operating. It is recommended that a Pan-London approach may be taken to reviewing commissioning for secure placements and semi-independent living arrangements to ensure that both value for money and quality are maximised.
- **Generate more efficiency out of the marketplace by collaborating on estimating demand for and jointly commissioning places for young people with high cost and low incidence needs** and explore options for pooling resources to collaboratively manage the risk of very high cost placements more effectively. An individual borough footprint is not large enough to effectively commission places for children and young people with very high cost and low-incidence needs. A pan-London approach would have benefits in providing more accurate forecasts for providers of the number and type of places needed, as well as creating better opportunities to negotiate on price.
- **Work more collaboratively post-16 to develop pathways to adulthood with post-16 providers and employers.** In terms of the SEND cohort, many post-16 providers and employers work with young people from multiple boroughs and yet a lot of the negotiations and pathway planning appear to take place on a bilateral basis. There would be a benefit in boroughs working more collaboratively together, facilitated by London Councils, with the post-16 sector to develop a range of different pathways to adulthood.
- **Develop a pan-London workforce strategy for social workers, educational psychologists and other key professionals to create a stronger pipeline, maximise opportunities for learning and career development and better manage the pressure exerted by the agency market.** Many boroughs are struggling to recruit and retain the key professional staff needed to run effective services and can be at the mercy of higher agency rates. London suffers from the proximity of multiple employers competing over the same limited supply of staff. However, the potential for maximising the shared learning and recruitment opportunities if boroughs were to collaborate further on developing and executing a workforce strategy would be immense.
- **Support boroughs to develop consistent and evidence-based approaches to evaluating the impact of innovative ways of working and create opportunities to share the evidence of what works more widely.** In order to manage the rising demand and costs in SEND and CSC many boroughs are trialling new ways of working. Many of these show potential, but there is a risk that evidence of what works is not robust enough and not shared quickly enough to have a positive impact across London.

Recommendations for National Government to address the system level changes and broader funding and policy landscape that have led to an increased need to spend across Children's Social Care and the High Needs Block

- **National government should urgently address the lack of funding for both children's social care and SEND to ensure the sustainability of these vital services in the next Spending Review.** The total in-year 2017-18 shortfall in funding across both SEND and children's social

care in London came to £185 million. Without additional funding, particularly to address specific unfunded pressures outside local authority control, boroughs will struggle to meet the needs of the most vulnerable children and young people going forwards. Local government in London would support the DfE and MHCLG to make representations to the Treasury in the run up to the Spending Review for more investment to cover the shortfalls in funding.

- **In making future funding decisions in the next Spending Review, national government should recognise that children’s services operate within a complex eco-system and that significant and ongoing reductions in one area of local government and partner funding are likely to have knock-on implications in other areas.** This will require government departments to take a joined-up approach to children’s services funding. Boroughs were clear that funding shortages in key statutory partners and in other local government services meant that more children and young people were coming to the attention of statutory children’s services.
- **DfE should review the impact of the children’s and families act on demand for EHCPs.** Since the introduction of the children and families act, the number of EHCPs has soared both nationally and in London. Such an exponential rise is not sustainable either in funding or policy terms. The DfE should therefore review the elements of the children and families act to determine how the drivers for demand can be stabilised.
- **DfE should address the perverse incentives in the system which make it cheaper and easier for a school to exclude a child than to make good quality preventative support available, in line with the proposals in the recent Timpson review.** In parallel with the rise in the number of EHCPs, there has been a rapid increase in both fixed term and permanent exclusions. One of the factors contributing to this is that the funding and accountability framework means it is costly for a school, both in terms of its budget and its performance, to support pupils at significant risk of exclusion to stay in mainstream education.
- **The DfE should review the legislative underpinning and guidance for SEND Tribunals so that the true relative lifetime costs of different placement options are routinely taken into consideration and have significant weighting alongside the wishes of the parent and the needs of the child.** Although Tribunals can take into account the relative costs of different placement options, in practice where there is a strong parental preference for a particular placement the Tribunal will tend to find in favour of that option rather than a less costly alternative which can meet the child’s needs.
- **The DfE should relax the current restrictions around establishing new special schools and allow local authorities to create additional provision without having to enter into a free school competition.** In most boroughs local special schools are full. However, the lack of available capital funding, coupled with restrictions on local authorities establishing new schools without applying for a free school, mean that boroughs cannot be sufficiently responsive in shaping provision and more pupils are being placed in high-cost INMSS.
- **To improve inclusivity in mainstream schools, The DfE should review the impact of Progress 8, attainment 8 and the narrowing of the curriculum at GCSE and develop ways of holding schools to account that better incentivise an inclusive approach to education.** Progress 8 and attainment 8 are the main measures against which secondary schools are held to account. However, they are constructed in a way that means pupils who enter with lower prior attainment do not score as well as other more able students. This has been

exacerbated by the introduction of a curriculum that is increasingly academic in focus and does not provide sufficient opportunities for young people who would benefit from a more vocational offer. This is contributing to higher numbers of children with EHCPs being educated outside mainstream schools and to rising numbers of permanent exclusions.

- **The DfE, DH and local authorities should work together to clarify the specific responsibilities for CCGs in supporting and funding placements for looked after children and for those with EHCPs and use existing examples of good practice to promote the benefits of close joint working more widely to CCGs.** Boroughs were clear that the degree of health engagement in funding and decision-making around support and provision for children and young people was too varied and depended too much on the strength of historic relationships.
- **MHCLG should extend funding for early intervention for the Troubled Families programme beyond 2020. Without this funding much of the current early help offer would be unsustainable.** Qualitative evidence from this research strongly suggested that early help offers in boroughs were helping to prevent the escalation of need with individual young people and families. However, a large proportion of early help activity is funded through the Troubled Families programme, which is currently due to end in 2020.
- **MHCLG should review the implementation of the new duty to prevent homelessness, introduced in April 2018, and assess whether there have been changes to support for families who would previously have been made intentionally homeless. MHCLG should also ensure councils can draw on adequate resources to fulfil their duties and address homelessness.** Families made intentionally homeless, on account of rent arrears or persistent anti-social behaviour by local authority housing departments are often then accommodated at significant cost by children's social care. The cost falls on section 17 budgets which were one of the fastest growing areas of spend across London, increasing by nearly £4 million pounds in four years.
- **The Home Office should act to ensure that the national transfer scheme for UASC is operating as fairly and efficiently as possible so that London boroughs are not disproportionately burdened.** One third of UASCs nationally are located in London and expenditure on this group of very vulnerable young people has grown by more than £8.6 million in London over the last four years. This is placing a significant burden on children's social care both in terms of direct costs and filling places which are needed for other looked after children.
- **The Ministry of Justice should review grants given to local authorities for procuring secure accommodation for children and young people on remand to ensure that they are keeping pace with the increasing numbers, placement costs and duration of remand.** The cost of accommodating young people on remand is outstripping the budget provided to local authorities by some distance. This is because there is a scarcity of secure placements available, the duration of remand has increased as offences have become more serious, and young people are presenting with ever more complex needs including mental health needs.

Recommendations for local authorities acting individually

- **Focus on doing the basics, in terms of core SEND and CSC support and financial management, really well.** There is good evidence that strong core systems and sound financial management, combined with senior ownership of high cost decisions and system-

wide visibility of the cost-implications of different activities can make a contribution to reducing costs in both CSC and SEND.

- **Carry out more forensic analysis of the impact of creative solutions to address particular areas of cost or demand.** Many boroughs have invested in creative solutions to address particular areas of cost or demand pressure, for example around early help, edge of care services, or supporting inclusion in mainstream schools. However, at present there is often not sufficient clarity about the impact that these initiatives are having either in terms of demand management, reducing or stabilising costs or improving outcomes. More forensic analysis of the impact of this important work at LA level will enable the case to be made more forcefully for continued investment both nationally and locally.
- **Work to break down internal silos between different parts of local government so that decision-making maximises the cost benefits to local government as a whole, rather than one service at the expense of another.** Decisions made by one part of local government can adversely affect cost pressures in other parts of local government, and there is still a sense that different services can act in silos. For example, decisions taken by housing departments can have cost implications for children's social care; decisions taken by children's social care and SEND can have cost implications for adults social care and vice versa. Local authorities should do all that they can to break down internal barriers so that decision-making maximises the cost benefits to local government as a whole, rather than one service at the expense of another.
- **Conduct more joint analysis, commissioning and pathway planning for those young people who straddle both the SEND and CSC cohorts.** A key insight from this report has been the degree of overlap between children and young people with SEND and those known to children's social care, and yet often these groups are spoken about and planned for as discreet populations. If interventions for young people presenting with both SEND and safeguarding risks were more coordinated and better joined-up it has the potential to prevent needs escalating and ensuring that the right support is delivered in the right place and at the right time.
- **Be open and proactive in drawing on good practice from elsewhere.** There is a wealth of good practice in local government about ways to mitigate some of the ongoing challenges which lead to increasing demand and costs. Local authorities should therefore continue to be analytical about the specific nature of the challenges they are facing, and proactive in seeking out good practice from elsewhere that they might adopt or adapt successfully.