



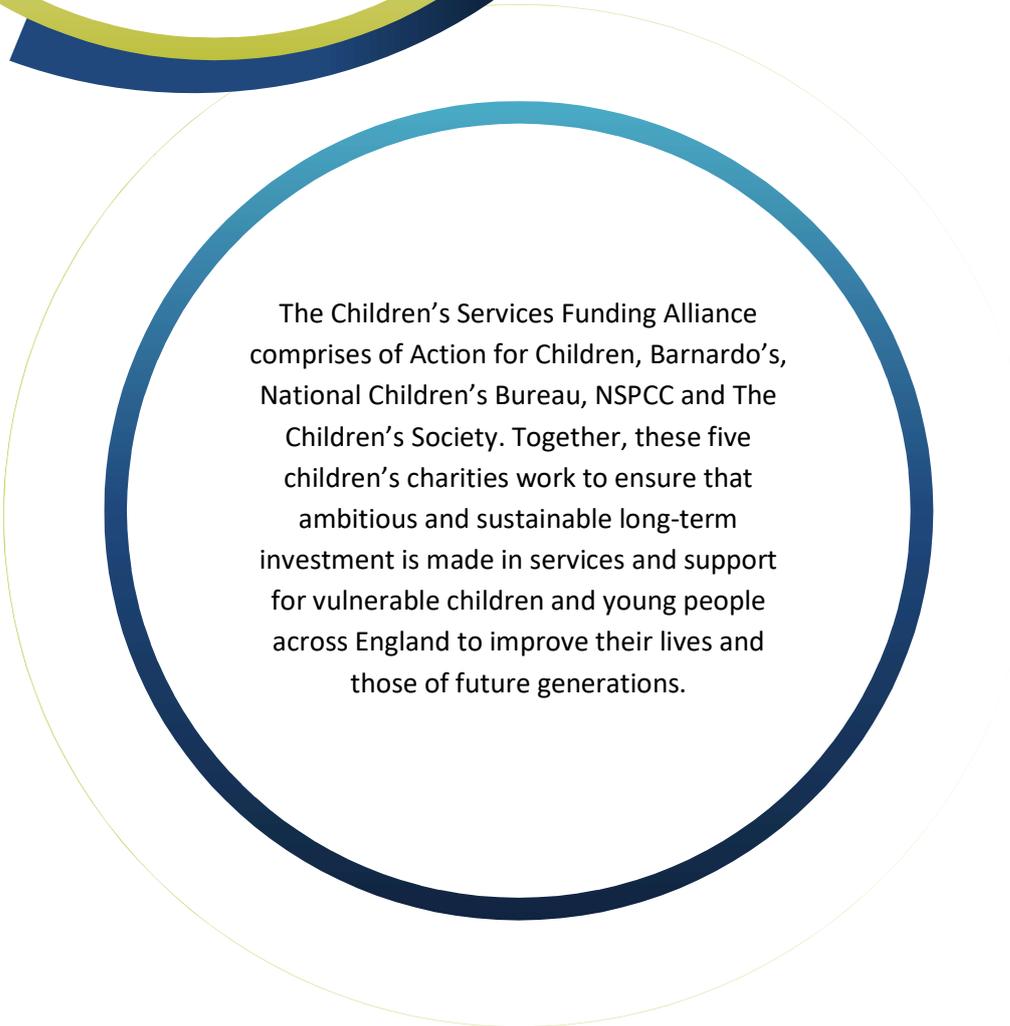
Children and young people's services: Spending 2010-11 to 2019-20

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Pro Bono Economics uses economics to empower the social sector and to increase wellbeing across the UK. We combine project work for individual charities and social enterprises with policy research that can drive systemic change. Working with 400 volunteer economists, we have supported over 500 charities since our inception in 2009.



The Children's Services Funding Alliance comprises of Action for Children, Barnardo's, National Children's Bureau, NSPCC and The Children's Society. Together, these five children's charities work to ensure that ambitious and sustainable long-term investment is made in services and support for vulnerable children and young people across England to improve their lives and those of future generations.

£325m

Drop in annual spending on children's services between 2010-11 and 2019-20

Spending on children's services in the most deprived areas has fallen by

14%

per young person between 2010-11 and 2019-20

48%

Decrease in spending on early intervention services between 2010-11 and 2019-20

The annual cost of supporting a Looked After Child has increased by more than 20% over the last decade to

£64,000

as a result of growing demands on the care system

The pandemic has further worsened outcomes for children in England

Even prior to the crisis there were many reasons to be concerned about children in England. Measures for their wellbeing and mental health have been declining over time and comparisons to other countries suggest that England's children are some of the least happy across developed nations.¹

The coronavirus pandemic has made this situation worse, risking a legacy of long-term challenges for society to deal with. Parents have raised concerns about their children's wellbeing, and data from July 2020 suggested that probable mental health conditions have further worsened by nearly 50% since prior to the pandemic.^{2 3} Early evidence suggests that the first lockdown has significantly lowered primary-age pupils' reading and maths abilities.⁴

And, worryingly, it is the more disadvantaged children who are likely to have been affected the most. Attainment gaps between economically disadvantaged pupils and their peers at age 7 have grown to reach almost 7 months of progress in Maths and English.⁵ In addition, socioeconomically deprived parents responding to surveys conducted throughout the pandemic have recorded consistently worse impacts on mental health for their children.⁶

On top of this, there is evidence that those children and young people at risk of domestic abuse faced additional challenges as a result of elevated stress levels and the impact of lockdown measures on the opportunities for at-risk young people to escape abuse. During the first lockdown, the NSPCC experienced a 53% increase in contacts from people with concerns about children experiencing physical abuse, while Childline delivered a 22% increase in the number of counselling sessions about physical abuse.⁷

Local Authorities have responded to these elevated risks by increasing expenditure on children's social care during 2020-21 by a reported £379million.⁸ While this injection of support is welcome, it is equivalent to just 12% of the boost in funding provided to adult social care, and much of it is believed to have been used to support the transition of provision to a covid-secure model and manage workforce pressures rather than to establish new services. In addition, there appears to be significant demand for support beyond basic statutory provision. The Covid-response See, Hear Respond programme, delivered by Barnardo's and 87 voluntary organisations, supported more than 100,000 vulnerable young people throughout the pandemic who did not qualify for statutory support but were

¹ See for example The Children's Society (2020): *The good childhood report 2020*, The Children's Society and NHS Digital (2018): *Mental health of children and young people in England 2017*, NHS Digital

² The Children's Society (2020): *Life on Hold: children's well-being and Covid-19*, Children's Society

³ Ford T (2021): *Mental health of children and young people during the pandemic*, BMJ: 3172, n614.

⁴ Rose S, Twist L, Lord P, Rutt S, Badr K, Hope C, Styles B (2021): *Impact of school closures and subsequent support strategies on attainment and socio-emotional wellbeing in Key Stage 1: Interim Paper 1*, National Foundation for Educational Research.

⁵ Rose et al. (2021)

⁶ Ford T (2021)

⁷ NSPCC (2020): *The impact of the coronavirus pandemic on child welfare: physical abuse*, NSPCC

⁸ Ministry of Housing, Communities & Local Government (2021): *Local authority COVID-19 financial impact monitoring information*, Round 12, accessed here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>.

struggling to access basic needs such as food and heating, as well as struggling with mental health, reintegration into education and much more⁹.

These challenges faced by our most vulnerable children have the potential to result in long-lasting effects on life outcomes that require “continued long-term efforts...to make a meaningful difference”.¹⁰ For this reason, it is essential that this short-term increase in support is put in the context of a decade of cuts to expenditure on children’s services that had left them “facing a crisis” even before the pandemic began.¹¹

Annual spending on Children’s Services in England fell by £325m over the decade before the pandemic

Local Authority children and young people’s services cover a range of support, from parenting programmes in children’s centres to local safeguarding teams who step in and protect children from harm.

Funding for these services fell dramatically in the aftermath of the 2008 financial crisis and has not recovered. Despite a continuation of the annual growth in spending seen since 2016-17, and a significant over-spend compared to budgets, the total amount of expenditure on children’s services in 2019-20 remains £325million per year lower than it was in 2010-11.¹²

⁹ Barnardo’s (2021): *See, Hear, Respond England national report*

¹⁰ Department for Education (2019): *Help, protection, education: concluding the Children in Need review*, Department for Education.

¹¹ Care Crisis Review: *options for change* (2018) London: Family Rights Group.

¹² Local Government Association (2021): *LGA; eight in 10 councils forced to overspend on children’s social care budgets amid soaring demand*, Local Government Association.

Figure 1. Total annual spending on children's services has declined over the last decade



Source: DfE (2021): *LA and school expenditure*

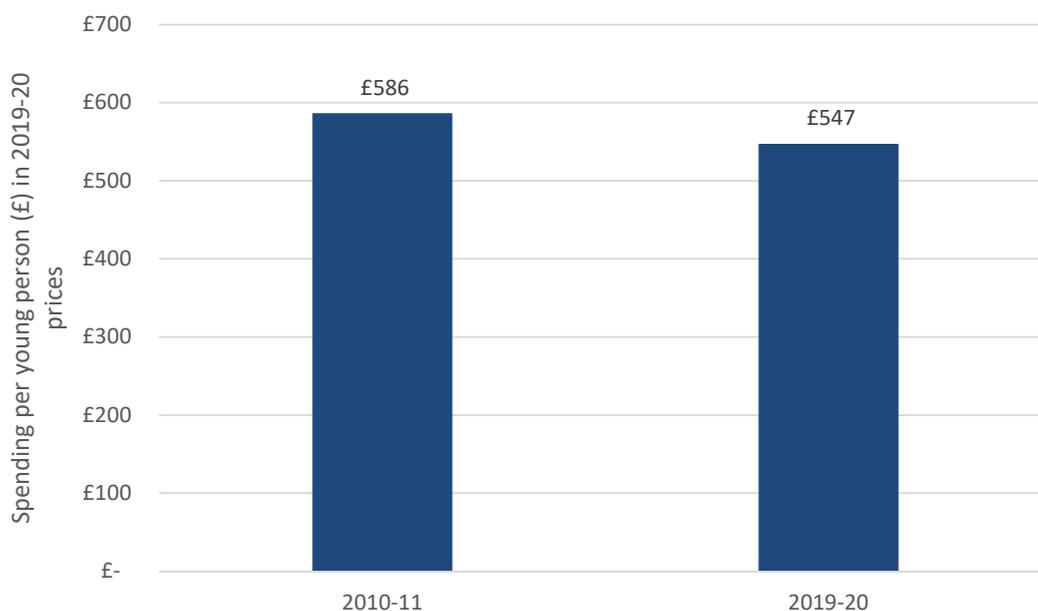
This is despite the number of vulnerable young people in England increasing

These reductions in expenditure have occurred despite the fact that the number of young people in England has increased over the period. The total number of young people (aged 0-25) in England has increased by 4% between 2010-11 and 2019-20. The number of children needing support from Local Authorities has increased too. The number of Children in Need (those requiring support from the Local Authority in order to maintain a reasonable standard of health or development) has increased in line with this overall increase, while the number of Looked After Children in England has increased by an enormous 21% over the decade.¹³

This reduction in spending at a time when the number of young people in England has been increasing has left expenditure per young person in England declining by nearly 7% over the decade prior to the pandemic, from £586 per young person to £547 per young person.

¹³ Department for Education (2021): *Statistics: looked after children* and Department for Education (2021): *Statistics: children in need and child protection*.

Figure 2. Spending per young person declined by 7% between 2010-11 and 2019-20



Source: PBE analysis of DfE (2021): *LA and school expenditure* and NOMIS (2020): *Population estimates - local authority based by single year of age*.

Local Authorities have to prioritise late interventions over preventative measures

Local Authorities have a statutory responsibility to deliver crisis interventions to protect children. This means that, while overall spending on children's services has been relatively protected when compared to total reductions in Local Authority spending over the last 10 years, they are having to prioritise spending on late interventions ahead of preventative measures.¹⁴

Spending on early interventions such as children's centres, family support services and services for young people declined by 48% between 2010-11 and 2019-20. This has had meaningful impacts for communities, with estimates that more than a 1,000 children's centres and 750 youth centres could have closed since 2009.^{15 16}

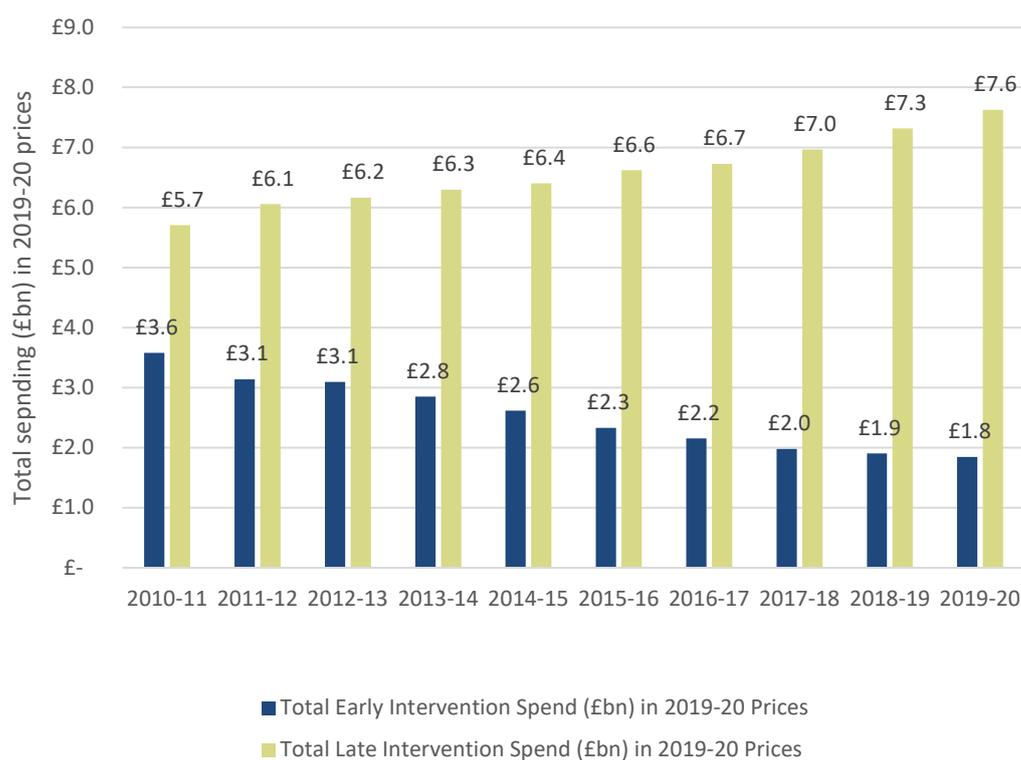
Meanwhile expenditure on late interventions such as youth justice services, looked after children and safeguarding has increased by 34%. As a result, the proportion of Children's Services budgets now being spent on preventative early interventions has declined from more than a third of total expenditure in 2010-11 to less than a fifth in 2019-20.

Figure 3. Early intervention spending in England has declined

¹⁴ Local Authorities have experienced a 22% reduction in total expenditure across all services since 2010-11 whilst total spending on Children's Services has declined by 3%. See Ministry of Housing, Communities & Local Government (2021): *Local authority revenue expenditure and financing*, based on "service expenditure" falling from £120,788m to £94,609m in in 2019-20 prices.

¹⁵ Smith G, Sylva K, Smith T, Sammons P, Omonigho A (2018): *Stop start: survival, decline of closure? Children's centres in England, 2018*, Sutton Trust

¹⁶ YMCA (2020): *Out of service; a report examining local authority expenditure on youth services in England and Wales*, YMCA



Source: DfE (2021): LA and school expenditure

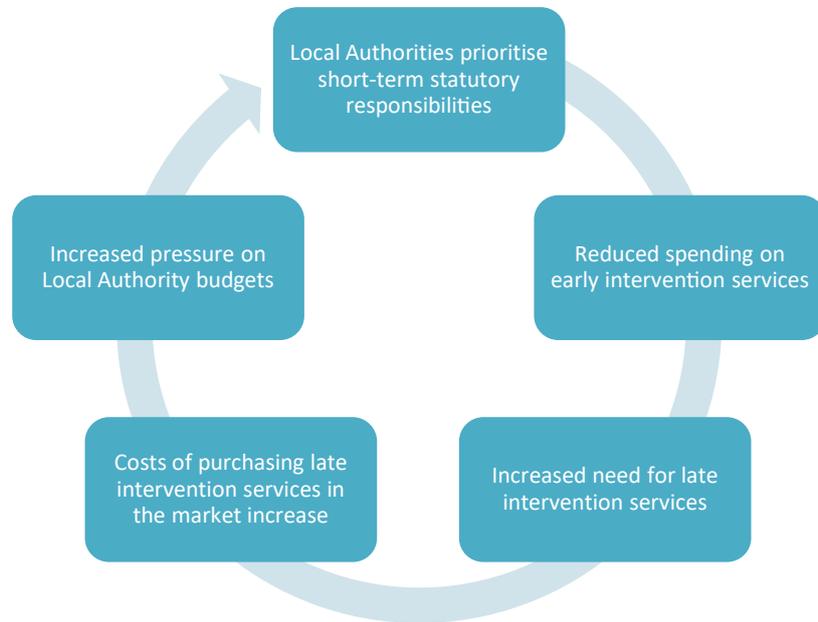
There is a risk that this has already sparked a vicious circle for children's outcomes and taxpayer costs. Without the support of preventative measures, the number of young people and families that go on to develop more severe difficulties is likely to increase.¹⁷ This will drive up the demand for late intervention services such as care placements that are often delivered through independent companies operating within a market system. The supply constraints that already exist in these markets are likely to be further exacerbated, leading to further cost increases for these services.¹⁸ This is likely to have contributed to the increase in the costs of these scarce placements over the period, with the average cost per Looked After Child increasing by £11,000 per year, from £53,000 in 2010-11 to £64,000 in 2019-20. This will add further pressure to Local Authority budgets, leading to further reductions in budgets for preventative measures and subsequently a further worsening of outcomes. The impacts of this may not just be limited to Local Authority budgets - with potential further implications for demands in health services, benefits and the wider criminal justice system.¹⁹

¹⁷ The independent review of children's social care (2021): *The case for change*, The independent review of children's social care

¹⁸ Children's Commissioner (2020): *The children who no-one knows what to do with*, Children's Commissioner and The independent review of children's social care (2021)

¹⁹ See, for example: Teyhan A, Wijedasa D, Macleod J (2018): *Adult psychosocial outcomes of men and women who were looked-after or adopted as children: prospective observational study*, BMJ Open 8(2), Furey R, Harris-Evans J (2021): *Work and resilience; care leavers' experiences of navigating towards employment and independence*, Child and Family Social Work and Her Majesty's Prison and Probation Service (2019): *Care leavers in prison and probation*, Her Majesty's Prison and Probation Service.

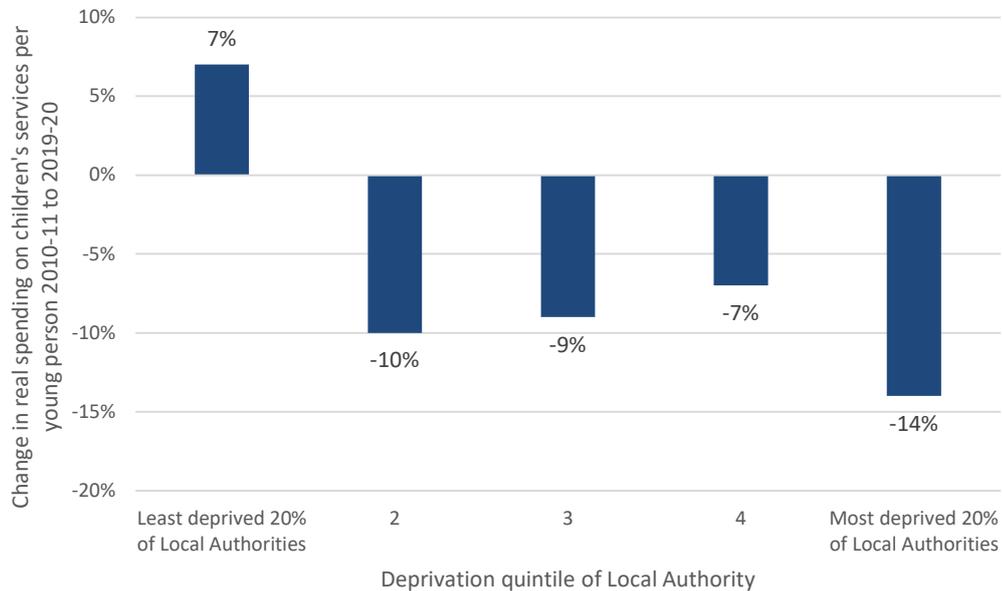
Figure 4. Local Authority budget pressures could drive a vicious circle for children's outcomes and taxpayer costs



Children in deprived Local Authorities are facing the biggest reductions in spending

The reductions in expenditure on children's services have not been felt evenly across the country: those Local Authorities with the highest levels of deprivation are experiencing the biggest cuts in expenditure. Spending per young person has actually increased by 7% between 2010-11 and 2019-20 in the least deprived Local Authorities in England, however, for the most deprived Local Authorities the spending per young person has declined by 14%.

Figure 5. The most deprived Local Authorities in England have experienced the biggest reductions in spending on children's services



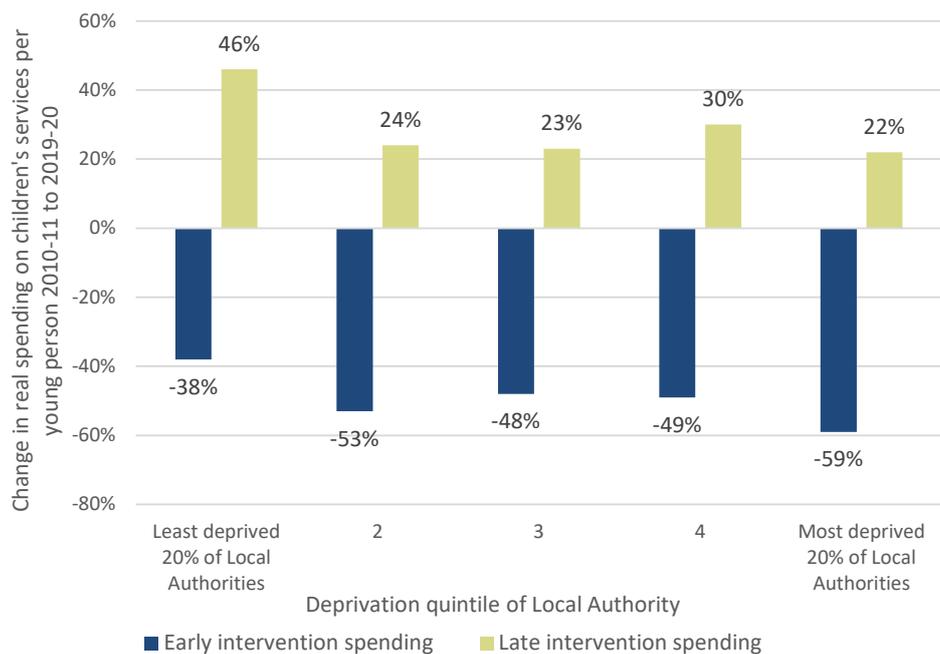
Source: Analysis of DfE (2021): *LA and school expenditure*, MHCLG (2019): *English indices of deprivation 2019* and NOMIS (2020): *Population estimates - local authority based by single year of age*.

In addition to this, the most deprived Local Authorities have also experienced the most significant declines in early intervention spending. Early intervention spending in the most deprived Local Authorities has decreased from £290 in 2010-11 to £118 per young person – an enormous 59% reduction. While the least deprived Local Authorities tend to spend less on preventative measures per young person, they have been able to protect that spending to a greater extent, with reductions of 38% from £142 per young person in 2010-11 to £88 per young person in 2019-20.

Late intervention spending has increased the most in the least deprived Local Authorities. This is driven by the growth in the number of Looked After Children in these Local Authorities with the number of Looked After Children increasing by 29% between 2010-11 and 2019-20 in the least deprived Local Authorities compared to 22% in the most deprived Local Authorities. Evidence suggests that this could be driven by differences in treatment, with a child facing similar levels of risk more likely to enter care in a less deprived Local Authority compared to a more deprived Local Authority.²⁰

Figure 6. Early intervention services have been disproportionately hit in the most deprived Local Authorities

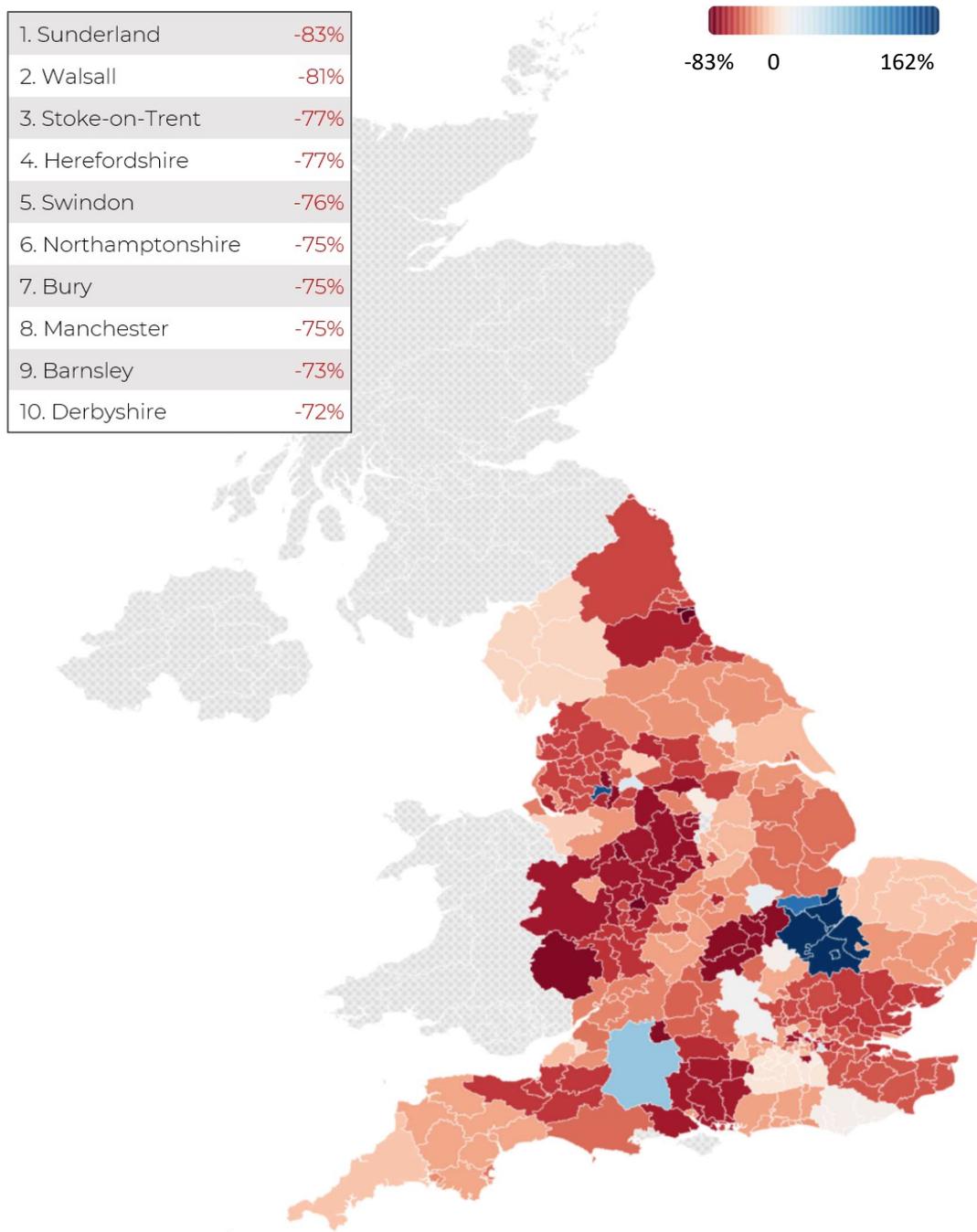
²⁰ Webb C, Bywaters P, Scourfield J, McCartan C, Bunting L, Davidson G, Morris K (2020): *Untangling child welfare inequalities in the 'Inverse Intervention Law' in England*, Children and Youth Services Review 111(8).



Source: Analysis of DfE (2021): *LA and school expenditure*, MHCLG (2019): *English indices of deprivation 2019* and NOMIS (2020): *Population estimates - local authority based by single year of age*.

Sunderland is the Local Authority with the biggest reduction in spending on early interventions, reducing expenditure by an enormous 83% over the last decade, shortly followed by Walsall (81% reduction) with Stoke-on-Trent and Herefordshire each reducing expenditure by 77%. All of the ten Local Authorities facing the biggest reductions in early intervention spending face reductions in excess of 70% of between 2010-11 and 2019-20.

Figure 7. The 10 Local Authorities with the biggest reductions in Early Intervention spending between 2010-11 and 2019-20



Source: Analysis of DfE (2021): *LA and school expenditure* and NOMIS (2020): *Population estimates - local authority based by single year of age*. Note that the Isle of Wight and Isles of Scilly also faced significant reductions in early intervention spending but have been excluded from the list of 10 Local Authorities as this is likely to be due to complex commissioning arrangements. Bournemouth, Christchurch and Poole are excluded due to redefinitions of Local Authorities making data non-comparable over time.

Conclusion

The evidence is clear that – whether manifesting in mental health, domestic abuse or academic performance – the pandemic has had a detrimental effect on the most vulnerable children in England. As a country, we need to find ways to support these children and young people to avoid the short-term challenges becoming long-term impacts on life outcomes.

Providing the support that these vulnerable children and young people need would be a challenge at any time. But the context for children’s services in England is one of reduced expenditure, where cost cutting has disproportionately fallen on the most deprived communities and reduced early interventions. With rising numbers of children and young people now falling into late interventions such as Local Authority Care, the youth justice system and formal safeguarding measures, there is a potential vicious circle that, without action, could further worsen outcomes for children and be more costly in the long-term.

As the independent care review makes clear, the longer the government waits to act, the bigger these issues could get – for individuals and for Local Authority budgets. Evidence shows that children that have been in contact with social workers are 25%-50% less likely to achieve a strong pass in English and Maths at GCSE and far less likely to attend higher education – both outcomes that have been systematically linked to worse employment prospects.^{21 22} In addition, adults who spend time as children in the care system account for around a quarter of both the adult prison population and all homeless people.²³

Investing more in early intervention services to try and support vulnerable children before they reach crisis point offers a potential route to breaking this vicious circle. This shift in spending priorities, alongside efforts to determine what types of early interventions are most effective and changes to address the siloed nature of decision making within the system, could help to reduce the cost spiral for late intervention services and make the ecosystem of children’s services more efficient.²⁴

Ultimately, without action, the combination of coronavirus and funding cuts risks leaving a damaging legacy for the most vulnerable children in England. A choice to invest more in early intervention now could help to avoid budgets being consumed by increasing demand for late intervention services later.

The Children’s Services Funding Alliance - comprising of Action for Children, Barnardo’s, National Children’s Bureau, NSPCC and The Children’s Society Alliance – believe that is absolutely essential that the government uses the Spending Review to invest directly in

²¹ Department for Education (2019)

²² See Department for Education (2014): *The economic value of key intermediate qualifications; estimating the returns and lifetime productivity gains to GCSEs, A levels and apprenticeships* and Department for Education and Department for Business Innovation and Skills (2011): *The returns to higher education qualifications*, BIS Research paper number 45.

²³ The independent review of children’s social care (2021)

²⁴ The independent review of children’s social care (2021)

services for children and families. That new investment should be focussed on achieving a genuine shift from crisis support to earlier intervention.

The government has rightly committed to giving every child the best start in life. In order to achieve that, the Alliance believes that – in addition to significantly increased spending – it is essential that the recommendations from recent and ongoing reviews of children’s services such as the Best Start for Life Review and the Independent Review of Children’s Social Care are acted upon.

The government has an opportunity to level up services for children and young people to deliver sustainable positive change, but the Alliance believes that bold commitments must be matched by a sufficient funding rise to deliver upon those promises.

Annex A – Further data on funding and spending for children’s services

Spending

Table A1. Spending on Children’s Services by region, £bn, 2019-20 prices

	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
East Midlands	0.72	0.74	0.02	3%
East of England	0.98	0.88	-0.10	-10%
London	2.04	1.78	-0.26	-13%
North East	0.57	0.54	-0.04	-6%
North West	1.42	1.38	-0.04	-3%
South East	1.25	1.35	0.10	8%
South West	0.77	0.89	0.13	16%
West Midlands	1.08	1.05	-0.03	-3%
Yorkshire and the Humber	1.07	0.97	-0.10	-9%
England	9.92	9.59	-0.32	-3%

Source: DfE (2021): LA and school expenditure

Table A2. Number of Children in Need, Looked after Children and young people in England, 000s

	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
Looked After Children	64.5	78.2	13.7	21%
Children in Need	376.0	389.3	13.2	3.5%
All young people (aged 0-25)	16,910.1	17,510.8	600.7	3.6%

Table A3. Spending on Children's Services per young person by region, £, 2019-20 prices

	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
East Midlands	505	495	-10	-2%
East of England	543	469	-75	-14%
London	742	609	-133	-18%
North East	700	665	-35	-5%
North West	626	603	-23	-4%
South East	464	479	15	3%
South West	486	543	57	12%
West Midlands	592	550	-41	-7%
Yorkshire and the Humber	622	558	-65	-10%
England	586	547	-39	-7%

Source: DfE (2021): LA and school expenditure

Table A4. Total spending on Children's Services per young person by deprivation of Local Authority, £, 2019-20 prices

Deprivation quintile	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
Least deprived Local Authorities	407	435	28	7%
2	550	495	-55	-10%
3	624	568	-55	-9%
4	715	668	-47	-7%
Most deprived Local Authorities	775	667	-108	-14%

Source: Analysis of DfE (2021): LA and school expenditure, MHCLG (2019): English indices of deprivation 2019 and NOMIS (2020): Population estimates - local authority based by single year of age.

Table A5. Early intervention spending on Children's Services per young person by deprivation of Local Authority, £, 2019-20 prices

Deprivation quintile	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
Least deprived Local Authorities	142	88	-55	-38%
2	188	89	-99	-53%
3	231	120	-111	-48%
4	261	132	-129	-49%
Most deprived Local Authorities	291	118	-172	-59%

Source: Analysis of DfE (2021): *LA and school expenditure*, MHCLG (2019): *English indices of deprivation 2019* and NOMIS (2020): *Population estimates - local authority based by single year of age*.

Table A6. Late intervention spending on Children's Services per young person by deprivation of Local Authority, £, 2019-20 prices

Deprivation quintile	2010-11	2019-20	Difference 2010-11 – 2019-20	Difference as a %
Least deprived Local Authorities	235	343	108	46%
2	324	402	78	24%
3	355	437	82	23%
4	410	532	123	30%
Most deprived Local Authorities	440	536	97	22%

Source: Analysis of DfE (2021): *LA and school expenditure*, MHCLG (2019): *English indices of deprivation 2019* and NOMIS (2020): *Population estimates - local authority based by single year of age*.

Table A7. Breakdown of Children's Services spending, £bn, 2019-20 prices

		2010- 11	2019- 20	Difference 2010-11 – 2019-20	Difference as a %
Early Intervention	Children's Centres	1.5	0.5	-1.0	-68%
	Family Support Services	0.9	1.1	0.2	17%
	Services for young people	1.2	0.3	-0.9	-74%
	Total	3.6	1.8	-1.7	-48%
Late Intervention	Youth justice	0.3	0.2	-0.2	-52%
	Looked after children	3.4	5.0	1.6	46%
	Safeguarding	2.0	2.5	0.5	26%
	Total	5.7	7.6	1.9	34%
Disability services		0.4	0.4	0.0	3%

Source: DfE (2021): *LA and school expenditure*

Funding

Local authority services are funded in a number of different ways. For some services, central government will provide dedicated allocations that can only be spent on those specific services. This is known as ring-fenced funding. There might also some services that have earmarked funding but which allow local authorities greater freedom in where and how it is spent.

Early intervention services, like children's centres, used to benefit from dedicated, ringfenced funding. However, the creation of a new Early Intervention Grant (EIG) in 2010 replaced a number of different funding streams with one, single non ring-fenced allocation. This covered a wide range of services including children's centres; information and advice for young people; positive activities for young people; teenage pregnancy and substance misuse services; young offender and crime prevention services; respite care for families and disabled children and other family support services; and early years and children's social care workforce development. In 2013-14 the EIG was removed, but funding for early intervention has been kept as an identifiable (though non-ringfenced) line within the Local Government Finance Settlement, produced by the Ministry of Housing, Communities and Local Government.

In this annex we show how this indicative allocation has changed over time. Between 2010-11 and 2019-20, our modelled estimate of funding available for these services has fallen by 24% from £9.9 billion to £7.5 billion in real terms.

One way of modelling funding for children and young people's services is to take a 'baseline' year, and assume that spending in that year was equivalent to the funding available. Funding for other years may then be modelled by assuming that the proportion

of spending power available for children and young people's services remains consistent over time. Here we have used 2010-11 as the baseline year, and modelled funding for children and young people's services over the following years accordingly. This approach provides a valuable insight into just how far funding cuts have limited the resources available for local authorities. It suggests that the funding gap has reached 22% of spending in 2019-20.

Table A8. Spending on Children's Services by region, £bn, 2019-20 prices

	2010-11	2019-20
Total funding	9.9	7.5
Total spending	9.9	9.5
Funding Gap	0	2.1
(as a %)	(0%)	(22%)

Source: DfE (2021): *LA and school expenditure*



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