



Struggling against the tide: Children's services spending, 2011-2023

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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 Charities Coalition is formed of Action for Children, Barnardo's, National Children's Bureau, NSPCC and The Children's Society. Together, through the Children at the Table campaign, we are working towards a vision for every child in the UK to be happier, healthier and have more equal access to opportunities.

This research benefitted from the valuable knowledge and insight provided by people from local government with experience of working within children and young people's services.

The qualitative research we undertook with these participants helped to inform, shape, and ultimately improve the research and subsequent report.

We are grateful for their generosity

Summary

The newly elected Labour government won a sizeable majority promising change and national renewal. In elevating a promise to “break down barriers to opportunity” to the status of one of the five priorities of their mission-driven government, they have placed children and young people at the heart of that programme for change.

A number of positive policy commitments which have the potential to benefit children and young people have followed. These include promises to recruit new teachers, open more nurseries, and provide breakfast clubs in schools. Alongside this has been a commitment to tackle child poverty, with the publication of a child poverty strategy expected in 2025.

The King’s speech included a pledge to introduce a Children’s Wellbeing Bill, which should rework elements of the legal framework governing children’s social care. However, to date, the new government has not committed to widescale reform of the sector, nor has it pledged any increase in funding for family help services, despite this being a central recommendation of the independent review of children’s social care in England.

For many, the lack of such a commitment is a serious concern. Children’s social care services provide vital support and care to hundreds of thousands of children and families each year, but these services, and the councils that fund and provide them, are increasingly under strain.

Despite increases in central government funding in recent years, the crisis in local authority finances has continued to escalate. This is underpinned by growing cost pressures across many services, in part due to long-term demographic changes, but also due to the pandemic and subsequent cost of living crisis.

Children’s services are no exception to this, and councils in England are spending more than ever on social care services for children and families. Growth in expenditure of more than £600 million in 2022-23 represented a 5% increase from the previous year, meaning total annual expenditure now exceeds £12.2 billion, over £1 billion higher than it was in 2010-11 and more than £2 billion more than it was six years prior.

Yet it is increasingly clear that accelerating expenditure is not leading to improved outcomes for the children and families the system supports. Data continues to show that young people who grew up in care are more likely to have poor outcomes when it comes to education, employment, housing, and involvement in the criminal justice system. Meanwhile,

continued growth of the number of children in the care system is an indication that there is insufficient support and services to enable children to avoid entering the system and to get them out of the system in a timely way.

Much of this growth in spending has occurred during a period of significant financial pressure for local authorities. Providing support for children in care is a core statutory duty for local authorities. Growing expenditure on the care system has meant that councils have made spending reductions elsewhere, with early intervention services often the main target for cost savings.

The result is an increasingly imbalanced system of services, with spending skewed towards high-cost late interventions such as residential care placements, and away from early interventions such as children's centres and family hubs.

The data that lays bare this change makes for uncomfortable reading. Between 2010-11 and 2022-23, spending on late intervention services increased by 57% while expenditure on early interventions has fallen by 44%. As a consequence, early intervention spending now accounts for less than one-fifth (18%) of total spending on children's services, down from over one-third (36%) in 2010-11.

Within this, the rapid growth in spending on residential care placements has emerged as the most pressing issue for many local authorities in recent years. Since 2010-11, expenditure on children's residential care has risen by more than £1 billion, equivalent to an 89% increase. Much of this has been a result of increases in the number of children placed in residential care, which has more than doubled since 2011. Worryingly, this trend appears to be occurring, at least in part, due to a shortage of suitable alternative placements rather than because this type of care has been assessed as the best option for the child.

Crucially, and most alarmingly, around half of the spending growth has occurred in the last two years alone and means that for the first time, councils now spend more on residential care placements than they do on all early intervention services. The accelerating cost of residential care placements is a consequence of both growing numbers of children and increased complexity of needs, but there are also fundamental issues with where and how this care is provided, in particular the relatively weak power of councils to influence prices.

But the increase in the demand for residential care placements is in part a consequence of wider social and economic changes which have served to

exacerbate many of the key factors that drive increases in children's social care activity.

Since 2010, the number of children living in poverty in England has risen by more than one-fifth (21%). At the same time, the number in temporary accommodation has almost doubled and those living in overcrowded homes is up by 8%.

There are now more older children in the care system. As a result, the prevalence of mental health issues has risen and there is a greater presence of complex risks from issues such as gang-related activity, child sexual exploitation, and substance misuse. The growing number of unaccompanied asylum-seeking children entering the care system in recent years has also been a contributing factor to the ageing of the care population. These children often arrive in the UK after fleeing traumatic experiences such as war and famine, and once in the UK can require specialist care to help them recover from past trauma and thrive.

There is also a sense that the response to financial pressures that local authorities have faced over the past decade or so has contributed to an exacerbation of these problems. Balancing tighter budgets through the disinvestment in early intervention services has limited councils' ability to stem the tide of rising demand. A continued withdrawal from the provision of children's residential care has left local authorities more reliant on private sector provision, and a hollowing out of internal skills and capabilities within local government has reduced their capacity to plan, initiate, and deliver widespread transformative change aimed at solving these complex challenges.

While a response from central government to addressing the wider policy and financial climate is clearly of primary importance, there are indications that the choices and actions made by councils themselves can have some impact. Contributors to this research highlighted that good leadership, a preventative approach to social work, and collaboration between local authorities, the wider public sector, and civil society can all contribute to a better system.

Delivering better outcomes for the children and young people coming into contact with children's services is fundamental to breaking down the barriers to opportunity. To deliver change and national renewal, government must be prepared to tackle not only the specific challenges within the market for care placements and local government finances but also address the wider social and economic issues that are putting ever more strain on an increasingly costly system.

The number of children in care has increased by

28%

since 2010-11

Spending on residential care placements has increased by **89%** since 2010-11, with half of that occurring in the last two years

Since 2010-11, spending on early intervention services has fallen by **44%**, while spending on late interventions has risen by **57%**

26%

of local government spending power is consumed by expenditure on children's services

Local authority spending on children's services continues to grow at pace and now accounts for more than a quarter of councils' spending power

In 2023 there were almost 12 million children living in England. Of these, just over 700,000 were legally considered to be a child 'in need' at some point during the year. This indicates that they were considered at risk due to neglect, domestic abuse, or disability and required help and protection in order to safeguard their development or health.

The circumstances in which need for such support arises are often complex and challenging. Children may face issues arising as a result of poverty and deprivation; some will be affected by physical or learning disabilities or poor mental health; others will experience vulnerabilities arising from issues within the household such as neglect, abuse, or substance misuse; while for a number, the risks will primarily arise from outside of the home in the form of sexual exploitation, gang-related activity, or child trafficking. For some children, many of these issues will occur simultaneously.

In more severe cases, where a child's safety and wellbeing are at significant risk, a child protection plan may be implemented, or in the most extreme circumstances, the child may enter the children's care system, becoming a 'looked-after' child. As of March 2023, there were almost 84,000 looked-after children in England.

Local authorities play a crucial role in delivering or funding a range of targeted interventions and support for children in need and those who are looked after, as well as providing more widely accessible services for children and families who need less intensive help and support. Together, these interventions are collectively known as children's and young people's services.

In 2022-23, councils in England spent just over £12.2 billion on such services, which is roughly similar in total to the UK government's entire overseas aid budget.¹ This reflects an increase of around £600 million (5.2%) from the previous financial year and means that spending on children's services now consumes more than one-quarter (26%) of total local government core spending power.²

On a per capita basis, local authority spending on children's services was second only to adult social care and was roughly equivalent to the combined spend on services and functions such as environment and

¹ IFS, [What does the government spend money on?](#), December 2023.

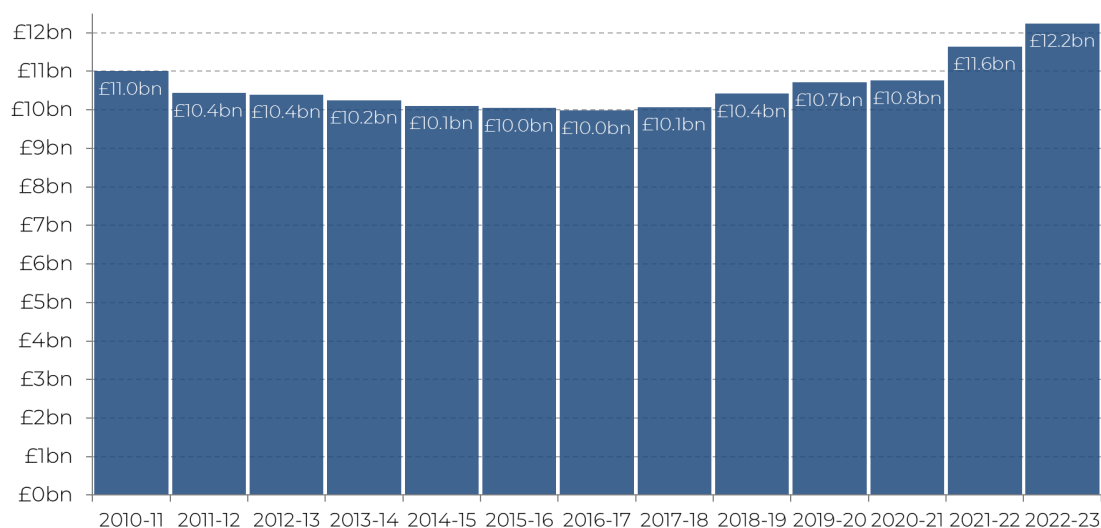
² Core spending power is a measure of the resources available to local authorities to fund service delivery.

regulation, highways and transport, culture and leisure, and planning and development.³

Figure 1 contextualises this alongside the longer-term changes in overall spending on children's services. It clearly shows that over the past 12 years, levels of expenditure have followed a pattern of decline, small but steady growth, and then more rapid acceleration in recent years. As a consequence, overall spending is now 11% higher than it was in 2010-11 and has increased by almost a quarter (23%) since its low point in 2016-17.

Figure 1. Spending on children's services has increased to a record high of more than £12bn

Total net expenditure on children's services by local authorities, 2010-11 to 2022-23, England, 2022-23 prices



Notes: Totals differ from Department for Education (DfE) published analysis due to PBE using net rather than gross expenditure

Source: PBE analysis of DfE: Local Authority and school expenditure, expenditure on children's and young people's services, 2010-11 to 2022-23

Expenditure on early interventions has almost halved while late intervention spending has increased significantly

The services and interventions funded and delivered to children, young people, and families by local authorities are varied in their intent and intensity.

Some services and interventions are aimed at providing preventative and early intervention to children, young people, and their families. These include family centres and family hubs which offer a range of services to parents and children. The most comprehensive of these services offer both

³ K Ogden & D Phillips, [How have English councils' funding and spending changed? 2010 to 2024](#), Institute for Fiscal Studies, June 2024.

universal ‘help groups’ as well as more specific support for families facing specific challenges, such as supporting children with special educational needs and disabilities, mental health, and substance misuse. Early intervention services also include youth services with ‘hubs’ which offer specific support for young people. The remaining services that are included under the umbrella term of children’s and young people’s services comprise those which tackle the more acute late intervention end of the support spectrum. These include children’s social care, youth justice services, safeguarding, and child protection.

In order to deliver an effective range of support, local authorities in England are expected to provide both a range of effective early intervention services as well as those late intervention services associated with more acute need. Various governments have recognised the importance of providing more early support to families and there have been a number of programmes aimed at expanding such provision. These include the Sure Start programme under the last Labour government and the family hubs programme under the previous Conservative government. It also includes initiatives such as the Troubled Families and Supporting Families programmes and the Reducing Parental Conflict programme.

However, funding for programmes such as these has often only been available to a few local authorities who bid against each other for limited resources. Money is also usually only provided on a short-term basis and different programmes are run through different government departments, resulting in a national funding picture which is often fragmented and piecemeal.

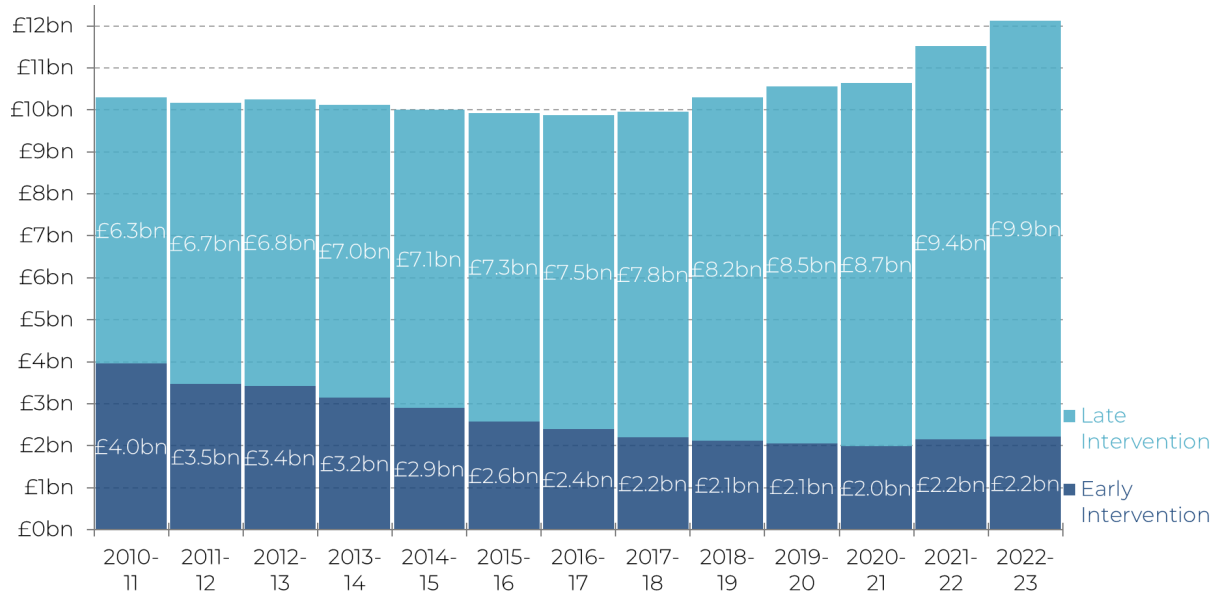
Crucially, there is also no overall statutory requirement on local authorities to provide early help services or for local authorities to have family centres or hubs in their area. This is in contrast to the statutory requirement to provide acute, late intervention services.

The contrast in resourcing and statutory requirements between early and late intervention services helps to explain why, within a period in which overall spending has fluctuated so much, there has been a consistent shift in the way that councils have distributed money between the two ends of the spectrum.

As detailed in Figure 2, there has been a striking contrast in the changing level of spending on these different types of services over the past 12 years, with a persistent shift from early to late intervention expenditure.

Figure 2. Spending on early intervention services has almost halved, while late intervention spending has soared

Total net expenditure on early and late intervention services by local authorities, 2010-11 to 2022-23, England, 2022-23 prices



Notes: Total value of early intervention spending is the sum of net local authority expenditure on "Sure Start children's centres and other spending on children under five", "Total family support services", and "Total services for young people". Total value of late intervention spending is the sum of local authority spending on "Youth justice", "Total children looked after", and "Total safeguarding children and young people's services".

Source: PBE analysis of Department for Education: Local Authority and school expenditure, expenditure on children's and young people's services, 2010-11 to 2022-23

Since 2010-11, overall spending on early intervention services has fallen by almost £1.8 billion, a decline of 44%. While in the same period, expenditure on late interventions has risen by almost £3.6 billion, an increase of 57%.

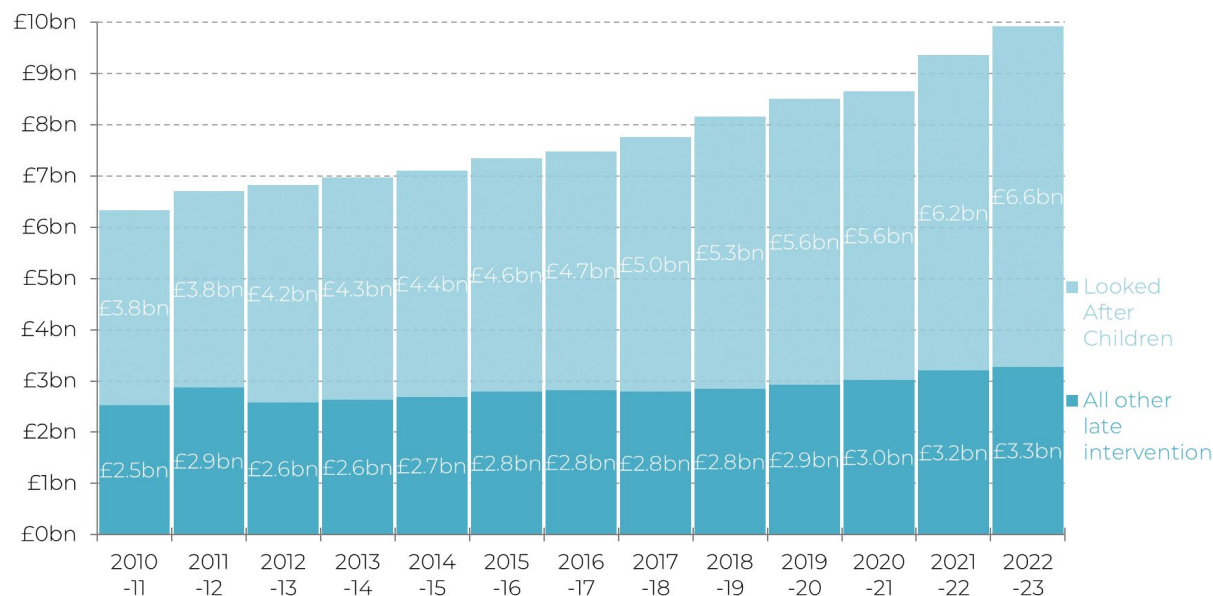
Spending on looked-after children has driven the growth of late intervention spending, with residential care the main contributor to that increase in recent years

Looking more closely at spending on late interventions across the period, it becomes clear that within the more acute services that local authorities are funding, it is expenditure on the children's care system that is responsible for the majority of this increase.

As can be seen in Figure 3, spending on looked-after children has risen by £2.8 billion since 2010-11, while other late interventions such as youth justice and safeguarding and children protection have only increased by around £800 million. As a result, the care system accounts for almost four-fifths (79%) of the additional spend on late interventions since 2010-11.

Figure 3. The vast majority of late intervention spending growth has been a result of increased expenditure on the children's care system

Total net expenditure on looked-after children and all other late intervention services by local authorities, 2010-2023, England, 2022-23 prices



Notes: Total value of "All other late intervention" spending is the sum of local authority spending on "Youth justice" and "Total safeguarding children and young people's services".

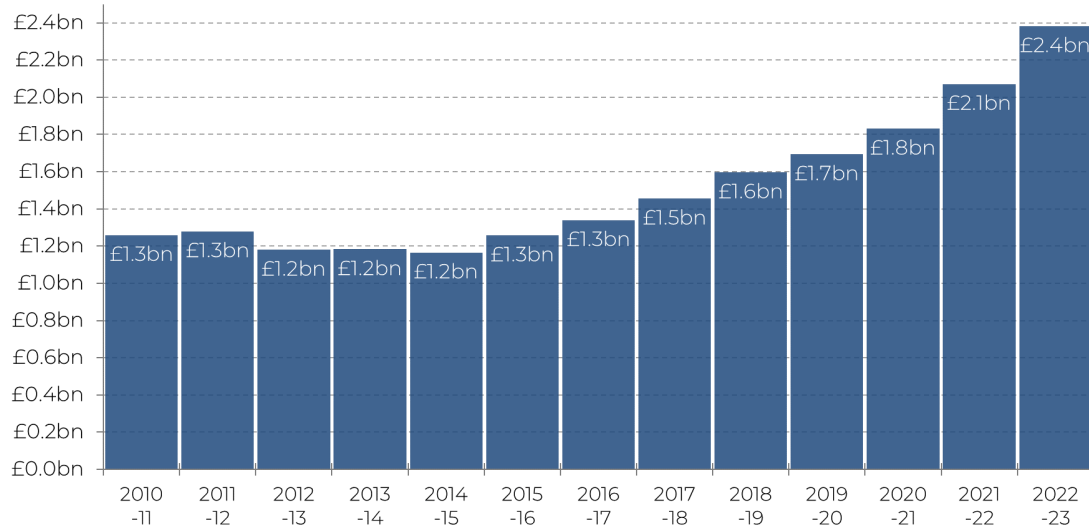
Source: PBE analysis of Department for Education: LA and school expenditure, expenditure on children's and young people's services, 2010-11 to 2022-23

Care placements for looked-after children account for the vast majority of that spending within the care system. In recent years, acceleration in spending on residential care placements has been the main cost pressure.

A 13% increase in spending on residential care placements in 2021-22 was followed by a 15% increase in 2022-23, meaning that over the previous two years, the amount of money going towards residential care placements has increased by more than £500 million, as can be seen in Figure 4. The additional spend over the previous two financial years accounts for almost half (49%) of the growth in residential care spending since the start of the 12-year period.

Figure 4. Spending on residential care placements has accelerated significantly in the last two years

Total net expenditure on residential care placements by local authorities, 2010-2023, England, 2022-23 prices



Source: PBE analysis of Department for Education: Local Authority and school expenditure, expenditure on children's and young people's services, 2010-11 to 2022-23.

Additional spending on residential care alone in 2022-23 accounted for more than half (51%) of the total extra spending on children's services by councils. As a result, almost £1 in every £5 (19%) of spending on all children's services and more than one-third (36%) of spending on the care system now goes towards residential care placements. This is despite the number of children in such placements accounting for less than one-fifth (19%) of the total population of children in care.

Even more alarmingly, this means that for the first time, spending on residential care alone is now greater than the total amount spent on all early intervention services combined (£2.4 billion vs £2.2 billion).

Bringing all this together in Figure 5, we can see how the dynamics of these changes have played out over the last 12 years. As noted earlier, the overarching pattern is one of gradual decline, slow growth, and then rapid acceleration in overall spending in the last two years. As a result, real terms spending has surpassed 2010-11's previous high water mark.

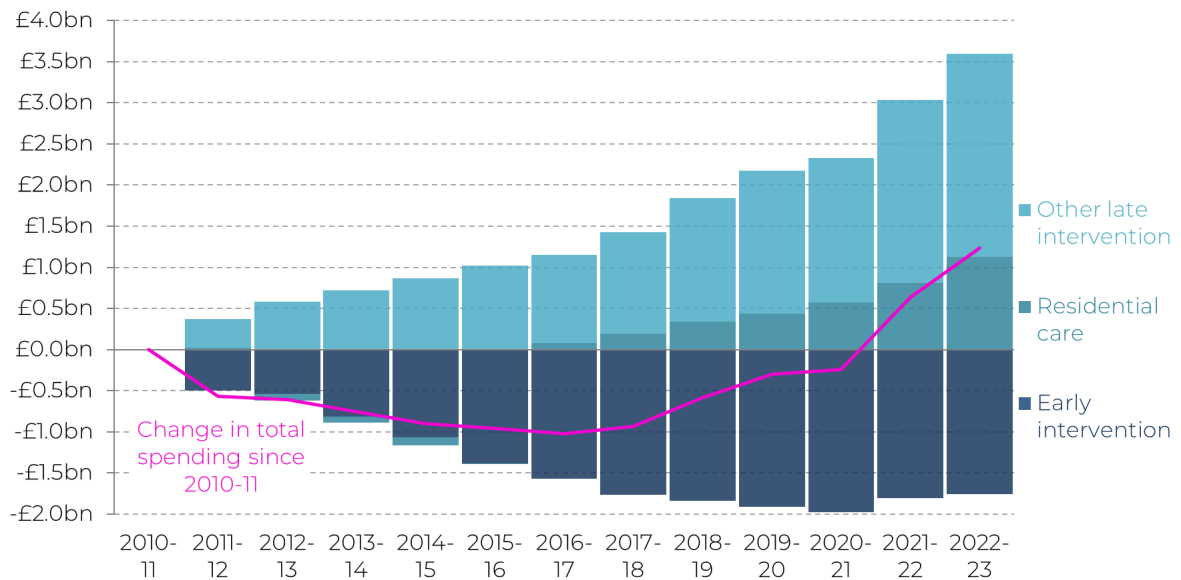
Yet despite this increased investment in the system, there is little evidence that children who grow up in care are being better supported. Overall outcomes for this group remain poor compared to their non care-experienced peers. For example, in 2023, almost four in 10 (38%) care leavers

aged 19-21 were not in education, employment, or training (NEET), almost triple the rate (13%) for all young people aged 19-21.⁴

It is clear that beneath this emerges a picture of expenditure being driven by the rising cost of acute interventions and, more recently, residential care. Increases in spending since 2016-17 largely track the rise and fall in late and early intervention services respectively, while the impact of the rapid growth in residential care on total spending can clearly be seen across the last two financial years.

Figure 5. In recent years, children's services spending has accelerated beyond historical highs, driven by late interventions, particularly residential care

Change since 2010-11 in local authority real terms net expenditure on residential care placements, all other late intervention services, early intervention services, and total spending, England, 2011-2023, 2022-23 prices



Notes: Totals differ from Department of Education (DfE) published analysis due to PBE using net rather than gross expenditure. Total value of "Early intervention" is the sum of local authority expenditure on "Sure Start children's centres and other spending on children under five", "Total family support services", and "Total services for young people". Total value of "Other late intervention" is the sum of local authority spending on "Youth justice", "Total children looked after" (excluding residential care), and "Total safeguarding children and young people's services".

Source: PBE analysis of DfE: Local Authority and school expenditure, expenditure on children's and young people's services, 2010-11 to 2022-23

What Figure 5 also shows is that early intervention expenditure has also increased in that same two-year period. In 2022-23, spending on such services rose by around £50 million, a 2.4% increase from the previous year. But to put that into perspective, spending on late intervention services in

⁴ Department for Education, [Children looked after in England including adoptions: 17 to 19 year old care leavers](#), Reporting year 2023, November 2023.

the same period increased by £560 million, over 11 times more than the investment in preventative services.

In effect, this means that 93% of councils' additional expenditure on children's services in 2022-23 went towards late interventions. As a consequence, spending on early intervention services as a proportion of overall spending on children's services is now lower than it has ever been, accounting for under one-fifth (18%) of total outgoings, down from more than a third (36%) in 2010-11.

Pro Bono Economics' (PBE) previous work has highlighted that this approach is likely to be increasingly counter-productive for local government finances.⁵ It also has a significant impact on children and families as support services aimed at helping families when their needs are relatively low have become increasingly hard to find.

The independent review of children's social care called for a greater focus on earlier family help,⁶ which was then reflected in the previous government's *Stable Homes, Built on Love* strategy.⁷ However, this vision is yet to move beyond pathfinder projects, which are taking place in just 10 local authorities. This means that two years on from the independent review, the vast majority of local authorities have seen little change to their approach to the delivery of early help services.

In the meantime, spending is becoming increasingly more skewed towards the other end of the spectrum. Ultimately, the rapid growth in spending on residential care undermines the ability of local authorities to deliver the kind of transformative investment required to deliver the preventative agenda that many are now calling for.

This intensification of late intervention spending is largely a result of rising demand and a poorly functioning market for care placements

To a certain degree, part of the growth in overall spending on children's services is a natural result of changes in the population. Between 2011 and 2023, the number of children in England grew by just over 5%. For certain elements of children's services this growth has correlated with equivalent increases in activity. Over the same period, the number of children in need also rose by a little over 5% and the number of referrals to children's social

⁵ J Franklin & M Williams, [Children and young people's services: Spending 2010-11 to 2019-20](#), PBE, July 2021; J Franklin & M Williams, [Stopping the spiral: Children and young people's services spending 2010-11 to 2020-21](#), PBE, July 2022; J Franklin, J Larkham & M Mansoor, [The well-worn path: Children's services spending 2010-11 to 2021-22](#), PBE, September 2023.

⁶ J MacAlister, [The independent review of children's social care: Final report](#), May 2022.

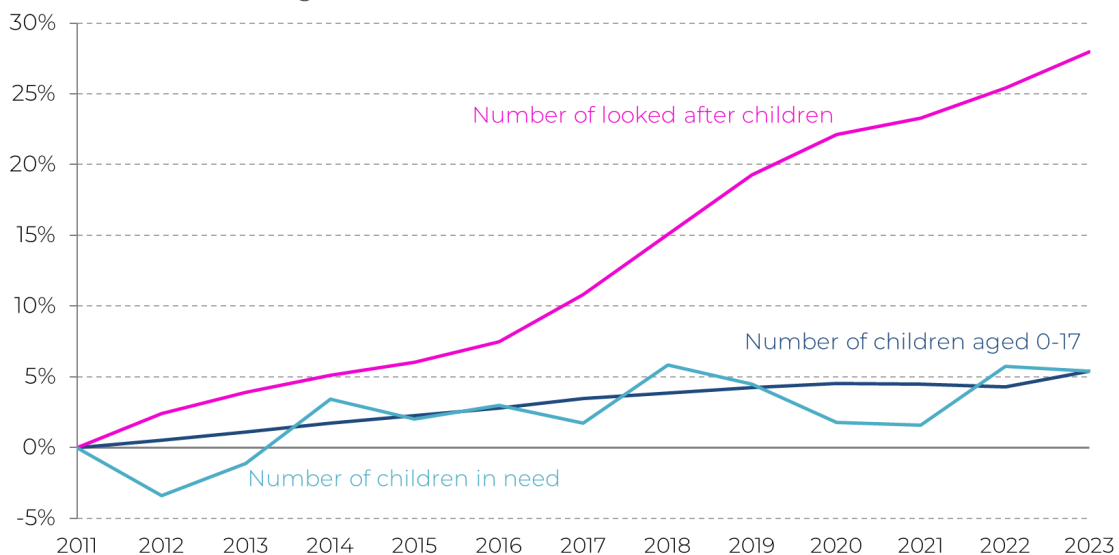
⁷ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023.

care rose by around 4%. All things being equal, it is possible that this will begin to reverse in the coming years as current population projections indicate a likely decline in the under-18 population.⁸

However, the relationship between population change and other aspects of children's services is less straightforward and indicates that demographic changes are by themselves unlikely to have an impact on overall trends. As Figure 6 shows, the number of children in the care system has risen at a considerably faster rate than the overall under-18 population, with a notable acceleration in the second half of the previous decade.

Figure 6. The number of children in the care system has increased disproportionately in comparison to the number of children in the population

Percentage change since 2011 in the number of: looked-after children, children in need, and children, England, 2011-2023



Notes: The number of looked-after children and children in need are derived from a snapshot count undertaken on 31 March each year, 2011-2023. As the most recent release is for 2022, the number of children aged 0-17 is derived from ONS mid-year estimates, 2010-2022

Source: PBE analysis of Department for Education (DfE): Children looked after in England including adoptions, DfE: Children in need, 2010-11 to 2022-23, and ONS/Nomis: Population estimates – local authority based by single year of age, 2023

Most recent figures show there are now almost 84,000 looked-after children in England, up from just under 66,000 in 2011. This represents a 28% increase over a period in which the total number of children only rose by 5%. As a result, there are now 71 children in care for every 10,000 under 18s in England, an increase from 58 per 10,000 children in 2011.

⁸ ONS, [National Population projections by single year of age](#), Nomis, accessed July 2024.

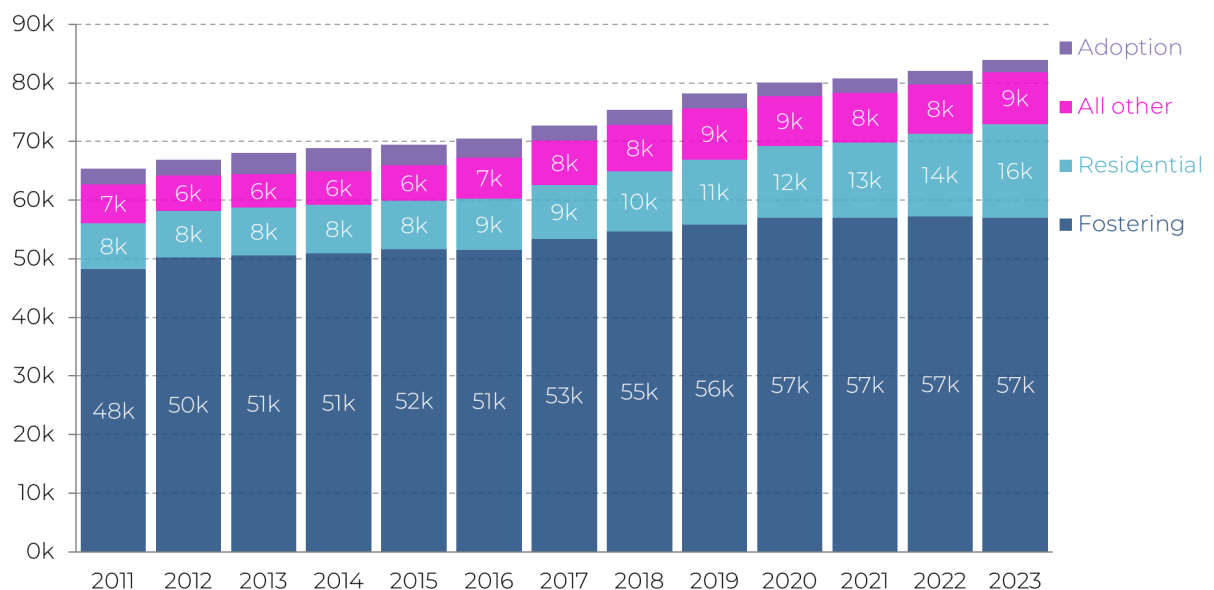
The statutory responsibilities placed upon local authorities with regards to looked-after children compels councils by law to provide accommodation for them.⁹ Therefore, as the number of children in the care system has increased, so too has the need for local authorities to secure care. And it is predominantly residential care placements that have grown to meet this demand.

Fostering remains the most dominant type of provision, with just under seven in 10 (68%) children in care living with foster families, while around one-fifth (19%) live in residential care.

But as Figure 7 shows, this mix of placement types has shifted in recent years. Since 2011, the number of children in residential care placements has more than doubled, while foster care placements have only increased by around one-fifth (18%).

Figure 7. The number of children in residential care placements has more than doubled since 2011

Number of looked-after children on 31 March, by placement type, England, 2011-2023



Notes: "Residential" is the sum total of the number of children in "Secure units, children's homes and semi-independent living accommodation", "Residential schools", or "Other residential settings" on 31 March of each year. "All other" is the sum total of the number of children placed "with parents or other person with parental responsibility" in "Other placements within the community", or "Other placements" on 31 March of each year

Source: PBE analysis of Department for Education: Children looked after in England including adoptions, 2011-2023

⁹ [Children's Act 1989, Part III, Section 22a](#), UK government, accessed July 2024.

As previous PBE analysis has shown,¹⁰ this rise in the use of residential care placements has severe implications for local authority finances. Residential care is considerably more expensive than fostering, meaning that the growth in residential care as a proportion of total placements intensifies the overall cost of the system.

Despite there being more than three times the number of children in foster than residential care at the end of the 2022-23 financial year, council spending on residential placements was almost 22% higher. With research showing that the number of placements costing £10,000 or more per week has risen by more than 1,000% in recent years¹¹ and reports of councils having to spend up to £1 million per year on a single child,¹² the situation is clearly becoming increasingly unsustainable.

The growing financial impact of increased use of residential care is alarming given that there is much evidence that it is often being used when it is not judged to be the best option for meeting the needs of the child. Research undertaken by Ofsted found that around one-third of children were living in residential homes despite having foster care on their care plan.¹³

Greater reliance on residential care is also widely considered to be linked to an increased number of children being placed further from their home communities, with evidence showing that one in five children in care now live over 20 miles from home.¹⁴

As the number of children in care has grown and spending on their placements has increased, so too has scrutiny of the provision of care placements, and in recent years there has been an ever growing chorus of calls for reform.

The Competition and Markets Authority described the way that children's social care was currently being provided as “dysfunctional”, citing a lack of suitable and specialist placements, unexpectedly high profits, and a potential lack of financial resilience among some large providers.¹⁵ The independent review of children's social care called it “broken”,¹⁶ while the

¹⁰ J Franklin, J Larkham & M Mansoor, [The well-worn path: Children's services spending 2010-11 to 2021-22](#), PBE, September 2023.

¹¹ Local Government Association, [High-cost children's social care placements survey](#), November 2023.

¹² House of Commons, [Financial distress in local authorities](#), Levelling Up, Housing and Communities Committee, Third Report of Session 2023-24, February 2024.

¹³ Ofsted, [Why do children go into children's homes?](#), April 2022.

¹⁴ Become, [Still Too Far: Children in care being moved miles from the people and places that matter to them](#), August 2024.

¹⁵ Competitions and Market Authority, [Children's social care market study final report](#), March 2022.

¹⁶ J MacAlister, [The independent review of children's social care: Final report](#), May 2022.

previous government's own strategy for children's social care recognised that the system "is not working".¹⁷

The combination of children's increasingly complex needs, rising demand, statutory responsibility, and insufficient supply underpins the dynamics of this systemic failure, with councils having little choice but to spend money on a growing number of placements, at an increasingly intensifying cost.

"Too much about the market is broken... you have a market where... the [local authority] don't really have much say... you have to find a placement. And the market is so scarce that you are sometimes forced to take what you think probably isn't the right thing, but the alternative is nothing else."

- Assistant Director of Children's Social Care

Increased spending on the care system is a result of greater demand and growing complexity, both of which are a consequence of wider social and economic challenges

The market for placements has played a significant role in the rising expenditure and intensifying cost of the care system. But the breakdown of that market is in part a consequence of wider social and economic challenges which are driving increased demand and changing needs.

Deteriorating socioeconomic conditions are likely to have contributed to increased levels of demand, while the changing age profile of looked-after children has brought with it additional complexities in the form of a greater prevalence of mental health concerns and risks of extra-familial harm.

The circumstances which lead to a child entering the care system can be complex. They may be at risk from abuse within their own home, they might be subject to extreme risks from outside the home, their parents may be too physically or mentally unwell to provide adequate care, or they may be judged to be providing inadequate care for the child.

Some children will be subject to many or all of these issues simultaneously, often combining in distinctively difficult ways. But while every child and family is unique, for many children in care, the circumstances and conditions which led to them entering the system will often be similar.

Studies have shown that the chances of a child entering care are strongly related to a number of factors. These include individual characteristics, particularly gender and age, family circumstances such as low income or

¹⁷ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023.

overcrowded housing, and the conditions of the area they live in, principally levels of deprivation and unemployment rates.¹⁸

With many of these studies identifying low income as a key driver of children's social care activity, changes to levels of child poverty provide a vital explanation for growing demand on the care system. Official statistics show that between 2010 and 2023 the number of children in England living in poverty (after housing costs) rose from 3.1 million to 3.7 million, an increase of almost one-fifth (19%).¹⁹ More recently, the number of children facing destitution,²⁰ material deprivation, and food insecurity²¹ have also been on the rise.

“For some families, they're just so very, very poor, and managing day to day is so very, very hard. And having a child who's behaving difficult can just be too much for a family to cope with.”

- Cabinet Member for Children's Services

Alongside and linked to growing child poverty, there has been an increasing prevalence of other risk factors related to children's social care activity. The number of children living in insecure or unsuitable housing has also been on the rise. Those living in temporary accommodation has almost doubled since 2010,²² and despite a fall since the pandemic, the number of overcrowded households in 2022-23 was 8% higher than it was in 2010-11.²³

“There's been a number of children that we're aware of that have been in the care system, in part because there was a really significant housing need that wasn't able to be solved, and that housing issue generated a lot more vulnerability than has previously been the case.”

- Local Authority Children's Commissioner

¹⁸ See, for example: P Bywaters et al., [The Child Welfare Inequalities Project: Final Report](#), Nuffield Foundation, July 2020; D Bennett et al., [Child poverty and children entering care in England, 2015-20: a longitudinal ecological study at the local area level](#), The Lancet: Public Health, 7(6), E496-E503, June 2022; D Bennet et al., [Trends in inequalities in Children Looked After in England between 2004 and 2019: a local area ecological analysis](#), BMJ Open, 10(11), October 2020; P Fitzsimons et al., [Drivers of activity in children's social care](#), Department for Education, May 2022; ONS, [Who are the children entering care in England?](#), November 2022.

¹⁹ B Francis-Devine, [Poverty in the UK: Statistics, Trends by UK country and region](#), House of Commons Library, April 2024.

²⁰ S Fitzpatrick et al., [Destitution in the UK 2023](#), Joseph Rowntree Foundation, October 2023.

²¹ Department for Work and Pensions, [Households Below Average Income: an analysis of the UK income distribution: FYE 1995 to FYE 2023](#), March 2024.

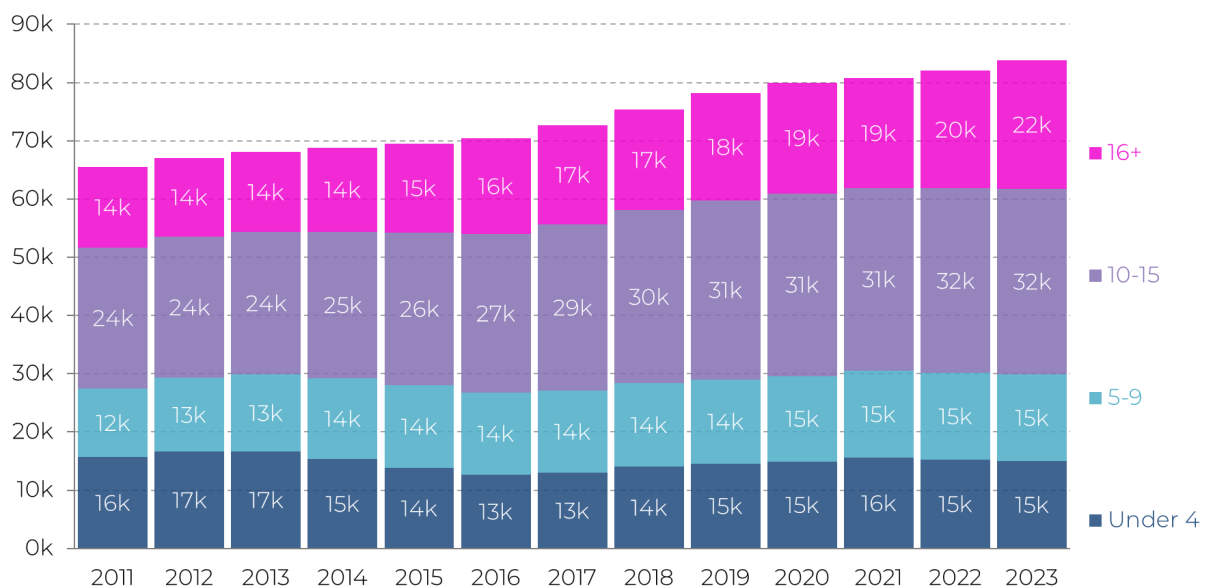
²² Department for Levelling Up, Housing and Communities, [Tables on homelessness](#), April 2024.

²³ Department for Levelling Up, Housing and Communities, [Annex tables for English Housing Survey headline report 2022 to 2023. Chapter 4: Dwelling condition annex tables](#), December 2023.

While an increase in adverse socioeconomic conditions is likely to have been a key driver of growing demand for care placements, the changing profile of children in the care system and the subsequent needs of those children has also placed additional demand on the market.

Figure 8. The number of children in care aged 16 or over has increased by 60% since 2011, meaning that they now make up more than a quarter of looked-after children

Number of looked-after children on 31 March, by age groupings, England, 2011-2023



Source: PBE analysis of Department for Education: Children looked after in England including adoptions, 2011-2023

As Figure 8 shows, the number of looked-after children in England has grown over the past 12 years. What it also shows is that that growth has predominantly been among children in the older age groups.

Children aged 10 or over now account for almost two in three (64%) looked-after children, up from under six in 10 (58%) in 2011. Of these, the most significant area of growth has been among the oldest age group, with those aged 16 or more now accounting for more than a quarter (26%) of children in care, up from just over one in five (21%). This creates a particular pressure on residential care spaces as older children are more likely to be placed in residential or secure children's homes.²⁴

Analysis of the reasons behind the ageing of the cohort of children in care indicates a number of factors. Fewer children returning to their parents or being adopted and a backlog of court proceedings mean that more are

²⁴ Children's Commissioner, [Characteristics of children entering care for the first time as teenagers](#), February 2021.

staying in the system for longer.²⁵ As a result, a growing proportion of looked-after children are leaving care only when they 'age out' of the system at 18.²⁶ This shift is clearly identifiable within government statistics. In 2023, almost four in 10 (39%) looked-after children left the system on their 18th birthday;²⁷ in 2011, the figure was less than a quarter (23%).²⁸

Additionally, a greater proportion of children are entering the care system at an older age. In 2011, just over one in 10 (12%) of those who started to be looked after were aged 16 or more; in 2023, this had risen to almost three in 10 (27%).

In part, this can be explained with reference to a growing number of children exposed to the threat of extra-familial harms in the form of criminal or sexual exploitation, being targeted by gangs, trafficking, or drug use.²⁹ The growing number of unaccompanied asylum-seeking children that are being taken into care is also contributing to the ageing of the care population. Unaccompanied asylum-seeking children are generally older than the wider cohort of children in care; almost nine in 10 (86%) are aged 16 or more, compared to just over one in four (26%) of all looked-after children.³⁰

In 2011, there were 2,680 looked-after unaccompanied children, accounting for just over one in 25 (4%) of the total number of children in care; by 2023, this had risen to 7,290, making up just under one in 10 (9%) of the caseload and accounting for over one-fifth (21%) of new entrants into the care system in 2023.

Mental health issues among children and their parents have been on the rise, adding complexity to the needs that care services much try to meet

Alongside the increased demand for residential care, the changing age profile of children results in different needs and therefore changing demands on the market for the provision of placements.

²⁵ P Fitzsimons et al., [Drivers of activity in children's social care](#), Department for Education, May 2022.

²⁶ Ibid.

²⁷ Department for Education, [Children looked after in England including adoptions: CLA ceasing during the year](#), Reporting year 2023, November 2023.

²⁸ Department for Education, [Children looked after in England including adoption: 2010 to 2011. National tables: SFR21/2011](#), Tabs D1 and D2, September 2011.

²⁹ Children's Commissioner, [Explosion in number of older children going into care over last five years is hitting stability of the system](#), August 2019.

³⁰ Department for Education, [Children looked after in England including adoptions: Unaccompanied asylum-seeking children](#), November 2023.

Research suggests that overall, the needs of children presenting to social care services have become increasingly complex.³¹ Social care assessments of the risk factors faced by children tend to identify mental health being a particular factor that rises in prevalence with age.³²

As discussed previously, extra-familial harms have become a growing concern and often bring with them particularly complex and challenging child protection and safeguarding considerations, while the needs of a growing number of unaccompanied asylum-seeking children pose unique challenges in social care provision.

The growing crisis of children's mental health has been well documented. Prevalence of mental disorders among children have risen sharply in recent years,³³ while the proportion of children living with a parent or parents in emotional distress has also grown.³⁴ Evidence shows that looked-after children are significantly more likely to experience emotional and mental health problems than the wider population.³⁵

As Figure 9 shows, this is clearly being observed by social workers. In 2023, more than half (53%) of social care assessments of children in need cited mental health as a contributing factor, up from one-third (33%) in 2015, overtaking domestic abuse to be the single most identified issue during assessments.

³¹ See: R Hood et al., [Studying the outcomes of different types of demand in children's social care](#), Kingston University/National Children's Bureau, January 2024; Children's Commissioner, [Stability Index 2019: Overview Report](#), August 2019.

³² P Fitzsimons et al., [Drivers of activity in children's social care](#), Department for Education, May 2022.

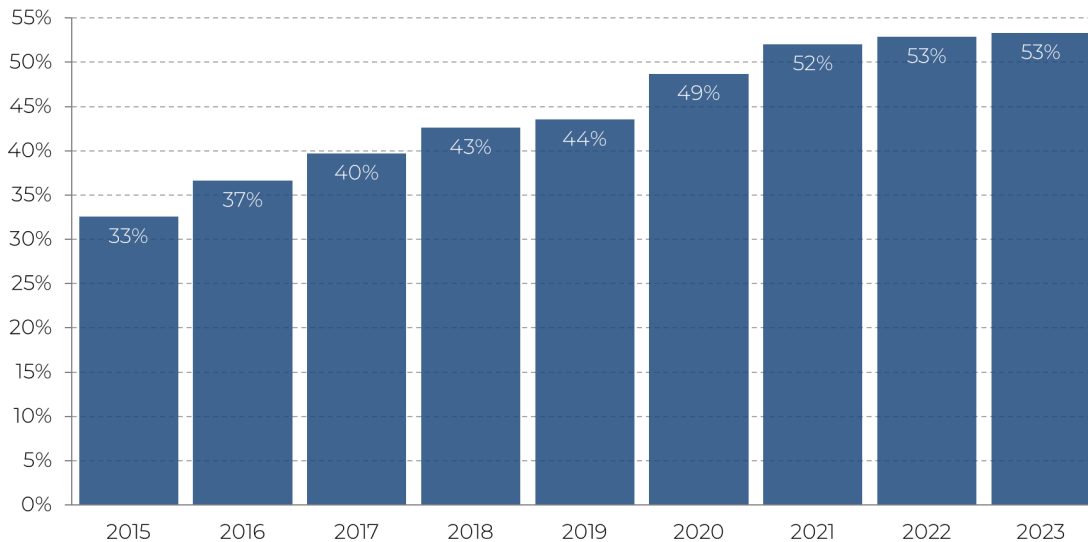
³³ T Newlove-Delgado et al., [Mental Health of Children and Young People in England](#), NHS England, November 2023.

³⁴ Office for Health Improvement & Disparities, [Statistical commentary: children living with parents in emotional distress](#), March 2022 update, February 2024.

³⁵ National Institute for Health and Care Excellence, [Looked-after children and young people](#), NICE guideline, October 2021.

Figure 9. Mental health issues are being identified with increasing prevalence in children's social care assessments

Proportion of children's social care assessments in which mental health is identified as a factor, 2015-2023, England



Source: PBE analysis of Department for Education: Children in need, 2015-2023

For looked-after children more specifically, there is also evidence of deteriorating mental health outcomes, with less than half (47%) now within what is considered a normal range in terms of Strengths and Difficulties Questionnaire scores.³⁶

The complexity of needs of children in care is further compounded when considering the prevalence of special educational needs (SEN). Almost six in 10 (58%) looked-after children who have been in the care system for at least 12 months are classified as having SEN, more than three times greater than the average school pupil. More than half (53%) of those with SEN are defined primarily as relating to social, emotional, and mental health.³⁷

The impact of a failing placement market, growing demand, and increasing complexity has been exacerbated by the financial crisis within local government

Due to the lack of availability of provision, growing demand, and increasing complexity, it is becoming increasingly difficult for local authorities to find the right placement for children in need of care. This has been further exacerbated by the financial crisis within the local government sector,

³⁶ SDQ scores are derived from the Strengths and Difficulties Questionnaire, a screening tool used to measure children's mental health.

³⁷ Department for Education, [Outcomes for children in need, including children looked after by local authorities in England, Reporting year 2023](#), April 2024.

making it harder to meet the needs of children, young people, and families who need the support of children's social care services.

For councils in England, this period of growing need and increased complexity has occurred against a backdrop of severe and sustained decline in funding. Over time, this has deteriorated into an increasingly acute financial crisis which is enveloping more and more of the sector. What has become increasingly clear is that for many councils, their response to these financial pressures has served to exacerbate these pressures over the longer term.

By 2022-23, core council funding was around 20% lower in real terms than it had been in 2010-11; when accounting for population growth the fall was almost 27%. The biggest cuts have also occurred in the most deprived local authorities.³⁸

The consequences of this decline have been stark for local authorities. Before 2018, only one council had issued a Section 114 notice due to their inability to balance their budget; between 2018 and 2023, it occurred on 10 further occasions across eight different councils.

While the most recent funding settlement for local government shows a significant increase in funding available to councils, many authorities are still predicting an intensification of the financial crisis.³⁹ A recent survey indicated that more than half of councils expect to issue a Section 114 in the next five years⁴⁰ and the Local Government Association (LGA) has recently forecast a multi-billion-pound funding gap over the next two years.⁴¹

In response to the funding crisis that has unfolded since 2010-11, and in order to meet statutory requirements to balance their budgets in year, councils have cut spending, risen council taxes, and drawn down on their reserves.

Between 2010-11 and 2019-20, real terms spending on every service area except children's social care declined.⁴² The overall increases in spending on children's services hide a transformation in the way that money has been spent, with an underlying shift from early to late intervention spending.

³⁸ K Ogden & D Phillips, [How have English councils' funding and spending changed? 2010 to 2024](#), Institute for Fiscal Studies, June 2024.

³⁹ House of Commons, [Financial distress in local authorities](#), Levelling Up, Housing and Communities Committee, Third Report of Session 2023-24, February 2024.

⁴⁰ G Stride & M Woods, [The State of Local Government Finance in England 2024](#), Local Government Information Unit, February 2024.

⁴¹ Local Government Association, [Local government finances and the impact on local communities](#), March 2024.

⁴² K Ogden & D Phillips, [How have English councils' funding and spending changed? 2010 to 2024](#), Institute for Fiscal Studies, June 2024.

Participants in PBE's research clearly identified that financial pressures and statutory duties have been a major driver of this transformation, with the need to balance budgets in year becoming increasingly dominant over decision-making.

The imperative to cut spending, coupled with the lack of statutory protection for early intervention services, has meant many local authorities have had little choice but to reduce spending on early intervention services even where councils suspected that this would accelerate demand and costs over the longer term.

But when it comes to children's services, councils weren't just forced to disinvest in early intervention services. The recent period has also been accompanied by continued decline in local authority provision of 'in-house' residential care services, in turn making local authorities more reliant on private provision of residential care placements.

In 2023, local authorities ran just over one in 10 (12%) children's homes,⁴³ down from more than one in five (22%) as recently as 2016 and continuing a long-term decline in public provision within a market which had previously been the preserve of local government.⁴⁴

Participants identified that financial pressures had contributed to those decisions and are now ironically the potential source of a reversal of that trend.

"A lot of local authorities that sold off their children's homes 15 years ago are now starting to either build back or buy property... because even though the capital cost for that can be huge, the revenue costs of purchasing care placements have now become so huge that actually you can make that back within a relatively short space of time."

- Local Authority Children's Commissioner

Dwindling local authority budgets and increasing demand across certain services have invariably meant job losses across much of local government. Data shows that the local government workforce shrunk by almost one-third (32%) between 2012 and 2022.⁴⁵

While much of this will have been felt among those service areas that have seen the largest cuts, such as culture and leisure, highways and transport,

⁴³ Ofsted, [Main findings: children's social care in England 2023](#), September 2023.

⁴⁴ Ofsted, [What types of needs do children's homes offer care for?](#), July 2022.

⁴⁵ Local Government Association, [Local government workforce summary data November 2023](#), November 2023.

and planning and development,⁴⁶ participants in PBE's research also identified cuts in local authority strategic capacity and capabilities as having a detrimental impact on how they have responded to the growing demands and cost of the care system.

Protecting certain frontline services has meant sacrificing others. But it also means reductions elsewhere, leaving councils less able to plan and adapt in the face of strategic and operational challenges. This contributed to an environment in which councils have found it difficult to address underlying issues and deliver longer-term strategic solutions.

"Decision makers rightly try and protect frontline services as much as possible... so things like strategic financial capacity, legal, commissioning, admin, all of those bits which help you think about how to plan and how to spend your money, go. You're suddenly in a place where you protected your frontline services, but you've got no capacity to do anything but fight fires."

- Local Authority Children's Commissioner

Councils are not entirely powerless in the face of these external challenges. Leadership, culture and practice, and collaboration can create opportunities to make improvements

Much of the rising demand and expenditure can be explained with reference to external challenges resulting from deteriorating socioeconomic outcomes, a failing placements market, and a weakened local government sector. But simple analysis of the variance between councils indicates that individual local authority responses to these challenges can potentially make a difference.

Research has shown that variation between local authorities cannot entirely be explained by external factors.⁴⁷ While individual, family, and local area characteristics predominantly influence the likelihood of a child entering care, the study shows that even when controlling for these factors certain local authorities are associated with greater levels of social care activity.

Figure 10 supports this, showing that even among the most deprived local authorities there is significant difference in how rates of looked-after children have changed since 2011. Of the 29 most deprived councils in

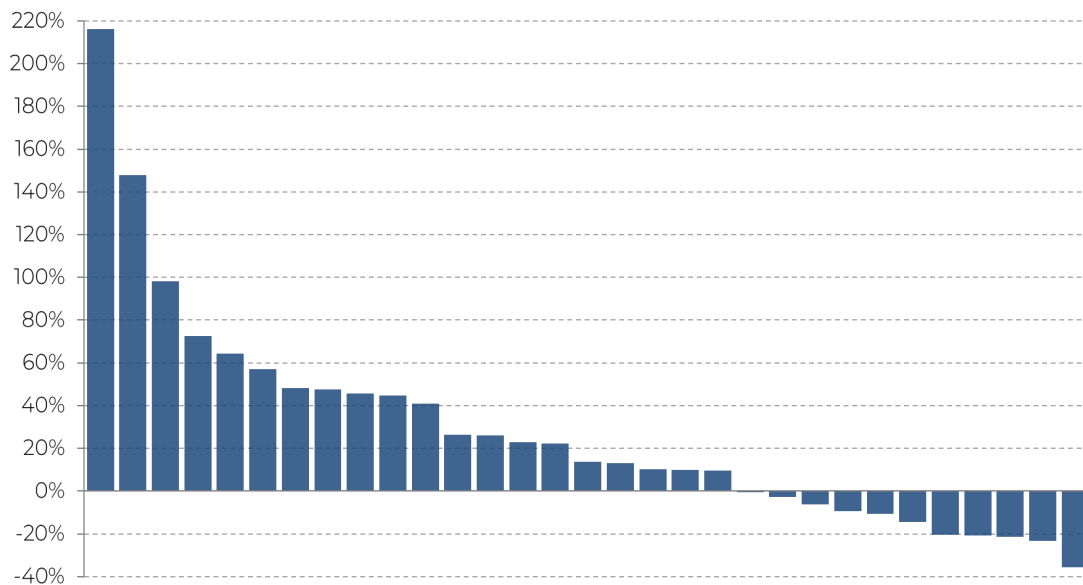
⁴⁶ K Ogden & D Phillips, [How have English councils' funding and spending changed? 2010 to 2024](#), Institute for Fiscal Studies, June 2024.

⁴⁷ P Fitzsimons et al., [Drivers of activity in children's social care](#), Department for Education, May 2022.

England, the rate of children in care has reduced in nine, while in the remaining 20, rates have increased, with one presiding over a more than 200% growth.

Figure 10. Some of the most deprived local authorities have reduced the rates of children in care, while in others it has increased

Percentage change in the rate of looked-after children between 2011 and 2023 in local authorities at the fifth quintile of deprivation, England



Source: PBE analysis of Department for Education: Children looked after in England including adoptions, 2011-2023 and MHCLG, English indices of deprivation 2019, upper-tier local authority summaries

PBE's research sheds some light on this, and identifies where there are opportunities for local authorities, other public agencies, and civil society to work together more effectively to deliver improved outcomes.

Senior leaders within children's services who were able to successfully walk the tightrope between delivering in-year financial targets and acting to realise longer-term outcomes were seen as fundamental.

"Progressive leadership [helped reduce the number of children in care]... I think we have always believed that we are here for our children and families, but we're not here only for today. We are here for them for the long run... So we acted with that principle. You know, what would we want to see in the next 10 years, next 15 years... [but] even the most progressive leaders have to balance the book."

- Assistant Director of Children's Social Care

Participants also felt that delivering those longer-term outcomes relied on recognition of the need to make a decisive change to their approach and establish a culture of practice within children's services that prioritised early intervention and delivering social work focused on preventative work alongside families. Once again, senior managers were seen as crucial to establishing that culture, with poor leadership contributing to deteriorating outcomes and costs.

"What we've seen is a real push from the top to have good social work... but also be preventative within that social work, and care not being the answer in a lot of those ways, empowering those social workers to work with families wherever possible."

- Local Authority Children's Commissioner

Collaboration between local authorities, across the public sector and with civil society organisations, was also identified as a means by which councils could make a positive difference.

Regional networks of local authorities were considered effective in helping to bring councils together to address common issues and spread good practice, while providing a supportive environment for senior leaders to learn from each other and build up effective relationships.

"The big thing has been in terms of a network of leaders. There's been a lot of peer support and peer challenge about decisions that are being made, which have helped certain leaders... They've been a real community of directors that have pulled together to make that happen."

- Local Authority Children's Commissioner

Collaboration spreads further than just between senior leaders within children's social care. There is also considerable enthusiasm for closer working between children's and other public services, particularly schools, but also police and health services, as well as with civil society organisations.

The purpose of these collaborations differs according to need. For some, the focus is on trying to work with and support other public sector bodies in order to reduce what were perceived as avoidable referrals into the system. For others, the objective of collaboration is to work with schools to understand the drivers of poor school attendance and to provide early intervention support to families.

Another driver of collaboration is the recognition that civil society organisations may be better placed than the local authority to reach particular families or groups.

"We're working with a lot of voluntary sector organisations.

Some families, obviously, are much happier to have a voluntary sector organisation involved with them than they are a statutory one."

- Cabinet Member for Children's Services

None of these approaches by themselves will solve the major problems that are driving up demand and costs. It will require a concerted effort across central and local government and between all areas of the public and social sector to deliver real and lasting change.

Conclusion

Despite widespread recognition of the problem, mountains of evidence, and billions of pounds spent, young people who grow up in care still have poorer outcomes than many of their peers.

A broken market for placements driving sky-high residential care costs is the immediate cause of the cost pressures, alongside underlying social and demographic challenges which are pushing up demand and complexity

To a large extent, funding cuts and the ensuing financial crisis among local authorities has undermined their ability to respond to these challenges, which has in turn led to counter-productive short-term financial decisions taking precedence over the delivery of better long-term outcomes

Ironically, this diagnosis of the problem should give us cause for optimism. There is no reason that those who grew up in care should not be able to achieve the same outcomes as children who do not, and no reason that more children should not be supported to stay or return to live safely with their birth families.

Many of the factors driving these issues are a consequence of policy decisions or inertia and are therefore within the power of central and local government, the wider public sector, and civil society to address collectively.

One immediate objective is to address the spiralling cost of residential care placements, but that in itself should be seen as treatment of an acute symptom rather than a cure for the underlying problems.

Resolving the burgeoning crisis in local government finances, addressing issues in other parts of public sector, including tackling backlogs in the family courts and NHS, will also play a role. So too will establishing a more balanced system of support for children and families through investment in preventative services.

Ultimately though, government must be primarily concerned with tackling the key drivers of demand for social care services. A relentless approach to bringing down levels of child poverty, improving housing affordability, reducing homelessness, and tackling the growing crisis of children's wellbeing and mental health are fundamental to turning the tide, delivering better outcomes for children and families in England and making sure every child grows up with the love, support, and opportunities to thrive that they deserve.

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