

Children's Social Care Prevention Grant 2025-26 allocations: **Explanatory Note for Final Local Government Finance Settlement 2025-26**

This explanatory note describes the basis of the Children's Social Care Prevention Grant allocations in 2025-26. The total funding available at the final settlement has increased to £270 million¹, up from £250 million announced at the provisional settlement. This note has been updated following the provisional settlement to reflect the increased funding, increased equalisation and introduction of a minimum allocation. The Department for Education (DfE) plans to set out further detail on the distribution methodology of this grant and the development of a new relative needs formula for children's social care shortly following the conclusion of the local authority funding reform consultation on 12 February, in line with normal practice. Details of the conditions attached to the grant and individual allocations can be found [here](#) and [here](#).

To account for differences between local authorities in the rates of activity for children and family services, an up-to-date, interim Relative Needs Formula (RNF) from DfE has been used. This interim formula builds on research commissioned by MHCLG and DfE, undertaken by LG Futures and academic partners, to develop a new multi-level model for Children and Young People's Services.

Alongside the interim formula, the variation in the cost of delivering services and the ability of local authorities to raise resources locally has been taken into account to determine the grant allocations. Furthermore, in an update to the methodology from the provisional settlement, a minimum allocation of £30,000 has been introduced.

1. Measuring variation in activity rates for services

This is based on neighbourhood-level and individual-level data drawn from:

- Census 2021 data, at the level of lower-layer super output areas (LSOA) provided by the Office for National Statistics
- 2021-22 and 2022-23 National Pupil Database (NPD) - this database provides detailed, anonymous information on the socio-demographic characteristics of children attending:
 - Schools: As detailed in the School Census
 - Colleges: As detailed in the Individualised Learner Records (IRL)
 - Alternative providers: As detailed in the Alternative Provision Census (APC)

¹ The total Children's Social Care Prevention Grant funding being made available is £269,673,515. Allocations may not sum to exact totals due to rounding.

- 2021-22 Children in Need (CIN) Census: This dataset includes information on vulnerable children referred to social care services because their health or development is at risk. It covers those receiving support from social care services and children subject to child protection plans
- 2021-22 Children Looked After (CLA) Census: This dataset provides information on children under local authority care. It records data on every child looked after by a local authority at any time during the year.

Using these datasets and multi-level modelling techniques, the interim RNF recognises the most significant drivers of activity for which DfE holds robust data. The characteristics used are:

A. At child-level (held in the anonymous National Pupil Database (NPD)):

- Sex of child (categorised as male or female)
- Age of child
- Ethnicity of child, defined by minor ethnic group
- Eligibility for free school meals (FSM) on date of the School Census.

B. At neighbourhood-level, at the level of Lower layer Super Output Areas (LSOA):

- Socio-economic deprivation level in child's LSOA (as measured by the 2019 Income Deprivation Affecting Children Index, IDACI)
- Proportion of children in child's LSOA with parents with low qualifications
- Proportion of children in child's LSOA with poor health
- Proportion of overcrowded households in child's LSOA
- Population density (measured in persons per km²) in child's LSOA
- Travel time from LSOA centroid to nearest town centre (minutes).

The interim RNF therefore recognises the specific child, family and neighbourhood characteristics that together signal the likelihood that a child or their family in the anonymous National Pupil Database will interact with children and family services. Broadly speaking, the local authorities with the greatest shares of need are those with a combination of a large child population and high levels of deprivation.

2. Measuring variation in the cost of delivering services and interventions

An updated 2024 Children's Services Area Cost Adjustment (ACA), based on the latest data available, has also been applied to the interim RNF. This is the most up-to-date mechanism which accounts for the variation in costs for delivering services that are outside a council's control, such as higher wages and rents. Further details on the 2024 ACA update can be found [here](#) and [here](#).

3. Adjusting for the ability of local authorities to raise resources locally

While the needs-based formula is a determination of the relative likelihood of children's social care need in a local area, it does not take account of a council's ability to fund services through its own locally raised resources. As children's social care activity is also derived from the ability of a local authority to raise its own income to invest in demand management, an adjustment to the allocations has been applied to account for this.

Of the £270 million grant funding available:

- £189.6 million (up from £175 million at the provisional settlement) is allocated through the ACA-adjusted interim RNF. This ensures every council receives an allocation to invest in prevention services that is proportionate to their need in comparison to other local authorities.
- £80 million (up from £75 million at the provisional settlement) is subject to an equalisation adjustment to account for the varying ability of councils to raise income through council tax increases. The £80 million is allocated in a similar way to equalisation against the adult social care precept.² This is done as follows:
 - The total revenue raised from a notional additional 1% on council tax is calculated for all social care local authorities in 2025-26³
 - This revenue raised from a 1% increase on council tax is notionally added to the £80 million of grant funding to be used for equalisation purposes
 - The share of funding each council would receive from this combined amount if distributed using the ACA-adjusted interim RNF is calculated
 - Where an individual authority can raise more from 1% additional council tax than its relative needs share of the combined amount, its allocation is set to zero rather than a notional negative amount
 - For the remaining authorities, the difference between their relative needs share of the combined amount and how much they can raise individually from 1% additional council tax is calculated
 - These remaining allocations are then scaled proportionately so that the combined total sums to £80 million.

² For a description of equalisation against the Adult Social Care precept as first implemented in 2017-18 see: [DCLG \(2017\) Explanatory note - supplementary funding to the improved Better Care Fund](#)

³ Revenue yielded from an additional 1% on council tax for social care authorities is calculated using Band D and taxbase data as published in Table 9 of [Council Tax levels set by local authorities in England 2024 to 2025](#). Assumes taxbase growth based on a 5-year geometric average for each authority using [taxbase data from 2020-21](#).

4. Ensuring a minimum level of funding for each local authority

As a last step, and in an update to the methodology used at the provisional settlement, a minimum allocation is applied which raises each local authority allocation to a minimum of £30,000. This is to prevent very low value allocations for the smallest local authorities and has been set at a level to ensure these authorities can contribute to services.

The allocations from the £189.6 million and £80 million, together with the costs of the minimum allocations, are summed to produce a single set of allocations. This takes the final grant quantum to £270 million.

The future use of each element of this interim distribution formula, while assessed as appropriate for 2025-26, is subject to full consultation and therefore modification for future financial years. This consultation can be found here: [Local authority funding reform: objectives and principles - GOV.UK](#)