



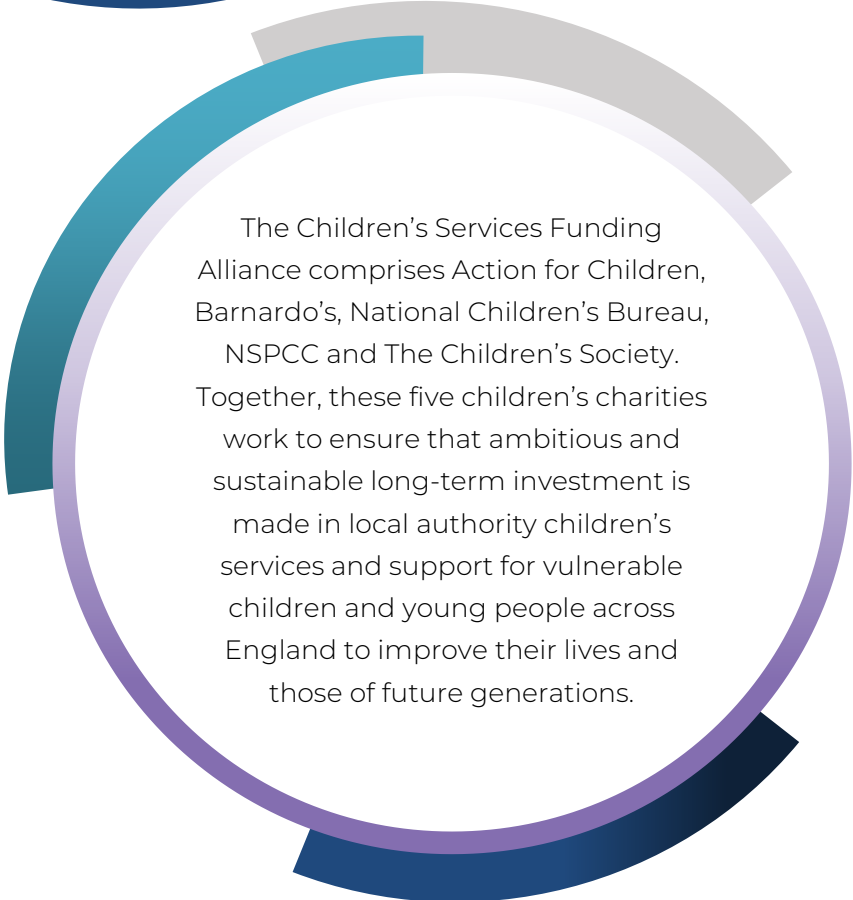
The well-worn path

Children's services spending 2010-11 to 2021-22

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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 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 local authority children's services and support for vulnerable children and young people across England to improve their lives and those of future generations.

Summary

Providing appropriate care, support, and opportunities to children and young people so that they get the best possible start in life, whatever their circumstances, is essential. Across the country, multiple agencies, charities, layers of government and public services are involved in trying to achieve this.

But the funding landscape for this work has been subject to considerable change over the past 12 years. During that period, spending on children's services by local authorities in England can be roughly divided into three distinct phases. The first phase occurred between 2010-11 and 2016-17. In response to significant funding cuts from central government, councils reduced spending on children's services by almost £1 billion, a fall of 9% in real terms. Small increases in local authority revenues led to a second phase. Average annual growth rates of around 2% meant that, between 2016-17 and 2020-21, expenditure grew by almost £660 million.

In 2021-22, local authorities in England entered a third distinct phase in their spending on children's services. In that year, spending increased by more than £800 million, an 8% rise on the previous year.

In this respect, the third phase represents a break from the past, but in other ways there is continuity with recent history. Over the past 12 years, the nature of spending has transformed. With demand and costs intensifying, children's services have consumed a growing proportion of local government budgets over time. As a result of financial pressures intersecting with the need to fulfil statutory duties, councils have radically changed the kind of services that they fund.

Combined spending on early intervention services, such as Sure Start children's centres, family support services and services for young people, has fallen by 46%, while total expenditure on late interventions, like youth justice, safeguarding and child protection, and children in care, has risen by almost half (47%). In 2021-22, children's services funding was typified by this approach, with more than £4 in every £5 of the additional £800 million going into late intervention services.

More specifically, it is the spiralling costs of services for children in care that has driven growth in spending. Since 2010-11, real terms expenditure on the care system has increased by more than £2 billion, a rise of almost two-

thirds (61%). Additional spending of almost £500 million in 2021-22 meant more than one-fifth (22%) of that increase occurred in 12 months alone.

A 25% increase in the number of children in care in the last 12 years partially explains this, but a dramatic transformation in the kind of care that children receive has also played a significant role.

Residential care is by far the most cost-intensive care intervention. Since 2010-11, the number of children entering residential care has increased by almost four-fifths (79%) and spending has increased by almost two-thirds (63%). In total, 90% of that additional residential care spending has gone to the private sector, leading to local government spending on for-profit provision more than doubling since 2010-11.

With almost universal acceptance that the current system is failing, the Department for Education (DfE) has outlined plans for wide-ranging and radical transformation of children's services. At the heart of the proposed reform is the recognition that the system must be rebalanced away from cost-intensive late intervention services and towards earlier support for families and children.

Investment is needed in order to give local authorities the financial breathing space required to deliver this transformation. Analysis of local government expenditure over the past 12 years indicates that the size of the future funding settlement it will take to deliver this change will be significant. Spending increases of £1.5 billion over the past five years have not rebalanced the system towards early intervention services, slowed demand, or made local government finances more sustainable. Instead, additional spending has followed a now well-worn path to high-cost services for children in care.

Local authorities are unlikely to be able to break this cycle if they are unable to afford to service growing demand in the short-term and simultaneously invest in the kind of reform that will rebalance the system over the longer term.

The opportunity to deliver a system which enables a greater number of children to stay with their families, more young people to grow up in stable and loving homes, and fewer children experiencing abuse, neglect, harm, or exploitation, means the stakes for delivering this change could not be higher.

Local government
spending on
children's services
increased by

£800mn

in 2021-22

£4 in every £5

of that increased
spending went on
late intervention
services

Spending on early
intervention
services has
decreased by

46% in 12 years

In the past 12 years the
number of children in
residential care has
increased by **79%** and
spending has risen by
61%

Local authorities' spending on children's services may have entered a new phase of growth

In order to have the best chance of leading healthy and happy lives, a substantial number of children and young people require additional support, care, and opportunities. Last year, in England, over 400,000 children were legally defined as 'in need' - meaning they needed help and support as a result of risks to their development or health.¹

In England, local authorities are charged with providing, or funding, a number of additional, targeted services for these children and young people. Some of these services are targeted to reduce a child's vulnerability arising from family or child-related factors, such as poverty, substance misuse, mental health needs, learning disabilities, and others. There are other services available where there is an identified issue, such as a behavioural problem or extrafamilial risks, such as criminal or sexual exploitation.

Often the objective is to provide intensive support in order to address the issue, or at least stop it from escalating. In some of the most serious circumstances, a child may be subject to a child protection plan and/or become 'looked-after', meaning that they enter the children's care system. In 2022, there were just over 80,000 looked-after children in England².

These additional targeted services, while varied in their aim and intensity, are collectively known as children's services.

PBE's analysis of expenditure on these children's services by local authorities in England since 2010-11 shows that spending has undergone three distinct phases. As can be seen in Figure 1, the first phase, from 2010-11 to 2016-17, is characterised by a gradual decline in local government spending. During this period expenditure shrank by almost £1 billion, a fall of 9% in real terms.

During the second phase, from 2016-17 to 2020-21, overall expenditure began to slowly climb. In this time, total spending increased by almost £660 million, with an average annual growth rate of 2%. Despite these

¹ Department for Education, [Characteristics of children in need](#), October 2022

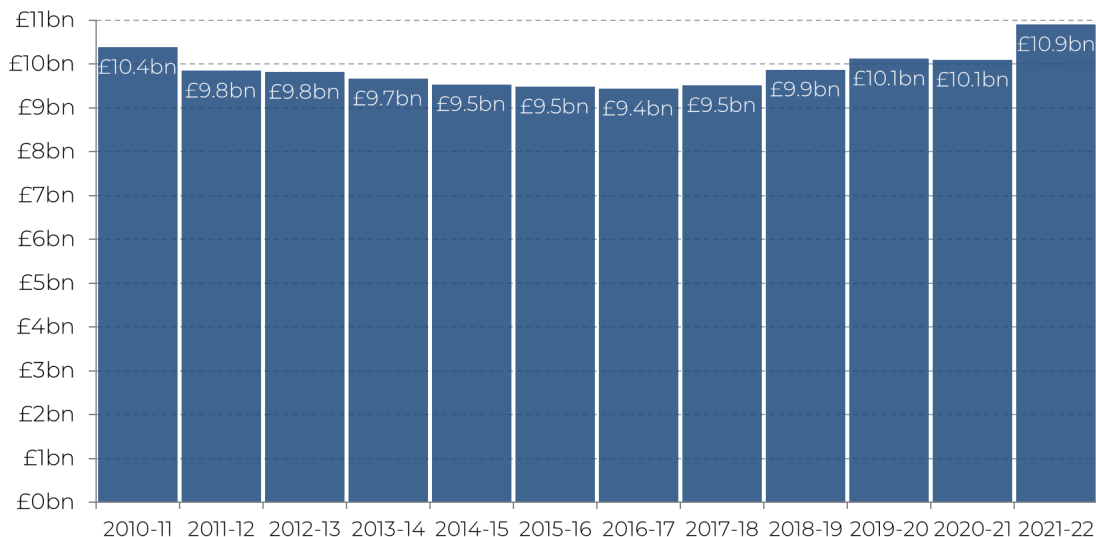
² Department for Education, [Children looked after in England including adoptions](#), July 2023

increases, by the end of the period overall, spending was still almost £300 million lower than it had been at the start of the decade.

Data from 2021-22 shows that councils in England may have entered a third phase of spending on children and young people's services, this time characterised by a rapid acceleration. In 2021-22, overall local government spending on children's services increased by more than £800 million to just short of £11 billion. This represents an 8% real terms rise on the previous year. As a result, real terms overall spending has risen above 2010-11 levels for the first time.

Figure 1. Local authority spending on children's services grew rapidly in 2021-22

Total local authority spending on children's and young people's services in England, 2010-11 to 2021-22, 2021-22 prices



Notes: Figures are for total net current expenditure.

Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22.

With need expected to grow,³ targeted investment aimed at reforming children's social care planned,⁴ and overall increases in local authority spending power,⁵ the level of expenditure on children's services may continue to rise over the next few years.

³ See for example: [The Independent Review of Children's Social Care – Final report](#), May 2022 and [The Future of Children's Social Care](#), 2022

⁴ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023

⁵ K Ogden, [English councils' core spending power is set to grow by up to 11% in real-terms over the next two years](#), Institute for Fiscal Studies, December 2022

Children's services spending is gradually consuming a bigger proportion of local authority budgets

The last decade's fluctuations in spending on children's services have been set against a backdrop of relative financial decline for local authorities, predominantly as a result of significant cuts in funding from central government.

Mirroring the decline in children's services spending, local government spending power in England fell steadily between 2010-11 and 2016-17, before growing slowly throughout the rest of the decade. And while pandemic-related funding from Whitehall muddies the waters somewhat, the spending power of councils in 2021-22 was roughly 10% lower than it was in 2010-11.⁶

Yet despite this decline in resources, local authorities' statutory duties in respect of children's services have increased over time.⁷ More responsibility, coupled with growing demand for children's services, have made it difficult for councils to adjust spending in line with declining resources.

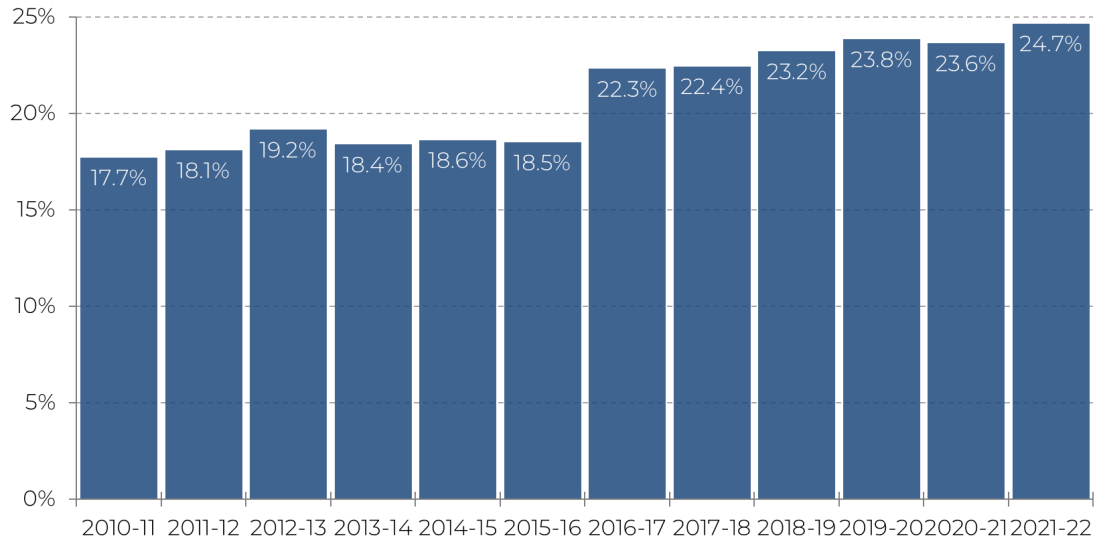
As spending has outstripped revenues, the overall impact of children's services on council finances has grown. As can be seen in Figure 2, children's services spending absorbed a quarter (25%) of all local government spending power in England in 2021-22, up from just under a fifth (18%) in 2010-11.

⁶ G Atkins & S Hoddinott, [Local government funding in England](#), Institute for Government, July 2023

⁷ [Children's Services Statutory Duties](#), Association of the Directors of Children's Social Care, October 2018

Figure 2. Children and young people’s services now account for a quarter of local authority spending

Children and young people’s services spending as a proportion of total local authority spending power in England, 2010-11 to 2021-22, 2021-22 prices



Notes: We calculate total net current expenditure on children’s services as a percentage of the total core spending power for local authorities.

Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22 and Ministry of Housing, Communities & Local Government: Core spending power: final local government finance settlement 2020 to 2021.

In order to stay financially viable, while attempting to meet statutory requirements and growing demand across a range of core services, councils have understandably responded by trying to increase other forms of revenue. Yet despite increases in council tax and business rates, many have had to cut back spending in areas such as housing, transport, planning, and cultural and leisure services.⁸

While local authority spending power is expected to grow in the next few years, cost pressures across social care and other core services mean that concerns remain about the financial sustainability of many councils.⁹

⁸ T Harris, L Hodge & D Phillips, [English local government funding: trends and challenges in 2019 and beyond](#), Institute for Fiscal Studies, November 2019

⁹ Local Government Association, [Councils face almost £3 billion funding gap over next two years](#), July 2023

The nature of expenditure on children's services has changed, with councils spending more and more on high-cost late interventions

Over the past two years, PBE's ongoing research into children's services spending has highlighted the extent to which the nature of local government spending on children's services has shifted. Expenditure has gradually moved away from early intervention services, such as those which target substance misuse, anti-social behaviour, teenage pregnancy, and family support. These services are targeted at children in higher risk circumstances, or to provide intensive interventions to address problems before they escalate. Instead, spending has shifted towards higher cost, late intervention services.¹⁰

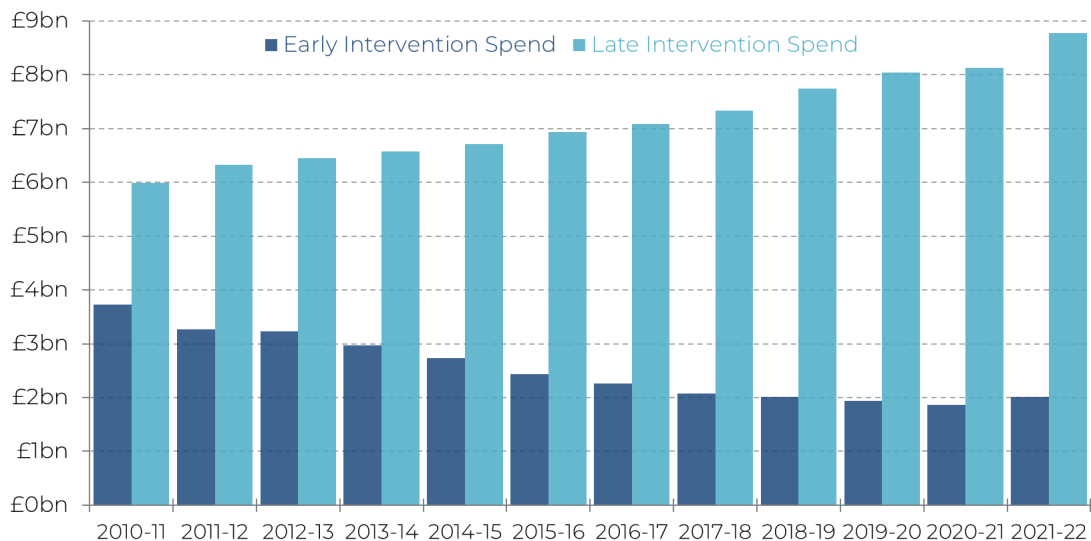
This shift has been consistent even as local government spending has begun to tick upwards. Spending on early intervention has reduced from just over £3.7 billion in 2010-11, to just over £2 billion in 2021-22 - a fall of almost half (46%), while spending on late intervention services grew from around £6 billion to £8.8 billion.

An 8% growth in overall spending on children's services in England in 2021-22 led to an increase in early intervention spending for the first time in over a decade. However, analysis of the overall distribution of that additional spending shows clearly that councils are still predominantly focused on late intervention spending. As can be seen in Figure 3, late intervention spending increased by around £650 million in 2021-22, meaning that more than £4 in every £5 of additional spending went into late intervention services.

¹⁰ J. Franklin & M. Williams, [Children and young people's services: Spending 2010-11 to 2019-20](#), July 2021 and J. Franklin & M. Williams, [Stopping the Spiral: Children and young people's services spending 2010-11 to 2020-21](#), July 2022

Figure 3. Expenditure has grown but local authorities are still trapped in a reactive spending spiral

Early and late intervention spending 2010-11 to 2021-22, 2021-22 prices



Notes: Total value of early intervention spending 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 late intervention spending is the sum of local authority spending on 'Youth justice', 'Total Children looked after' and 'Total Safeguarding Children and Young Peoples Services'.

Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22.

The cumulative result of this long-term shift in spending behaviour is that late intervention services now account for more than four-fifths (81%) of all children's services spending, up from less than three-fifths (58%) in 2010-11.

This is despite almost universal acceptance that the system needs fundamental reform away from crisis intervention and towards earlier support.

“The system is not succeeding in providing the right help at the right point. Resources have become trapped at the crisis end of the system, with not enough early support available. Costs are escalating without leading to any improvement in outcomes. We have lost sight of social care as a supportive service to help families when they need it”

Gillian Keegan MP, Secretary of State for Education¹¹

¹¹ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023

Most of the additional expenditure is on care placements for looked-after children

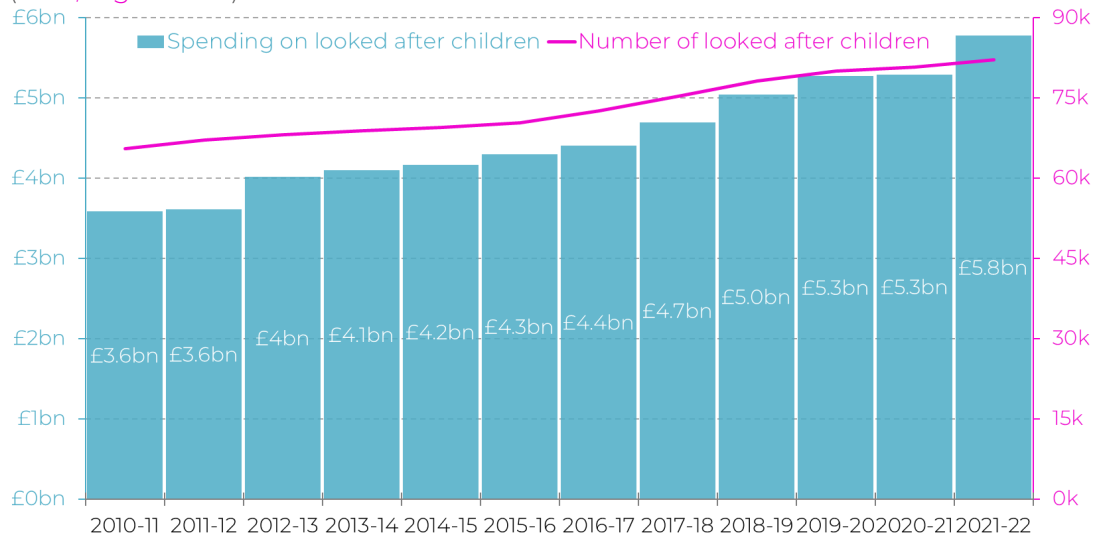
Late intervention spending consists of a number of different types of services. From working with young offenders, to safeguarding and child protection, all the way through to services for 'looked-after children' - more commonly known as 'children in care'. Since 2010-11, spending on these services has increased by around £2.8 billion.

Services for children in care consume the largest proportion of late intervention spending, accounting for two-thirds (66%) of the total expenditure. It is increased spending on these services that has driven much of the growth in late intervention expenditure by local government over the past 12 years. Since 2010-11, spending on services for children in care has risen from £3.6 billion to £5.8 billion, an increase of almost two-thirds (61%). This means that since 2010-11, more than three-quarters (78%) of the additional £2.8 billion late intervention spending has gone into services for children in care.

As can be seen in Figure 4, a substantial proportion of this has been in response to rising demand. The number of looked-after children in England has risen from around 66,000 in 2011 to more than 82,000 in 2022, an increase of a quarter (25%).

Figure 4. Rising numbers of children going into care has led to spiralling expenditure on looked-after children

Total spending on looked-after children 2010-11 to 2021-22, 2021-22 prices (columns, left axis) and total number of looked-after children (line, right axis)



Notes: Value of spending on looked-after children is net current expenditure of the spending line 'Total Children Looked After' and covers expenditure for the financial year. The total number of looked-after children is derived from a count of looked-after children on 31 March each year. This analysis aligns total expenditure per financial year with the total number of looked-after children on the last day of the corresponding financial year.

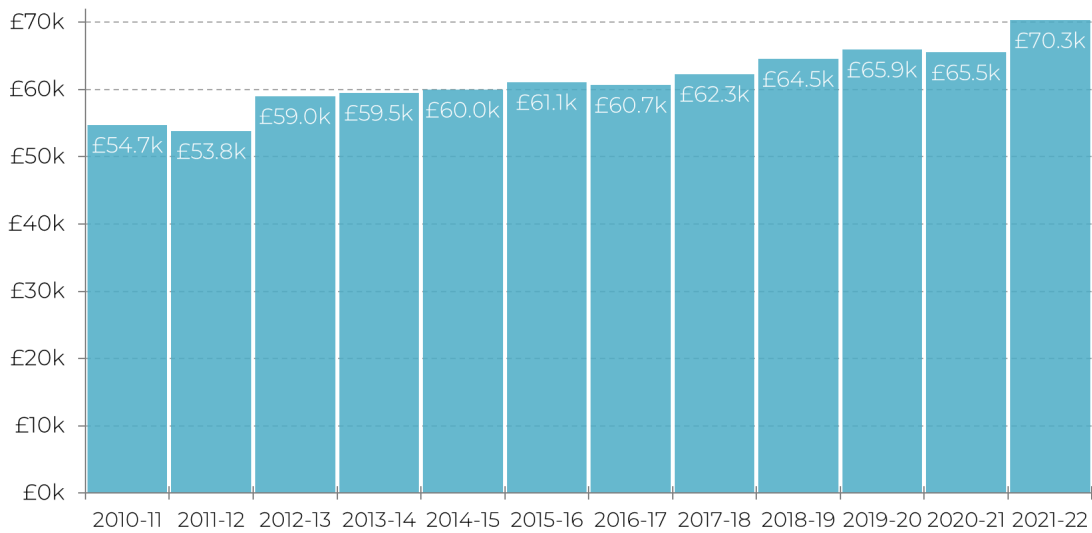
Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22 and Department for Education: Children looked after in England including adoptions, Releases for Reporting Years 2012, 2017, 2018 and 2022.

But, as can also be seen in Figure 4, spending increases have begun to outstrip the growth in the numbers of children in care. Spending leapt considerably in 2021-22, despite the number of children in care only increasing by a small amount. The additional £500 million of expenditure represented a 9% increase on the previous financial year, yet the number of children in care grew by just under 2% during that period.

The exact nature of this increase can be seen more clearly in Figure 5, which shows the change in spending per child in care. In 2021-22, spending per child topped £70,000, an increase of more than a quarter (28%) since 2010-11, with a 7% increase in 2021-22 alone.

Figure 5. Spending per child in care has increased by more than one quarter since 2010-11, with a big jump last year

Per capita spend on looked-after children, 2010-11 to 2021-22, 2021-22 prices



Notes: This chart divides total net expenditure on looked-after children for each financial year with the number of looked-after children on the final day of that financial year.

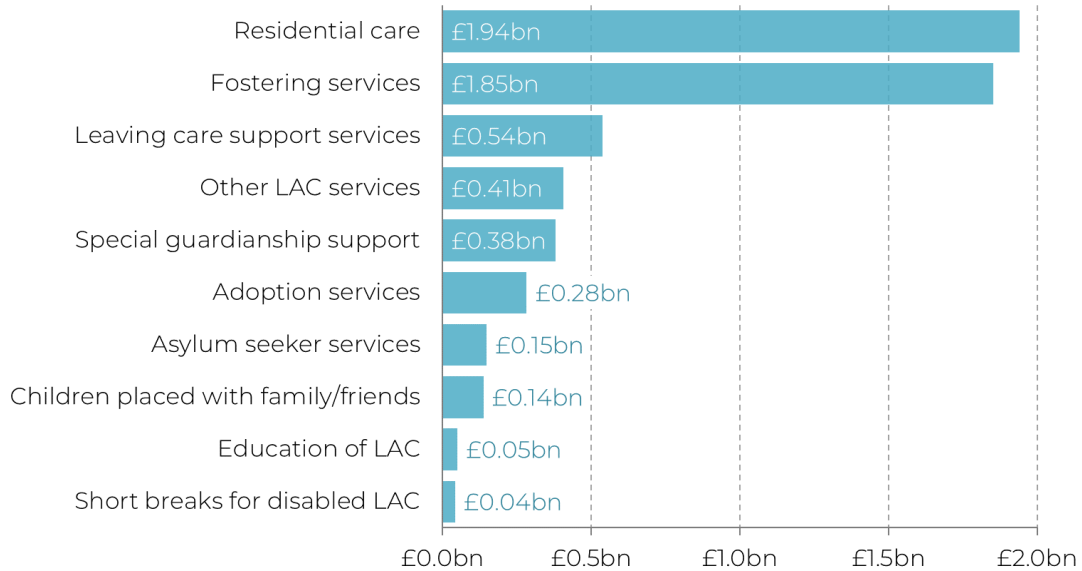
Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22 and Department for Education: Children looked after in England including adoptions, Releases for Reporting Years 2012, 2017, 2018 and 2022.

The growing number of children entering relatively high-cost residential care has been a key driver of increases in spending

Spending on looked-after children covers a wide array of services, meeting different needs for children at different stages in their lives. As can be seen in Figure 6, this expenditure is dominated by placements in residential care and fostering services, each accounting for about a third of all looked-after children spending.

Figure 6. The vast majority of spending on looked-after children goes on residential care and fostering placements

Looked-after children real terms spend by item (£bn), 2021-22



Notes: Value of item spend is the net current expenditure of each expenditure line within the category 'Children looked after'.

Source: PBE analysis of Department for Education: LA and school expenditure, 2021-22.

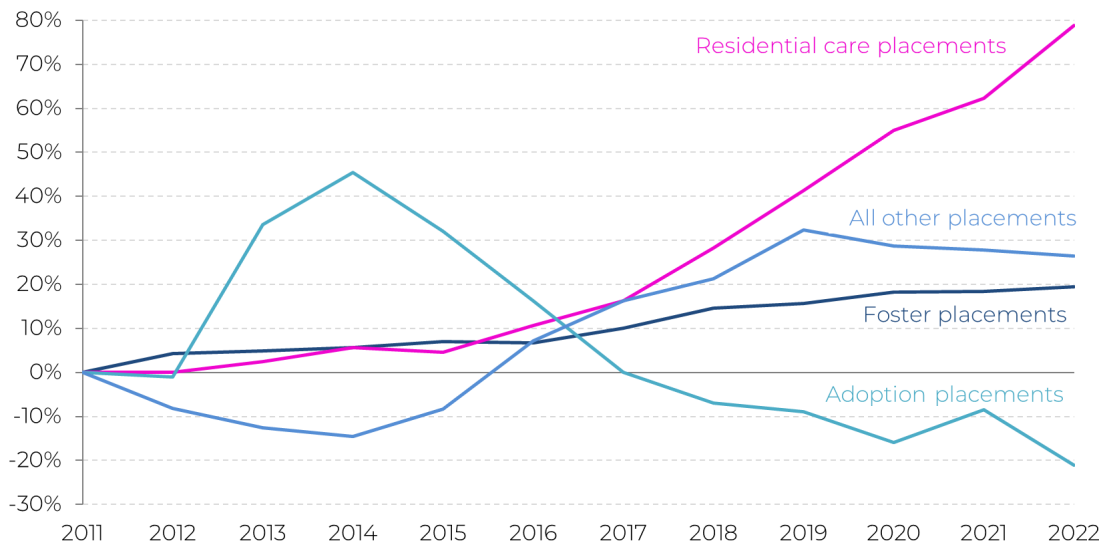
Yet despite similarity in overall spending levels between fostering and residential care services, the volume of placements across each is radically different. In 2022, there were around four times as many children in foster care placements as there were in residential care. Yet, at just over £137,000 per child, the annual spend per residential care placement was more than four times that of a foster placement, which cost on average just over £32,000.

This cost differential between placement types, in particular the relatively high cost of residential care, combined with the changing distribution of placements, helps to explain the spiralling levels of expenditure on services for children in care, late interventions and children's services in general.

As Figure 7 shows, the number of children entering residential care has increased by almost four-fifths (79%) since 2010-11. Last year, there was a particular spike in residential care placements, with the number of children entering these placements rising by 10%. At the same time, the number of adoptions has fallen dramatically, while fostering and other types of placements have begun to reduce or flatline.

Figure 7. The number of children in residential care has grown by almost four-fifths in 11 years

Percentage change in looked-after children placement types since 2011



Notes: 'Residential care placements' 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 placements' is the sum total of the number of children '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, Releases for Reporting Years 2012, 2017, 2018 and 2022.

Unpicking the causes for the radical change in mix of care placements is difficult, but they include a combination of changing needs, a variety of factors affecting supply, the state of public services broadly, and changes in policy and practice in children's social care.

A complex mix of these factors has led to a change in age profile of children entering care, which goes some way in explaining the trend. Age is a reliable predictor of the type of care placement that a looked-after child is likely to enter, and between 2012-13 and 2018-19, the number of teenage children entering care increased by more than a quarter (26%).¹² In 2022, the number of children aged over 16 who became looked-after increased by 38%, while the number of children aged under 10 actually fell.¹³

¹² The Children's Commissioner, [Characteristics of children entering care for the first time as teenagers](#), February 2021

¹³ Department for Education, [Children looked after in England including adoptions, CLA started during the year](#), July 2023

The complexity of the needs of teenagers often means that more specialist residential care is the most suitable way of providing their care.¹⁴ For example, teenagers in care are more likely to have experienced sexual exploitation, trafficking, or drug use. Additionally, older children are also less likely to be adopted - the average age for a child at adoption being three years and three months – and so long-term care is a more likely option.¹⁵

The dramatic fall in the number of adoption placements since 2013-14 has also contributed to the shifting pattern of placements. Confusion around legal rulings made in 2013 led to a significant reduction in the number of children being put up for adoption by councils.¹⁶

Evolving evidence relating to the outcomes for adopted children has continued to change the approach of some practitioners to adoption as an option.¹⁷ More recently, the impact of the pandemic on the court system has caused delays in the adoption process.¹⁸ These have contributed to an increase in the average time taken for a child to be adopted, from less than two years in 2018, to two years and three months in 2022.¹⁹

A shrinking supply of foster placements is one of the other factors which has contributed to the overall shift. Latest statistics show that the capacity of the fostering system has decreased by 5% since 2018.²⁰

The reasons behind this, as with other factors, are nuanced – with fewer prospective foster families coming forward, a lower proportion of foster families' applications succeeding, and strain on existing foster families contributing to withdrawal.

¹⁴ The Children's Commissioner, [Explosion in number of older children going into care over last five years is hitting stability of the system](#), August 2019

¹⁵ Department for Education, [Children looked after in England including adoptions](#), July 2023, accessed 27 July 2023

¹⁶ National Adoption Leadership Board, [Impact of Court Judgments on Adoption: What the judgments do and do not say](#), November 2014

¹⁷ National Institute for Health and Care Research, [Adopted children can experience lasting mental health problems](#), August 2020

¹⁸ Department for Education, [Adoption Strategy: Achieving excellence everywhere](#), July 2021

¹⁹ Department for Education, [Children looked after in England including adoptions](#), July 2023, accessed 27 July 2023

²⁰ Ofsted, [Fostering in England 1 April 2021 to 31 March 2022](#), May 2023

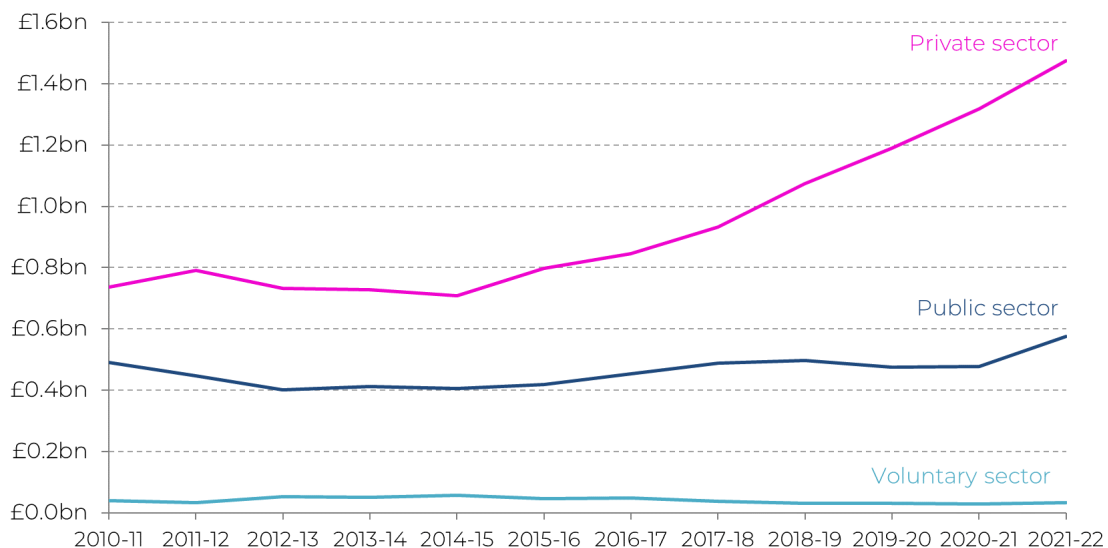
The vast majority of the additional residential care spending over the past decade has gone to private sector providers

With the demand for residential care placements growing, the market for the provision of residential care has also been transformed. The private sector has been at the forefront of this change. Between 2010-11 and 2021-22, spending on voluntary sector provision of residential care declined by around a fifth (19%) to just over £30 million. Conversely, during the same period, spending on public sector provision increased by almost a fifth (18%) to just over £575 million.

However, the main development of the last decade has been the growth of private sector provision of residential care. As Figure 8 highlights, spending on private sector providers of residential care has more than doubled since 2010-11, with local authorities spending just under £1.5 billion on private sector provision in 2021-22.

Figure 8. Spending on private sector provision of residential care has more than doubled over the last 11 years

Spending on residential care 2010-11 to 2021-22 by provider type, 2021-22 prices



Notes: The sum of total residential care spending by provider type does not sum to the same total as all residential care spending. This is because total residential care spending by provider type is a gross figure, whereas the total for all residential care spending is net of any income local authorities receive.

Source: PBE analysis of Department for Education: LA and school expenditure, 2010-11 to 2021-22.

To put this into context, of the gross additional expenditure²¹ on residential care since 2010-11, £9 out of every £10 (90%) has gone to private sector providers. As a result, over 70% of all local authority spending on residential care now goes to the private sector, up from just under 60% in 2010-11.

A recent review by the Competition and Markets Authority (CMA) concluded that the market for care placements is functioning poorly. Local authorities are struggling to find suitable, local placements when they are needed. As a result of this dysfunction in the market, the largest private providers have been found to be charging unjustifiably high prices for placements, and consequently making disproportionately large profits.²²

Government plans to transform the system have come under scrutiny

The current system for children's services needs radical reform. Local authorities are spending more money on increasingly expensive services to meet increasing demand. Yet these services are not delivering better outcomes and the growing number of children entering care is the clearest indicator of this failure.

The Department for Education (DfE) has outlined plans for a wide-ranging transformation of children's services in England.²³ The plan is ambitious, covering improvements to family support, a more integrated child protection system, promoting a greater role for family networks, resolving issues in the care market, workforce development and improved availability and use of data and intelligence.

At the core of these reforms is the recognition that a shift towards earlier intervention is necessary in order to produce better outcomes for children.

“We need to rebalance children's social care away from costly crisis intervention to more meaningful and effective

²¹ Figures for local authority spending on residential care differ slightly when analysing by provider type. This is because figures by provider type are gross spending, calculated before any deductions in the way of local authority income from fees, whereas total figures for local authority spending on residential care are a net figure which subtracts local authority income from fees.

²² Competition and Markets Authority, [Children's social care market study final report](#), March 2022

²³ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023

*help for families, so that it achieves the outcomes children deserve.*²⁴

Department for Education

Yet, in outlining its plan, the government has charted a different path from that outlined in the Independent Review of Children's Social Care, in particular around the pace of reform and the scale of investment.

Some believe that a cautious approach to reform may cost more over the longer term

The Independent Review of Children's Social Care recommended additional investment of £2.6 billion over four years, of which around £1 billion should be made available to deliver significant national reform over the first two years.²⁵ However, the DfE's implement strategy for the first two years adopts a more cautious approach, making about one-fifth of the recommended amount available, in order to fund pilot schemes and test aspects of the plan over that period.²⁶

While the DfE's commitment to generating good quality evidence about what works is laudable, the slower pace of the government's approach may result in additional costs over the long term. Recent analysis has estimated that the two-year piloting phase could cost an extra £1 billion over 10 years and see more than 10,000 additional children entering care by 2027-28 than would have been the case had reforms been implemented sooner.²⁷

Without sufficient financial breathing space, councils may struggle to transform their approach

The scale of additional money currently promised by the government is unlikely to be sufficient to plug gaps in local authority budgets, even when

²⁴ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023

²⁵ [The Independent Review of Children's Social Care – Final report](#), May 2022

²⁶ Department for Education, [Stable Homes, Built on Love: Implementation Strategy and Consultation Children's Social Care Reform 2023](#), February 2023

²⁷ Action for Children et al, [The cost of delaying reform to children's social care](#), May 2023

combined with expected further increases in local government spending power.²⁸

In these circumstances, it seems plausible that local authorities will continue to be constrained by short-term budget pressures. Yet for reform to be successful, local government needs sufficient financial breathing space. Councils must service rising demand and costs in the short term and simultaneously restore and expand early intervention services to address spiralling need and spending over the longer term.

This analysis shows that the investment will have to be considerable. Additional spending of over £1.5 billion in the last five years has not resulted in a rebalancing of local government spending towards early intervention, nor has it reduced demand for cost intensive late intervention services or delivered better outcomes for children and families. Instead, it has flowed along well-worn pathways towards high cost services for children in care while demand has continued to rise and cost pressures have created a worsening doom-spiral of unsustainable spending for councils.

²⁸ Local Government Association, [Children's social care reform: implementation strategy and consultation](#), February 2023

Conclusion

Local authorities in England may have now entered a third distinct phase in children's services spending, characterised by an acceleration of overall expenditure and a growing proportion of spending power being consumed by children's services.

But this increase in spending has not been sufficient in volume or direction to allow for children's services to escape the doom-spiral they are currently in. This spiral has local authorities trapped providing high-cost, late interventions, with demand for services for children in care growing, and the cost of providing them increasing too. In particular, spending has become increasingly skewed towards ever-increasing numbers of children entering resource-intensive residential care placements, predominantly within the private sector.

As central and local government embarks on a wide-ranging overhaul of children's services in England, questions have emerged about the pace of change and the scale of investment. The cautious pace of reform over the first two years may result in counterproductive costs and demand increases over the longer term. The current scale of investment, coupled with uncertainty around funding beyond that two-year period, is also a concern.

Without significant investment, local authorities will be unable to sustainably meet current needs for children's services and simultaneously deliver the necessary rebalancing towards the kind of early intervention services that are at the heart of the proposed reforms. And as recent history shows, councils may be left with little option other than to continue spending a growing proportion of their budgets on costly care placements.

Successfully transforming services will ultimately mean making available investment in early interventions, which will reduce demand for high-cost late intervention services. In doing so, this will result in more families staying together in healthy environments, more children with stable and loving homes to grow up in, and fewer young people experiencing neglect, abuse, exploitation, and harm.



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