



Government response to the Housing, Communities and Local Government Select Committee Report on funding of local authorities' children's services

Presented to Parliament
by the Secretary of State for Housing, Communities and Local Government
and the Secretary of State for Education
by Command of Her Majesty

July 2019

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Government response to the Housing, Communities and Local Government Select Committee Report: Funding of local authorities' children's services

Introduction

1. The Housing, Communities and Local Government Select Committee published their report on the funding of local authorities' children's services on the 1st May 2019.
2. The Government thanks the Committee for its inquiry and its shared commitment to building an evidence base that will support understanding of children's services costs and pressure, ultimately informing the Spending Review.

Background

3. We want every child, no matter where they live, to receive the same high-quality care and support, with the opportunities and the stability to fulfil their potential.
4. Government reforms aim to create a culture in which the right staff, with the right skills are able to operate in environments where strong practice is valued and developed and where councils implement best commissioning practice to secure services that meet their local children's and families' needs.
5. Government has a close and critical partnership with Local Government. To help ensure decisions are based on the best available evidence, the Government is working closely with local authorities and the wider sector to build the evidence base and help develop a thorough understanding of children's services costs and pressures.
6. Future funding for children's services will be considered at this year's Spending Review. We are working between now and the Spending Review to get a sharper and more granular picture of children's services costs and pressures.

Recommendation 1

When designing one-off grant funding, we urge the Government to take a long-term strategic cross-government approach. We ask that this constitutes an essential part of the cross-government strategy for improving children's social care which the Public Accounts Committee recently endorsed and we also support.

7. One-off grant funding and grant funding programmes is a very small proportion of overall local government spending on children's services and allows the Government to respond flexibly to new and emerging needs and evidence.
8. By grant funding programmes the Government has supported wider improvement across the system, building and sharing understanding of excellent social work practice and models. The Department for Education's (DfE's) Innovation Programme is an excellent illustration of this. The country has seen real change as a result of investing additional money in a targeted and evidence-driven way. For example, an independent evaluation of North Yorkshire's No Wrong Door Innovation Programme (testing the integration of services to support young people on the edge of care), found that more young people ceased to be looked after children, compared to a matched cohort during the first 2 years of the programme, and the majority (86%) of young people referred to no wrong door continued to remain out of the care system. In the first 18 months there was also a 38% reduction in arrests, 50% reduction in missing incidents and 57% reduction in A&E visits.
9. Another example of an innovation project with good outcomes is Family Safeguarding Hertfordshire (a whole system multi-agency reform aimed at improving outcomes for children and families in Hertfordshire). Results from the independent evaluation into Family

Safeguarding Hertfordshire include a 39% reduction in days children spent in care (for cases allocated to safeguarding team); 29% reduction in number of Child Protection Plans and a 66% reduction in contact with the police. The promising evidence from this project and from No Wrong Door have enabled the Department to successfully make the case for additional investment to spread these approaches to a number of other local authorities as part of the Strengthening Families Programme.

10. We think there is a role for targeting funding in certain circumstances, to drive innovation and meet specific local needs. Government will continue to target funding in circumstances where it is sensible to do so, such as addressing an emerging pressure or responding to newly identified needs. However, our overall position is that local authorities are best placed to prioritise spending, and set budgets, to meet local needs.
11. Government agrees with the Public Accounts Committee that effective cross-government working in this space is important, but does not, however, believe that a separate strategy is the most effective way of proceeding. DfE is committed to working with other government departments on important aspects of children's social care. This includes better supporting those with alcohol-dependent parents, the introduction of landmark legislation for those affected by domestic abuse, preventing young people being drawn into serious violence, and unprecedented investment in early years education and support for children and young people's mental health.
12. The Department believes that the current arrangements are effective and adding further cross-government approaches at this stage would detract from existing work. We will be happy to update the Committee on progress in working with other departments by December 2019.

Recommendation 2

The Government should review by December 2019 the application and administration of its one-off grant funding to ensure that they do not place an unreasonable administrative burden on councils, and that capital and support is reaching all local authorities either directly or indirectly if they wish to participate in specific programmes. The lessons learnt from this review should be implemented in the design of all future one-off grant funding.

13. As mentioned in the response to recommendation 1, one-off grant funding is key to respond to new and evolving pressures to ensure that local government remains sustainable. Sometimes targeted funding is the most appropriate approach: ensuring that funding is focussed in the areas where it can have most impact, and be supported by local intelligence and co-design, to deliver the most effective interventions.
14. DfE have listened to recent feedback from the sector that authorities have felt frustrated in the past at completing extensive applications for funding for which were then unsuccessful. This is why, as part of the application process for the Strengthening Families, Protecting Children Programme, the department have created a light-touch process with a tight set of eligibility criteria. This prioritises those authorities where we are likely to see the greatest transformation, and those that are therefore most likely to be successful in securing funding.
15. It is also important that Government departments consider the timing, value and conditions attached to funding to ensure it is not burdensome. While the Ministry of Housing, Communities and Local Government (MHCLG) is responsible for the overall funding framework, Government departments that rely on local authorities to deliver policy objectives or services are responsible for understanding demand, costs and the scope for efficiency in those policy areas for which they are accountable. This includes considering the value for money of additional funding provided through grants.
16. Following MHCLG's response to the Public Accounts Committee, the Department has ensured links between capital and revenue are fully considered ahead of the Spending Review by enhancing its analysis of risks and opportunities from and to local authority capital programmes.

17. MHCLG has agreed to consider the commissioning of a targeted piece of research into local authorities' use of recent social care grants, paid by the Department, to inform future policy development, working with other relevant departments. Alongside this, the Department stated it will engage with other departments on the possibility of their undertaking research into the grants for which they are wholly responsible for.
18. We will report back to the committee by December 2019 with an update on this recommendation.

Recommendation 3

Troubled Families Programme: The Government must announce a successor programme in advance of the 2019 Spending Review to provide local authorities with certainty over their future funding streams beyond 2020.

19. Building Resilient Families, the Troubled Families Programme's third annual report, and the programme's latest evaluation findings were both published in March 2019. The latest evaluation shows that the programme has helped to reform local services and improved outcomes for families across a number of measures. When launching these strong evidence findings, the Secretary of State said he was committed to improving the programme further and that it would have a valuable role as the Ministry of Housing, Communities and Local Government looks towards the upcoming Spending Review.
20. The current programme and funding ends in March 2020 and all funding decisions beyond that date are subject to the forthcoming Spending Review. MHCLG is supporting local authorities to deliver strong outcomes in the current programme (2015-2020).

Recommendation 4

All new burdens must be financed adequately. The Government should evaluate its process for understanding the financial burden of new statutory duties on local authorities and consider how it could be made more accurate.

21. Financial sustainability of local government is at the heart of New Burdens Doctrine. The Doctrine requires Government to fully assess and properly fund the net additional cost of all New Burdens placed on local authorities.
22. MHCLG manages the Doctrine on behalf of Government. The lead department for the policy change is responsible for carrying out the assessment, funding any identified costs and evidencing that it has properly followed the assessment process correctly.
23. We will look at how we can further improve our processes around New Burdens.

Recommendation 5

The Government should review new burdens regularly and consider removing the cap on the number of reviews per year in order to avoid any delays in adjusting payments if necessary. We would encourage the Government to prioritise the review of those new burdens, which were identified in the written evidence we received in the course of our inquiry as being underfunded such as support to care leavers up to the age of 25 years. The Committee plans to engage further on the effect of such new burdens in its forthcoming inquiry into local government finance.

24. As part of the new burdens process, DfE has provided additional funding to local authorities to support implementation of all of the new duties that it has placed on them. Funding to extend the offer of Personal Adviser support to all care leavers to age 25 was based on a thorough assessment of the estimated costs of introducing this new requirement and set

out in the published new burdens assessment.¹

25. As the new burdens assessment makes clear, funding will increase from around £3m in 2018/19 to over £12m in 2021/22, recognising that the burden on LAs will increase incrementally over the first 4 years of implementation.
26. Nevertheless, MHCLG will work with DfE to review the cases cited in the hearing as part of a programme of post implementation reviews of new burdens. MHCLG has already committed to carrying out a post-implementation review of the Homelessness Reduction Act 2018 costs, and DfT have committed to reviewing the new burdens assessment for the Blue Badge scheme.

Recommendation 6 and 7

Recommendation 6: The Government should provide funding to councils proportionate to the number of children within NRPF families that they support. Notwithstanding our later recommendations regarding funding for unaccompanied asylum seeking children, we consider that the Government may wish to introduce a day rate payment equivalent to that available for supporting unaccompanied asylum seeking children.

Recommendation 7: We urge the Government to review its relevant immigration policies and processes by December 2019 to consider where delays in the resolution of local authority-supported cases can be reduced. Also, the day payment, which we recommend above, should be payable by the Home Office in order to incentivise the quick conclusion of local authority-supported cases.

27. Government has developed a range of interventions to assist local authorities and reduce their costs in dealing with migrants who have no lawful basis of stay in the UK, but who may need to be temporarily supported in order to safeguard the welfare of their children.
28. These include the secure data-sharing system (NRPF Connect). This is an effective way to build and maintain strategic relationships with local authorities and resolve the outstanding immigration status of the individuals – managing their transition to the mainstream benefit system if they qualify for leave to remain in the UK and assisting and enabling their departure from the UK if they do not.
29. In addition, a quarterly steering group, co-chaired by Immigration Enforcement and local authority officials, provides the opportunity for on-going and regular dialogue between Home Office, MHCLG and local authority groups.
30. There are no plans to set up a specific funding stream for local authorities to cover this category of migrant. The situation of the group is not comparable to that of unaccompanied asylum-seeking children who generally require an expensive foster placement because they have no other suitable parent to look after them and who are unlikely to be returned to their country before they reach 18.

Recommendation 8

As part of its review, we call on the Government to increase the daily rate of payment. The review should also consider how the funding system can be designed to better disperse UASC across the country in order to reduce pressures in some areas.

31. The UASC Funding review has concluded and the Government has uplifted the rates currently paid at £71, £91 and £95 to £114 per UASC per night. This will apply to care provided from 1 April 2019 onwards.

¹ New burdens assessment is available on GOV.UK https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/683723/New_burdens_assessment_final_feb2018.pdf

32. The Home Office is working with DfE and partners in the local government sector to encourage further participation in the National Transfer Scheme. It is hoped that increasing the extent of the Home Office's contribution to local authorities' costs will assist, but we recognise there are wider issues to explore.

Recommendation 9

The Government should share its research data anonymously with local authorities in order that they can use it to inform their budget projections. By December 2019, the Government should report to the Committee whether there is scope to reduce demand nationally, and, if so, the Government should have assessed the merits of various methods to reduce demand by then as well. Where there isn't scope to reduce demand, for example if increased need necessitates it, local government must be appropriately and flexibly resourced.

33. As part of further consultation on the Review of Relative Needs and Resources, Government plans to produce a technical paper about the proposed new relative needs model for children and young people's services as well as the cost drivers. We will discuss this with the Technical Working Group (joint chaired by MHCLG/LGA) and with ADCS. MHCLG plans to carry out a full public consultation on the model as part of a further consultation across the rest of the Review of Relative Needs and Resources.
34. We will report back to the Committee by December 2019 on our assessment of demand. Government is working to strengthen the evidence base on what works to reduce demand and support the further roll-out of best practice. As part of this, DfE is establishing the What Works Centre for Children's Social Care to be a trusted independent source of evidence. The Department has also invested £200m on the Innovation Programme (IP). This money has supported over 98 innovation projects to test and deliver improved outcomes for children and young people. Through our Strengthening Families Protecting Children programme the Department will be investing £84m over 5 years to embed three projects which specifically aim to safely reduce the number of children entering care in up to 20 further local authorities. The Department will evaluate how we do this and which approaches are most successful to inform future work. DfE is also working with MHCLG to support the Government's Troubled Families programme, which through early intervention, has significantly reduced the number of Children Looked After to 1.7% compared with 2.5% of a matched comparison group.
35. Demand for children's social care is driven by a range of adult factors including domestic abuse, mental ill-health and substance and alcohol use. The government is committed to taking a whole system approach in addressing the root causes of need, be it through landmark legislation on domestic abuse, or the commitment to expanding access to adult mental health services for those most in need in the 2019 NHS Long Term Plan.
36. We agree that local government should be appropriately resourced, and DfE, the MHCLG and HM Treasury are working with the sector as part of our preparation for the next Spending Review, to understand the level of funding local government needs to meet demand and deliver statutory duties. The government will continue to work closely together and with the sector to consider future funding for children's services.

Recommendation 10

We therefore urge the Government to implement the first recommendation of the Public Accounts Committee's 88th Report of Session 2017–19, which calls for the Department for Education to publish information concerning variation by December 2019. The National Audit Office should also independently continue to look into the reasons behind variation in spending and activity. While reducing spend per child must not be a goal in itself, we believe best practice that emerges

from this analysis should be disseminated nationally. The Government should also consider standardising financial reporting to make comparisons easier and provide greater transparency on cases of children being taken into care.

37. DfE currently publishes local authority level data on a range of service measures, including expenditure data for residential care services. This allows local authorities to compare themselves both with their neighbours and the best performers. Much of this data is published in the Local Authority Interactive Tool (LAIT).²
38. The Department is currently engaging in three areas of work to improve the accessibility and range of information and data available to inform understanding of variation across local authorities:
- It has commissioned a report by the Rees Centre at the University of Oxford. This will set out findings from research that explores the reasons for variation in the costs of providing children's social care services;
 - It is considering the best approach and method for calculating up-to-date statistical neighbours. This will allow local authorities to identify a closer, more appropriate local authority against whom to compare service performance and;
 - It is considering ways to present better data within the LAIT. The recent adoption scorecards³ illustrate the potential for making data more easily accessible to local authority leaders and practitioners.
39. We recognise the sector's efforts to understand these issues too. Government draws on the data and research published by other organisations, for example the report on local authority spend variation produced by Newton Europe in conjunction with the LGA in June 2018, to ensure that we have a full understanding of the evidence base.

Recommendation 11

The Government should consider the barriers to creating more residential care placements from the perspectives of both local authorities and private providers, and of people applying to become foster carers. In doing so, it should consider the role of greater central government investment in this sector. There may also be a role for greater regulation of the market to ensure that costs do not rise disproportionately and that there is appropriate competition. The Competition and Markets Authority should investigate this market. We encourage the NAO to analyse and compare the cost and value for money of private and in-house children's residential care provision when it next revisits this topic.

40. The Government is aware that there are barriers to creating more residential care placements. While, at a national level, supply of registered places is sufficient to meet demand, local authority commissioners and providers report insufficient availability of placements of the right type, in the right location, at affordable prices.
41. This issue is particularly challenging when considering children with the most complex needs who require specialist provision. DfE has taken steps to address the lack of secure accommodation, by making available a £40m capital grants programme through which secure children's homes have invested in new capacity. The Department is also working across government to develop new central commissioning arrangements for secure provision. In addition, the Department recently provided seed funding to support groups of local authorities in London, West Midlands and North Yorkshire to consider the demand for secure provision at a regional level, with a focus on integrated care, education and health and closer consideration of resettlement and transition issues following periods in secure care.
42. Local authorities have a statutory duty to ensure that there is sufficient provision for the children they look after. While there is evidence of good practice by local authorities in

² LAIT is available on GOV.UK <https://www.gov.uk/government/publications/local-authority-interactive-tool-lait>.

³ Adoption scorecards available on GOV.UK <https://www.gov.uk/government/publications/adoption-scorecards>

commissioning residential care, some rely too much on spot-purchasing places from providers at inflated rates. That is why DfE are providing almost £5m in Innovation Programme funding to three projects testing new commissioning arrangements, focussed on bringing local authorities and providers together, two of which are investing in new consortia-led commissioning arrangements between local authorities.

43. DfE has recently invited local authorities and their partners to bid for seed funding. This is for assessing the feasibility of introducing new or expanded approaches across sufficiency planning and commissioning of foster care, foster parent recruitment/training, and movement between home, foster care and residential care.
44. The Government has also established the Residential Care Leadership Board, chaired by Sir Alan Wood, to improve the relationship between commissioners and providers and ensure learning and best practice is shared across the sector. DfE expects to share findings from the Innovation Projects, to ensure other local authorities can learn from these.
45. DfE has also commissioned independent research with local authorities and providers to establish a robust picture of the unit costs of residential care provision and the factors that affect this, including how complexity of need impacts on costs. This follows from an initial analysis of costs and cost drivers in fostering, including comparing the relative costs of in-house foster placements and those from independent fostering agencies, as part of Sir Martin Narey and Mark Owers' independent fostering review in 2017. Taken together, these pieces of work will inform our understanding of pressures in the sector, and how local authorities could better meet their sufficiency duties and create a more sustainable fostering and residential care market.
46. Government also made a public commitment in *Fostering Better Outcomes* (2018) to consider how we can support local authorities to better understand the cost of their services and placements. This work will be commencing shortly, with the aim of introducing greater consistency to cost analysis activities and helping local authorities to benchmark costs and enable better commissioning conversations.

Recommendation 12

Local authorities and the independent sector must work pragmatically together to ensure the needs of children are met; independent care providers constitute a significant proportion of the market. By December 2019, the Government should take the lead in conducting a review of the whole commissioning and procurement system and assess the merits of the various improvements that have been suggested to us in the course of our inquiry. We urge the Government and local authorities to introduce greater oversight of how different care placements affect outcomes for children to ensure that every child receives the support they require. Local authorities should also better monitor the value for money of placements; as supply increases and commissioning improves, understanding the value for money will become more and more important.

47. The Government supports the view of the Select Committee that local authorities and the independent sector must work more pragmatically together to ensure the needs of children are met. Government commissioned two reviews of residential care and fostering, which reported in 2016 and 2018 respectively, and specifically focused on local authority commissioning practice. As set out in the Government responses to these reviews, we are supporting local authorities to develop consortia-led approaches to the commissioning of provision, and we expect the Residential Care Leadership Board to work with local authorities and the sector to improve relationships.
48. Local authorities have a statutory duty to ensure that there is sufficient provision for the children they look after, and Government agrees with the Committee's assessment that local authorities need to be aware of both the cost-effectiveness and value for money of care placements, and outcomes they deliver for their looked after children. Local authorities are well placed to make an assessment on the value for money delivered by care providers, and to use this to commission services.

49. We will report back to the committee by December 2019 with an update on this recommendation.

Recommendation 13

The Government should increase core funding in order to enable local authorities to ease the pressure facing social workers. We suggest that the implementation of the recommendations of the British Association of Social Workers and the Children's Commissioner for England, detailed in their 80–20 Campaign report such as increasing the number of support staff and upgrading IT equipment, would be a good place to start.

50. All future funding decisions for local government will be considered at this year's Spending Review, which is when the Government will set out its approach for the future.

51. We encourage local authorities, in a number of ways, to share learning and experiences to support wider improvement across the systems. The Local Government Association's 'Standards for Employers' set out what support social workers should expect to receive – including for example, access to welfare services and counselling – and we encourage all local authorities to ensure that they are meeting those standards. In particular, this year we supported the LGA to survey children's services departments. Their report on the findings will help local authorities consider what more they can do locally to meet the standards through comparison with other authorities, and Government will encourage them to do so.

Recommendation 14

The Government must also conduct a consultation with social workers, local authorities and representative professional organisations across the country to gain a better understanding of the pressures facing social workers and why social workers are leaving their roles, whether to go to another local authority, take another job at the same council or to leave the profession altogether. Based on the consultation, the Government should assess the merits of options (e.g. limiting caseloads, reducing the administrative burdens, and nurturing supportive cultures) to lessen the burden on children's social workers as a matter of urgency. We expect the Government to report back to the Committee by December 2019.

52. DfE is already carrying out an extensive longitudinal study with local authority child and family social workers. This study encompasses many of the issues the Committee has recommended the Government consult on.
53. The findings will be a significant source of evidence to help shape future government policy in this area. The first wave of research completed earlier this year and the results will be published in time to report to the committee in advance of December 2019.
54. We will report back to the committee by December 2019 with an update on this recommendation.

Recommendation 15

We believe that the Government should fund the creation and implementation of a national recruitment strategy to encourage people into the sector. As part of this work, the Government should consider whether additional recruitment incentives or support are required, particularly to attract staff to local authorities with poor Ofsted ratings. We consider that this work could be conducted by Social Work England.

55. There has been a growth in the number of people in child and family social work: in 2013 there were 22,910 employed FTE children's social workers, compared to 29,470 in 2018 – the highest number since Government started collecting data in 2013. Social work also remains an attractive career choice with more than 4,000 students enrolling on social work

courses every year.

56. The Government is supporting the recruitment of social workers by continuing to invest in bursaries and in the fast-track programmes: Frontline and Step Up to Social Work. Since 2012, more than 1,700 social workers have entered the profession through these fast-track programmes. This year, for the first time, a new Degree Apprenticeship is also available for trainee social workers and the Government has supported the Local Government Association (LGA) to develop a programme for social workers wishing to return to the profession.
57. Separately, efforts to improve the quality of local authority services – with 43⁴ authorities having been lifted out of intervention and not returning since 2010 – help ensure that all areas are in a position to both attract and retain social workers. We are also working in partnership with the sector to support regional alliances, which enable all councils to collaborate and act early where issues like workforce changes might impact their ability to meet the needs of children and families. This includes supporting innovative models like Future Social in the West Midlands, where councils have come together to manage and develop the workforce across the region as a whole.
58. Government believes that it would be inappropriate for Social Work England to have a role in the recruitment of local authority child and family social workers, as this would be outside of its remit. Social Work England will be the new, specialist regulator for social workers in England. Social Work England's primary objective, as set out in the Children and Social Work Act 2017, will be protection of the public. It will achieve its objective through setting professional, education and training standards for social workers, and providing assurance that those registered meet the standards, are qualified and remain fit to practise.
59. As a single profession regulator, Social Work England will ensure a relentless focus on social work practice – from initial education and training to continued professional development. This will be crucial to driving up the quality of social work practice and improving the status and standing of the social work profession.

Recommendation 16

The Government should invest in the workforce to ensure that it is appropriately remunerated, skilled and supported to deliver the best outcomes for children. There is value in considering what lessons from UNISON's ethical care charter may also apply to children's care; we reiterate a recommendation by our predecessor committee which called for the Government, in partnership with the LGA to publish a care workers' charter, drawing upon UNISON's Ethical Care Charter, which sets out what care workers can expect from their employer.

60. It is for providers of children's homes, as employers, to set rates of pay at a level sufficient to attract the employees they need to deliver their services to a high standard, and to provide high-quality continuing professional development and support. As highlighted in the Committee's report, there are already mandatory qualifications for managers and staff in children's homes, and requirements in the Children's Homes (England) Regulations 2015 for managers of homes to ensure staff are appropriately trained to meet the needs of the children accommodated in the home. Ofsted review this on inspection. Notwithstanding the requirements already in place, as part of our evidence gathering exercise (set out in the response to recommendation 17 of this report) we plan to gather views from the sector, in order to develop a better understanding of the effectiveness of existing practices.
61. While foster parents are not employed by their fostering service, it is imperative that they are treated and valued as the experts on the children they look after. Foster parents play an invaluable role in the lives of children and we are committed to ensuring they get the appropriate recognition, support and training to ensure every looked-after child receives

4 As at 30th May 2019

the high-quality care they need. In *Fostering Better Outcomes*, Government committed to improving the support available to foster parents, including making sure they felt empowered to make the decisions necessary to support their foster children and to make sure they have access to formal and informal support. In February, we worked with the sector to launch a refreshed Foster Carer Charter, which sets out the responsibilities of foster parents, fostering services and the corporate parent. It aims to deliver best practice in fostering for all involved, including carers and children, and sets a clear ambition that foster parents and children alike receive the support they need and deserve.

Recommendation 17

The Government should collect data about the profile of this workforce to better understand who is supporting some of the most vulnerable children in society. We believe that professional registration, as recommended by the Independent Inquiry into Child Sexual Abuse, may be a vehicle for greater transparency.

62. The Government agrees with the principle that staff should be suitably trained to care for some of the most vulnerable children in society.
63. In response to the recommendation made by the Independent Inquiry into Child Sexual Abuse, that we establish professional registration of people working in care roles in children's homes, we launched a public call for evidence earlier this month to understand the potential merits and consequences of taking forward the recommendation. These pieces of work will develop our understanding of the potential impact of the recommendation itself, but will be broader in scope, and cover a number of other workforce related issues in the children's residential care sector. This includes inviting sector views on existing mandatory qualifications and training, professional standards, and the approach to registering managers of children's homes. We expect this piece of work to be complete in the Autumn of 2019. This will inform any action taken in response to the recommendation.
64. The Fostering Network undertakes a survey of their membership and publishes a report every two years entitled *State of the Nation*, which describes the views and feelings of around 4,000 foster parents. This is a helpful insight for the sector and central Government alike and informs our understanding of key issues in the fostering sector, including those relevant to training, on a regular basis. In addition, through a digital discovery project, we are currently investigating how best to improve our understanding of foster families and how real time data and information can be collected to better inform both the local and national picture of fostering capacity.

Recommendation 18

We welcome the Government's commitment to supporting the expansion of successful initiatives to 20 local authorities. However, we believe that these initiatives should be seen as pilots with successful programmes systematically rolled out to all local authorities with the appropriate long-term support and resources which that would entail.

65. Government's ambition is to embed best practice across the system. The Strengthening Families, Protecting Children programme will be testing the best ways of rolling out three promising initiatives in up to 20 local authorities. We are working with the What Works Centre for Children's Social Care to carefully evaluate the programme and consider whether lessons can be drawn for other local authorities.
66. Future funding for children's services will be considered at this year's Spending Review, the outcome of which will determine how we roll-out additional programmes.

Recommendation 19

Innovation cannot solely be responsible for delivering sustainable children's services and must be accompanied by an increase in core funding and the other reforms we propose in this report.

67. Evaluating and supporting the wider adoption of best practice is only one part of our strategy to improve CSC. We agree that local government should be appropriately resourced, and DfE, MHCLG and HM Treasury are working with the sector as part of our preparation for the next Spending Review, to understand the level of funding local government needs to meet demand and deliver statutory duties.
68. Government is committed to improving outcomes for disadvantaged children and young people. That is why our children's social care reform programme is working to deliver a highly capable, highly skilled social work workforce, with high performing services everywhere and a national system of excellent and innovative practice.
69. All future funding decisions are for the Spending Review; this is when the Government will set out its approach for the future.

Recommendation 20

The 2019 Spending Review must reflect the increased demand and pressures on local authorities' children's services. The Government should bridge the existing funding gap for local authority children's services in the 2019 Spending Review. At a minimum, core grant funding up until 2025 should increase by £3.1 billion to address short term pressures. Funding for children's services should not be ring-fenced except in limited instances of time-limited one-off grant funding.

70. All future funding decisions are for the Spending Review, this is when the Government will set out its approach for the future.
71. DfE, MHCLG and HMT are working with the sector as part of our preparation for the Spending Review, to understand the level of funding local government needs to meet demand and deliver statutory duties.

Recommendation 21

We urge the Government to consult local authorities and children's charities to ensure [the children's services funding formula] meets the needs of children across the country. After one year of implementation, the formula should be independently evaluated to consider whether it is accurately predicting needs. If it underestimates local authority costs, the need for further funding must be communicated by both the Department for Education and the Ministry of Housing, Communities and Local Government to HM Treasury in the strongest terms.

72. As part of the Review of Relative Needs and Resources, which aims to develop a more robust and up-to-date approach to distributing settlement funding across local authorities, MHCLG and DfE have jointly commissioned the independent consultancy firm LG Futures, alongside the Universities of Huddersfield and Plymouth, to lead the development of a Children and Young People's Services (CYPS) relative needs formula.
73. The proposed new formula uses individual-level data from the National Pupil Database, Children in Need (CIN) and Children Looked After (CLA) datasets, supplemented by data collected directly from local authorities on the Lower Super Output Area (LSOA) of origin for all children on their CIN and CLA registers.
74. The formula makes a prediction of the relative likelihood of individual children needing to utilise care services across local authorities, in order to provide a measure of relative need for CYPS. This is then combined with relative need measures for other services and

adjusted by a relative measure of local resources available to each local authority, subject to potential transitional arrangements, to give the share of available resources for each authority. The total resources required for local government services as a whole will be a matter for Spending Review 2019.

75. The Government has regular engagement with local government representatives, including through the joint LGA-MHCLG chaired Technical Working Group and directly with the Association of Directors of Children's Services. In addition, a detailed public consultation on the formula is planned for later this year, prior to implementation, to confirm the proposed approach.
76. The Government recognises that it is important to provide medium term certainty for funding allocations for councils and therefore does not propose to revisit the formula in isolation after one year but will consider this alongside a periodic reset of the relative needs and resources assessment as a whole, and how this works alongside Spending Review periods.

Recommendation 22

As we have noted throughout, we expect the reviews that have been recommended throughout this report to be reported back to the Committee by December 2019. We also expect the Government to indicate how it has taken our report into consideration in the 2019 Spending Review and explain how it is monitoring progress by December 2019.

77. We will report back to the committee by December 2019 with an update on all areas of work that address recommendations made within this report.
78. The Government thanks the Committee for its inquiry and its shared commitment to building an evidence base that will support understanding of children's services costs and pressure, ultimately informing the Spending Review.