Department for Education

Updated explanatory note on Children's Social Care Prevention Grant methodology

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Further information on the relative needs formula, subject to consultation

This note explains the children's needs-based formula used to allocate new funding in the Children's Social Care Prevention Grant (uplifted to a total of £270 million in the Final Local Government Finance Settlement 2025 to 2026). The formula allocates this funding according to estimated need for children's social care services.

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 of relative need for Children and Young People's Services in local authorities in England.

Constructing the data

The first step in building the model was to combine (1) data on the detailed characteristics of children with (2) data on the use of children's services. This involved linking data at an individual child level from:

- **2021-22 and 2022-23 National Pupil Database (NPD):** This database provides detailed 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)
- **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.

By combining anonymised data from the CIN and CLA datasets with the National Pupil Database, we obtained comprehensive details of all contacts with children's services, including any children not listed in the National Pupil Database.

This combined dataset is supplemented with data showing the Lower layer Super Output Area (LSOA) or neighbourhood of origin for all children on the CLA and CIN registers. This allows the model to consider the characteristics of where individual children come from, rather than where they are placed. The use of individual and LSOA level data means that the model is more detailed and better at capturing variation compared to

model built using local authority level data. Using data at individual level also removes the impact of local authority decision-making (or that of other agencies, such as the court service) from the relative shares the model produces.

Building the model

Using multi-level modelling techniques, we identified the combinations of characteristics that best predict whether a child in the dataset is likely to access social care in one of three ways, the dependent variables:

- Being registered as a Child in Need on 31st March of a given year.
- Being a Child Looked After (in residential or foster care) during the year.
- Having ceased care during the year for any reason during the year.

The explanatory variables considered to be robust and assessed as showing a significant contribution to the model are:

- 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 census

In addition to the individual characteristics in the dataset, data about the Lower layer Super Output Area (LSOA) from which the child originates was also then appended to each child. The LSOA-level variables which are considered to be robust and showed a significant contribution to the model are:

- Socio-economic deprivation level in child's LSOA (as measured by the 2019 Income Deprivation Affecting Children Index, 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 (mins)

Two first-order interaction effects were also included in the final model:

- Interaction between FSM eligibility and child being aged 16 or 17
- Interaction between FSM eligibility and socio-economic deprivation level in child's LSOA (as measured by the IDACI score)

Several variables at local authority level were also considered for inclusion alongside the child-level dataset. However, none met the accepted criteria for improving the model fit, as they were more likely to distort the model rather than enhance it. We note that this is unsurprising given the predictive power of an evidential base comprising over 7 million child-level data points is so great, that there is no significant benefit from including a relatively small number of around 150 local authority-level data points.

Functional form of the model

Regression modelling is used to derive relationships for the prediction of a dependent variable in terms of other variables. In this case, the three dependent variables, which are 1) registered as a Child in Need, 2) Being a Child Looked After and 3) Having ceased care during the year are all binary. A logistic regression is needed to fit the relationship between a binary outcome and a set of explanatory variables into a linear regression framework.

The overarching CYPS model is made up of three separate multilevel logistic regression models. There is a separate logistic regression for each of the dependent variables. The explanatory variables in each logistic regression model are the same and are the variables listed in the previous section.

This in the general form of a logistic regression:

$$\text{logit}\, p_{ij} = \beta_{0j} + \beta_1 x_{1ij} + \beta_2 x_{2ij} + \cdots \beta_r x_{rij} + \beta_{r+1} x_{r+1j} + \beta_{r+2} x_{r+2j} + \cdots \beta_{r+s} x_{r+sj}$$

where:

p_{ij} = the probability that child i originating in LA j will report a positive outcome with respect to the criterion of interest;

logit refers to the logistic transformation: $ln\frac{p}{1-p}$;

β_{0j} is a randomly varying-intercept, with $\beta_{0j} = \beta_0 + u_{0j}$; with β_0 a constant to be determined and u_{0j} the variance at LA-level; with $u_{0j} \sim N(0, \sigma_{0r}^2)$;

$x_{1ij}, x_{2ij}, \ldots x_{rij}$ are *r* Level-1 variables included in the model;

$x_{r+1ij}, x_{r+2ij}, \ldots x_{r+sij}$ are *s* Level-2 variables included in the model;

$\beta_1, \beta_2 \ldots \beta_{r+s}$ are parameter estimates of the Level-1 and Level-2 variables to be determined by the modelling process.

As the models are random intercept models, the random effect is the same for all children within a particular LA.

Model outputs

The model predicts the likelihood of whether each child in the country will be:

- Registered as a Child in Need (CIN) on 31st March of a given year
- A Child Looked After (CLA) (in residential or foster care) during the year
- Ceased care during the year for any reason during the year. (Ceased)

These estimates are then aggregated to the local authority level. The numbers of CIN, CLA and Ceased are then converted to a local authority share of the total estimated number of CIN, CLA and Ceased.

Applying a resource weighting

We then apply a resource weighting to each local authority's shares of CIN, CLA and Ceased to ensure that the final relative need share estimates for each local authority reflects the relative resource costs of the different areas of CYPS activity.

The different activity metrics (that is CIN, CLA and Ceased) are weighted using the three year average of national expenditure in the corresponding Section 251 expenditure lines. The mapping between activity metrics and spending lines were determined by those which had the best correlation with the available activity metrics. The shares which each authority would receive for each of the three separate activity metrics are multiplied by the weights (as in table 1) to create a weighted share.

Table 1: Activity metrics which proxy each of the Section 251 service areas

Metric	Service Area	Resource Weight
CiN	Child, young people and family support services; Safeguarding triage: assessment, case management, and commissioning; Youth justice	49.8%
CLA	Residential Care for Children Looked After & Fostering for Children Looked After	39.4%
Ceased	Supporting legal permanence in alternative families; Care leaver services	10.8%

Applying an Area Cost Adjustment (ACA)

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. Further details on the 2024 ACA update can be found at: Explanatory note on Children's Social Care Prevention Grant methodology - GOV.UK. The final model takes the form as presented in table 2.

Table 2: Relative Needs Formula Methodology

Model steps	**Data sources:** • National Pupil Database • Children in Need and Children Looked After databases • ONS neighbourhood-level data (the lower layer super output area of each child before they came looked after)
1	**Multi-level modelling** The probability of a child with a set of child-level and neighbourhood-level characteristics being: • Child in Need • Child Looked After • Child no longer in care
2	The predicted needs of individual children in the anonymised database are aggregated to local authority level
3	Each service is weighted by what we know about local council expenditure. That expenditure is an average over 3 years.
4	Area Cost Adjustment for children's services
5	Output: Each local authority's relative needs allocation

Arriving at a funding allocation

To arrive at a grant distribution methodology (to translate a council's relative need allocation into a funding allocation) two additional steps are taken:

Taking account of the ability of local authorities to raise resources locally

While the needs-based formula is our best 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, we have applied an adjustment to the allocations to account for this.

Of the £270m grant funding available:

- £189.6m (up from £175m at the Provisional Settlement) is allocated through the 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.
- £80m (up from £75m 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 £80m is allocated in a similar way to equalisation against the adult social care precep[1]This is done as follows:
    - We calculate the total revenue raised from a notional additional 1% on council tax for all social care local authorities in 2025-26[2].
    - This revenue raised from a 1% increase on council tax is notionally added to the £80m of grant funding to be used for equalisation purposes.
    - We calculate the share of funding each council would receive from this combined amount if distributed using the interim RNF.
    - 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 we calculate the difference between their relative needs share of the combined amount and how much they can raise individually from 1% additional council tax.
    - These remaining allocations are then scaled proportionately so that the combined total sums to £80m.

[1] For a description of equalisation against the Adult Social Care precept as first implemented in 2017-18 see: EN_FINAL.pdf https://www.gov.uk/government/publications/the-allocations-of-the-additional-funding-for-adult-social-care

[2] 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 https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2024-to-2025 to 2025 . Assumes taxbase growth based on a 5-year geometric average for each authority using taxbase data from 2020-21 https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2020-to-2021

The future use of each element of this interim distribution methodology, whilst assessed as appropriate for 2025-26, is subject to full consultation and therefore modification for future financial years.

Applying a funding floor

For the Children's Social Care Prevention Grant 2025-26, a funding floor of £30,000 has been established for the local authorities that receive the very smallest allocations. Receipt of this level of funding will enable all local authorities to start developing a plan for transforming family help and child protection services for children and families.

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