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EVIDENCE

# THE IMMEDIATE FISCAL COST OF LATE INTERVENTION FOR CHILDREN AND YOUNG PEOPLE

A FIRST ESTIMATE FOR ENGLAND AND WALES

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# Introduction

This technical report provides first estimates on how much is spent by the state in England and Wales each year on immediate and short-run ‘Late Intervention’ to respond to the more severe problems that children and young people experience. ‘Late Intervention’ is used here as an umbrella term for a range of acute or statutory services that are required when children and young people experience significant difficulties in life, as well as other support they may draw upon such as welfare benefits. This report provides initial estimates of the annual, short-run cost to the taxpayer of such Late Intervention. This is evidently a conservative estimate as it only captures the immediate fiscal costs, not longer-term impacts (which may stretch into adulthood or intergenerationally) or wider economic and social costs.

Knowing what is spent on Late Intervention is useful because it illustrates a *potential* ‘fiscal prize’ from Early Intervention: if children at risk can be helped early on and their needs prevented from becoming entrenched, then they are less likely to require statutory intervention or acute services – freeing up resources and reducing pressure on the system. While the services themselves are valuable and important, and it is neither desirable nor possible to completely eliminate the need for them, the fiscal challenges we face do require action to minimise the demand on them as far as possible.

Our estimate of Late Intervention spend is produced by assessing how much is spent each year in England and Wales on dealing with the following issues:

- School absence and exclusion
- Child protection and safeguarding
- Child injuries and mental health problems
- Youth substance misuse
- Youth economic inactivity
- Crime and anti-social behaviour

We focus in particular on children and young people – generally aged under 18, although some of the source data used in this report is based on statistics for other age groups such as those aged under 24. In each case, the statistics and costs relate to the entire relevant population (e.g. all under-18s in England and Wales), rather than a specific cohort of individuals. This complicates interpretation of the work, but is a reflection of how the underlying statistical information is collected and reported by public bodies. More detail is presented in Table 1 below, which contains the full range of cost items included in this analysis.

The methods and findings contained in this report are not definitive. They are instead a first attempt to define and quantify short-run and immediate spending on Late Intervention based on existing datasets, studies and pieces of analysis across a range of policy areas. We see these estimates as a significant contribution to knowledge in this area by quantifying an important concept that helps to make the case for Early Intervention; however the estimates can and will be improved, through refinement of the methodology and consultation with experts in relevant

fields. We invite comments on this work and the approach taken through a dedicated page on the EIF website.<sup>1</sup>

**TABLE 1. COST ITEMS CALCULATED IN THE ANALYSIS**

Issue	Cost items
<b>School absence and exclusion</b>	<ul style="list-style-type: none"> <li>• Number of persistent absentees</li> <li>• Permanent school exclusions</li> </ul>
<b>Child protection and safeguarding</b>	<ul style="list-style-type: none"> <li>• Annual spending on Looked After Children</li> <li>• Number of Child Protection Plans</li> <li>• Number of Children in Need<sup>2</sup></li> </ul>
<b>Child injuries and mental health problems</b>	<ul style="list-style-type: none"> <li>• Children admitted to hospital due to injuries</li> <li>• Children admitted to hospital due to mental health</li> <li>• Children admitted to hospital due to self-harm</li> </ul>
<b>Youth substance misuse</b>	<ul style="list-style-type: none"> <li>• Young people admitted to hospital due to substance misuse</li> <li>• Children using specialist substance misuse treatment services</li> <li>• Children admitted to hospital due to alcohol</li> </ul>
<b>Youth economic inactivity</b>	<ul style="list-style-type: none"> <li>• 16-17 year olds who are NEET<sup>3</sup></li> <li>• 18-24 year olds who are NEET</li> </ul>
<b>Crime and anti-social behaviour</b>	<ul style="list-style-type: none"> <li>• Reported anti-social behaviour incidents</li> <li>• Young people in the Youth Justice System (YJS)</li> <li>• Reported cases of domestic violence<sup>4</sup></li> </ul>

It is also important to note certain limitations of this analysis. As stated above, this is a *first estimate* that is intended to be improved through consultation. Judgements have been made about which items to include in the analysis; there are additional items that could be included, and different conclusions which might be reached about some of the items that have been included. The resulting estimates are almost certainly an underestimate of the true level of Late Intervention spend, as what is presented here is the cost only of the items taken into account, which are items for which it was possible to quantify a cost. We acknowledge that the estimates provided here are inherently conservative in this respect.

Second, the items in Table 1 in no way represent the totality of acute services or Late Intervention spending. Rather, these are the principal social issues faced by children and young people for which national and local data are available, along with information on total or unit costs. Third, these measures provide information about

<sup>1</sup> See <http://www.eif.org.uk/consultation-on-spending-on-late-intervention>.

<sup>2</sup> Excluding cases where the need is classified as child or parental disability.

<sup>3</sup> Not in education, employment or training.

<sup>4</sup> This analysis focuses on the proportion of cases where children are present, which has been estimated at 90%. See <http://www.refuge.org.uk/get-help-now/what-is-domestic-violence/domestic-violence-the-facts/>. An important nuance and caveat here is that the associated costs are mostly in relation to services relating to the perpetrator and victim, rather than a child or young person. Nonetheless these are still fiscal costs brought about by issues and problems to which children are exposed.

*services* as well as *children*: that this, they will partly reflect local and national decisions about the availability, resourcing and use of services, in addition to the underlying well-being of the population. Finally, all the items in Table 1 are important and valuable services for children who need them. While the total cost of these services should not be regarded as wasteful spending, we should take action to reduce the burden placed on these services where we can.

A unit cost approach is used where the cost item refers to a number of individuals or events per year. In these cases, an estimated fiscal unit cost per individual or event is applied to get a total fiscal cost for that cost item. The advantage of this approach is that it is linked directly to data on outcomes for children and young people, and to the services they require. However, estimates of unit costs for public services are only available nationally, even though the true cost of providing a service may vary significantly from one local area to another. Moreover, unit costs may only capture marginal costs of service use, at the risk of excluding overheads or other fixed costs. This would lead to further underestimation of Late Intervention spend. Where it would lead to more robust results, we have also used published data on actual local authority spend on particular acute services – namely, local spend on Looked After Children and local spend on Pupil Referral Units. Table 2 sets this out more clearly.

In the sections that follow Table 2, the methodology for calculating costs for each cost item and apportioning those costs to local areas (where the original data is not available at a local level), is set out in full detail. Table 9 provides the actual numbers used in order to arrive at the final cost estimates, followed by the results of the analysis.

**TABLE 2. OUTLINE OF COSTING APPROACH**

Cost item	Source of cost information	Source of outcome information
1. Reported cases of domestic violence	Walby (2004, 2009)	ONS, <i>Focus on Violent Crime and Sexual Offences 2012/13</i>
2. Reported anti-social behaviour incidents	NEM, <i>Unit Cost Database (UCD)</i>	ONS, <i>Crime in England &amp; Wales Quarterly First Release</i>
3. Young people in the Youth Justice System (YJS)	National Audit Office (2011)	YJB, <i>Youth Justice Statistics 2012/13, England and Wales</i> ; MoJ, <i>Criminal justice statistics quarterly</i>
4. Number of persistent absentees	NEM, <i>Unit Cost Database (UCD)</i> Brookes et al. (2007)	DfE, <i>Pupil absence in schools in England: 2012 to 2013</i> ; Welsh Government, <i>Absenteeism by Pupil Characteristics</i> ; StatsWales, <i>Pupils by local authority, region and age group</i>
5. Permanent school exclusions	NEM, <i>Unit Cost Database (UCD)</i>	DfE, <i>Permanent and fixed-period exclusions in England</i> ; Schools, <i>education and children's services spending</i> ; StatsWales, <i>Permanent exclusions by local authority and year, Education revenue expenditure</i>
6. Annual spending on Looked After Children	NEM, <i>Unit Cost Database (UCD)</i>	DfE, <i>Schools, education and children's services spending</i> StatsWales, <i>Children looked after at 31 March by local authority, gender and age</i>
7. Number of Child Protection Plans	Saied-Tessier (2014)	DfE, <i>Characteristics of children in need: 2013 to 2014</i> StatsWales, <i>Children on child protection register by local authority and period of time</i>
8. Number of Children in Need	NEM, <i>Unit Cost Database (UCD)</i>	DfE, <i>Characteristics of children in need: 2013 to 2014</i> Welsh Government, <i>Wales Children in Need Census 2013</i>
9. Children admitted to hospital due to injuries	National Institute for Health and Clinical Excellence (2010a)	ChiMat, <i>Hospital admissions caused by injury in children</i> NHS Wales Informatics Service, <i>PEDW Statistics - 2012/13</i>
10. Children admitted to hospital due to mental health	Tulloch et al. (2008)	ChiMat, <i>Hospital admissions for mental health disorders</i> Welsh Government, <i>Admission of patients to mental health facilities</i>
11. Children admitted to hospital due to self-harm	National Institute for Health and Clinical Excellence (2011)	ChiMat, <i>Hospital admissions following self-harm (single years)</i> Welsh Government, "New five year plan to reduce suicide and self harm in Wales" ( <a href="#">link</a> )
12. Young people admitted to hospital due to substance misuse	DH, <i>NHS reference costs 2012 to 2013</i>	ChiMat, <i>Hospital admissions due to substance misuse</i> Public Health Wales (2013)
13. Children using specialist substance misuse treatment services	DH, <i>NHS reference costs 2012 to 2013</i> Public Health England (2015)	ChiMat, <i>Young people in specialist substance misuse services</i> Welsh Government, <i>Welsh National Database for Substance Misuse in Wales 2011-12</i>
14. Children admitted to hospital due to alcohol	National Institute for Health and Clinical Excellence (2010b)	ChiMat, <i>Hospital admissions for alcohol conditions (0-17)</i> Public Health Wales (2013)
15. 16-17 year olds who are NEET	NEM, <i>Unit Cost Database (UCD)</i>	DfE, <i>NEET data by local authority</i> Welsh Government, <i>Young people not in education, employment or training (NEET)</i>
16. 18-24 year olds who are NEET	NEM, <i>Unit Cost Database (UCD)</i>	DfE, <i>NEET statistics: quarterly brief</i> Welsh Government, <i>Young people not in education, employment or training (NEET)</i>

Notes: ONS = Office for National Statistics, NEM = New Economy Manchester, YJB = Youth Justice Board, DfE = Department for Education, DH = Department of Health. NEM Unit Cost Database available at [http://neweconomymanchester.com/stories/832-unit\\_cost\\_database](http://neweconomymanchester.com/stories/832-unit_cost_database).

# Methodology

## 1. Number of persistent absentees

The number of persistent absentees by English local authority was obtained from official DfE statistics.<sup>5</sup> For Welsh local authorities, the absenteeism rate (as a percentage of all pupils) was obtained from the relevant statistical release<sup>6</sup> while the total number of pupils was obtained from StatsWales,<sup>7</sup> combining these two sources yielded an estimated number of persistently absent pupils for each Welsh local authority.

The unit cost of a persistently absent pupil was based partly but not entirely on the NEM Unit Cost Database (UCD), supplemented by estimates from Brookes et al. (2007). Table 3 shows the unit cost estimates used in the analysis.

**TABLE 3. ASSUMED UNIT COST OF A PERSISTENTLY ABSENT PUPIL (2014–15 PRICES)**

	Cost	Source
Justice	£262	NEM Unit Cost Database
Police	£262	NEM Unit Cost Database
NHS	£64	NEM Unit Cost Database
Local government	£730	Brookes et al. (2007)
<b>Total</b>	<b>£1,318</b>	

The £524 cost of crime associated with truancy (taken from the UCD) was a joint cost for police and criminal justice services together; for the purposes of this analysis, it was therefore assumed to be split equally between the Justice and Police budgets. The UCD estimate of local government cost is not used as it relates to the cost of providing alternative provision, which is generally not required of local authorities in cases of truancy. Instead, an estimate of the cost to a local authority of an Educational Welfare Service, responsible for improving attendance, was taken from Brookes et al. (2007).

Many of these cost elements overlap with other costs elsewhere in the analysis. The crime cost is likely to overlap with the cost of ASB incidents and of young people in the criminal justice system, both of which were counted previously. Meanwhile, the NHS cost reflects the estimated prevalence of substance misuse and mental health problems among pupils who are persistently absent, both of which are likely to be

<sup>5</sup> DfE, *Pupil absence in schools in England: 2012 to 2013*, Table 11.1

<sup>6</sup> Welsh Government, *Absenteeism by Pupil Characteristics, 2011/12*, Table 2.

<sup>7</sup> StatsWales, *Pupils by local authority, region and age group*.

picked up in the costs of the relevant hospital admissions. Therefore, to avoid double counting, only the local government cost of persistent absenteeism is retained when the costs of multiple issues are aggregated together.

## 2. Permanent school exclusions

The number of permanently excluded pupils in English local authorities was obtained from DfE,<sup>8</sup> while for Welsh local authorities it was obtained from StatsWales.<sup>9</sup>

The fiscal cost of permanently excluded pupils came from two sources: estimated subsequent unit costs in police, justice, health and local government budgets; and actual local authority spend on Pupil Referral Units (PRUs). Table 4 presents the unit cost estimates that were used.

**TABLE 4. ASSUMED UNIT COST OF A PERMANENTLY EXCLUDED PUPIL (2014–15 PRICES)**

	Cost	Source
Justice	£600	NEM Unit Cost Database
Police	£600	NEM Unit Cost Database
NHS	£79	NEM Unit Cost Database
Local government	£1,241	NEM Unit Cost Database

Notes: Assumed cost of crime associated with permanent exclusion – £1,200 – has been split equally between police and justice budgets in this analysis. Local government cost relates only to the associated implications for social services, not the cost of alternative provision.

Figures on PRU spend were obtained from DfE<sup>10</sup> for English local authorities and StatsWales<sup>11</sup> for Welsh ones. For the purposes of this analysis, PRU spend was scored as a cost to the Education budget, given source funding from DfE and spot-purchasing of places by schools.

All of the costs presented in Table 4 are likely to overlap with other costs calculated elsewhere in the analysis: the police and justice costs may be covered by the analysis of ASB and young offenders, the NHS cost relates to substance misuse and mental health problems, and the local government cost relates to use of social services (if pupils are taken into care). As a result, when the cost of permanently excluded pupils is combined with other costs, only the local authority spend on PRUs is retained in order to avoid double-counting.

<sup>8</sup> DfE, Permanent and fixed-period exclusions in England: 2012 to 2013, Table 19.

<sup>9</sup> StatsWales, *Permanent exclusions by local authority and year*.

<sup>10</sup> DfE, *Schools, education and children's services spending: 2013 to 2014*, Table 10.

<sup>11</sup> StatsWales, *Education revenue expenditure, by authority and service*.

### 3. Annual spending on Looked After Children

While a national unit cost estimate per Looked After Child is available from the UCD, it is derived from actual local authority spend on Looked After Children; the latter has the benefit that it provides more accurate – and locally variable – cost figures. However, this information was only available for English local authorities.<sup>12</sup> The total spend in England was £4.67 billion in 2013–14 (£4.77 billion in 2014–15 prices).<sup>13</sup>

For Welsh local authorities where actual spend was not available, figures on the total number of Looked After Children by local authority were obtained from StatsWales.<sup>14</sup> These figures were then multiplied by the UCD estimate of the unit cost of a Looked After Child – £66,064 in 2014–15 prices. The full amount of this cost is assigned to the local government budget.

### 4. Number of Child Protection Plans

For English local authorities, the number of children who were the subject of a Child Protection Plan was obtained from DfE;<sup>15</sup> for Welsh local authorities the figures were obtained from StatsWales.<sup>16</sup>

The Unit Cost Database does not contain an estimate for the unit cost of a Child Protection Plan, so an estimate was instead taken from Saied-Tessier (2014) of £5,298 in 2012–13 prices (uprated to £5,524 in 2014–15 prices). In terms of budget implications, the full amount of this unit cost is assigned to local government. The same unit cost was applied to England and Wales.

Note that the figure provided by Saied-Tessier (2014) includes the cost of referral and assessment, and assumes a six-month duration for the Child Protection Plan. While most Child Protection Plans last less than six months, the average (mean) duration is more than six months.<sup>17</sup>

### 5. Number of Children in Need

For English local authorities, the number of Children in Need (CiN) was obtained from DfE;<sup>18</sup> for Welsh local authorities the figures were obtained from the Welsh Government.<sup>19</sup> In both datasets, cases where the primary need was child or parent

<sup>12</sup> DfE, *Schools, education and children's services spending: 2013 to 2014*, Table 6.

<sup>13</sup> This is calculated as the sum of the "Children Looked After" column plus 50% of the "Safeguarding children and young people's services" column, in line with the Unit Cost Database approach.

<sup>14</sup> StatsWales, *Children looked after at 31 March by local authority, gender and age*.

<sup>15</sup> DfE, *Characteristics of children in need: 2013 to 2014*, Table D.1.

<sup>16</sup> StatsWales, *Children on child protection register by local authority and period of time*.

<sup>17</sup> DfE, *Characteristics of children in need: 2013 to 2014*, Table D.5.

<sup>18</sup> DfE, *Characteristics of children in need: 2013 to 2014*, Table B.3.

<sup>19</sup> Welsh Government, *Wales Children in Need Census 2013*, Table 7.

disability were excluded from the total CiN figures in order to focus on other aspects such as abuse and neglect, behaviour issues, parenting family functioning.<sup>20</sup>

The unit cost per CiN was taken from the NEM Unit Cost Database, which provides an estimate of £1,610 (in 2014–15 prices) assuming a six-month case management period. In terms of budget implications, the full amount of this unit cost is assigned to local government. The same unit cost was applied to England and Wales.

## 6. Children admitted to hospital due to injuries

In England, the total number of hospital admissions for injuries (both accidental and deliberate) among 0-14 year olds was obtained from the ChiMat data atlas, produced by Public Health England.<sup>21</sup> The figures are available at the local authority level. In Wales, the derived data series is not published but similar data was obtained from the raw hospital episode statistics dataset available from the NHS Wales Informatics Service.<sup>22</sup> Injuries themselves are not recorded but the total was calculated based on the primary diagnosis codes most consistent with the incidence of injury,<sup>23</sup> among admissions of 0-14 year olds. The figure was not available by Welsh local authority.

Public health guidance on injury prevention (National Institute for Health and Clinical Excellence, 2010a) provides an estimated unit cost of emergency department visits and hospital admissions for injuries to under-15s: £1,283 per child. This was assumed to be in 2010–11, and thus uprated to £1,384 in 2014–15 prices. The same unit cost was applied to the English and Welsh hospital admission figures, and the resulting cost was treated as falling entirely within the health budget.

## 7. Children admitted to hospital due to mental health

In England, figures by local authority on children's hospital admissions for mental health problems were obtained from ChiMat.<sup>24</sup> Estimating a similar figure for Wales is more complex. According to the Welsh Government, there were 10,523 admissions to mental health facilities in 2012–13.<sup>25</sup> This figure relates to the population as a whole; the proportion accounted for by children was not known. Another report states that between 6% and 7% mental health patients in Wales are

<sup>20</sup> This is a judgement made by the author on which views are invited.

<sup>21</sup> ChiMat, *Hospital admissions caused by injury in children*.

<sup>22</sup> NHS Wales Informatics Service, *PEDW Statistics - 2012/13*.

<sup>23</sup> Diagnosis codes S00–T79 were used, in order to be as comparable as possible with the figures obtained from ChiMat.

<sup>24</sup> ChiMat, *Hospital admissions for mental health disorders*.

<sup>25</sup> Welsh Government, *Admission of patients to mental health facilities in Wales, 2012-13 (including patients detained under the Mental Health Act 1983) and patients subject to supervised community treatment*.

aged under 25,<sup>26</sup> hence a percentage of 6.5% was applied to the 10,523 to arrive at an estimated number of admissions for under-25s. Finally, according to the ONS population statistics for Wales, the under-18 population is approximately 68% of the under-25 population.<sup>27</sup> The result of these calculations was an estimated number of mental health hospital admissions among under-18s in Wales of 463 per year.

The unit cost applied to these admissions was obtained from the study by Tulloch et al. (2008) into inpatient child and adolescent mental health service care. Their estimate of an average admission cost of £33,817 was uprated to £41,667 to convert it into 2014–15 prices. The same unit cost was applied to England and Wales, and the cost was treated as falling entirely within the health budget.

## 8. Children admitted to hospital due to self-harm

In England, figures by local authority on children's hospital admissions for mental health problems were obtained from ChiMat.<sup>28</sup> Obtaining a corresponding figure for Wales was considerably more difficult: the only information found was a statistic reporting a total 5,500 hospital admissions for self-harm across the whole population.<sup>29</sup> Under the assumption that all these admissions were for 0-24 year olds, and then using ONS figures on the number of 0-17 and 0-24 year olds in Wales,<sup>30</sup> an estimate was reached of 3,761 admissions among 0-17 year olds.

The unit cost for a hospital admission due to self-harm was obtained from the costing report supporting clinical guidance (National Institute for Health and Clinical Excellence, 2011). This estimated the cost of a psychosocial assessment plus seven follow-up therapy sessions at £1,996 for a child, which was uprated to £2,115 in 2014–15 prices. The same unit cost was applied to England and Wales, and the cost was treated as falling entirely within the health budget.

## 9. Young people admitted to hospital due to substance misuse

In England, figures by local authority on hospital admissions due to substance misuse among 15-24 year olds were obtained from ChiMat.<sup>31</sup> For Wales, the same series of statistics is not published but Chart 13 of Public Health Wales (2013) suggests that of the 5,283 hospital admissions due to drugs in Wales in 2012, approximately 1,180 were by 15-24 year olds.

To arrive at a unit cost for these admissions, the latest available NHS reference costs for hospital procedures were used.<sup>32</sup> The choice of cost codes and descriptions was

<sup>26</sup> Welsh Government, *Patients in mental health hospitals and units in Wales, at 31 March 2014*.

<sup>27</sup> ONS, *Population Estimates for England and Wales, Mid 2012*, Table 5.

<sup>28</sup> ChiMat, *Hospital admissions for mental health disorders*.

<sup>29</sup> Welsh Government, *New five year plan to reduce suicide and self harm in Wales*.

<sup>30</sup> ONS, *Population Estimates for England and Wales, Mid 2012*, Table 5.

<sup>31</sup> ChiMat, *Hospital admissions due to substance misuse*.

<sup>32</sup> Department of Health, *NHS reference costs 2012 to 2013*.

informed by Table 24 of Frontier Economics (2011); based on that, the NHS reference costs used in this analysis are shown below in Table 5.

**TABLE 5. ASSUMED COSTS FOR HOSPITAL ADMISSION DUE TO DRUGS (2012–13)**

	Number	Unit cost	Total cost
Poisoning, Toxic, Environmental and Unspecified Effects, with CC Score 4+	169	£806	£136,263
Poisoning, Toxic, Environmental and Unspecified Effects, with CC Score 2-3	4,805	£506	£2,431,978
Poisoning, Toxic, Environmental and Unspecified Effects, with CC Score 0-1	72,538	£430	£31,190,205
Behavioural Disorders with length of stay 1 day or less	3,227	£532	£1,716,544
Behavioural Disorders with length of stay between 2 and 7 days	24	£1,249	£29,987
Behavioural Disorders with length of stay 8 days or more	3	£1,614	£4,842

The weighted average of these reference costs is £440,<sup>33</sup> which was uprated to £458 in 2014–15 prices. The same unit cost was applied to England and Wales, and the cost was treated as falling entirely within the health budget.

## 10. Children using specialist substance misuse treatment services

In England, figures by local authority on the number of under-18 year olds attending specialist treatment for drugs or alcohol were obtained from ChiMat.<sup>34</sup> An approximate corresponding figure for Wales was taken from Table 3c of the latest analysis of the Welsh National Database for Substance Misuse,<sup>35</sup> which indicates that 2,391 10-19 year olds were referred to treatment providers in 2011–12.

As with hospital admissions for substance misuse, the use of treatment services was costed using NHS reference costs. Table 6 presents the reference costs used here.

**TABLE 6. ASSUMED COSTS FOR SUBSTANCE MISUSE TREATMENT (2012–13)**

	Number	Unit cost	Total cost
Alcohol Services, Adult, Admitted Patient	46,637	£349	£16,262,089
Alcohol Services, Adult, Community Contacts	451,792	£119	£53,565,486
Alcohol Services, Adult, Outpatient Attendances	45,834	£104	£4,767,666

<sup>33</sup> Excluding behavioural disorders with a length of stay greater than one day, as done in Frontier Economics (2011), makes negligible difference to the resulting weighted average, which falls to £439.

<sup>34</sup> ChiMat, *Young people in specialist substance misuse services*.

<sup>35</sup> Welsh Government, *Welsh National Database for Substance Misuse in Wales 2011-12*

Alcohol Services, Children and Adolescents, Community Contacts	615	£234	£143,662
Alcohol Services, Children and Adolescents, Outpatient Attendances	1,440	£206	£296,412
Drug Services, Adult, Admitted Patient	20,249	£466	£9,444,030
Drug Services, Adult, Community Contacts	1,025,731	£104	£106,331,614
Drug Services, Adult, Outpatient Attendances	178,878	£129	£23,154,780
Drug Services, Children and Adolescents, Community Contacts	3,794	£221	£839,515
Drug Services, Children and Adolescents, Outpatient Attendances	7	£122	£855

The weighted average of all the costs in Table 6 is £121, or £126 in 2014–15 prices. This is assumed to be a daily cost and was therefore multiplied by an estimate of the average length of substance misuse treatment; a figure of 151 days was used, based on Public Health England (2015). The resulting cost per user of specialist substance misuse treatment was therefore estimated at £19,054. The same unit cost was applied to England and Wales, and the cost was treated as falling entirely within the health budget.

## 11. Children admitted to hospital due to alcohol

In England, figures by local authority on the number of under-18 year olds admitted to hospital due to alcohol were obtained from ChiMat.<sup>36</sup> For Wales, the same series of statistics is not published but Chart 4 of Public Health Wales (2013) indicates that 231 under-19s were admitted to hospital in Wales in 2012 with alcohol as a primary diagnosis.

A figure for the unit cost for these admission was taken from the NICE public health guidance (National Institute for Health and Clinical Excellence, 2010b, Table 5). This provides an indicative unit cost in 2008–09 of £1,540 for admissions wholly attributable to alcohol, which was then uprated to £1,751 in 2014–15 prices. The same unit cost was applied to England and Wales, and the cost was treated as falling entirely within the health budget.

## 12. 16-17 year olds who are NEET

NEET figures in England and Wales were analysed separately for 16-17 year olds and 18-24 year olds, due to the very different benefit entitlements – and resulting fiscal costs – for the two groups.

<sup>36</sup> ChiMat, *Hospital admissions for alcohol conditions (0-17)*.

In England, figures by local authority on the number of 16- and 17-year olds not in education, employment or training were obtained from the Department for Education.<sup>37</sup> For Wales, figures were taken from the latest available official statistics which indicated 5,300 NEETs aged 16-17.<sup>38</sup> This was not disaggregated by Welsh local authority.

The unit cost of these individuals is taken from the NEM Unit Cost Database, which provides a figure of £575 (in 2014–15 prices) as the average amount of benefits paid to them per year, based on an assumption that 19% of 16-17 year old NEETs claim benefits. The same unit cost was applied to England and Wales, and total resulting cost was treated as falling entirely within the Department for Work and Pensions welfare budget.

### 13. 18-24 year olds who are NEET

To calculate the total number of 18-24 year old NEETs in England, the latest available statistics by age, published by DfE, were used.<sup>39</sup> This figure, 742,209, was not split by local authority, hence in order to assign 18-24 year old NEETs (and the resulting fiscal cost) to English local authorities, their share of the national 16-17 year old NEET population was used. In other words, if a local authority contained 1% of the total number of 16-17 year old NEETs in England, they were assumed to also have 1% of the total number of 18-24 year old NEETs. For Wales, the national total of 18-24 year old NEETs was obtained from the latest available official figures, as above.<sup>40</sup> It could not be split by Welsh local authority as the figures for 16-17 year old NEETs in Wales were not split by Welsh local authority.

As above, the unit cost for 18-24 year old NEETS was taken from the NEM Unit Cost Database. This provides a figure of £4,597 (in 2014–15 prices) as the average amount of benefits paid to them per year, based on an assumption that 65% of 18-24 year old NEETs claim benefits. The same unit cost was applied to England and Wales, and total resulting cost was treated as falling entirely within the Department for Work and Pensions welfare budget.

### 14. Reported anti-social behaviour incidents

The estimated unit cost of a reported anti-social behaviour (ASB) incident was obtained from the NEM Unit Cost Database (UCD). This contained an estimate of £35 for incidents requiring no further action and £500 for incidents requiring further action, both in 2002–03 prices. The average of both figures was used, which is £353

<sup>37</sup> DfE, *NEET data by local authority*.

<sup>38</sup> Welsh Government, *Young people not in education, employment or training (NEET)*, Table 3.

<sup>39</sup> DfE, *NEET statistics: quarterly brief – April to June 2014*, Underlying data: SFR29/2014.

<sup>40</sup> Welsh Government, *Young people not in education, employment or training (NEET)*, Table 3.

in 2014–15 prices after applying HM Treasury GDP deflators. In line with the UCD, the cost is assumed to be borne entirely by the police.

The total number of reported ASB incidents was obtained from ONS.<sup>41</sup> Unfortunately these figures are only published at the police force area level rather than the local authority level; the former is typically larger than the latter. An estimate of ASB incidents in each local authority in England and Wales was imputed on the basis of population share: the population of the local authority as a proportion of the population of the corresponding police force area. This was based on ONS mid-year estimates of the adult population in each local authority. The share was multiplied by the actual number of reported ASB incidents (by police force area) to create an imputed number of ASB incidents for each local authority. For example, if a particularly local authority contained 25% of the corresponding police force area's population, it was assumed to account for 25% of the police force area's recorded ASB incidents as well.

By construction, the imputed number of reported domestic abuse incidents in each local authority aggregates back up the actual total number of reported incidents for England and Wales, as published by ONS (2,709,261 in 2011–12). The fiscal cost for each local area (and for England and Wales as a whole) was then calculated as the product of the unit cost and the total number of (imputed) reported ASB incidents for that local area.

## 15. Young people in the Youth Justice System (YJS)

The unit cost of a young offender in the YJS was taken from a report by National Audit Office (2011, Figure 12). This is £7,860, assumed to be 2008–09 prices and therefore uprated to £8,937 in 2014–15 prices across England and Wales together. The costs of young offenders are assumed to fall largely but not entirely within the Ministry of Justice budget, with additional contributions from police, NHS and local government budgets; the breakdown is presented in Table 7.<sup>42</sup>

**TABLE 7. ASSUMED UNIT COST OF A YOUNG OFFENDER (2014–15 PRICES)**

	England	Wales
Justice	£7,307	£7,300
Police	£1,132	£1,122
NHS	£38	£31
Local government	£459	£477

Notes: Based on Figure 11 of National Audit Office (2011). Local government cost in Wales includes contributions from the devolved Welsh government.

<sup>41</sup> ONS, *Crime in England & Wales Quarterly First Release to March 2012 - police force area tables*, Table P14.

<sup>42</sup> This split is based on Figure 11 of the same NAO report.

While the total youth justice caseload in England and Wales is known – roughly 50,000 in 2012–13<sup>43</sup> – published figures at the local authority level were not available. Some modelling was therefore required in order to distribute the 50,000 young offenders (and the fiscal costs associated with them) across local areas. Information is available from the Ministry of Justice on the annual number of first time entrants to the criminal justice system aged 10–17, for all English and Welsh local authorities,<sup>44</sup> and this was used to determine the share of young offenders that each local authority accounted for. Hence, if a local authority's number of new entrants to the youth justice system represented 1% of the national total, the area would then be assigned 1% of the national youth justice caseload.

## 16. Reported cases of domestic violence

Domestic violence is a somewhat different issue to the all the other costs in this analysis. The Late Intervention spend associated by it is not due to children and young people, nor is it attached to them: most of the costs relate to the perpetrator and victim, both of whom are generally adults. Ultimately, domestic violence – specifically instances thereof where a child is present – was included and costed because it is a problem to which children and young people are exposed that leads to significant fiscal cost and detriment to wellbeing. Addressing domestic violence is an important part of Early Intervention with families, and the subject is a priority issue for EIF (having been the basis of EIF's first report), as well as for the EIF's 20 Pioneering Places. Nevertheless, the inclusion in this analysis of domestic violence cases is a matter of judgement by the author upon which views are invited.

The fiscal costs of domestic violence, in terms of service use allocated required for perpetrators and victims, are originally taken from Walby (2004, 2009). The costs were then projected forward on the basis of the growth rate in the number of recorded incidents of domestic abuse between 2008–09 and 2012–13 (the latest year for which such data is available) from the Office for National Statistics, which was approximately 10%.<sup>45</sup> The modelling assumption made here is that the cost of service use is proportional to the level of recorded incidents.

The estimates were then uprated from 2008–09 prices to 2014–15 prices using the latest available GDP deflators.<sup>46</sup> Finally, the costs were multiplied by a factor of 0.9 to focus on domestic violence that affects children and young people, based on an estimate that children are present in 90% of domestic violence incidents.<sup>47</sup> Table 8 presents the resulting estimates of fiscal costs arising from domestic violence, for England and Wales as a whole.

<sup>43</sup> YJB (2013), *Youth Justice Statistics 2012/13 England and Wales*.

<sup>44</sup> MoJ, *Criminal justice statistics quarterly: June 2014*, Table Q6c.

<sup>45</sup> ONS, *Focus on Violent Crime and Sexual Offences 2012/13*, Appendix Table 4.07.

<sup>46</sup> See <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2014-quarterly-national-accounts>.

<sup>47</sup> See <http://www.refuge.org.uk/get-help-now/what-is-domestic-violence/domestic-violence-the-facts/>.

**TABLE 8. TOTAL FISCAL COSTS OF DOMESTIC VIOLENCE (£M)**

	2001	2008	2012–13	90% in 2014–15 prices
Criminal justice (inc. Police)	1,017	1,261	1,383	1,415
Police	490	608	666	758
Healthcare	1,382	1,714	1,880	1,923
Social services	228	283	310	317
Housing and refuges	130	161	177	181
Civil legal services	159	197	216	221
<b>Total</b>	<b>2,916</b>	<b>3,616</b>	<b>3,966</b>	<b>4,058</b>

Notes: 2001 figures taken from Walby (2004); 2008 figures taken from Walby (2009); 2012/13 figures based on author's calculations.

To assign costs to areas of government (or agencies), the criminal justice (excluding police) and civil legal costs were assigned to the Ministry of Justice budget, while the police cost was assigned to the police budget. All of the healthcare costs were assigned to the NHS budget. Social services and housing and refuge costs were assigned to local government budgets.

As with ASB incidents, there is no published information on the local prevalence of domestic violence and abuse except for the level of reported incidents by police force area, which is produced by the ONS (see footnote 45). Similarly to ASB, an estimate of domestic abuse incidents in each local authority in England and Wales was imputed on the basis of population share: the population of the local authority as a proportion of the population of the corresponding police force area. The share was multiplied by the actual number of reported domestic abuse incidents (by police force area) to create an imputed number of incidents for each local authority.

By construction, the imputed number of reported domestic abuse incidents in each local authority aggregates back up the actual total number of reported incidents for England and Wales, as published by ONS (838,026 in 2012–13). This means that the imputed local authority numbers can be used as weights, by dividing them by the total number of reported incidents for England and Wales. The fiscal costs in Table 8 were allocated to local authorities on the basis of these percentage shares.

For example, if police force area X accounted for 1.5% of the national total reported incidents on domestic abuse, and local authority Y accounts for 33% of the population of that police force area, then that local authority is assigned 0.5% of the national total reported incidents. By extension, it is also assigned 0.5% of the fiscal costs in Table 8.

An adjustment to the local government cost was necessary to avoid double-counting when adding the domestic violence cost to the costs of other issues. According to the UCD, 64% of the cost incurred by local government relates to child protection matters, which may be already picked up in the costs of Looked After Children. Therefore, while the cost to local government of domestic violence includes this component, it is removed when adding the overall costs of Looked After Children to avoid double-counting. The remaining cost to local government of domestic violence is for housing and refuge services, as per Table 8.

## Summary of cost parameters

Table 9 summarises the underlying parameters used to calculate the total figure for each of the 16 cost items.

**TABLE 9. SUMMARY OF COST PARAMETERS (2014–15 PRICES)**

Cost item	Total number in England and Wales	Assumed unit cost	Total spend/cost in England and Wales (£m)
1. Reported cases of domestic violence <sup>a</sup>	754,223		4,058
2. Reported anti-social behaviour incidents	2,709,261	£353	956
3. Young people in the Youth Justice System (YJS)	53,070	£8,937	474
4. Number of persistent absentees	319,953	£1,318	422
5. Permanent school exclusions	4,734	£1,241 <sup>b</sup>	454 <sup>c</sup>
6. Annual spending on Looked After Children	72,820	£66,064 <sup>d</sup>	5,153
7. Number of Child Protection Plans	51,422	£5,524	284
8. Number of Children in Need	357,073 <sup>e</sup>	£1,610	575
9. Children admitted to hospital due to injuries	106,171	£1,384	136
10. Children admitted to hospital due to mental health	10,473	£41,668	436
11. Children admitted to hospital due to self-harm	17,536	£2,115	37
12. Young people admitted to hospital due to substance misuse	5,179	£458	3
13. Children using specialist substance misuse treatment services	23,084	£19,054	440
14. Children admitted to hospital due to alcohol	5,077	£1,751	9
15. 16-17 year olds who are NEET	48,620	£575	28
16. 18-24 year olds who are NEET	802,109	£4,597	3,687

<sup>a</sup> Where children are present (assumed to be 90% of cases). <sup>b</sup> Excludes spending on Pupil Referral Unit provision. <sup>c</sup> Includes spending on Pupil Referral Unit provision. <sup>d</sup> Only used for Wales.

<sup>e</sup> Excludes cases where primary need is child or parent disability.

# Results

The following tables and figures containing the resulting first estimates of the annual, short-run fiscal cost of Late Intervention as defined in the previous section. Figure 1 presents a visual breakdown for England and Wales. Overall, nearly £17 billion per year is spent by the state according to this analysis, with the largest single items being the costs of children who are taken into care (Looked After Children), the consequences of domestic violence and welfare benefits for 18-24 year olds who are not in education, employment or training (NEET).

**FIGURE 1. LATE INTERVENTION SPEND ON EACH COST ITEM**

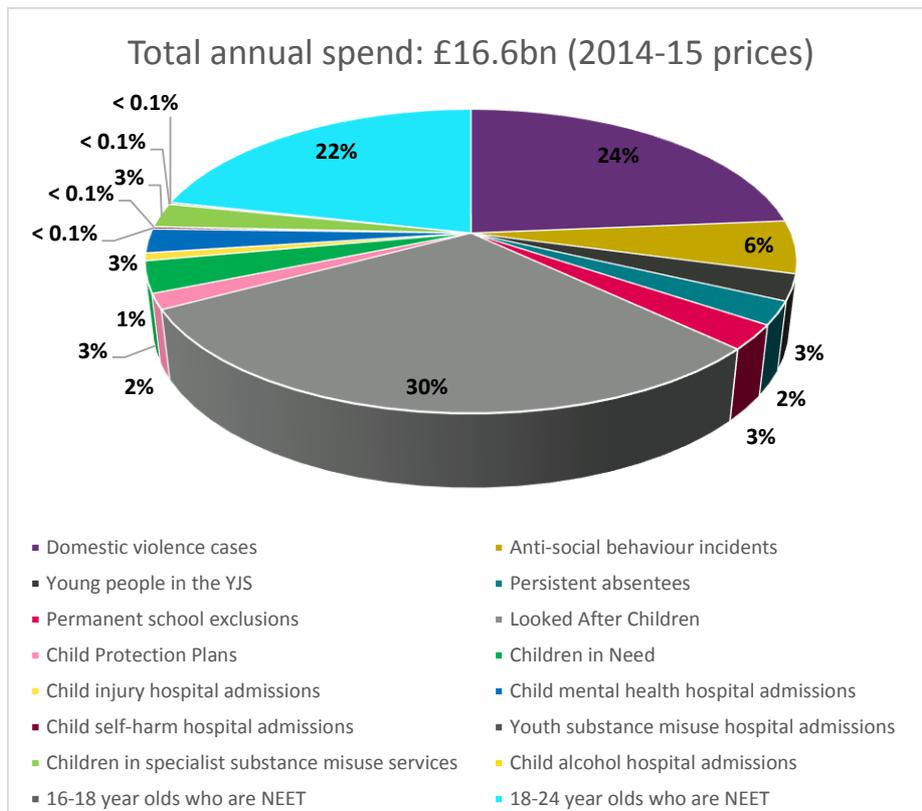
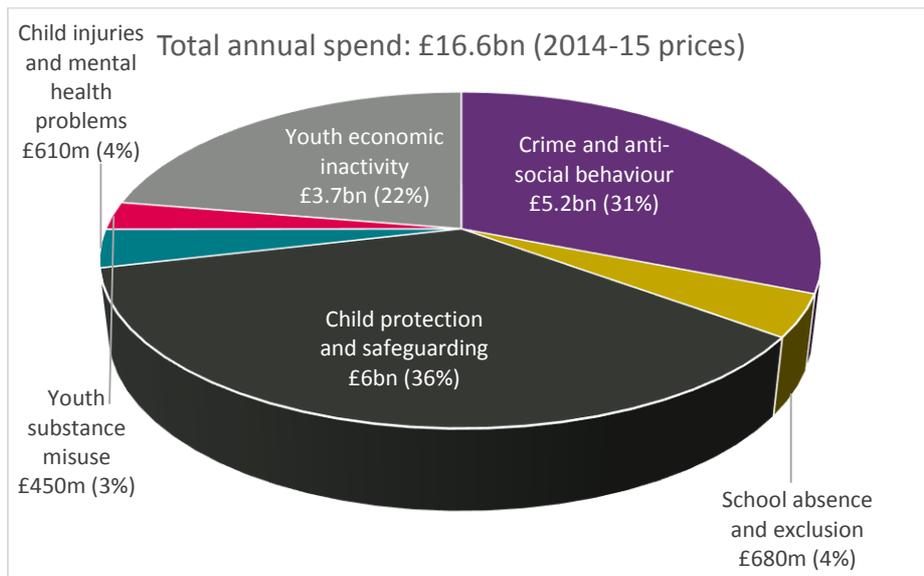


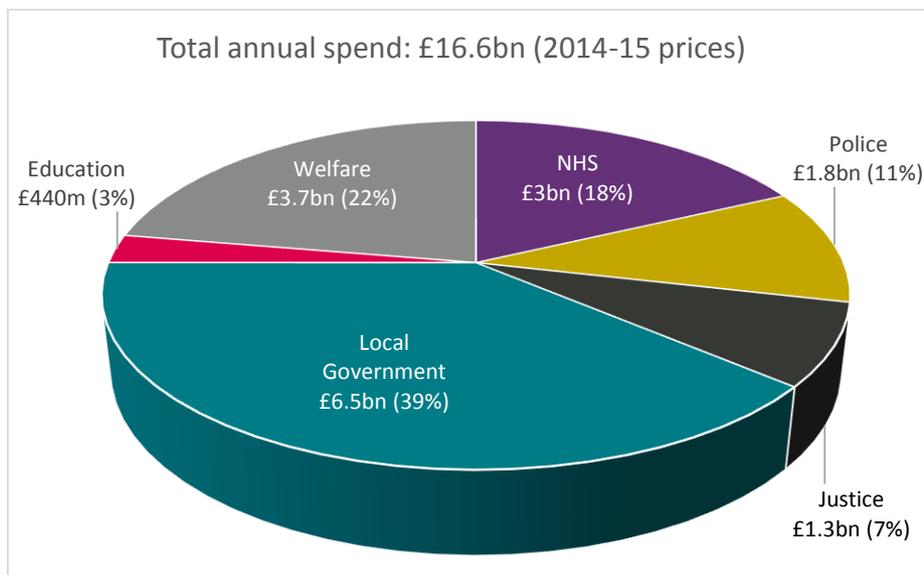
Figure 2 provides a higher level summary by aggregating the cost items under broader headings reflecting a particular issue. This reveals that late Intervention in the area of child protection and safeguarding accounts for a third of the total amount, followed closely by spending due to crime and antisocial behaviour.

**FIGURE 2. LATE INTERVENTION SPEND ON EACH ISSUE**



The costs of dealing with these issues fall across different parts of the public sector. Figure 2 sheds light on this by splitting up the £16.6 billion according to the spending department or government agency that ultimately bears the cost. This answers the question of who currently pays for Late Intervention, which is relevant to the debate on public spending but also to the debate on how Early Intervention and prevention should be funded; that is, where the financial contributions towards preventive activity should come from.

**FIGURE 3. LATE INTERVENTION SPEND BY AREA OF GOVERNMENT**



The local government share is the largest because it reflects the costs of child protection and safeguarding, including over £5 billion per year on Looked After Children. However, it also includes significant costs associated with persistent absence from school and the consequences of domestic violence. This is shown in more detail in Table 3, which breaks down the £16.6 billion both by issue and area of government. Interestingly, the healthcare costs of domestic violence constitute the

largest item within the £3 billion acute service spend by the NHS.<sup>48</sup> Many of the issues considered here are multi-faceted, necessitating late spending by multiple organisations or areas of government. Understanding how these costs are distributed may assist with co-ordinating preventive action at national and local levels.

<sup>48</sup> While these services are used by the victim (the abused partner) rather than the child, they nevertheless represent an important part of the total short-run fiscal cost of domestic violence incidents where a child is present.

## Discussion

This technical report provides first estimates on how much is spent by the state in England and Wales each year on immediate, short-run ‘Late Intervention’ to respond to the more severe problems that children and young people experience. ‘Late Intervention’ is used here as an umbrella term for a range of acute or statutory services that are required when children and young people experience significant difficulties in life, as well as other support they may draw upon such as welfare benefits. This report provides initial estimates of the annual cost to the taxpayer of such Late Intervention. As an annual estimate it only captures the immediate fiscal costs, not longer-term impacts.

The methods and findings contained in this report are not definitive. They are instead a first attempt to define and quantify spending on Late Intervention based on existing datasets, studies and pieces of analysis across a range of policy areas. The estimates contained in this report are a significant contribution to knowledge in this area but can and will be improved, through refinement of the methodology and consultation with experts in relevant fields.

Notwithstanding the many caveats, limitations and qualifications inherent in this exercise, the results show that £16.6 billion is spent by an array of public sector agencies on Late Intervention for children and young people – as defined in this paper – every year. This is almost certainly an underestimate since it is the cost of a selection of outcomes for which it was possible to quantify a cost at the time of writing. As an evolving estimate, this may grow over time as the methodology is widened to include more social problems or types of service use.

It is worth considering how the estimates of Late Intervention spend provided here compare to what is known about Early Intervention spend. While a detailed ‘bottom-up’ estimate of spending on Early Intervention has never been collated, the estimates that do exist suggest that such spending represents a fraction of the amount spent on Late Intervention. Work by the National Audit Office (2013) estimated that only 6 percent of social policy spending (across health, education, crime and justice) could be designated as “early action” – approximately £12 billion in 2011–12. However, almost all of this was in the health and education budgets, where a broader definition of early action had been applied that included universal early years provision, and health services which are not specific to young people. In the Home Office and Ministry of Justice budgets, where the scope of activity was restricted to more closely match the above definition of Early Intervention, only £200 million of relevant spend was identified.

The Troubled Families programme has provided another estimate of the comparative levels of Early and Late Intervention spending – albeit only for the specific group of 120,000 families served by the programme. As part of the business case, a number of government departments identified the fiscal expenditure attributable to these families, both in terms of “targeted” (Early Intervention) and “reactive” (Late Intervention) spend. The analysis revealed that while £8 billion was spent on the Late Intervention for the 120,000 families each year, only £1 billion was spent on services that might be categorised as Early Intervention and prevention.

Going forward, this first estimate and the analysis underpinning will be refined improvement and extension of the methodology, based on consultation with others.

One extension of this work will be to attempt to reconcile the 'bottom-up' figures in this report, which are almost certainly an underestimate, with 'top-down' figures based on higher-level financial statements from government departments and other agencies. Another potential extension is the production of a range of figures based on different underlying cost estimates, ranging from marginal costs to those that include fixed costs and overheads. However, the most significant potential extension to this work would perhaps be improvement and standardisation of the underlying financial data and statistics produced by government departments and other public bodies relating to Early and Late Intervention; we will explore options through which such improvements can be achieved, again in consultation with others.

We invite comments on this work and the approach taken through a dedicated page on the EIF website.<sup>49</sup>

<sup>49</sup> See <http://www.eif.org.uk/consultation-on-spending-on-late-intervention>.

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