



# Public Spending on Children in England: 2000 to 2020

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## Foreword from Anne Longfield OBE, Children's Commissioner for England



Last year I published the first national report into child vulnerability, which mapped the nature and scale of vulnerability in England today. Its findings were shocking. It found hundreds of thousands of children in England living with high risks, which jeopardise their futures – children with poor mental health, children living in poor housing, living with domestic violence or substance abuse in the house, in and out of school, homeless, sometimes in jail.

The core of my work is focused on these vulnerable children, many of whom are falling through gaps in the education, health or care systems. Often they are growing up with problems that have cascaded down from one generation to the next: damaged children become damaged adults.

Some of these children are so vulnerable that the state has to step in to provide child protection or take them into care. The figures show that the numbers of children needing this level of support are growing, driving up the costs of statutory children's social care services. Through the years of 'austerity', councils have worked hard to protect this spending – as they should.

At a time of diminished budgets overall, what is the impact on other services for children? At what – or whose – price are these funding levels being sustained? That was the question I set out to answer in commissioning this work. We had heard of swingeing cuts to family support and youth services. We knew there were sharply increasing numbers of children who were homeless. But we also knew that schools budgets had largely been protected, at least at key stages 1-4. And so I asked the IFS to put public spending on children today in recent historical context, as well as projecting forwards to 2020.

As the Government begins its work on next year's Spending Review, now is the time to debate the shape of public spending on children. What we spend, on who, and when is even more challenging in an era of austerity, and children do not have votes and voices to influence these debates.

This research shows that last year, total spending on children from the main government departments which spend money on children - excluding healthcare - was over £120bn, or £10,000 per child under 18. This is 42% higher (in real terms) than it was in 2000/1, but 10% below its high point of £11,300 in 2010/11. Current public spending on children is due to remain at about £10,000 per child until 2019/20, the same level in real terms as it was in 2006/07.

The work shows, therefore, that spend on children has in fact been overall broadly resilient over the last 20 years, even taking into account the effects of the 2008 recession. Within that overall figure, however, are some worrying trends. Mainstream and acute services such as age 4-16 education and provision for children in care have been protected at the expense of targeted preventative services, removing vital safety nets for some very vulnerable children. The 60% cut in Sure Start and youth services will see an increasing number of vulnerable children fall through the gaps.

England now spends nearly half of its entire children's services budget on 73,000 children in the care system – leaving the other half for the remaining 11.7 million kids.

Children do not arrive in extreme need overnight and many could be prevented from getting to that point if we helped them sooner in a more effective way. We are, in effect, attempting to manage and contain crisis in children's lives after allowing it to escalate.

The economic and social costs are unsustainable. The cost to the state will ultimately be greater, but it is the lifetime cost to these children which we should be most troubled by. They only have one childhood, one chance to grow up. Already we see the costs of helping children later in life, or of allowing greater numbers to become marginalised – in the current pressures on family courts, special schools and the care system; in spiralling numbers of school exclusions and the consequent increase in younger and younger children linked to violent street gangs.

I hope this analysis will now help to move the debate on from one simply about the headline amount we spend on children, and to a debate about *how* we spend it.

I want to see all parties recognising the importance of long-term decision-making and purposeful and well thought-through preventative services, a helping hand for these vulnerable kids. We should look hard at which services are working well for children and which others are passing them by. My second annual report into childhood vulnerability, to be published next month, will highlight where groups of children with multiple unmet needs may be most at risk of tipping into crisis. Next year's Spending Review offers an opportunity to step in and support these children, not working in government silos but with cross-departmental services built around a clear identification of the unmet needs of kids.

If we can get this right, we will be acting in the best interests not only of vulnerable children, but of all children and the country.



**Anne Longfield OBE**  
Children's Commissioner for England

# Key Findings from our Research

## Public spending on children in England

- > This report measures total spending by the government on children in England, including benefits, education spending, services for vulnerable children and healthcare.
- > Supporting children is a major aim of public spending. It occurs through various channels and reflects different types of needs. Benefit spending is designed to support children through topping up the incomes of families with children. Education spending represents an investment in future skills and productivity. Some spending responds to needs, such as physical or mental health problems or family breakdown.
- > Even after the inclusion of state benefits, families with children face higher levels of poverty than other demographic groups. In 2016–17, around 30% of children were in poverty, compared with around 18% of working-age adults without children and about 16% of pensioners. A further motivation for directing spending towards children is a desire to mitigate the impact such disadvantage has on children’s life chances.
- > In the most recent year of data (2017–18), total spending (excluding healthcare) was over £120 billion or over £10,000 per child under 18. This is 42% higher in real terms than it was in 2000–01 when it stood at £7,200 per child, but about 10% below its recent high point of £11,300 in 2010–11. It is due to remain at about £10,000 per child until about 2019–20, leaving it at about the same level in real terms as it was in 2006–07 just before the Great Recession.

## Benefits

- > Total public spending on benefits for families with children in England represented about £59 billion in 2017–18. This includes a range of out-of-work benefits, in-work benefits, disability benefits, support for housing costs, support for childcare and other benefits going to families with children. The three largest in 2017–18 were tax credits (£22 billion), housing benefit (£10 billion) and child benefit (£10 billion).
- > Total benefit spending per child was about £5,000 in 2017–18. This grew significantly over the 2000s, growing by around 60% in real terms between 2000–01 and 2009–10. Since 2009–10, it has fallen back, with a total expected real-terms cut of 17% between 2009–10 and 2019–20. This rolls back some, but certainly not all, of the increase over the 2000s. If delivered, this would leave spending at £4,700 per child in 2019–20, at about the same level it was in 2006–07, though still about 33% higher in real terms than it was in 2000–01.
- > The main driver of changes over time has been real-terms increases to benefits for low-income families with children – particularly tax credits – over the 2000s and falls since 2010. For example, workless families saw their net incomes boosted by around 12–16% in real terms as a result of tax and benefit reforms between 1997 and 2010. Since 2010, real-terms cuts to benefit rates have reduced levels of benefit spending going to families with children. Reforms implemented since 2015 (e.g. rollout of universal credit) will, when fully in place, further reduce the incomes of low-income families with children by between 10% and 15% relative to a situation where no reforms are made.

- > By way of comparison, benefit spending per pensioner was about £10,000 in 2017–18, which is about double that for children. This reflects the higher needs of pensioners and their greater reliance on the state for their income. Pensioners saw smaller increases in spending per head over the 2000s (around 28%), but this was largely protected in real terms over the 2010s as a result of policies such as the ‘triple lock’.

## Education

- > Total public spending on education for children under 18 in England was around £54 billion in 2017–18, of which more than two-thirds represents expenditure on schooling.
- > Education spending increased substantially over the 2000s: just under 50% in real terms. However, in contrast to the cuts in benefit spending for families with children, overall education spending has been largely protected in real terms over the 2010s.
- > Increases in the entitlement to free early education and childcare mean that spending per child in their early years will rise from about £1,400 in 2000–01 to about £2,400 by 2019–20 (all 2017–18 prices).
- > School spending per pupil rose by about 50% in real terms over the 2000s. It then increased slightly in real terms under the coalition government before falling back between 2015 and 2017. It now stands at around £4,800 in primary schools and £6,200 in secondary schools, at about the same level in real terms as in 2010. It is due to remain at this level until 2019–20.
- > Spending on education for children aged 16–18 rose more slowly over the 2000s and this is due to be cut more significantly over the 2010s. Spending per student in further education and school sixth forms will be about £5,400 in 2019–20, about the same in real terms as it was in 1990.
- > The high-needs budget is allocated to pupils with special educational needs and disabilities. It represents a small, but significant element of the education budget (£5.5 billion in 2017–18). Pressure on the high-needs budget is growing, partly because of the rise in pupil numbers at more expensive special provision, but also because of the overall squeeze on local authority budgets that limits their flexibility to respond to unexpectedly high levels of need.

## Children’s services and social care

- > Public spending on children’s services covers a range of different types of services, from Sure Start Children’s Centres to safeguarding and services targeted at young people. In total, this spending accounts for a further £8–9 billion in England.
- > Within this total change, there has been a significant reorientation of spending towards spending on Safeguarding and Looked After Children, which has been largely frozen in real terms since 2009–10. These services mostly represent statutory duties and responses to immediate needs. In contrast, spending on early and preventative interventions, such as Sure Start and young people’s services, has been cut by around 60% in real terms between 2009–10 and 2016–17.
- > Spending per head increased rapidly over the 2000s, doubling in real terms from around £430 to about £860 per child. However, it is due to fall back by about 20% in real terms between 2009–10 and 2019–20.

- > Over the 2000s, the doubling of spending per head on children’s services represented much faster growth than the 43% increase in spending per head on adult social care. Between 2009–10 and 2016–17, spending per head on children’s services fell slightly more (16%) than spending per head on adult social care (13%). Between 2016–17 and 2019–20, various grants and the introduction of the social care precept will allow spending on adult social care to recover much of its lost ground, in order to deal with the pressure on adult social care resulting from faster rises in the older population. In contrast, spending per head on children’s services is due to fall by 4% in real terms between 2016–17 and 2019–20, despite the significant pressures on these services from increases in the numbers of children needing support.

## Health

- > We estimate a total level of health spending on children in England of about £9.3 billion in 2015–16 (2017–18 prices), the most recent year we can estimate based on current data.
- > This represents about £800 per child. By far the largest component is hospital spending at around £380 – nearly half of all health spending. Other secondary care spending represented about £192 per child and community spending about £113 per child. Prescriptions and dentistry then represented just over £50 per child.
- > Due to the complex organisational structure of the NHS and the fragmented nature of NHS data, we were unable to produce reliable estimates of total health spending on children for all but the most recent years. We were unable to produce an estimate of general practice (GP) expenditure on children in any year.
- > While we cannot track overall spending over time, we can see that secondary/community spending on children rose in real terms by about 28% between 2007–08 and 2015–16, and that the primary care spending for which we have data (i.e. dentistry, prescriptions, eye tests) has been approximately constant in real terms.

## Conclusions and policy implications

- > Families with children have faced large cuts in benefit spending since 2010. This is likely to place severe pressure on a group who are already more likely to face relative poverty (almost one in three) than other demographic groups, such as pensioners (about a one-in-six chance).
- > Education spending has been mostly protected from real-terms cuts since 2010. The important exception is further education and school sixth forms, where spending per student is due to be about the same level in real terms in 2020 as it was in 1990. Such resource pressures create significant challenges in delivering high-quality education.
- > Although statutory spending on children’s services has been mostly protected from cuts since 2010, there have been very large cuts to non-statutory elements. Significant reductions in spending on many early and preventative interventions, such as Sure Start and young people’s services, may push up needs and costs in the future.
- > Data, particularly on health spending, could be significantly improved. The fact that we are unable to produce good estimates for spending on children and other age groups in England is worrying, particularly given the overall size of the NHS budget (over £100 billion). The production of good-quality estimates is also clearly feasible when collecting and releasing the necessary data is a policy priority. Scotland has already done so.

# 1. Introduction

This report provides new estimates of total spending by the government on children in England, including benefits, education spending, services for vulnerable children and healthcare. In the most recent year of data (2017–18), total spending was over £120 billion or over £10,000 per child under 18.

Supporting children is a major aim of public spending. This occurs through various channels and reflects different types of needs. Benefit spending is designed to support children through topping up the incomes of families with children. Education spending represents an investment in future skills and productivity. Some spending responds to needs, such as physical or mental health problems or family breakdown.

Even after the inclusion of state benefits, families with children face higher levels of poverty than other demographic groups. In 2016–17, around 30% of children were in poverty, compared with around 18% of working-age adults without children and about 16% of pensioners.<sup>1</sup> A further motivation for directing spending towards children is a desire to mitigate the impact such disadvantage has on children's life chances, and thus to improve social mobility.

Thus, there is considerable interest in just how much is spent on children through these various sources, the extent to which this meets the needs of children and how this has changed over time. However, precisely because of the multiple sources of spending on children, it can be difficult to produce clear and consistent estimates of the total level of public spending on children over time. Figures produced by the Office for Budget Responsibility show estimates of the profile of spending and taxes across an individual's lifetime: most education spending is concentrated at younger ages, welfare spending is lower and taxes are higher during working life, and there is a gradual increase in spending on welfare, health and long-term care for older people (Office for Budget Responsibility, 2017). There is clearly significant interest in the extent to which these patterns are changing over time. The production of consistent figures over time is fraught with difficulties, however, because of changes in the nature of policy programmes and the way in which figures are presented.

Estimates also exist for long-run changes in spending in specific areas, such as education spending (Belfield et al., 2017), early years (Stewart, 2013; Stewart and Obolenskaya, 2015) and the welfare system (Hood and Norris Keiller, 2016). All of this work has shown that the consideration of the long run (i.e. at least ten years) is important as it provides historical context. It also shows that the overall changes can mask significant changes in priorities within particular areas of spending. One should therefore seek to show what is happening within each area of spending over time too.

In this report, we detail the total and per-head levels of public spending on children across different areas of spending back to 2000 and projected up to 2020. Given changes in the size of the child population over this period, our headline findings are based on spending per child and how this has changed over time. We include as many different elements of spending as possible, for as many different years as possible. Our main estimates include spending on benefits and tax credits, education up to age 18, and family and children's services (e.g. social work and Sure Start). Our main

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<sup>1</sup> These figures are based on a poverty threshold of 60% of the contemporary median net equivalised household income after housing costs have been deducted. Figures taken from Household Below Average Income 2016–17 (<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201617>).

estimates exclude healthcare due to data limitations. However, we are able to include health spending for the most recent years in order to get a sense of the overall magnitude.

The 20 years from 2000 to 2020 have been a period of policy change. Public spending increased significantly over the 2000s, whilst cuts to public spending since 2010 have been the main way in which recent governments have sought to cut the deficit. There have also been big variations across areas of public spending in terms of how much they increased over the 2000s and the extent of the cuts since 2010. Spending on schools, health and benefits for pensioners has been largely protected since 2010, with bigger cuts to other areas of spending. Therefore, we also provide additional analysis of the driving forces of changes over time, such as the analysis of how tax and benefit reforms have affected different family types across the income distribution and the trends in spending per pupil at each stage of education.

Although we know that the needs of children are higher than those of many other demographic groups, it is beyond the scope of this report to assess whether the high levels of spending on children are sufficient to meet these needs over time. Instead, by showing spending per child over time, we show how policymakers' spending priorities have changed over time in terms of the total level of spending on children, and the extent to which this reflects population changes.

Where possible, we also compare changes in spending over time with those seen for pensioners and working-age adults. Whilst the levels of spending per head are likely to be very different across demographic groups, because of the very different levels of needs they possess, looking at changes over time could provide some indication of how policymakers' priorities are changing over time. For example, we compare and contrast trends over time in benefit spending per head for children and pensioners. For a small number of years, we can also examine trends in spending on adult social care and healthcare. However, due to data limitations, the latter is probably a significant underestimate of the total level of health spending on pensioners.

Our analysis also speaks to a wider debate on the particular economic challenges facing young people today. For example, previous work has shown that the average living standards of pensioners have risen significantly over time relative to working-age families with children. As a result, pensioners are also now less likely to face poverty than working-age adults and children, which is a major historical change (Cribb et al., 2015). Young people are also less likely to own their own home compared with previous generations of young people (Cribb et al., 2018).

In what follows, we start by describing our overall methodological framework (Section 2), before then taking each area of public spending in turn: benefits (Section 3); education (Section 4); children and family services, as well as social care (Section 5); and health (Section 6). In each case, we start by detailing the specific methodology, data and assumptions used, before then showing the overall level of spending on different elements of each area of spending over time, and then providing additional analysis that helps us better understand the context for and drivers of trends over time. In Section 7, we then combine these estimates to show the total level of spending over time and changes in spending per head. In Section 8, we conclude and we list a number of recommendations for how data could be improved in this area.

## 2. Methodological Framework

Our overall goal is to measure the total level of spending on children in England from 2000 to 2020. In this section, we set out the overall methodological framework that we use in our analysis, before then setting out how this applies to individual areas of spending in the following sections.

We consider four main areas of spending in England: benefits (including tax credits and the state pension); education; children and family services, including social care; and health. These represent the main areas of spending on children that are identifiable as benefiting particular demographic groups. However, due to limited availability of health data, our preferred measures of spending for children exclude health spending. We are able to add health spending for more recent years to give a sense of its scale, but not for the full period under consideration.

Our measures of spending focus on actual levels of spending by central government and/or local authorities wherever possible. For future years (or current years where data are not yet available), we forecast spending levels based on a combination of policy announcements, projected demographic trends and long-run trends in spending. We break down spending into various relevant subcategories wherever the consistency of data allows. We focus on day-to-day or current spending throughout, as the benefits from capital spending will be spread across multiple generations, making it hard to identify the benefits received by different demographic groups each year. The focus of the report is on spending in England to ensure tractability and consistency, but we see significant merit in extending these methods to the other countries in the UK to allow for further comparisons.

Table 2.1 shows total spending in England in 2015–16 across the areas included in our analysis, as well as total spending in areas not included in our analysis. We also show how much each area of spending accounts for, as a share of total ‘identifiable’ spending in England. (Note that ‘identifiable’ spending refers to spending that government statistics attribute to a particular area of the country, and examples of non-identifiable spending would include the vast majority of defence spending.) The spending categories are based on standard international reporting measures and are slightly different to the ones we use in our analysis, but they are useful for illustrating what is covered by our analysis.

Social protection (mostly benefits and tax credits) accounted for about 44% of total (identifiable) spending in England in 2015–16, whilst health and education accounted for a further 23% and 13%, respectively. As we include these figures in our analysis, we are thus able to account for at least 80% of spending in England. Our analysis also includes spending on children’s services, which represents about 2% of total spending in England and is spread across various areas of spending in Table 2.1 (e.g. social protection, education, general public services).

The main item not included is capital spending, which accounts for about 9% of total spending. The remainder mostly relates to public order and safety (4%), transport (2%) and economic affairs (2%). These services are likely to be of varying benefit to different demographic groups, but spending on them cannot be attributed to particular demographic groups in a comprehensive and consistent manner.<sup>2</sup> Almost by definition, we are also unable to include UK-wide or other unidentifiable spending (e.g. defence or foreign affairs), though all demographic groups will clearly derive value from these areas of spending.

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<sup>2</sup> See Section 9.15 in Public Expenditure Statistical Analyses (PESA) (2017) for further details on how this is defined ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630570/60243\\_PESA\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630570/60243_PESA_Accessible.pdf)).

Given population changes, we mainly focus on changes in spending per head over time. To do so, we divided total spending by the number of children in England aged 0–17 each year. Figure A.1 in the Appendix shows the total number of children in England between 2000–01 and 2019–20. This number was relatively static between 2000–01 and 2009–10, but it began to grow thereafter and it will have grown by about 8% between 2009–10 and 2019–20. Wherever possible, our measures of spending align with this age group, or as closely as possible given the way spending figures are presented. Specific details are presented in each individual section.

**Table 2.1 – Summary of spending in England included and excluded from analysis**

Spending category	Total spending (2015–16) £bn, 2017–18 prices	Share of identifiable spending in England (%)	Included or excluded?
<b>Current spending</b>			
Social protection	221	44%	Included (all years)
Health	115	23%	Included (all years)
Education	65	13%	Included (2007–08 to 2015–16)
Public order and safety	22	4%	Excluded
Transport	8	2%	Excluded
Other economic affairs	9	2%	Excluded
Environment	7	1%	Excluded
General public services	4	1%	Excluded
Recreation and culture	4	1%	Excluded
Housing and community	2	0%	Excluded
Defence	0	0%	Excluded
Capital	44	9%	Excluded
<b>Total identifiable spending</b>	502	100%	
<b>Total included spending (2007–08 to 2015–16)</b>	401	80%	
<b>Total included spending (all other years)</b>	286	57%	
<b><i>Memo: children’s services</i></b>	9	2%	Included (all years)

Notes and Sources: HM Treasury, PESA (2017).

When undertaking comparisons with other demographic groups, we adopt similar methods for calculating total spending and spending per head. In the case of benefits for pensioners, our preferred measure is fully consistent and includes the state pension and any other benefits going to individuals aged 65 or over (we relax this definition in robustness checks to show the effects of the changes in the state pension age). We also undertake additional comparisons, such as spending on adult social care and health spending on pensioners. However, the data are far from complete.

### 3. Benefits

Spending on state benefits in England stood at around £184 billion in 2017–18, the single largest element of state spending. State benefits include: benefits for families with children (e.g. child benefit and child tax credit); benefits for older people (e.g. state pension); support for people on low incomes (e.g. housing benefit and income support); benefits for unemployed people (e.g. job-seekers allowance); and benefits for sick and disabled people (e.g. employment and support allowance). For brevity's sake, we refer to this group of state benefits, tax credits and pensions simply as 'benefits' throughout. For further details on the operation of the benefit system, see Hood and Norris Keiller (2016).

A large element of the benefit system is focused on supporting families with children, and pensioners. Indeed, our estimates suggest that about £59 billion was spent on benefits for families with children in 2017–18 and £104 billion on benefits for pensioners. This represents about 32% and 57%, respectively, of the £184 billion total spending on benefits in England in 2017–18.

Figure 3.1 illustrates the overall level of redistribution performed by the benefit (and direct tax) system towards low-income households with children and towards low-income pensioner households. Households are divided into ten equally sized deciles based on their overall level of (equivalised<sup>3</sup>) household income, from poorest to richest. For households with children and pensioners in each decile, we then show the proportion of their net income that comes from benefits (above the horizontal axis) and what proportion is taken away in direct taxes (below the horizontal axis). This shows that the benefit system performs a significant amount of redistribution towards poorer households with children and those with pensioners, and more so than the tax system. Households with children in the poorest 20% of households receive more than half of their income from benefits, compared with almost zero in the richest 20% of households. The direct tax take varies from just under 20% in the second poorest decile to just over 40% in the top two deciles.<sup>4</sup> The fact that the benefit system performs a much greater level of redistribution than the tax system has long been recognised (Hills, 2004) and this can be seen even more starkly when other types of tax are added (e.g. Office for National Statistics, 2018).

There have been substantial changes in the structure and generosity of the benefit system over recent years, with large increases in the level of many benefits over the 2000s and falls in the real value of many benefits since 2010 (with the exception of most benefits going to pensioners). There have also been major demographic and economic changes, such as continued growth in the older population and an increase in unemployment during the Great Recession.

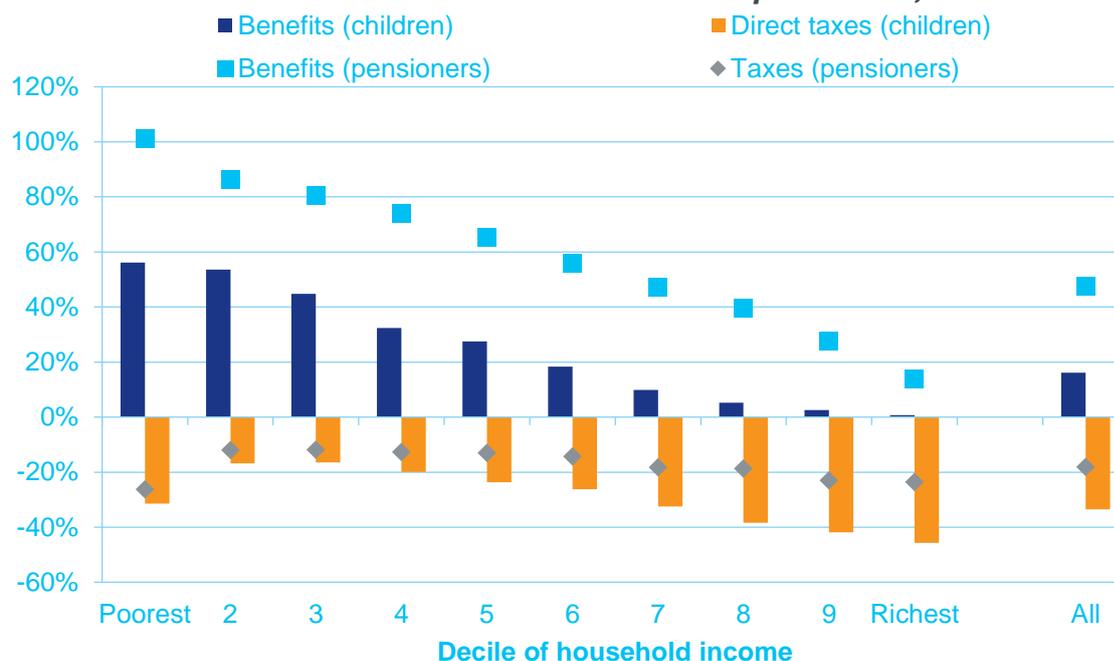
Our goal in this section is to estimate the total and per-child level of benefit spending received by families with children over time. We also compare this with spending per head on pensioners over time to give a sense of how spending priorities have shifted across demographic groups.

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<sup>3</sup> Equivalence scales allow the comparison of incomes across households by adjusting household income to account for the size and composition of different households. For more information, see Appendix A in Cribb et al. (2017).

<sup>4</sup> Note that the higher tax take in the bottom decile is likely to result from many such households only having temporarily low incomes (such as losses from self-employment) rather than substantively severe poverty. As a result, their overall living standards have been found to be closer to those of households in the middle of the income distribution (Brewer et al., 2009).

**Figure 3.1 – Benefits and direct taxes as a share of total household income across the income distribution for families with children and pensioners, 2015–16**



Notes and Sources: Authors’ calculations using the Family Resources Survey and Household Below Average Income 2015–16. Households are divided into deciles based on household equivalised net income amongst all households. Shares are shown as a proportion of net household income (i.e. after adding benefits and deducting direct taxes). Direct taxes include income tax, national insurance contributions and council tax.

## Methods

Our preferred method seeks to estimate the total level of benefits received by households with children, which we implement by combining two different steps. First, we take official estimates of the actual spending on different benefits over time, including projections up to 2019–20 based on current policy and expected demographic trends.<sup>5</sup> Second, we use micro-data (Family Resources Survey and Households Below Average Income for 2000–01 to 2015–16) to calculate the proportion of each benefit going to households with children. This allows us to include the effects of the differential take-up of benefits by different groups. We define children in the same way as the benefit system defines dependent children: anyone 16 or under, or 16–19 and still in full-time education. This is slightly different to the definition of a child used elsewhere in this report (0–17), but it is broadly similar.

These two elements are then combined to obtain estimated total spending on each benefit for households with children. We amalgamate different benefits that are intended for similar purposes (e.g. tax credits and out-of-work benefits). To this, we add direct estimates of demand-side subsidies for childcare, based on the methods used in Stewart (2013) and Stewart and Obolenskaya (2015). These include employer-provided childcare vouchers and the childcare element of working tax credit. We also add expected cuts to benefits by 2019–20 as a result of the transition to universal credit (these are relatively small for this group in this time frame).

<sup>5</sup> Source: <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2017>.

In projecting future benefit levels, we assume that the share of each benefit going to families with children or to pensioners remains constant between 2015–16 and 2019–20. This would be a problematic assumption when applied to the whole benefits bill, but it is less problematic when applied to most individual benefits. For example, the shares of child tax credit and working tax credit going to families with children are likely to remain broadly stable over time. Problematic cases might include housing benefit where the shares going to pensioners and households with children may change slightly. However, such cases are unlikely to have a major effect on our overall results.

To estimate spending per head, we divide total spending on benefits for households with children by the number of children aged 0–17 in England. This is a source of slight inconsistency given that we use a different definition of children for measuring benefit spending. However, this allows for a consistent comparison of spending per head with other areas of spending on children (e.g. education, children’s services and health).

One potential disadvantage of our method is that we implicitly assume that all benefits paid to families with children represent spending on children. However, it is very hard to separate out what is actually spent on children and what is spent on other adults in the household. These are decisions families themselves make, and they cannot always be inferred by the name or structure of benefits. Indeed, with the exception of the winter fuel payment, there is little evidence that the label applied to a particular benefit has much effect on how the money is spent (Beatty et al., 2014).

Figari et al. (2009) instead estimate the extra benefit payments that households would receive with and without children, and they do so for a range of countries in the early 2000s. This shows that child-contingent payments in the UK were close to the average across the developed countries they studied, but these are more geared towards low-income families than in other countries. However, this exercise is only performed for a single year in each case.

For robustness, we instead compare our measures of total spending with a number of other relevant comparators. First, we calculate total spending on child-contingent benefits over time, as per methods outlined in Hills (2013). Second, we calculate spending under the assumption that all benefits are allocated on a per-person basis within the household. For example, if a household contains two parents and two children, a benefit payment of £1,000 would equate to £500 of spending on children. This naturally gives lower overall levels of spending, but the trends over time are relatively similar to other methods shown.

When undertaking comparisons with pensioners, we define spending in a similar fashion to that for households with children. Pensioners are defined as anyone aged 65 or over, though in some of our analysis this assumption is relaxed to show the effects of changes to the state pension age.

## Analysis

Figure 3.2 shows the level of spending on each group of benefits for households with children, from 2000–01 to 2019–20.<sup>6</sup> Figures are presented in real terms (based on 2017–18 prices). This includes some spending on ‘pensioner’ benefits, as some households with children do include pensioners as well (and are therefore in receipt of these benefits).

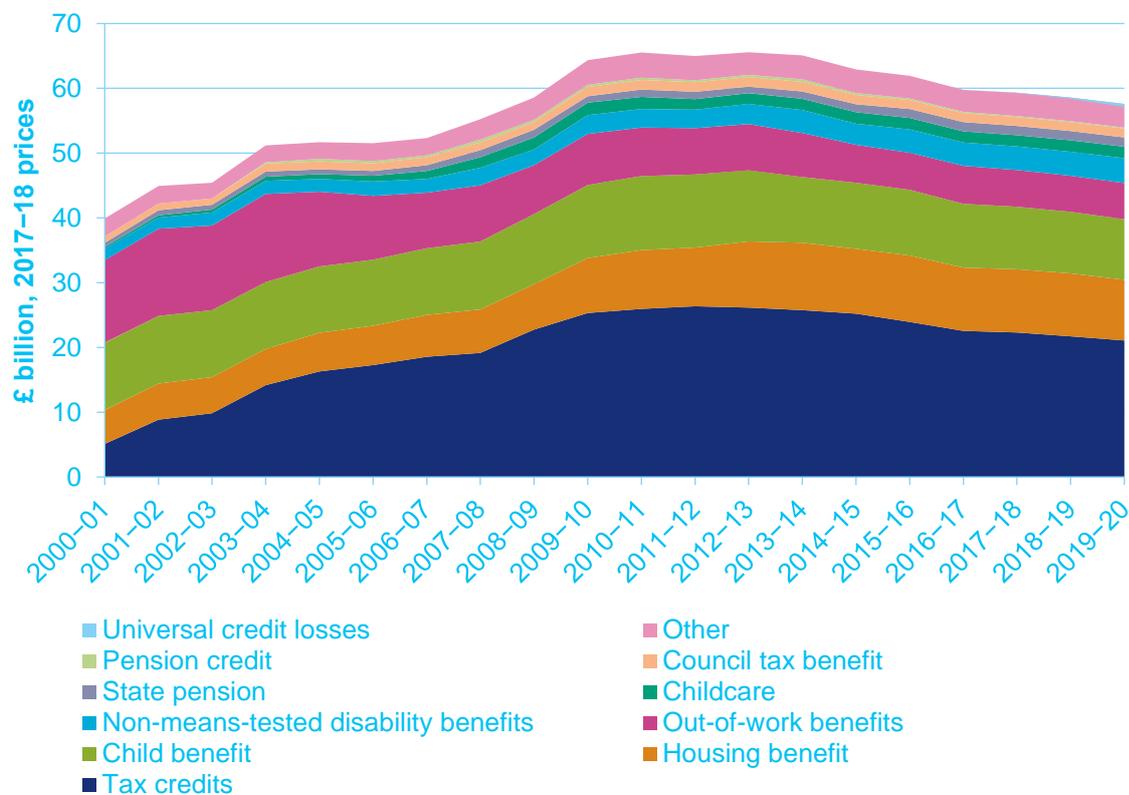
The three biggest benefits going to households with children are tax credits (over £20 billion), child benefit and housing benefit (both just under £10 billion each). The total amount of benefits going to

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<sup>6</sup> Table A.1 in the appendix lists which benefits are included in which group.

households with children was about £59 billion in 2017–18 and this will fall to around £57 billion in 2019–20. However, this is still far above the level in 2000–01 of just under £40 billion.

**Figure 3.2 – Total spending across different benefits received by households with children, 2000–01 to 2019–20 (2017–18 prices)**



Notes and Sources: Authors' calculations using the Department for Work and Pensions' Benefit expenditure and caseload tables, Spring Budget 2017 (<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2017>), Family Resources Survey and Household Below Average Income 2000–01 to 2015–16. Figures are deflated using the HM Treasury GDP deflator.

There was a substantial real-terms increase in spending from 2000–01 to 2009–10 of over 60%, or about £25 billion. Most of this rise was driven by spending on tax credits, which increased by about £20 billion in total over the same period. Part of this rise in tax-credit spending reflects a shift in the structure of the benefit system in the early 2000s, with many child-contingent elements of benefits, such as income support, merged into tax credits. For example, during the switchover between 2003–04 and 2006–07, spending on out-of-work benefits fell by about £5 billion. Some of this was an economic effect, as employment amongst parents rose during this period (Brewer et al., 2010), but some will also have reflected the shifting of some benefits to tax credits. This point notwithstanding, there was very clearly a large increase in spending on benefits for households with children, largely driven by rises in tax credits, which is confirmed by other analysis (Browne and Phillips, 2010).

Table 3.1 shows that, between 2009–10 and 2019–20, we expect there to be a fall in overall benefit spending for households with children of about 11% or £7 billion. This will undo some, but not all, of the rise in benefit spending during the 2000s. Most of the cuts are driven by falls in spending on tax credits, which are due to fall by 13% or just over £4 billion over this period. There have also been large cuts to child benefit: just over £2 billion in total (a 17% cut) since 2009–10. Some of the fall in spending since 2009–10 on households with children reflects rises in employment, particularly in the recovery from the Great Recession: in particular, spending on out-of-work benefits for households

with children has fallen by over £2 billion (around 30%). Some of the fall will also reflect reductions in the real-terms value of benefits, which is confirmed in later analysis of how reforms have directly affected different income and demographic groups.

Interestingly, spending on housing benefit rose over the 2000s and is due to rise over the 2010s. However, this is more likely to reflect higher costs of housing rather than higher disposable incomes and higher living standards for families with children. If we exclude housing benefit, the increase in total benefit spending over the 2000s is largely unchanged at about 61%. However, the fall since 2009–10 is slightly larger at about 14% (instead of 11% when housing benefit was included).

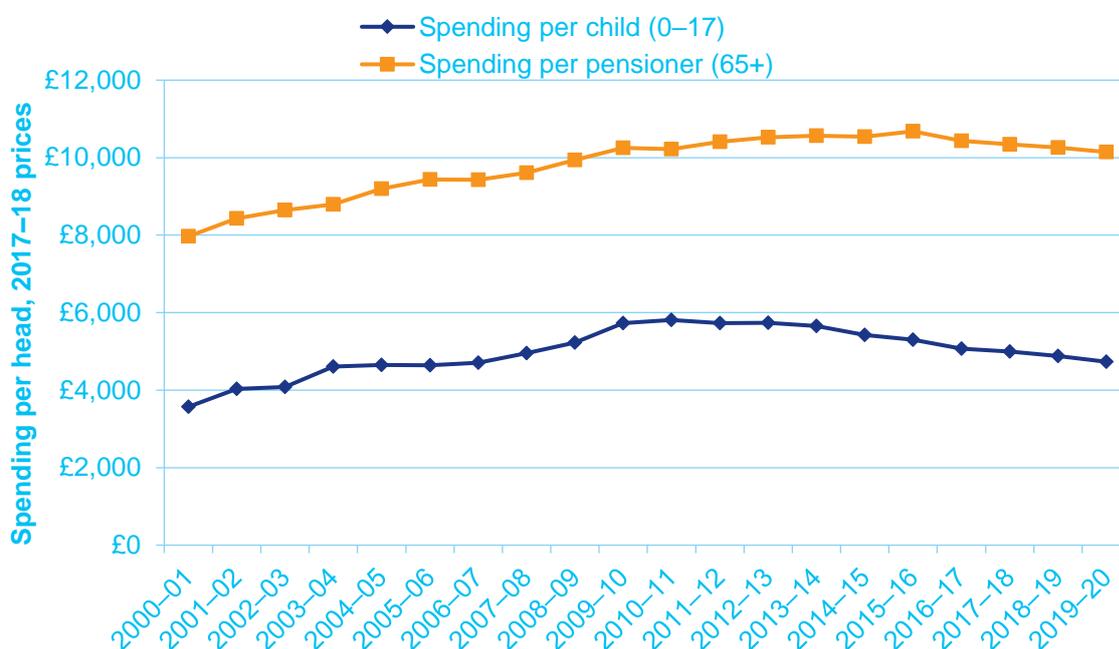
**Table 3.1 – Summary of benefit level and changes for households with children**

Benefit group	Total spend (2000–01) £bn, 2017–18 prices	2000–01 to 2009–10 (% real-terms change)	2009–10 to 2019–20 (% real-terms change)	2000–01 to 2019–20 (% real-terms change)	Forecast spend (2017–18) £bn, 2017–18 prices	Forecast spend (2019–20) £bn, 2017–18 prices
<b>Total</b>	<b>39.90</b>	<b>+61%</b>	<b>–11%</b>	<b>+43%</b>	<b>59.26</b>	<b>57.14</b>
Tax credits	5.11	+395%	–17%	+312%	22.31	21.09
Child benefit	10.41	+8%	–17%	–10%	9.69	9.39
Housing benefit	5.23	+62%	10%	+79%	9.73	9.34
Out-of-work benefits	12.72	–38%	–30%	–56%	5.66	5.58
Non-means-tested disability benefits	1.80	+62%	+31%	+113%	3.63	3.82
Other	2.76	+38%	–5%	+32%	3.56	3.64
Childcare	0.26	+644%	–9%	+577%	1.75	1.75
State pension	0.63	+50%	+53%	+130%	1.42	1.45
Council tax benefit	0.98	+45%	–4%	+40%	1.38	1.37
Pension credit	0.00	n/a	–56%	n/a	0.18	0.16
Universal credit losses	0.00	n/a	n/a	n/a	–0.05	–0.44

Notes and Sources: See Figure 3.2.

Figure 3.3 shows total benefit spending per child over time together with trends in spending per pensioner over time (dividing total spending by the number of children and pensioners in both cases), with Table 3.2 providing some further details.

**Figure 3.3 – Benefit spending per child and per pensioner over time, 2000–01 to 2019–20**



Notes and Sources: See Figure 3.2 for notes and sources on spending. Population figures taken from Office for National Statistics mid-year population estimates for England.

**Table 3.2 – Summary of benefit spending per head for children and pensioners**

	Spending per child	Spending per pensioner
Level in 2000–01 (2017–18 prices)	£3,570	£7,967
Percentage change 2000–01 to 2009–10	61%	29%
Percentage change 2009–10 to 2019–20	–17%	–1%
Percentage change 2000–01 to 2019–20	33%	27%
Level in 2017–18 (2017–18 prices)	£4,995	£10,345
Level in 2019–20 (2017–18 prices)	£4,733	£10,147

Notes and Sources: See Figure 3.3.

Spending per child in 2017–18 was about £5,000, about half the level of spending per pensioner (just over £10,000). Such a difference is unsurprising. Pensioners have higher needs as they are much less likely to work and more reliant on the state for their income. However, trends in spending per head have been quite different over time for children and pensioners.

Spending per child rose by 61% between 2000–01 and 2009–10, about double the growth rate in spending per pensioner, which was 29% over the same period. Since 2009–10, benefit spending per pensioner has been largely protected in real terms, and is expected to fall by only about 1%. In contrast, spending per child is expected to fall by a total of 17% in real terms between 2009–10 and 2019–20. Some of the big fall for children represents an unwinding of higher unemployment during the Great Recession.

Considering the period as a whole, we see that benefit spending is due to be about £4,700 per child in 2019–20. This is about the same level in real terms as it was in 2006–07, though still 33% higher in real terms than it was in 2000–01. The real-terms protection in pensioner spending per head over the 2010s mean that it will be about 27% higher in real terms in 2019–20 than it was in 2000–01.

Excluding housing benefit makes very little difference to the relative changes in spending per child and per pensioner over the 2000s, with housing benefit largely growing in line with total spending. However, since 2009–10, the fall in spending per child is larger at 20% (compared with 17% including housing benefit), whilst the change for pensioners is again largely unaltered.

Spending per child and spending per pensioner are thus expected to have grown by similar amounts over the 20 years between 2000 and 2020. For children, this is the result of fast growth over the 2000s and a falling back since 2009–10. For pensioners, it is the result of slower growth in spending per head over the 2000s, and little change in real terms since then.

These trends in spending per head are likely to have been driven by a combination of policy changes to the benefit system, as well as changes in family structure and the economic position of households (such as rising employment levels). Separating out the precise role of these factors is beyond the scope of this report. However, a range of previous analysis has already looked at both the direct role played by direct tax and benefit reforms, as well as overall trends in living standards by family type. In the rest of this section, we compare this evidence to what we see for benefit spending per head.

Browne and Phillips (2010) show that both low-income families with children and pensioners saw significant income boosts as a result of tax and benefit reforms implemented under the 1997–2010 Labour government, as did pensioners (though not quite to the same extent). For example, workless families saw their net incomes boosted by around 12–16% in real terms as a result of tax and benefit reforms. Single pensioners saw their net incomes boosted by around 3% and pensioner couples by around 9%.

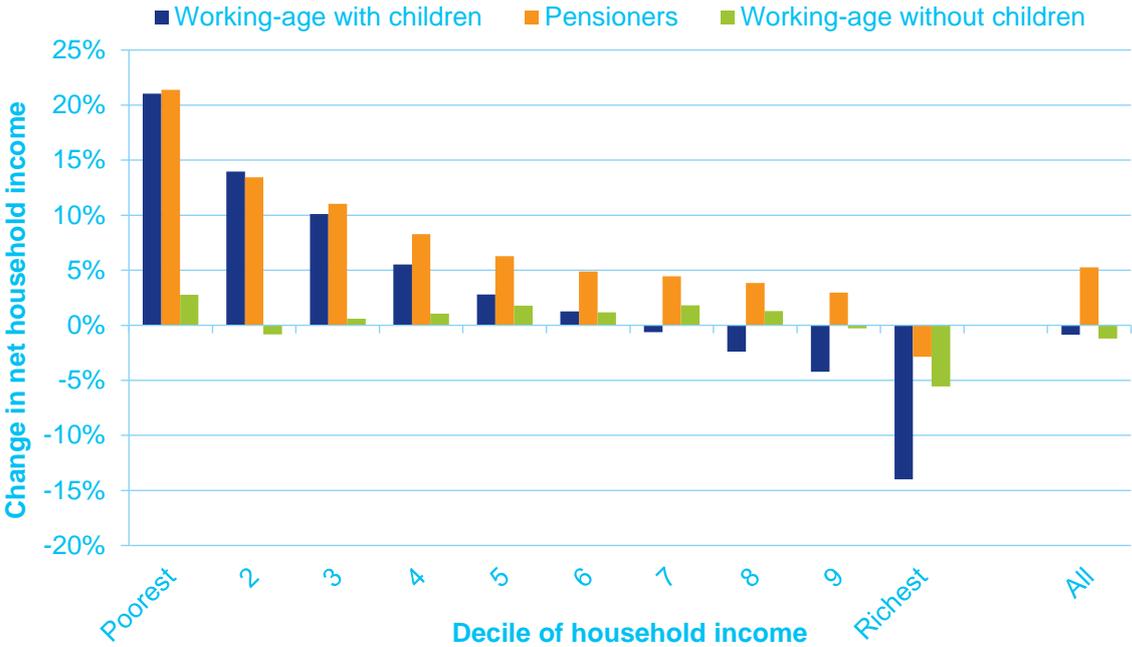
Under the coalition government, Browne and Elming (2015) show that pensioners were largely protected in real terms right across the income distribution, whilst low-income families with children saw their incomes fall by around 6–7% as a direct result of tax and benefit reforms implemented by the coalition government between 2010 and 2015. This rolled back some, but not all, of the rise in benefits over the 2000s. Figure 3.4 (taken from Browne and Elming, 2015) shows the effects of tax and benefits reforms from 1997 to 2015 across the income distribution.<sup>7</sup> The tax and benefit changes over that period served to increase the incomes of low-income families with children and low-income pensioners by 10% a year (compared with an ‘unreformed’ 1997 system). Among the poorest families with children and the poorest pensioners, this increase in income due to tax and benefit changes was over 20%. See Browne and Elming (2015) for a full list of the changes.

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<sup>7</sup> This represents a simulated income distribution in 2015–16 under various scenarios for the tax and benefit system in that year.

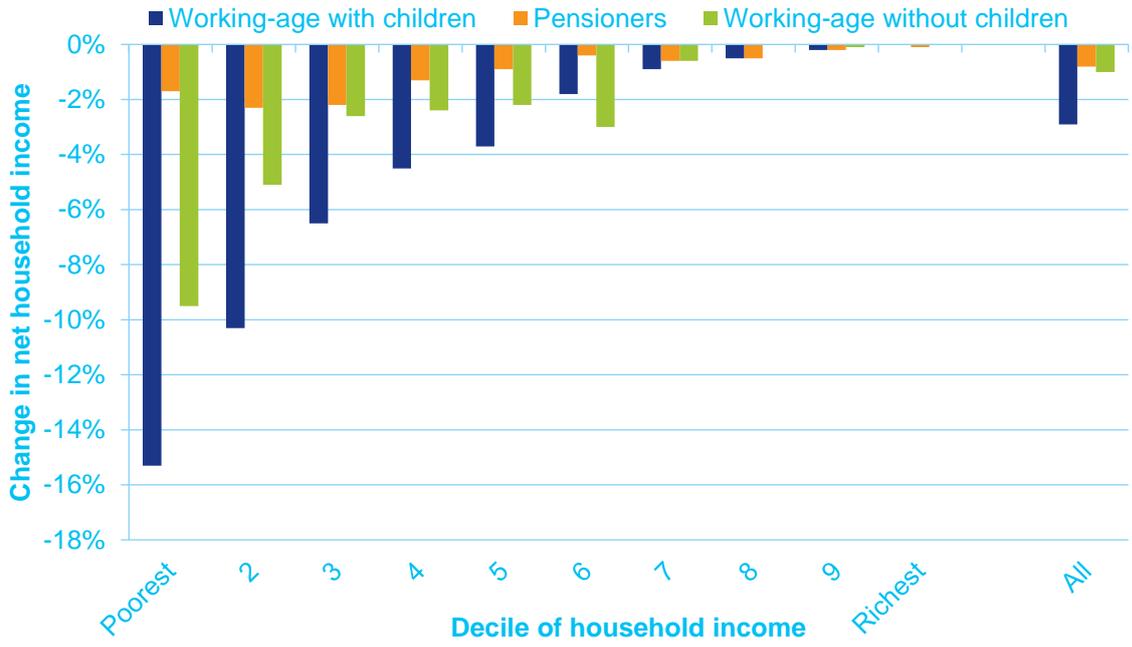
Looking further forward, Figure 3.5 (taken from Hood and Waters, 2017) shows the long-run effect of benefit reforms planned after 2015 (here, by ‘long-run’ we mean after the transition to universal credit is complete). These reforms will reduce the incomes of low-income families with children further, with pensioners largely protected. Coming on top of cuts implemented between 2010 and 2015, these changes will clearly roll back even more of the increase in net incomes brought about by tax and benefit changes in the 2000s. The main changes after 2015 are cuts to universal credit; see Hood and Waters (2017) for a full list of these changes.

**Figure 3.4 – Impact on net household income of tax and benefit reforms introduced between May 1997 and May 2015 by income decile and household type**



Notes and Sources: Browne and Elming (2015).

**Figure 3.5 – Long-run impact on net household income of planned tax and benefit reforms by income decile since 2015**



Notes and Sources: Hood and Waters (2017).

Muriel et al. (2010) look at the differential changes in net income by family type, including some of the effects of wider economic and societal factors as well as the effects of taxes and benefit reforms. They show that most families with children saw above-average median income growth over the decade to 2007, with lone parents seeing an average annual income growth of around 2% per year in real terms. However, pensioners saw slightly faster average income growth of around 2.3–2.4% per year in the ten years up to 2007.

Following the onset of the financial crisis in 2007, there was then a bigger divergence between pensioners and working-age individuals (Cribb et al., 2015). Over the period between 2007–08 and 2014–15, pensioners saw their net incomes grow by around 7% in real terms in total (which reduces to around 2% if you also consider the higher rates of inflation faced by pensioners). In sharp contrast, individuals aged 31–59 saw their incomes fall by almost 3% in real terms, while those aged 22–30 saw falls of around 7% (trends that are little altered if we consider the likely rates of inflation for these groups). This difference between pensioners and working-age individuals is almost certainly driven by the fact that pensioners were relatively insulated from the effects of the financial crisis on their net incomes and were protected from benefit cuts. Working-age individuals were, in contrast, more affected by reductions in employment during the crisis, as well as the continued squeezes on real-terms earnings and benefits beginning in 2010.

In summary, analysis of the direct effects of taxes and benefits largely matches our analysis of changes in benefit spending per head. Over the 2000s, there were substantial increases in benefit spending per head for families with children, largely driven by discretionary increases to benefits and tax credits. Some, but not all, of these changes were then rolled back from 2010 onwards. Pensioners saw smaller increases in benefit spending per head over the 2000s, but protections from 2010 onwards. However, when we consider overall changes in living standards, there is more of a divergence, with pensioners seeing faster income growth over the 2000s and protections from both the squeezes on benefits and earnings after the crisis.

Some of the faster growth in living standards for pensioners will have come from the fact that more recent cohorts of pensioners have higher levels of private pension income than previous generations and because pensioner incomes were growing from a lower base. Some will also have come from explicit protections offered to pensioners, such as the ‘triple lock’. However, by 2015, there were very sharp differences in the relative fortunes of low-income families with children and pensioners (Cribb et al., 2017). Whilst, in 2000, around 26% of pensioners were in relative poverty (after deducting housing costs), by 2015 this had reduced to 16%. In contrast, child poverty on the same basis remained at around 30%, having fallen over the 2000s and then risen since around 2010.

### **Additional analysis and sensitivity checks**

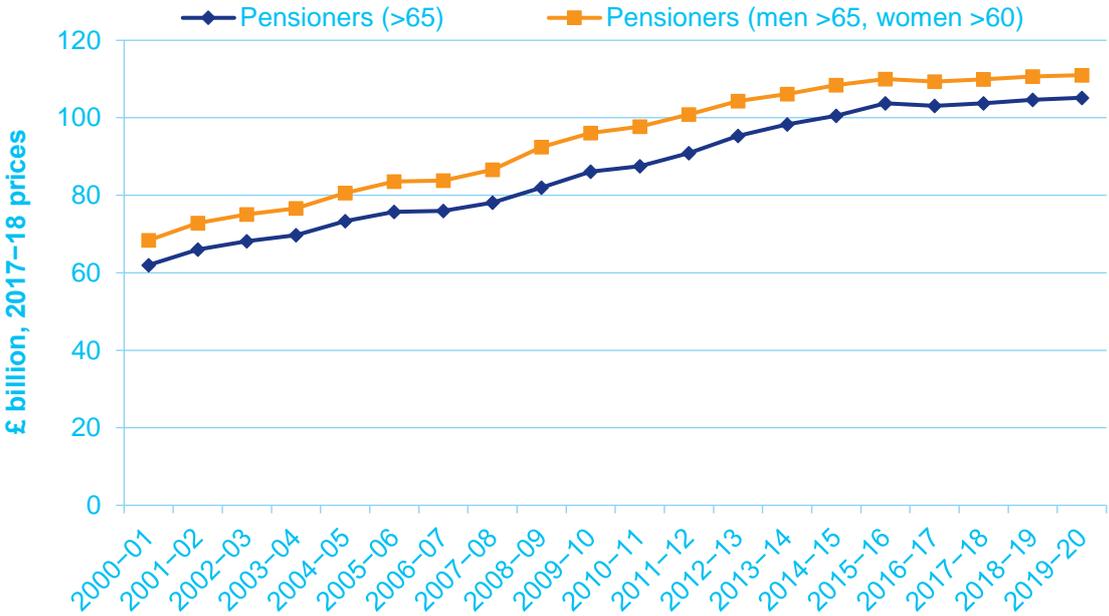
In this subsection, we detail a number of pieces of additional analysis and sensitivity checks that complement our main analysis: the role of social housing; change to the state pension age; and allocation of spending within the household

First, it is important to note that in our main analysis we are unable to include implicit subsidies through the provision of social housing (where rents tend to be below market value). The total value of this subsidy was estimated to be about £7 billion for all households in 2008 (Department for Communities and Local Government, 2009). This is likely to have decreased over time as the proportion of households in social housing has decreased: the proportion of 25–34 year olds living in social housing has fallen from 20% in the mid-1990s to about 15% by around 2015. Furthermore, the

gap in rents between socially rented and privately rented accommodation has fallen (Joyce et al., 2017). By not including this implicit subsidy in our analysis, we are probably slightly understating the total value of housing support for families with children but we are also missing some of the fall of the value of the subsidy over time. The rise in housing benefit expenditure over the 2000s may also reflect the decline in social housing. However, as we have seen previously, the rise in total spending over the 2000s looks similar with and without housing benefit, and the fall since 2009–10 is qualitatively similar with and without housing benefit.

Secondly, an important assumption we have made is that pensioners are all individuals aged 65 or over. This means we are missing the reduction in state pension spending brought about by the rise in the state pension age, particularly for women. Therefore, Figure 3.6 shows the level of total benefit spending on pensioners, assuming pensioners are aged 65 or over (our main results) and in a scenario where women are pensioners if they are aged 60 or over. Benefit spending is clearly higher if we include spending on women aged 60–64. However, the difference declines over time, particularly after 2010 when the female state pension age started to increase. The rise in spending on pensioners would have been lower if we had included spending on women age 60–64 over time: it grew by 15% between 2009–10 and 2019–20, compared with 22% based on over-65s only. For more details on the effects of the rise in the female state pension age, see Cribb and Emmerson (2017).

**Figure 3.6 – Total spending on pensioners assuming different state pension ages, 2000–01 to 2019–20**

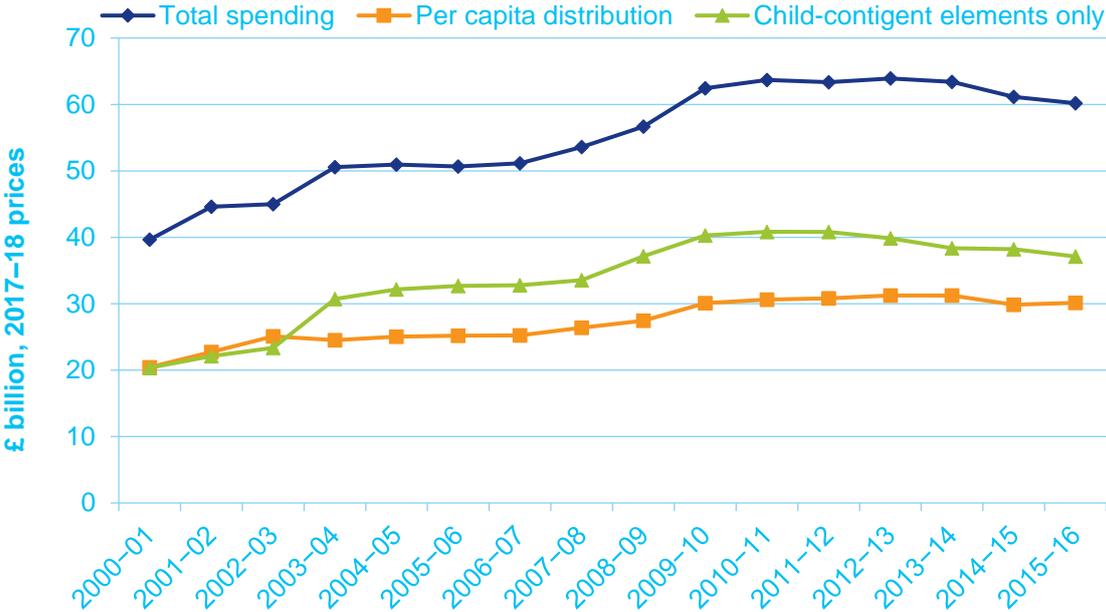


Notes and Sources: See Figure 3.2 for notes and sources on spending.

Thirdly, throughout our analysis we measure the total level of benefit spending received by households with children. This will include some spending intended to support adults, as well as children. In Figure 3.7, we show the level of spending on households with children (as per Figure 3.2), plus the total spent on elements labelled as child-contingent within the benefit system and the assumed amount spent on children if benefit spending is divided equally on a per capita basis within families.

Total benefit spending for households with children was £58 billion in 2017–18 excluding childcare subsidies (we exclude these here as we are unable to allocate childcare subsidies within the household). Both of our alternative measures are lower: £37 billion on child-contingent elements, and £30 billion in 2017–18 under the per capita assumption. However, the child-contingent method cannot allocate spending on elements that benefit the whole household, such as housing benefit and council tax benefit. If we add our estimates of these two benefits from Figure 3.2, then the child-contingent estimate for 2015–16 would instead be £49 billion, much closer to estimates under our preferred method.

**Figure 3.7 – Different ways of measuring benefit spending over time, 2000–01 to 2015–16**



Notes and Sources: Authors’ calculations using the Department for Work and Pensions’ Benefit expenditure and caseload tables, Spring Budget 2017 (<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2017>), Family Resources Survey and Household Below Average Income 2000–01 to 2015–16. Figures are deflated using the HM Treasury GDP deflator.

In terms of changes over time, Figure 3.7 shows that total benefit spending on households with children grew by 57% over the 2000s (excluding childcare subsidies), whereas assumed total spending on children allocated on a per capita basis grew by just under 50%. This implies that the number of children per household has declined slightly over time, which is confirmed by other evidence (Brewer et al., 2010). Between 2009–10 and 2015–16, there was a real-terms fall of just under 4% in total benefit spending on households with children, and approximately a real-terms freeze in total spending on children under the per capita assumption. We do not extend this analysis beyond 2015–16, as doing so would require forecasting how the share of each benefit is apportioned to families of different sizes/composition, and data on this issue are not yet available. Assuming constant shares going forwards would be misleading: we know that some benefit reforms, such as restrictions of tax credits by number of children, will change these shares (i.e. a lower share will go to larger families than was the case in previous years).

The percentage changes in child-contingent elements are somewhat different. In particular, between 2000–01 and 2009–10, this measure nearly doubled in real terms, as compared with a 57% increase under our preferred method. The absolute increase, however, was about £20 billion in both cases. This strongly suggests that a large part of the increase in benefits for families with children was driven by benefits explicitly labelled as child-contingent. Since 2009–10, the changes have been mostly similar, with an 8% real-terms fall in the child-contingent estimates and a 4% fall in our preferred measure of total spending. Indeed, if we exclude housing and council tax benefit from our preferred estimates, then we also find a fall of 8% since 2009–10.

### Summary of findings

Total public spending on benefits for families with children in England stood at about £59 billion in 2017–18, which represents about £5,000 per child. Over the 2000s, spending per head rose significantly, by about 60% in real terms, driven mainly by direct increases in the value of benefits targeted at families with children. Between 2009–10 and 2019–20, we expect spending per head will fall by about 17% in real terms, taking it to £4,700 per head. This is about the same level it was in 2006–07, though still about 33% higher in real terms than it was in 2000–01. By way of comparison, spending per head for pensioners was about £10,000 in 2017–18, about double that for children, reflecting the higher needs of pensioners and their greater reliance on the state for their income. In terms of changes over time, pensioners saw smaller increases in spending per head over the 2000s (around 28%), but this was largely protected in real terms over the 2010s.

## 4. Education

Public spending on education across all ages in the UK in 2017–18 is estimated to be close to £90 billion, representing the second largest area of public service spending, with healthcare being the largest. The vast majority of education spending is directed towards children’s education, with the overall aim of investing in skills needed for later life and combating the effects of disadvantage.

In this section, we estimate the total level of public education spending on children under 18 in England from 2000–01 through to 2019–20. We start by setting out the overall methodology, and then we go through the main analysis. We conclude with some specific analysis of the pressures on the high-needs budget: a small, but growing element of education spending.

We do not include spending on higher education. This is because we are focusing on children under 18, very few of whom are in higher education. Public spending on higher education is also more complex: the government provides upfront spending in the form of grants to higher education institutions and loans for fees and living costs, and then recoups some of the latter from graduates throughout their career.

### Methodology

The overall methodology we use for measuring total education spending in England is to take reported spending aggregates by local authorities (Section 251 returns, both outturns and plans<sup>8</sup>) and other government agencies (e.g. Education Funding Agency and predecessor agencies). We then create different spending categories, broken down by phase of education wherever possible (based on the consistency of the data). These methods draw and build upon Belfield et al. (2017). In particular, we calculate the following spending categories.

- > **Early years** – This represents total spending by local authorities on the delivery of the entitlement to free early education and childcare for three and four year olds, as well as disadvantaged two year olds.<sup>9</sup>
- > **Primary and secondary schools** – This represents total spending devolved to primary and secondary schools by local authorities as reported in Section 251 returns. Academy spending is reported separately up to and including 2012–13.<sup>10</sup>
- > **Other** – This represents all other spending by local authorities on schools and education. It includes spending on special schools, alternative provision and pupil referral units. It also includes various elements of the high-needs budget. It includes other spending on schools undertaken centrally by local authorities (e.g. contributions to combined budgets, pupil growth/infant class sizes and school admissions). It also includes other local authority spending on education, which is largely focused on under 18s. The largest elements of this

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<sup>8</sup> <https://www.gov.uk/government/collections/statistics-local-authority-school-finance-data>

<sup>9</sup> Spending here is based on plans from 2010–11 to 2017–18, outturns from 2003–04 to 2009–10 and backcasted before 2003–04 based on departmental reports. This approach is taken to match what is necessary for schools. Spending includes money spent centrally by local authorities and funds devolved to providers (including private, voluntary and independent providers). We project spending up to 2019–20 based on plans for an additional £1 billion to deliver the expansion in the entitlement to 30 hours

<sup>10</sup> Spending is based on plans from 2010–11 to 2017–18, outturns from 2003–04 to 2009–10 and backcasted before 2003–04 based on departmental reports. This only includes local authority maintained schools up to 2012–13, but allows us to include Academies and Free Schools from 2013–14 onwards. There were no primary Academies until 2010–11 and only a small number in 2011–12 and 2012–13. Our figures for primary school spending therefore represent a small underestimate in these years. However, our measure of secondary school spending represents a considerable underestimate of secondary school spending between 2010–11 and 2012–13. Therefore, we combine secondary school spending with Academy spending where relevant in order to present fair comparisons. For years beyond 2017–18, we forecast spending based on the current policy of a real-terms freeze in spending per pupil.

budget are home-to-school transport for special education needs pupils. Ideally, many of these categories would be reported separately, but this is not possible given the consistency of the data.<sup>11</sup>

- > **Pupil premium** – This represents a direct extra payment for each pupil classified as disadvantaged and it has been in place from 2011–12 onwards.<sup>12</sup> Although the nature of the data means this is reported separately, it can be thought of as an additional element of core school spending and it is included in our figures for spending per pupil by phase.
- > **Further education and school sixth form spending** – This is based on allocations to further education colleges, sixth form colleges and school sixth forms for 16–18 year olds.<sup>13</sup>

## Analysis

Total state spending on children’s education in England in 2017–18 stood at about £53 billion, which is about the same level in real terms as it was in 2009–10, though significantly higher than in 2000–01 (£35 billion in 2017–18 prices). It is due to increase by a further £2 billion over the next two years, reaching £55 billion by 2019–20. That level will be a 4% real-terms increase since 2009–10 and a 55% real-terms increase since 2000–01.

Figure 4.1 shows how total spending on the education categories defined above has evolved since 2000–01, with Table 4.1 summarising the levels and changes over time. Figure 4.2 shows the level of spending per pupil across different phases of education over time (taken from Belfield et al., 2017). Then, Table 4.2 provides exact figures for spending per pupil and real-terms changes over time.

Early years spending has grown significantly over time as more pupils have benefited from the early years entitlement, which has expanded from 12.5 hours a week for 4 year olds in 1998 (33 weeks of the year) to 15 hours a week for 3 and 4 year olds (38 weeks of the year) from 2010 onwards. Increases in spending have occurred in a relatively steady fashion as take-up gradually rose over the early 2000s and local authorities expanded coverage in anticipation of legal entitlements changing (Brewer et al., 2016).

Although the percentage increases in early years spending are very high, this is largely because this spending started from a low base. Current spending is still relatively low in absolute terms, at £3.5 billion in 2017–18. This is due to the increase to £3.8 billion by 2019–20 as the government provides extra funding to deliver the expansion of the early years entitlement to 30 hours for working parents.

Early years spending per pupil increased more gradually, though it still rose by 58% in real terms between 2000–01 and 2009–10, largely reflecting increases in the entitlement. Since 2009–10, however, it has fallen from around £2,100 per pupil to about £1,700 by 2016–17. Belfield et al. (2017) confirm that this is largely down to a combination of spending not keeping pace with rising pupil numbers and local authorities ceasing to top up their allocations from central government as other grants were squeezed.

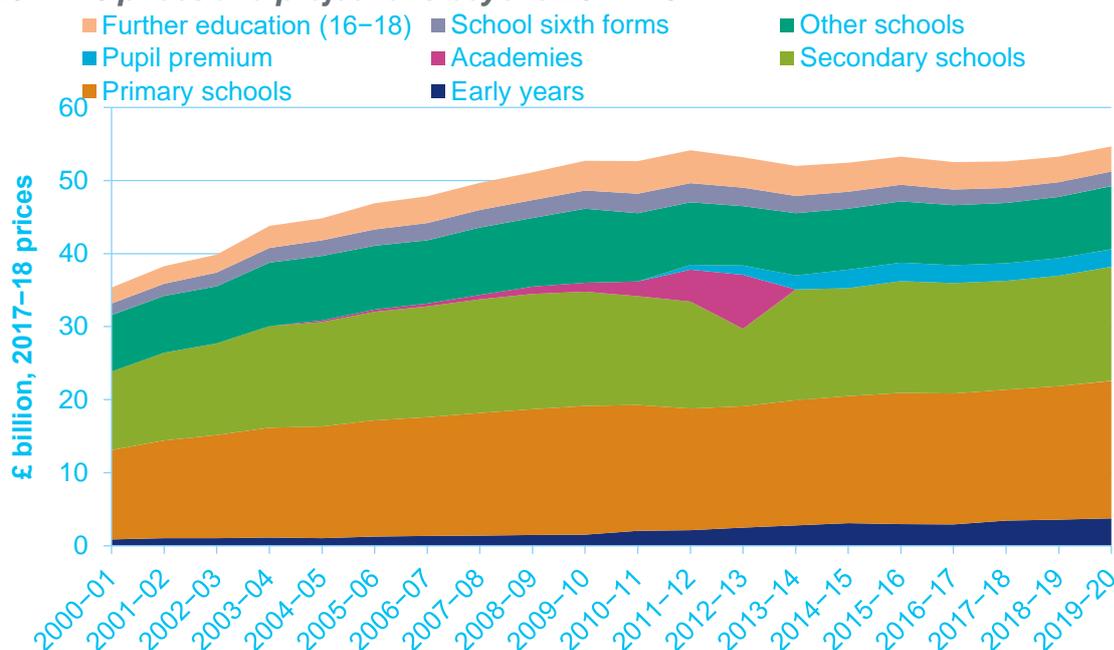
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<sup>11</sup> We project spending beyond 2017–18 assuming a real-terms freeze in spending per pupil.

<sup>12</sup> This is reported separately from 2011–12 based on national allocation data and projected forwards being 2017–18, assuming the cash terms per pupil rate is frozen in cash terms and the number of disadvantaged pupils grows in the same way as total pupils.

<sup>13</sup> This draws on the methodology set out in Belfield et al. (2017) and includes allocations from the various agencies responsible over the years. Projections from 2017–18 to 2019–20 assume a cash-terms freeze in spending per student and growth in student numbers based on Office for National Statistics projections for the number of 15–19 year olds in England.

**Figure 4.1 – Education spending in England by category from 2000–01 to 2019–20, 2017–18 prices and projections beyond 2017–18**



Notes and Sources: *Early years and schools spending*: Department for Children, Schools and Families (DCSF) Departmental Report 2008 used to impute 2000–01 to 2002–03; Outturn Summary for 2003–04 to 2009–10; Budget Summary for 2010–11 to 2017–18; Forecasts for 2018–19 and 2019–20 based on additional £1 billion planned spending in 2019–20 compared with 2015–16 for early years and commitment to freeze school spending per pupil in real terms. Academies spending based on DCSF Departmental Report 2008 and Dedicated Schools Grant Allocations 2011–12 to 2012–13. *Pupil premium*: based on national allocations 2011–12 to 2017–18 and cash-terms freeze per pupil for 2018–19 and 2019–20. *Further education and school sixth forms*: 2000–01 imputed based on changes in pupil numbers and FE 16–18 spending per pupil; Section 251 Outturn Summary 2001–02 for 2001–02, Department for Education and Skills Departmental Report 2007 for 2001–02; Belfield et al. (2017) for 2002–03 to 2014–15; EFA Annual Report and Accounts 2016–17 for 2015–16 and 2016–17; Projections 2017–18 to 2019–20 based on cash freeze in funding per student and Office for National Statistics population projections for 15–19 year olds in England. Figures are deflated using the HM Treasury GDP deflator.

Early years spending per pupil is expected to bounce back to about £2,400 by 2019–20, reflecting the extra funding for the 30 hours entitlement. However, significant concerns have been raised as to whether this extra funding will be sufficient to deliver high-quality early years education (Noden and West, 2016).

Primary and secondary school spending rose significantly over the 2000s, by around 44% in real terms for primary schools and 57% for secondary schools. Spending per pupil in both cases increased by a similar amount (around 50% in both cases), as pupil numbers changed only slightly. Over this period, primary school spending per pupil rose from around £3,000 to about £4,500, whilst secondary school spending per pupil rose from about £3,900 to about £5,800.

Since 2009–10, there has been a small real-terms fall in total secondary school spending and a small real-terms rise in primary schools spending. Added to this was the introduction of the pupil premium in 2011–12, which is due to reach about £2.4 billion by 2019–20 (in 2017–18 prices).

**Table 4.1 – Summary of education spending levels and changes**

	Total spend (2000–01) £bn, 2017–18 prices	2000–01 to 2009–10 (% real-terms change)	2009–10 to 2019–20 (% real-terms change)	2000–01 to 2019–20 (% real-terms change)	Forecast spend (2017–18) £bn, 2017–18 prices	Forecast spend (2019–20) £bn, 2017–18 prices
<b>Education (total)</b>	<b>35.37</b>	<b>+49%</b>	<b>+4%</b>	<b>+55%</b>	<b>52.59</b>	<b>54.67</b>
Early years	0.89	+70%	+147%	+320%	3.45	3.76
Primary schools	12.22	+44%	+7%	+54%	17.94	18.81
Secondary schools*	10.73	+57%	–7%	+45%	14.88	15.60
Pupil premium	0.00	n/a	n/a	n/a	2.40	2.41
Other schools/education	7.76	+31%	–15%	+11%	8.25	8.65
School sixth forms	1.55	+62%	–20%	+29%	2.09	2.00
Further education (16–18)	2.21	+84%	–15%	+55%	3.59	3.44

Notes and Sources: See Figure 4.1. \* includes Academy spending for 2009–10.

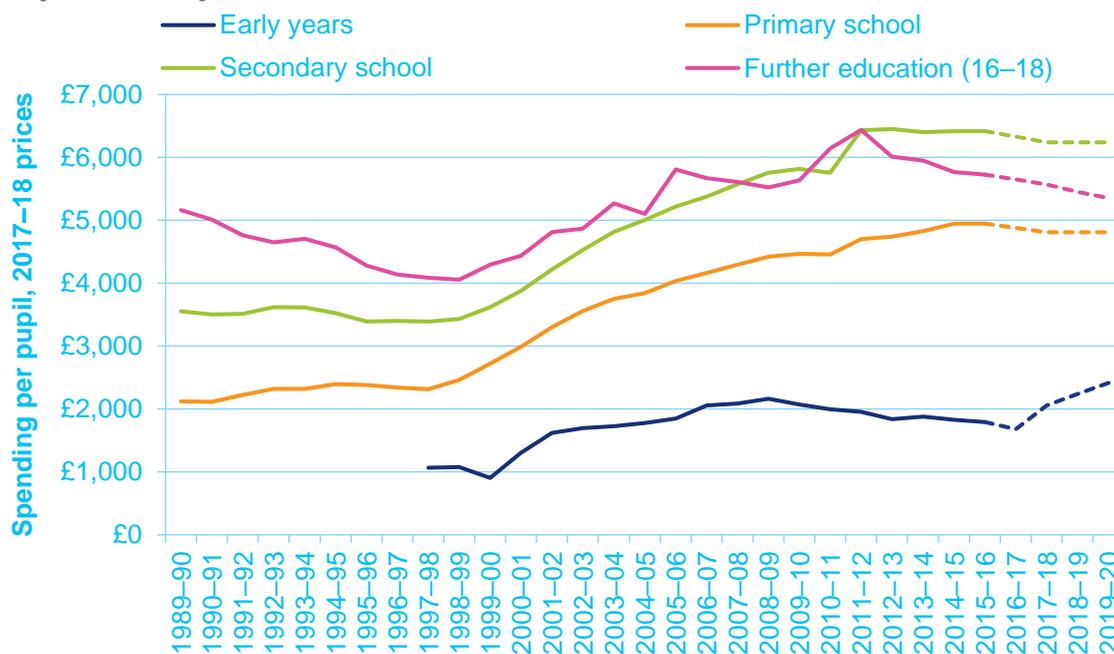
Figure 4.2 shows that spending per pupil has been largely maintained in real terms over the 2010s: primary school spending per pupil will be £4,800 pupil by 2019–20, about the same level in real terms as in 2011–12, while secondary school spending per pupil is expected to reach £6,200, about 3% lower than in 2011–12.<sup>14</sup> In both cases, spending per pupil rose slightly under the coalition government, then fell slightly up to 2017–18 and is now due to be frozen up until 2019–20.

Other school and education spending undertaken by local authorities is due to reach £8.7 billion in 2019–20. This follows on from a significant real-terms rise (31%) over the 2000s and a significant cut (around 15%) over the 2010s. Combining these trends means that other spending will be about 11% higher in 2019–20 than in 2000–01, which equates to an annual average real-terms rise of just over 0.5% per year, a relatively modest rise over the two decades.

Trends in spending on education for 16–18 year olds look very different indeed. There were some significant rises in total spending over the 2000s. However, this was also a period of rising participation in education for post-16 year olds, so spending per pupil only rose by about 27% in real terms between 2000–01 and 2009–10. This is much lower than the overall figures would suggest and about half of the rise in school spending per pupil. Over the 2010s, we estimate that there is a 15–20% real-terms fall in total spending on school sixth forms and further education. This equates to a 5% fall since 2009–10 and a 17% real-terms fall in spending per pupil compared with its peak in 2011–12.

<sup>14</sup> Note that we start this comparison in 2011–12 due to some inconsistencies between 2010–11 and 2011–12, which are described in Belfield et al. (2017).

**Figure 4.2 – Spending per pupil by phase of education, 2017–18 prices and projections beyond 2017–18**



Notes and Sources: Belfield et al. (2017); updated to reflect new commitment to freeze school spending per pupil in real terms from 2017–18 to 2019–20.

**Table 4.2 – Summary of spending per pupil levels and changes over time**

Phase of education	Spend per pupil (2000–01) 2017-18 prices	2000–01 to 2009–10 (% real-terms change)	2009–10 to 2019–20 (% real-terms change)	2000–01 to 2019–20 (% real-terms change)	Forecast spend per pupil (2017–18) prices	Forecast spend per pupil (2019–20) 2017-18 prices
Early years	£1,307	+58%	+17%	+85%	£2,056	£2,415
Primary schools	£2,990	+49%	+8%	+61%	£4,810	£4,810
Secondary schools	£3,881	+50%	+7%	+61%	£6,239	£6,239
Further education (16–18)	£4,439	+27%	–5%	+21%	£5,567	£5,354

Notes and Sources: See Figure 4.2.

Given the relatively small rises over the 2000s and earlier cuts in spending per student over the 1990s, these cuts will mean that spending per pupil on education for 16–18 year olds in 2019–20 is likely to be around the same level, in real terms, as it was 30 years earlier. A lack of real-terms increase in spending per student over such a long period of time is remarkable and it will inevitably leave resources severely squeezed. By way of comparison, spending per pupil in primary and secondary schools has risen by more than 75% in real terms over this 30-year period. As a result, spending per pupil in secondary schools is expected to be 15% *higher* than spending per pupil in further education in 2019–20, having been 30% *lower* in 1990–91.

## Pressure on high-needs spending

The high-needs education budget is a small, but growing, element of the schools budget in England. In 2017–18, it stood at £5.5 billion, up by about 8% in real terms compared with 2013–14, when the budget was first established in its current form (the spending occurred across a range of budget headings before then).

The high-needs budget covers expenditure to support pupils with special education needs and disabilities. Some is spent centrally by local authorities, whilst other aspects are devolved to schools or other settings to support individual pupils depending on their statement of special educational need (SEN) or education, health and care (EHC) plan. This can cover pupils in a range of settings, including mainstream schools, special schools, alternative provision or other settings.

SEN statements and EHC plans detail the additional support individual pupils with higher needs are expected to receive, and the costs thereof. The precise funding arrangements differ by type of provider.<sup>15</sup> Mainstream providers are expected to meet the first £6,000 of the cost of additional support from their core budget, with local authorities providing top ups for additional support over and above this amount. Special provision is funded at around £10,000 per place (with top ups agreed on a per pupil basis). Such arrangements have two key implications. First, the local authority contribution is largely statutory and driven by need, though the implicit threshold for determining eligibility often differs by local authority. Second, in a period when school budgets are squeezed, schools may find it difficult to provide the first £6,000 of the costs of any statement or care plan. This could be particularly true of schools that tend to cater more for pupils with statements or care plans, and may create a financial incentive to avoid providing such provision in future.<sup>16</sup>

Figure 4.3 shows that the proportion of pupils with SEN statements or EHC plans between 2007 and 2017 was extremely stable at 2.8%. Total numbers increased by around 10,000 from 230,000 in 2007 to about 240,000 in 2017, in line with growth in the overall pupil population. Within this group, there were some quite substantial compositional shifts. The numbers of pupils at mainstream primary schools was largely stable, at around 60,000 each year, which will represent a shrinking share of the rising primary school age population. However, numbers in maintained special schools (or other settings) have risen from just over 80,000 in 2007 to just over 100,000 in 2017. At the same time, the numbers of pupils with SEN statements or disabilities (or EHC plans) in mainstream secondary schools have fallen by about 10,000. Most of these changes appear to have taken place between 2012 and 2017, and coincide with the growing financial pressures on schools. This trend also matters from an overall budgetary perspective as special school places tend to be significantly more expensive than mainstream school places.

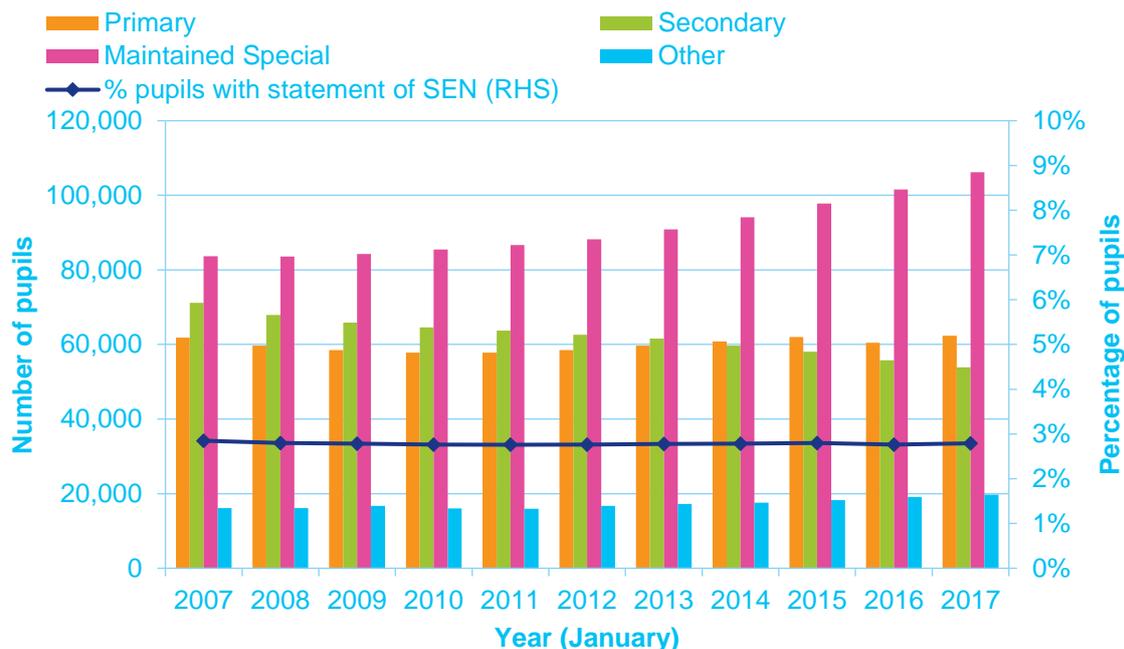
What can account for this growth in the numbers at maintained special schools? Table 4.3 provides useful further context by showing the number of pupils with SEN statements or EHC plans by type of need (primary need) and type of provision. This again confirms the observed changes by type of provision, with, for example, a 17,000 rise in numbers at maintained special schools (or other settings). A majority of this can be accounted for by a rise in the number of pupils at maintained special schools whose primary need relates to Autism Spectrum Disorder (with a rise of about 11,000). There were also small rises in numbers with Speech Language and Communication needs

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<sup>15</sup> <https://www.gov.uk/government/publications/high-needs-funding-arrangements-2017-to-2018/high-needs-funding-operational-guide-2017-to-2018>

<sup>16</sup> [https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform/supporting\\_documents/Research\\_on\\_Funding\\_for\\_young\\_people\\_with\\_special\\_educational\\_needs.pdf](https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform/supporting_documents/Research_on_Funding_for_young_people_with_special_educational_needs.pdf)

**Figure 4.3 – Pupils with statements of special education needs by type of provision, 2007 to 2017**



Notes and Sources: Authors’ calculations using the Department for Education’s information provided in ‘Special Educational Needs in England: January 2017’ (<https://www.gov.uk/government/statistics/special-educational-needs-in-england-january-2017>).

and those with a Severe Learning Difficulty (around 2,500 in each case). Rises and falls in the numbers with other types of need were all around 1,000 or less.

It is not clear what is driving the numbers with needs relating to Autism Spectrum Disorder. It could relate to a combination of increased identification/recognition of needs, as well as changes in practices regarding the appropriate provision for these types of needs. Further detailed research would be required to investigate the precise set of driving factors.

There are also wider pressures on the high-needs budget as a result of continued squeezes on local authority budgets and reforms to the school funding system. On average, the high-needs budget is due to be increased by around 3% in cash terms per pupil between 2017–18 and 2019–20 (equivalent to a real-terms freeze). However, the new national funding formula establishes a different way of determining each local authority’s high-needs budget from 2018–19 onwards. The main elements of the formula are pupil numbers, historic spending and proxy factors for need such as numbers of families entitled to disability living allowance, numbers of children in bad health, measures of low prior attainment and measures of deprivation.<sup>17</sup> As a result of the implementation of this new formula, local authorities will receive cash-terms increases in funding per pupil of between 0% and about 8% in cash terms between 2017–18 and 2019–20. Establishing a transparent formula for determining each local authority’s funding is clearly welcome. On average, this formula will probably be a good predictor of average needs across local authorities, given the way it has been constructed. However, predicting very high cost needs (e.g. costs in excess of £100,000) is extremely hard. This formula will therefore put pressure on local authorities with unexpectedly high needs in a given year. Local authorities will have some flexibility to divert money away from their schools

<sup>17</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/648532/national\\_funding\\_formula\\_for\\_schools\\_and\\_high\\_needs-Policy\\_document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648532/national_funding_formula_for_schools_and_high_needs-Policy_document.pdf)

budgets; however, there is clearly pressure on the schools budget too, and many requests for movements from the schools to high-needs budget have been rejected by the Department for Education.<sup>18</sup>

**Table 4.3 – Number of pupils by type of need and provision, 2012 and 2017**

	Primary			Secondary			Special Schools		
	2012	2017	Change	2012	2017	Change	2012	2017	Change
<b>Specific Learning Difficulty</b>	2,600	2,200	–400	7,300	4,700	–2,600	1,100	1,600	+500
<b>Moderate Learning Difficulty</b>	6,400	5,400	–1,000	10,900	7,000	–3,900	17,500	16,200	–1,300
<b>Severe Learning Difficulty</b>	2,700	2,500	–200	1,600	1,200	–400	22,800	25,600	2,800
<b>Profound &amp; Multiple Learning Difficulty</b>	1,100	1,300	+200	300	300	0	8,200	8,600	+400
<b>Social, Emotional and Mental Health</b>	7,600	6,800	–800	9,800	7,800	–2,000	12,900	13,500	+600
<b>Speech, Language &amp; Communications</b>	14,200	15,500	+1,300	10,000	9,900	–100	4,700	7,100	+2,400
<b>Hearing Impairment</b>	2,800	2,600	–200	2,200	2,100	–100	1,500	1,400	–100
<b>Visual Impairment</b>	1,300	1,200	–100	1,600	1,400	–200	800	800	0
<b>Multi-Sensory Impairment</b>	300	400	+100	200	200	0	300	300	0
<b>Physical Disability</b>	5,300	5,000	–300	4,900	4,100	–800	3,500	3,800	+300
<b>Autistic Spectrum Disorder</b>	12,700	17,400	+4,700	12,900	13,800	+900	18,900	29,800	+10,900
<b>Other Difficulty / Disability</b>	2,000	2,600	+600	1,600	1,800	+200	700	1,500	+800
<b>Total</b>	59,000	62,900	+3,900	63,300	54,300	–9,000	92,900	110,200	+17,300

Notes and Sources: Authors’ calculations using the Department for Education’s information provided in ‘Special Educational Needs in England: January 2017’

(<https://www.gov.uk/government/statistics/special-educational-needs-in-england-january-2017>).

Type of need here refers to primary need.

<sup>18</sup> <http://www.bbc.co.uk/news/education-43604865>

## Summary

In summary, total education spending on children under 18 in England in 2017–18 was around £54 billion, with most of this representing expenditure on schooling. Like benefit spending, education spending increased substantially over the 2000s, by just under 50% in real terms. However, in contrast to the cuts in benefit spending for families with children, overall education spending has been largely protected in real terms over the 2010s.

Changes over time in spending per student have differed markedly by phase of education. There were significant rises in both early years and school spending over the 2000s, a large amount of which translated into rises in spending per pupil. Spending on education for 16–18 year olds has seen a very different course, however. It rose more slowly over the 2000s and is due to be cut more significantly over the 2010s. This means that spending per student in further education and school sixth forms will be about the same in real terms in 2019–20 as it was in 1990, a remarkable lack of growth for such a long period.

The high-needs budget, which covers pupils with high levels of special educational needs, represents a small, but growing element of the education budget (£5.5 billion in 2017–18). Pressure on the high-needs budget is growing over time, partly because of the rise in pupil numbers at more expensive special provision, but also because of the overall squeeze on local authority budgets that limits their flexibility to respond to unexpectedly high levels of need.

## 5. Children's Services

Local authorities also provide a range of other services to children, families and young people, ranging from Sure Start Children's Centres to child protection, taking children into care and other programmes for children and families with complex needs. In this section, we set out how we measure spending across these areas and the breakdowns we are able to provide. We then show trends over time, before comparing with the level and change in spending on adult social care, the closest adult comparator to children's services.

### Methodology

We measure spending on children's services by taking reported spending by local authorities<sup>19</sup> across a range of detailed spending items and aggregating them into categories that most closely resemble distinct spending categories that are consistent over time, given the data available. Because of the changing descriptions and categorisations of spending items over time (as policy programmes change), the categories are relatively broad categories. This breakdown (with the exception of Sure Start) can also only be provided for years from 2008–09 to 2016–17. Over that period we are able to itemise spending on children's services as follows.

- > **Sure Start** – This includes all spending on Sure Start Children's Centres, including area-wide services they provide, management and other spending on children under 5. This is taken from local authority outturn data from 2008–09 to 2016–17 and from Stewart (2013) for years between 2000–01 and 2007–08.
- > **Safeguarding and Family Support** – This covers a broad range of services provided for families and children. Over two-thirds relates to social work and other safeguarding functions, whilst the rest relates to services provided to families, such as targeted and universal family support, and respite breaks for disabled children. This is taken from local authority outturn data from 2008–09 to 2016–17.
- > **Looked After Children** – This covers spending by local authorities in relation to the care of Looked After Children, including residential care, fostering services and adoption services. This is taken from local authority outturn data from 2008–09 to 2016–17.
- > **Young People** – This is a relatively broad group of spending, covering both universal and targeted services provided for young people, as well as spending on youth justice. This is taken from local authority outturn data from 2008–09 to 2016–17.

For the years 2008–09 to 2016–17, we are able to measure total spending on children's services by totalling the various spending categories above. However, before 2008–09, we backcast total spending by using the growth in spending on children's services and social care as recorded in the Chartered Institute of Public Finance and Accountancy (CIPFA) Finance and General Estimates.<sup>20</sup>

For 2017–18, we project spending growth based on planned spending in CIPFA Finance and General Estimates. We then use the 2010–11 to 2017–18 long-run average growth rate to forecast spending for 2018–19 and 2019–20.

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<sup>19</sup> <https://www.gov.uk/government/collections/statistics-local-authority-school-finance-data>

<sup>20</sup> Downloaded from the CIPFA stats website (<https://www.cipfastats.net/>).

In the final section, we compare spending on children’s services with that on adult social care (including, for a subset of years, the level of spending on pensioners in particular). Spending on adult social care is taken from Simpson (2017), whilst estimated spending on pensioners is calculated on the assumption that the share of unallocated spending (spending not explicitly labelled as benefiting a particular age group) going to pensioners (defined as individuals aged over 65) is the same as the share of allocated spending going to that group.<sup>21</sup>

## Analysis

As shown in Figure 5.1, total spending on children’s services represented about £8.6 billion in 2016–17 (in 2017–18 prices). The biggest components were spending on Looked After Children (about £4 billion) and Safeguarding and Family Support (about £3.3 billion). The rest of spending on children’s services came from spending on Sure Start (about £700 million) and services for young people (£500 million).

Total spending on children’s services doubled in real terms over the 2000s, growing from around £4.8 billion in 2000–01 to reach a high point of £9.7 billion in 2009–10. The only high-level category within this that can be tracked over the entire period is Sure Start, which grew from £500 million in 2000–01 to £1.7 billion in 2009–10, also a high-point for spending on Sure Start.

Total spending on children’s services has fallen in real terms by about 11% between 2009–10 and 2017–18. If this pace of cuts were to continue up to 2019–20, it would lead to a total fall in real terms of 14% over the decade. This would roll back some, but certainly not all, of the doubling in real terms over the 2000s, leaving spending still over 70% higher in 2019–20 than in 2000–01

Spending per child stood at around £730 per head in 2017–18. Note that this represents total spending divided by total number of children, which is likely to be significantly lower than spending per child in receipt of some children’s services (e.g. spending per Looked After Child is far higher). Given the stable overall number of children in the 2000s, spending per head followed a similar trend to total spending. However, growth in the number of children over the 2010s means that we expect spending per head to fall by about 20% in real terms between 2009–10 and 2019–20, reversing about 40% of the growth in spending per head that occurred over the 2000s.

There have also been some significant divergences in spending trends across the various components that make up children’s services. Between 2009–10 and 2016–17, spending on Looked After Children increased by about 22% in real terms and spending on safeguarding and family support was unchanged in real terms. These trends in spending are almost certainly driven by the increase in numbers of Looked After Children, which followed the Baby P case in 2007. Indeed, numbers rose from about 60,000 in 2008 to reach about 73,000 by 2017. The number of children in need has also risen over time, from about 376,000 in 2010 to about 389,000 in 2016, as has the number of children subject to a child protection plan, which has risen from about 40,000 to about 50,000 over the same period.<sup>22</sup>

In contrast, spending on both Sure Start and young people’s services both fell by about 60% in real terms between 2009–10 and 2016–17. Young people’s services spending fell from about £1.4 billion in 2009–10 to £0.5 billion in 2016–17, and Sure Start spending fell from about £1.7 billion to about

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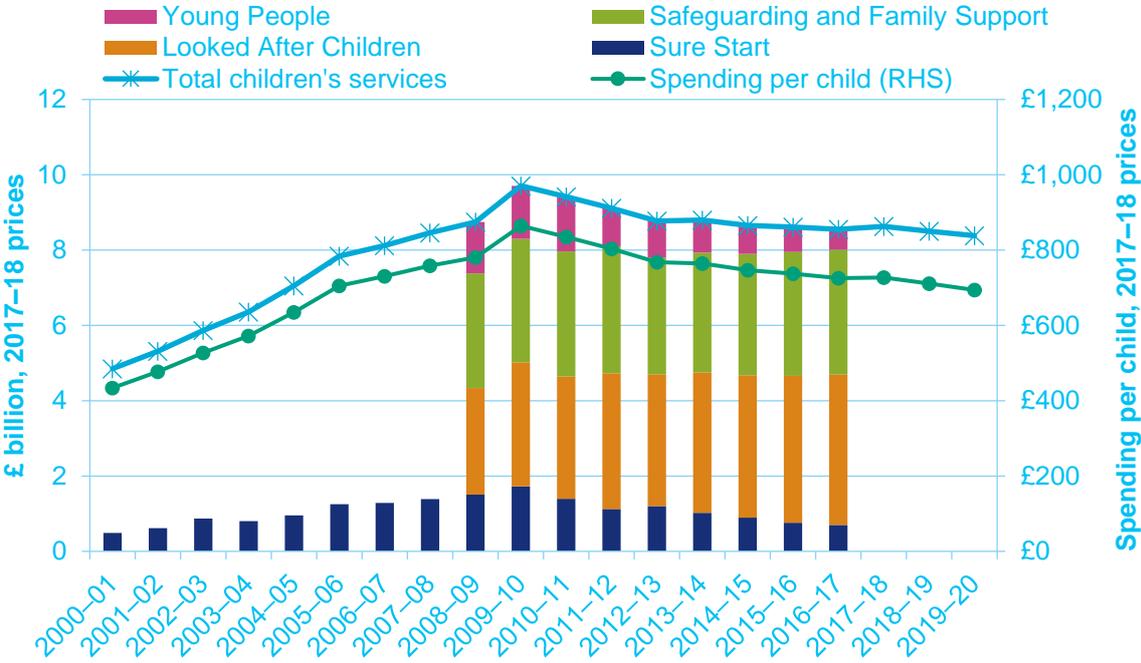
<sup>21</sup> Spending financed from NHS transfers, as well as spending on commissioning and service delivery, assistive equipment and technology, social care activities, information and early intervention, and social care strategy is allocated in this way. If, in fact, a greater share of this spending benefits older people, then this measure will underestimate spending on social care for pensioners.

<sup>22</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/656395/SFR61-2017\\_Main\\_text.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/656395/SFR61-2017_Main_text.pdf)

£0.7 billion. In the case of young people’s services, there have been equally sizeable cuts in both interventions for young people and youth justice spending.

Therefore, there has been a significant reorientation of spending on children’s services. This change is noteworthy as the areas where spending has increased (Looked After Children and Safeguarding) are generally high-cost, responsive and statutory duties, whilst areas that have seen falls in spending are those that are discretionary and more likely to be preventative. Given the overall squeeze on budgets, local authorities may have had little choice but to cut funding on non-statutory services. However, this could also store up problems for the future. Existing evidence already suggests that children with the most complex needs tend to come into care at a later age, and subsequently have the most costly care pathways (Ward et al., 2008), whilst many preventative services tend to be lower cost in the long run (Beecham and Sinclair, 2007). Thus, the reduction in spending on programmes such as Sure Start and young people’s services could push up costs in the long run.

**Figure 5.1 – Total spending on children’s services, 2000–01 to 2019–20 (2017–18 prices)**



Notes and Sources: Sure Start Spending for 2000–01 to 2009–10 taken from Stewart (2013) and for 2010–11 to 2016–17 taken from LA and School Expenditure (various years), <https://www.gov.uk/government/collections/statistics-local-authority-school-finance-data>. Looked After Children, Safeguarding and Family Support and Young People spending for 2008–09 to 2016–17 taken from LA and School Expenditure (various years), <https://www.gov.uk/government/collections/statistics-local-authority-school-finance-data>. Total spending 2000–01 to 2007-08 backcast based on changes in spending on children’s services as recorded in CIPFA Finance and General estimates 2000–01 to 2007–08 and using the HM Treasury GDP deflator.

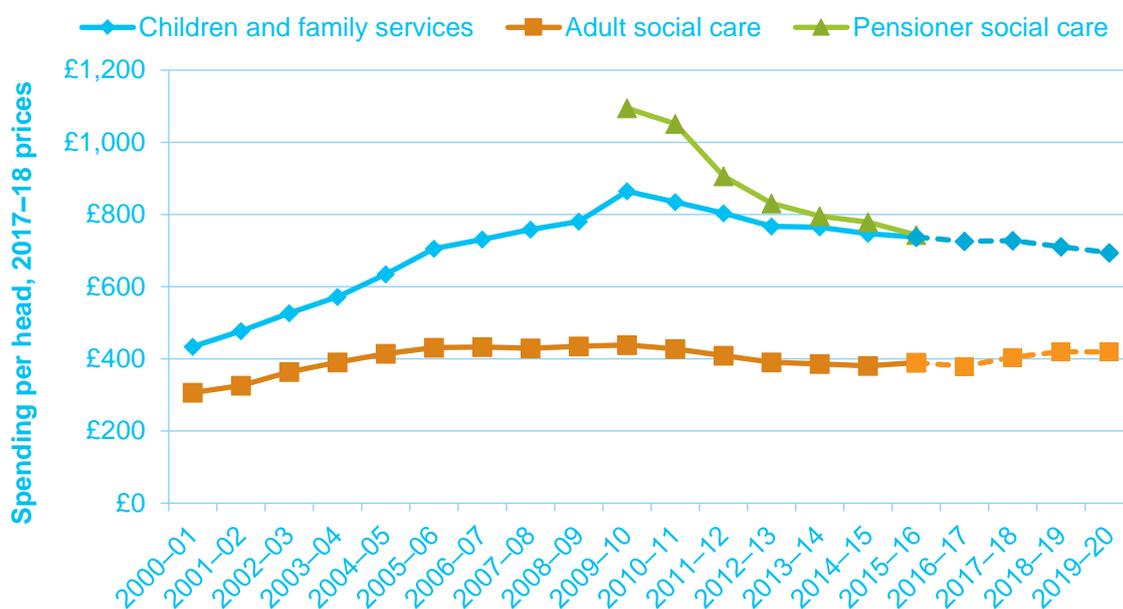
**Comparison with adult social care**

In Figure 5.2, we show how the level and trends in spending per head on children’s services over time compares with trends in spending per head on adult social care. Over the 2000s, spending per head on children’s services nearly doubled in real terms, whilst spending per head on adult social

care rose by 43% in real terms. Spending per head on children’s services was double that on adult social in 2009–10, having been about 40% higher than spending per head on adult social care in 2000–01.

Since 2009–10, both have fallen in real terms. Adult social care spending per head fell by about 13% in real terms between 2009–10 and 2016–17, whilst children’s services spending per head fell by about 16% in real terms. It is worth noting that both of these falls in real terms represent significantly smaller falls than those in other areas of local government. Overall local government spending fell by around 22% in real terms between 2009–10 and 2016–17, with cuts of around 40% or more across areas such as transport, culture, housing and planning (Amin Smith et al., 2016).

**Figure 5.2 – Spending per head on children’s services and adult social care, 2000–01 to 2019–20 (2017–18 prices)**



Notes and Sources: See Figure 5.1 for sources on children and family services. Adult social care is taken from Simpson (2017). Pensioner social care is calculated on the assumption that the share of unallocated spending (spending not explicitly labelled as benefiting a particular age group) going to pensioners (defined as individuals aged over 65) is the same as the share of allocated spending going to that group. Figures are deflated using the HM Treasury GDP deflator.

For the years from 2009–10 to 2015–16, we are also able to provide estimates of the element of adult social care spending focused on pensioners (defined as individuals over 65). Just under half of adult social care is focused on pensioners. However, spending per head on pensioners has fallen much faster, by over 30% in real terms between 2009–10 and 2015–16.

Looking forward, spending on adult social is expected to rise, partly as a result of additional transfers from the NHS budget, but also due to the introduction of the social care precept on council tax bills. This extra funding must be earmarked for spending on adult social care, including long-term care for older people, though local councils probably have some flexibility as grants do not cover the full cost of social care. Assuming all the extra funding is spent on adult social care, spending is due to grow by about 12% in real terms to reach about £18.6 billion in 2019–20, above the level last seen in 2009–10. The level of spending per head will grow by around 10% in real terms, taking it back to where it was in around 2010. If spending on children’s services continues to fall at its current rate, children’s

services spending per head in 2019–20 will be about the same level as just before the financial crisis in 2007.

Part of the motivation behind the additional funds for adult social care comes from the continued growth in the size of the older population and from the fact that people are living longer with health conditions and disabilities, putting pressure on adult social care services. The number of over-65s in England is expected to grow by 23% between 2009 and 2019. In contrast, the number of children is expected to grow by 7%. However, the number of children using the highest cost areas of children's services has risen significantly, with a 22% increase in the number of Looked After Children since 2008.

## Summary

In summary, children's services account for a further £8–9 billion of public spending on children in England, covering a range of different types of services, from Sure Start Children's Centres to safeguarding and services targeted at young people. Spending per head increased rapidly over the 2000s, doubling in real terms. However, it is due to fall back by about 20% in real terms between 2009–10 and 2019–20. Within this total change, there has been a significant reorientation of spending towards spending on Safeguarding and Looked After Children (mostly statutory duties and responses to immediate needs) and away from Sure Start and young people's services. Spending per head on these non-statutory services has already fallen by over 60% in real-terms between 2009–10 and 2016–17.

Spending per head on children's services rose faster than that on adult social care over the 2000s, though it fell by slightly more than adult social care up to 2016–17. Between 2016–17 and 2019–20, various grants and the introduction of the social care precept will allow spending on adult social care to recover much of its lost ground, in order to deal with the pressure on adult social care resulting from faster rises in the older population. No such additional grants or funding are forthcoming for children's services, despite the significant pressures on these services from increases in the numbers of children – particularly Looked After Children – needing support. Furthermore, the significant reductions in many early and preventative interventions, such as Sure Start and young people's services, may push up needs and costs in the future.

## 6. Health

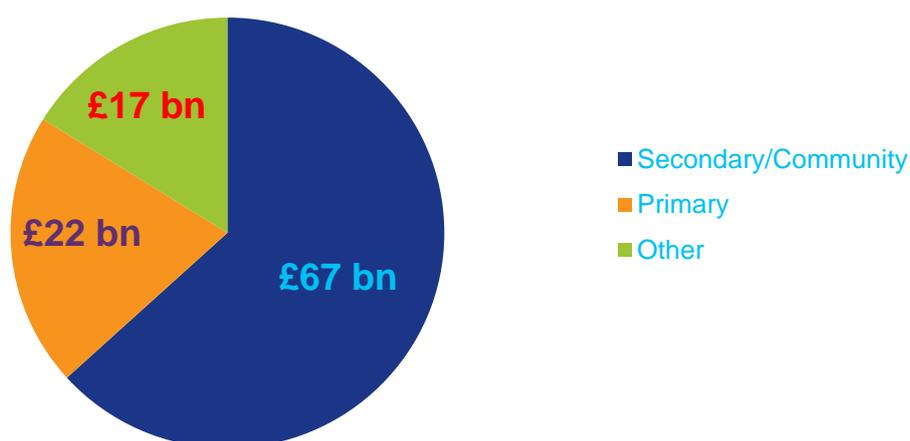
NHS England spending in 2015–16 was £105 billion in 2017–18 prices, covering a variety of services relating to primary, secondary and community care.<sup>23</sup> Figure 6.1 shows a breakdown of NHS spending broken down by primary (GP, pharmacy, dental, optometry) and secondary/community care (hospital care, critical care, mental health and community care). Almost two-thirds is accounted for by secondary care.

Needs and spending differ substantially by age. Most spending is concentrated on later ages when health needs are higher (Kelly et al., 2016; Office for Budget Responsibility, 2017). Indeed, empirical evidence suggests that across developed countries around 10% of aggregate health spending is concentrated in the last year of life (French et al., 2017). However, health spending is also higher in the very first few years of life, which includes birth, preventative healthcare (e.g. immunisations) and responsive healthcare (e.g. hospitalisation).

Unfortunately, the complex nature and organisational structure of the NHS and significant data shortcomings mean that it is not straightforward to establish how the NHS budget is spent. In what follows, we seek to estimate the total level of health spending on children aged 0–17 in England. In the next subsection, we describe the various methodologies and data we employ. Readers interested in the main results should skip straight to the analysis subsection.

Where possible, we also compare the level of spending on children with that on pensioners. Older individuals tend to have higher needs, on average, and the level of estimated spending is naturally much higher as a result. However, as we argue, even these estimates are likely to be a significant underestimate and cannot be relied upon to understand trends over time.

**Figure 6.1 – NHS England spending on all individuals, 2015–16 (total £105.4bn, 2017–18 prices)**



Sources: Authors' calculations based on: NHS England, Our 2015/16 Annual Report; NHS England, CCG Finance and Activity Planning information 2015/16; Reference Cost Collection: National Schedule of Reference Costs – Year 2015/16 – NHS trust and NHS foundation trusts.

<sup>23</sup> See NHS England, Our 2015/16 Annual Report.

## Methodology

In order to break down the costs of spending by age, multiple different data sources are required. These are summarised in Table 6.1.

**Table 6.1 – Summary of data sources for health spending**

	HES	Reference costs	Annual reports	Years available	Pensioner spending available
<b>Secondary</b>					
Inpatients	Yes			1997–98 to 2015–16	Yes
Outpatients	Yes			2005–06 to 2015–16	Yes
A&E	Yes			2009–10 to 2015–16	Yes
Critical care		Yes		2007–08 to 2016–17	No
Community care		Yes		2007–08 to 2016–17	No
Mental health*		Est.		2007–08 to 2016–17	No
<b>Primary</b>					
General practice				Not available	
Prescribing			Yes	2013–14 to 2016–17	Yes
Dental			Yes	2002–03 to 2016–17	No
Optometry			Yes	1999–2000 to 2016–17	Yes

Notes and Sources: \*Mental health is not available as a consistent time series and so it is included in the 'Other' category.

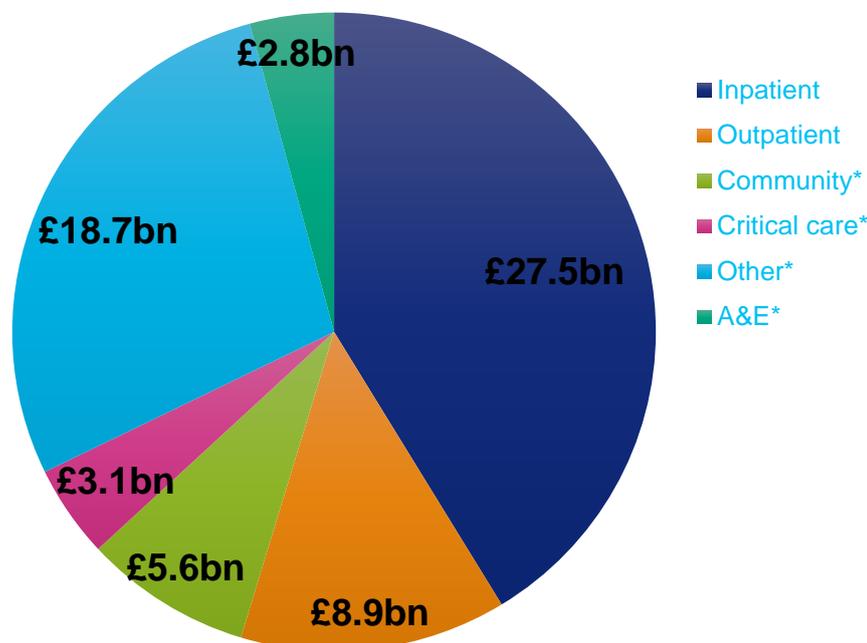
Inpatient and outpatient spending comes from the Hospital Episode Statistics (HES). HES are NHS administrative records of hospital activity in England. For inpatients, HES contains admission-level information on patient characteristics including age and the treatment patients receive. These records are available from 1997–98 onwards. Outpatient data are at the appointment level and contain the same set of patient information. Outpatient data are available from 2003–04 onwards and are reliable from 2005–06. We attach costs to all inpatient and outpatient activity based on the associated tariffs for each activity (Healthcare Resource Groups<sup>24</sup>) and then we aggregate total costs in each year for those aged 0–17 and aged 65+. Accident and Emergency records are available from 2007–08 and are reliable from 2009–10. We have access to data up to and including 2015–16.

For other areas of secondary care where we do not have patient-level data, we instead use the National Schedule of Reference Costs, which details the average unit cost to the NHS of providing defined services in England in a given financial year. These are produced for hospital and community care including the activity covered by HES, and totalled £64.2 billion across people of all ages in

<sup>24</sup> These are groupings of clinically similar treatments, which use a similar level of resources. There are often separate HRGs for those aged 18 and under.

2015–16.<sup>25</sup> The breakdown by service area is given in Figure 6.2. Because reference costs become more complete over time and some services can change categories, we restrict our analysis to 2007–08 onwards, and we aggregate categories that are not consistent over time.

**Figure 6.2 – Total reference cost spending on all individuals, 2015–16 (total £71.9bn, 2017–18 prices)**



Notes and Sources: Reference Cost Collection: National Schedule of Reference Costs – Year 2015/16 – NHS trust and NHS foundation trusts. ‘Other’ includes spending on mental health (£7.2 billion), high cost drugs (£2.1 billion), ambulance services (£1.8 billion), outpatient procedures (£1.7 billion) and chemotherapy (£1.4 billion). An asterisk denotes that reference costs are used in later calculations for spending on children.

The reference costs for inpatients and outpatients shown in Figure 6.2 provide equivalent information that could be created by aggregating patient-level data from HES. Together inpatient and outpatient reference costs account for £36.4 billion, or 55% of total reference cost spending. Accident and Emergency (A&E) and critical care account for a further £2.8 billion and £3.1 billion, respectively. A&E is a high-volume but low-cost service, as patients in need of further care will be admitted as an inpatient. By contrast, critical or intensive care is low volume but high cost.

Community spending refers to spending on a variety of services including out-of-hospital nursing, midwifery, physiotherapy, speech and language therapy, and health visitors. This spending category is broken down into spending on children (0–18) and adults.

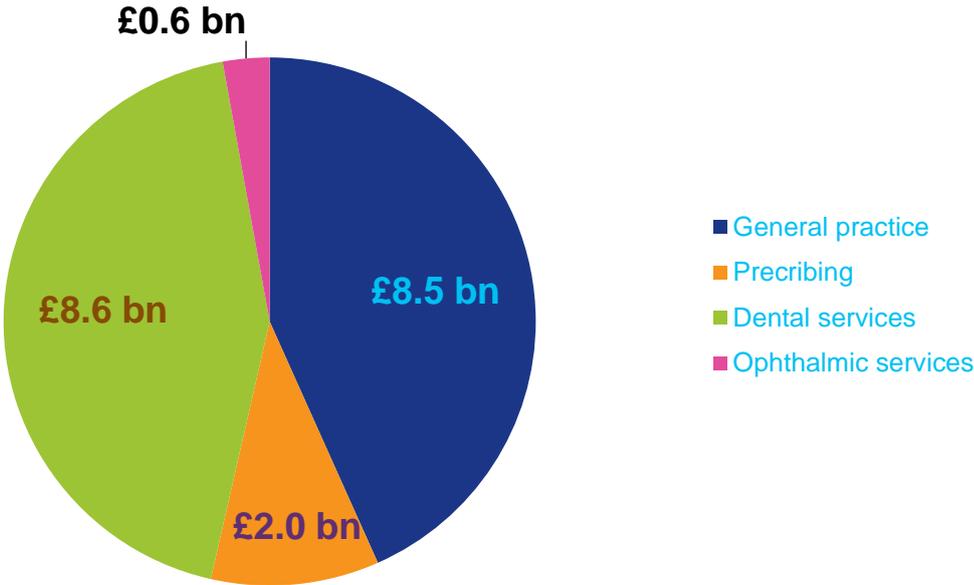
Other spending refers to spending without a constant definition over time, where spending cannot be broken down by age or categories that are small in size. It includes spending on mental health (£7.2 billion), high cost drugs (£2.1 billion), ambulance services (£1.8 billion), outpatient procedures (£1.7 billion) and chemotherapy (£1.4 billion).

<sup>25</sup> Summing calculated primary care expenditure and secondary/community expenditure comes to spending of £85.1 billion, leaving a shortfall of £16.4 billion of other expenditure. Some of this expenditure will cover expenditure that does not fall under either of these categories (e.g. administrative costs). However, it is also possible that the primary and secondary/community figures understate the true level of expenditure.

The use of reference cost data presents three main limitations. The first is that the breakdown between spending on adults or children is imperfect (i.e. some spending is not broken down by age). This is likely to be most problematic for children aged 16 and 17. It is important to note, however, that more than half of spending will be measured using HES, which does not suffer from the same limitation, as all activity and costs are attached to patient characteristics. Second, older adults are included in the same reference cost categories as the rest of the adult population. This means that it is not possible to compare spending on pensioners with spending on children in these cases. Third, spending categories change slightly over time. Thus, we have included an ‘Other’ category, and a share of this spending will be assigned as expenditure on children in line with the fraction spent on children across other categories.

Primary care includes general practice, community pharmacy (prescribing), dental care and ophthalmic services. The breakdown by service is shown in Figure 6.3 and it shows the main components of spending in 2015–16.<sup>26</sup> Together, general practice and prescribing account for 88% of primary care expenditure. Dentistry accounts for a further 9.6%. We are able to measure expenditure on children for dentistry, prescribing and eye tests, as all these services have some use of user charges. People aged 16 and under and under-18s still in full-time education are exempt, and the exemptions are recorded. We can therefore calculate the cost of those exemptions. The same

**Figure 6.3 – NHS Primary Care spending 2015–16 (£bn, 2017–18 prices)**



Notes and Sources: Figures for NHS payments from general practitioners taken from <https://digital.nhs.uk/catalogue/PUB30014>, payments to dentists <https://www.nhsbsa.nhs.uk/sites/default/files/2017-10/NHS%20Payments%20to%20dentists%20report%202016-17.pdf>, expenditure on prescription drugs <https://digital.nhs.uk/catalogue/PUB30014>, NHS expenditure on general ophthalmology <https://www.england.nhs.uk/2017/07/nhs-england-annual-report-and-accounts-for-201617/>. All expenditure totals are in 2017–18 prices.

<sup>26</sup> Expenditure comes from the annual reports for each service; for more details, see Notes and Sources for Figure 6.3.

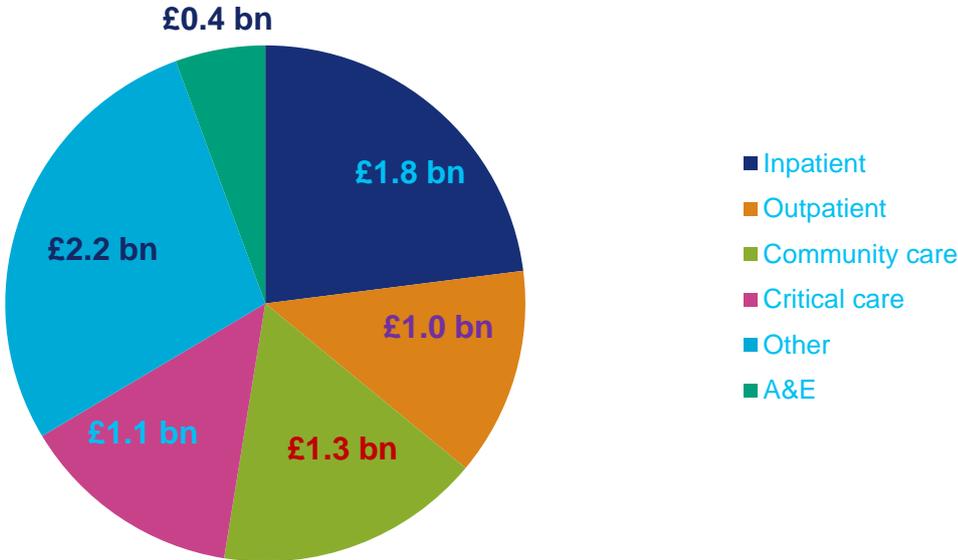
applies to adults over 60 (rather than 65) for prescriptions and eye tests, but not for dentistry, where they must pay for care.

We cannot calculate GP expenditure on children as payments are based on a complex allocation formula and cannot be broken down by age. This is a major limitation of our analysis given that GP expenditure represents almost half of primary care spending.

**Analysis**

Combining the various data sources on secondary/community care produces an estimated total cost of £8.0 billion spending on children in 2015–16. Figure 6.4 shows the breakdown by service area and over time. The largest area of (costed) expenditure was inpatient spending at £1.8 billion, although the fraction spent on inpatient admissions (23%) is much lower than across the entire population (41%). The fractions spent on outpatient, community services and critical care are correspondingly higher.

**Figure 6.4 – Secondary/community spending on children (0–17), 2015–16 (total £8.0bn, 2017–18 prices)**

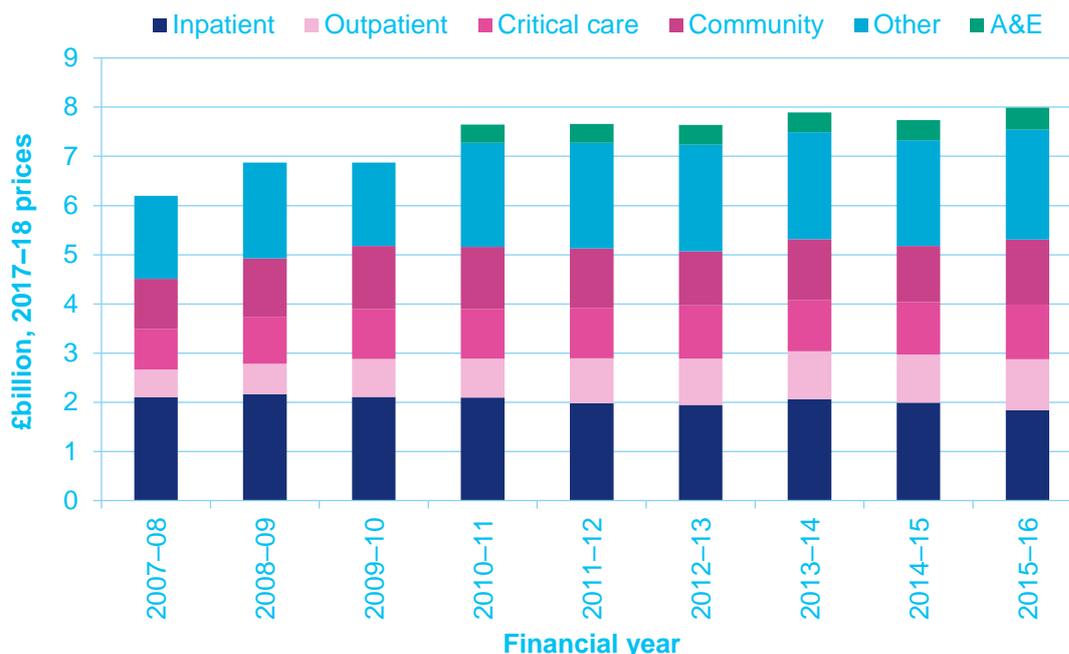


Notes and Sources: Authors’ calculations based on Reference Cost Collection: National Schedule of Reference Costs – Year 2015/16 – NHS trust and NHS foundation trusts and HES, Admitted Patients, 2015–16.

Figure 6.5 also shows how secondary/community spending has changed since 2007–08.<sup>27</sup> Over the period, spending on children (excluding A&E) has risen by 22% in real terms, whilst overall spending (excluding A&E) has risen by 31%. It is important to note that increases in spending on children are largely driven by non-hospital spending. Inpatient spending appears to have fallen slightly for children, whilst other areas such as critical care have increased substantially.

<sup>27</sup> A&E spending on children is only calculable from 2010–11 onwards.

**Figure 6.5 – Total secondary/ community health spending on children 2007–08 to 2015–16 (2017–18 prices)**



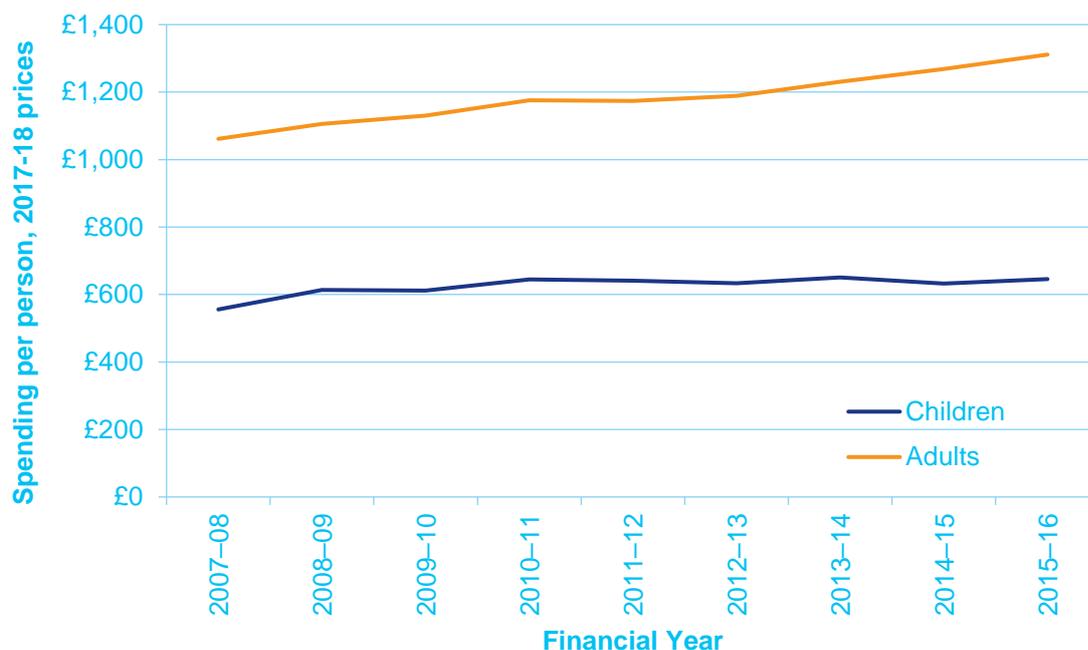
Notes and Sources: Authors’ calculations based on Reference Cost Collection: National Schedule of Reference Costs – Years 2007/08–2015/16 – NHS trust and NHS foundation trusts; HES, Admitted Patients, 2007/08–2015/16. A&E spending on children is only calculable from 2010–11 onwards.

Figure 6.6 shows how the amount spent per person has changed from 2007-08 to 2015-16 for both children and adults aged 18+ (excluding A&E).<sup>28</sup> In 2015-16 the amount spent per child is estimated to be about £650 per child in 2015–16, 16% higher in real terms than in 2007–08.

Secondary/community health spending per adult was over £1m300 in 2015-16, double the amount for children, reflecting the higher incidence of ill health among adults over 50. The amount spent per adult has risen by 24% since 2007-08, a larger increase than the rise in per child spending. This will in part reflect the ageing of the population, with a higher proportion of older adults, who have higher healthcare costs.

<sup>28</sup> This excludes A&E spending as spending broken down by age is only calculable from 2010-11 onwards. It is not possible to compare to spending on pensioners as reference cost data do not separate adults aged under and over 65.

**Figure 6.6 – Total secondary/ community health spending per person 2007–08 to 2015–16 (2017–18 prices)**



Notes and Sources: Authors’ calculations based on Reference Cost Collection: National Schedule of Reference Costs – Years 2007/08–2015/16 – NHS trust and NHS foundation trusts; HES, Admitted Patients, 2007/08–2015/16. A&E spending excluded as spending broken down by age is only calculable from 2010-11 onwards.

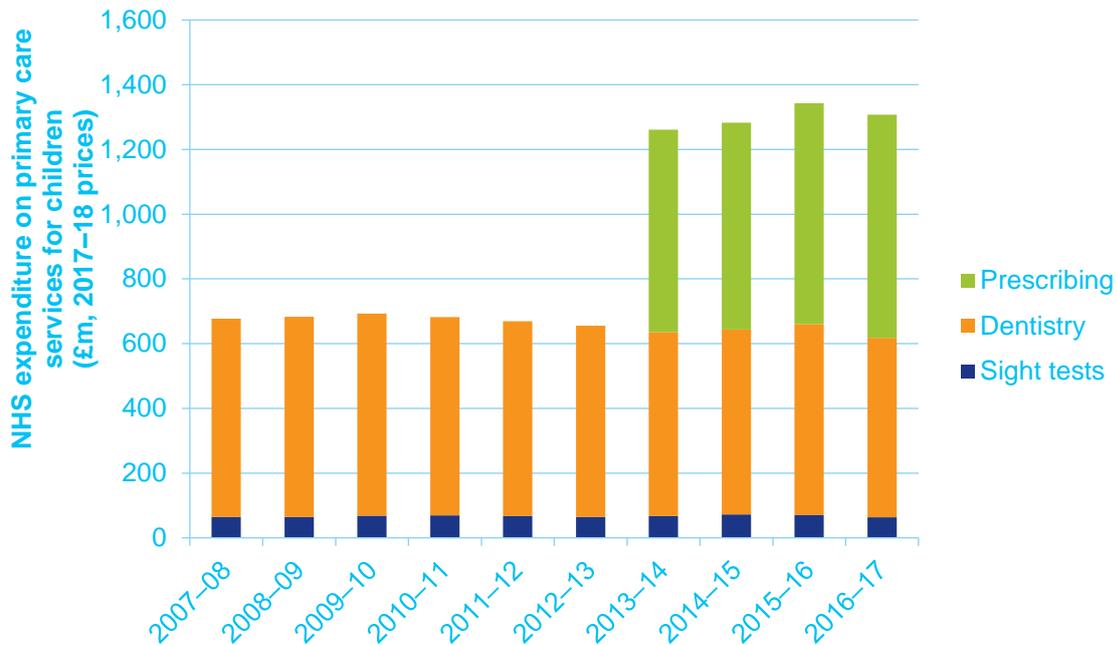
### Spending on primary care

In 2016–17, we estimate that spending on primary care for children (excluding GP expenditure) totalled £1.3 billion or just over £100 per child. Figure 6.7 shows how the composition of primary care spending appears to have changed over time. Data on prescriptions are only available from 2013–14 onwards and represent over half of estimated spending where available.

Figure 6.8 compares primary care spending on young people and adults aged 60 and over.<sup>29</sup> Spending is largely flat for both age groups, but is unsurprisingly dominated by spending on the prescription charges for the over-60s. NHS expenditure on prescriptions for those aged 60 and over exceeded £5 billion in 2015–16 and 2016–17. This is approximately a quarter of the whole primary care budget.

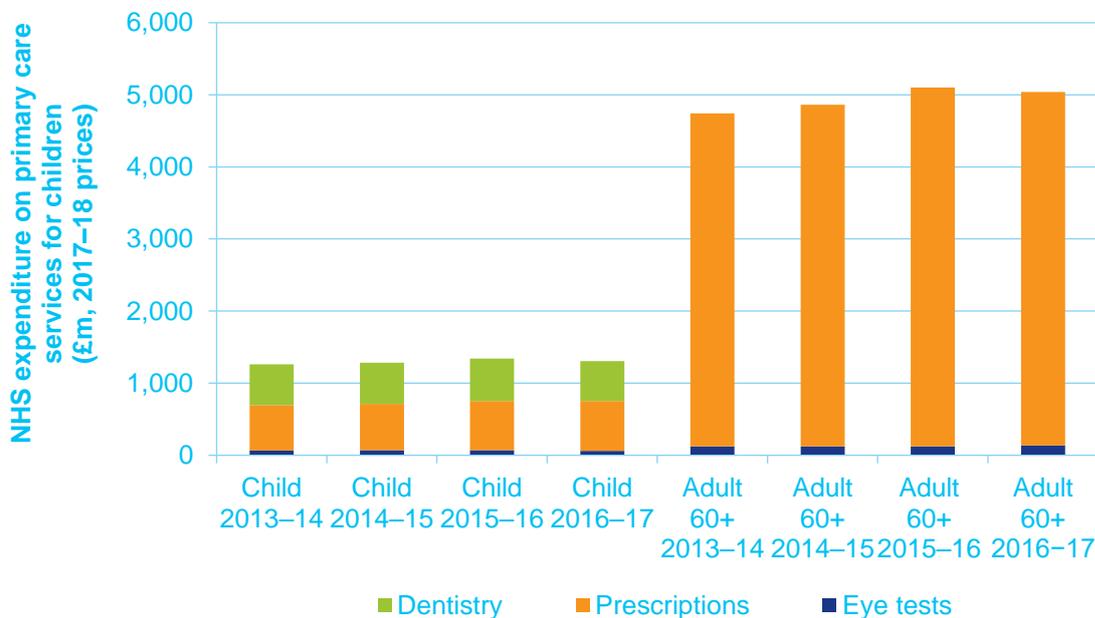
<sup>29</sup> We cannot include spending on dentistry for older people as they are not exempt from payment on the basis of age, and therefore are not separated from other adults. However, some older people will qualify for free care under low-income or medical grounds. The year after free eye tests were introduced for those aged 60+ in April 1999, the number of individuals eligible under health and low-income criteria fell by 852,000 or 27%. In 1999–2000, there were 3.3 million eye tests for those aged 60+, or just under four times reduction in eye tests on other exemption criteria. This suggests that older adults are likely to make up the minority of non-paying adults.

**Figure 6.7 – Total spending on primary care services for children**



Notes and Sources: Prescribing – Net Ingredient Cost of prescriptions for exempted categories NHS Digital (2017) ‘Prescriptions Dispensed in the Community England 2006 to 2016’. Dentistry – Applying share of Units of Dental Activity (UDAs) reported for children to the total payments to dentists NHS Dental Statistics (2016–17). Sight tests – total number of sight tests for children multiplied by NHS free sight tests, General Ophthalmic Services (GOS): Activity statistics for England, 2016–17.

**Figure 6.8 – Primary care spending on children and adults aged 60+**



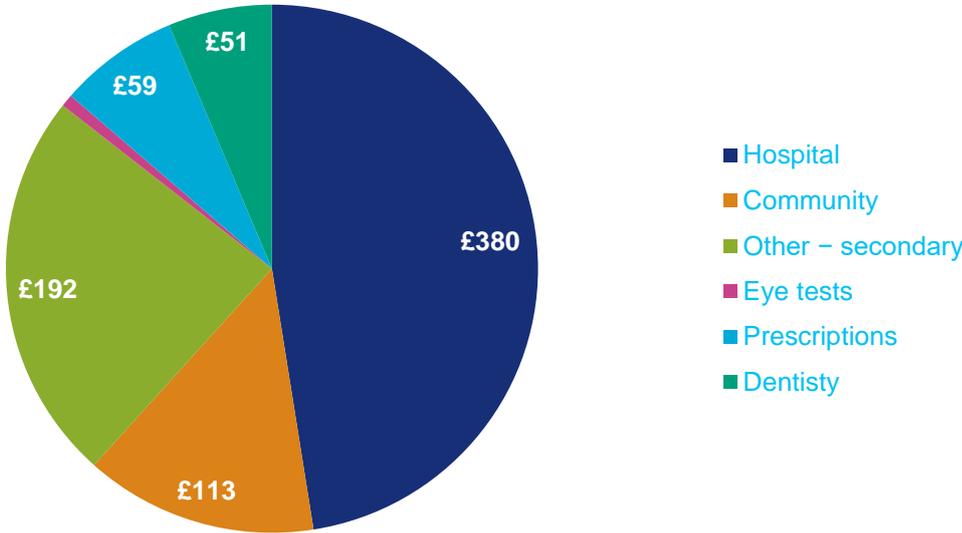
Notes and Sources: NHS Digital (2017) ‘Prescriptions Dispensed in the Community England 2006 to 2016’; NHS Dental Statistics: 2016–17; General Ophthalmic Services (GOS): Activity statistics for England, 2016–17.

Importantly, all the figures exclude spending by general practitioners, which accounted for a further £8.5 billion of spending in 2015–16, or about 40% of the primary healthcare budget in that year. These figures are therefore incomplete.

**Total spending**

We estimate that total spending on children in secondary and primary care<sup>30</sup> stood at about £9.3 billion in 2015–16 or about £800 per child. Figure 6.9 shows how this breaks down in per capita terms across the various components. By far the largest component is hospital spending at around £380, or nearly half of all spending. ‘Other – secondary’ spending represented about £192 per child and community spending about £113 per child. Prescriptions and dentistry represented just over £50 per child.

**Figure 6.9 – Total estimated health spending per child in 2015–16 (£800 per child in 2017–18 prices)**



Notes and Sources: On Reference Cost Collection: National Schedule of Reference Costs – Years 2007/08- 2015/16 - NHS trust and NHS foundation trusts; Hospital includes inpatient, outpatient, critical area, and A&E. Spending on inpatient, outpatient, and A&E comes from the Hospital Episode Statistics. Spending on critical care comes from National Reference Costs. Prescribing comes from NHS Digital (2017) “Prescriptions Dispensed in the Community England 2006 to 2016”; NHS Dental Statistics: 2016-17. Eye tests from General Ophthalmic Services (GOS): Activity statistics for England, 2016-17.

**What can we learn from Scotland?**

Health spending data for Scotland are far more complete and less fragmented than health spending data for England. Table 6.2 shows the share of spending for children (0–17) and pensioners (65+) in Scotland in 2012–13. The comparison between Scotland and England is imperfect due to different category definitions and incomplete data in England. However, the overall picture is likely to be

<sup>30</sup> Also including prescriptions and eye tests for those aged 18.

broadly the same. The table shows that emergency inpatient care makes up a far larger share for older people than young people. By contrast, a much larger share of spending on children occurs in the community. This is important because data on community healthcare in England are particularly poor, meaning that it is much harder to monitor spending and service provision.

Total health spending in Scotland on children is £882 million (2017–18 prices) or £745 per person aged under 18. For pensioners, the corresponding figures are £3.9 billion or £3,654 per person aged 65+. Applying spending per head in Scotland in 2012–13 to the population levels in England in 2015–16 gives a total of £9.8 billion in 2017–18 prices. This compares to our estimate using England data of £9.3 billion, giving credence to our estimates for children. The same method estimates spending on the over-65s as £35.8 billion, more than double our estimates based on hospital care alone. This suggests that our estimates for pensioners are a significant underestimate.

**Table 6.2 – Share of spending by service, for children (0–17) and pensioners (65+) in Scotland, 2012–13**

Category	0–17	65+
Non elective – inpatient	0.18	0.43
Elective – inpatient	0.07	0.10
Day case – inpatient	0.04	0.05
Other hospital	0.21	0.12
Community-based NHS	0.32	0.12
GP prescribing	0.06	0.11
Other family health service excl. GP prescribing	0.12	0.07
<b>Total</b>	<b>1.0</b>	<b>1.0</b>

Notes and Sources: IRF – NHS Scotland and Local Authority Social Care Expenditure – Financial Year ending 31 March 2013.

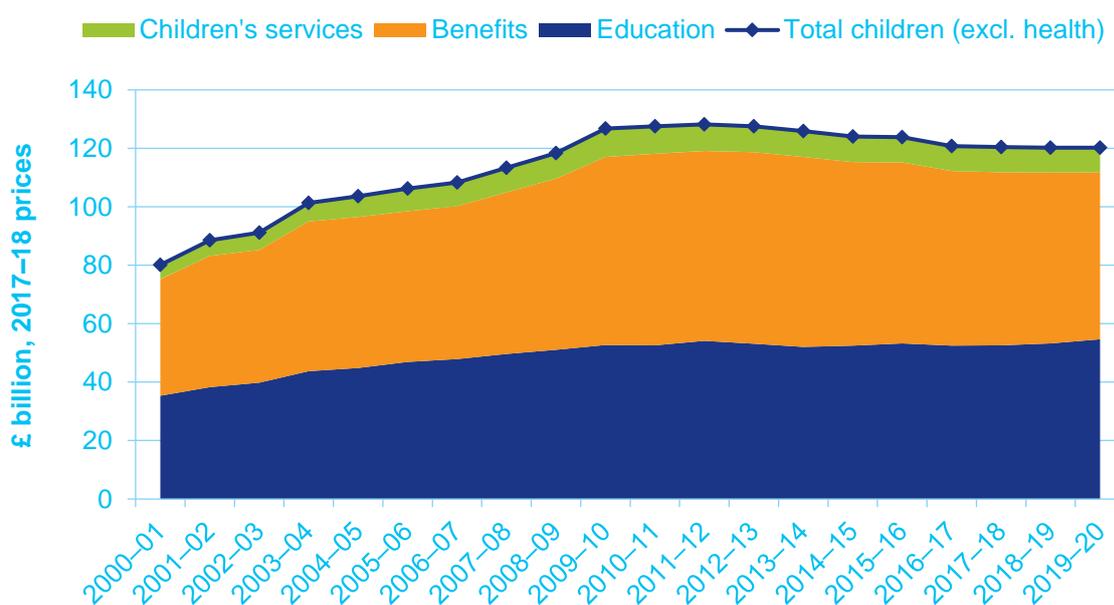
### Summary

It is harder to calculate the total level of health spending on children than it is to calculate other areas of spending. This is because the institutional set-up of the NHS is more complicated than it is for other areas of spending, with many bodies responsible for expenditure, and the quality of available data is poor. These points notwithstanding, we have managed to estimate a total level of health spending on children in England of about £9.3 billion, which accords well with an estimate based on applying better quality data/methods for Scotland. It is hard to track spending over time, but we can see that secondary/community spending on children rose in real terms by about 28% between 2007–08 and 2015–16 and that the primary care spending we can observe (i.e. dentistry, prescriptions, eye tests) has been approximately constant in real terms.

## 7. Total Spending

We estimate that total public spending on children in England, including education, benefits and children’s services, is about £121 billion in 2017–18. As shown in Figure 7.1, this is significantly up from around £80 billion in 2000–01 (in 2017–18 prices). Most of the rise occurred over the 2000s, with an almost 60% real-terms increase up to 2009–10, driven by big increases in benefit and education spending. Over the next decade between 2009–10 and 2019–20, we expect this total to fall by about 5% in real terms. This is made up of a significant real-terms cut to benefit spending (11% fall) partly compensated for by a small real-terms rise in education spending (4%).

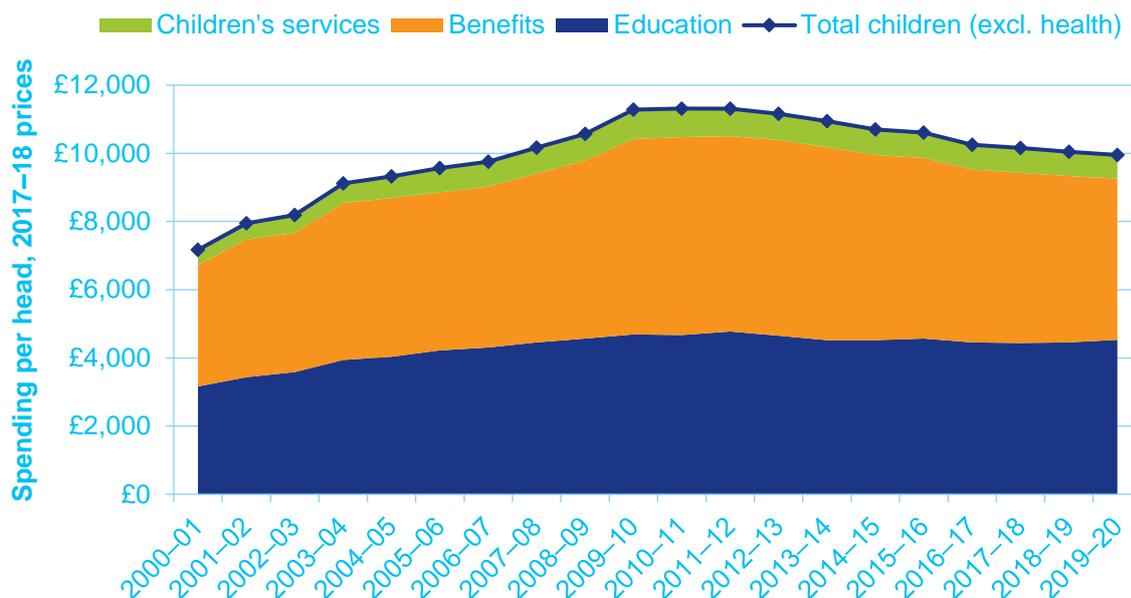
**Figure 7.1 – Total spending on children in England (excl. health), 2000–01 to 2019–20**



Notes and Sources: See Figures 3.2, 4.1 and 5.1.

The number of children grew slowly over the 2000s and thus spending per child still grew by around 58% during that period, as can be seen in Figure 7.2 and Table 7.1. Since 2009–10, there has been a small increase in the number of children, such that spending per child is actually due to fall by about 12% in real terms between 2009–10 and 2019–20. This will take spending per child down to around £10,000, about the same level it was just before the financial crisis in 2007.

**Figure 7.2 – Total spending per child in England (excl. health), 2000–01 to 2019–20**



Notes and Sources: See Figures 3.2, 4.1 and 5.1. Child (0–17) and pensioner (65+) populations taken from Office for National Statistics population mid-year estimates.

**Table 7.1 – Summary of total and spending per child over time**

	Level (2000–01) 2017–18 prices	2000–01 to 2009–10 (% real-terms change)	2009–10 to 2019–20 (% real-terms change)	2000–01 to 2019–20 (% real-terms change)	Forecast level (2017–18) 2017–18 prices	Forecast level (2019–20) 2017–18 prices
<b>Total spending (£bn)</b>	80.1	+58%	–5%	+50%	120.5	120.2
Education	35.4	+49%	+4%	+55%	52.6	54.7
Benefits	39.9	+61%	–11%	+43%	59.3	57.1
Children’s services	4.8	100%	–14%	+73%	8.6	8.4
<b>Spending per child (£)</b>	<b>7,168</b>	<b>+57%</b>	<b>–12%</b>	<b>+39%</b>	<b>10,157</b>	<b>9,955</b>
Education	3,164	+48%	–3%	+43%	4,434	4,528
Benefits	3,570	+61%	–17%	+33%	4,995	4,733
Children’s services	434	+99%	–20%	+60%	728	694

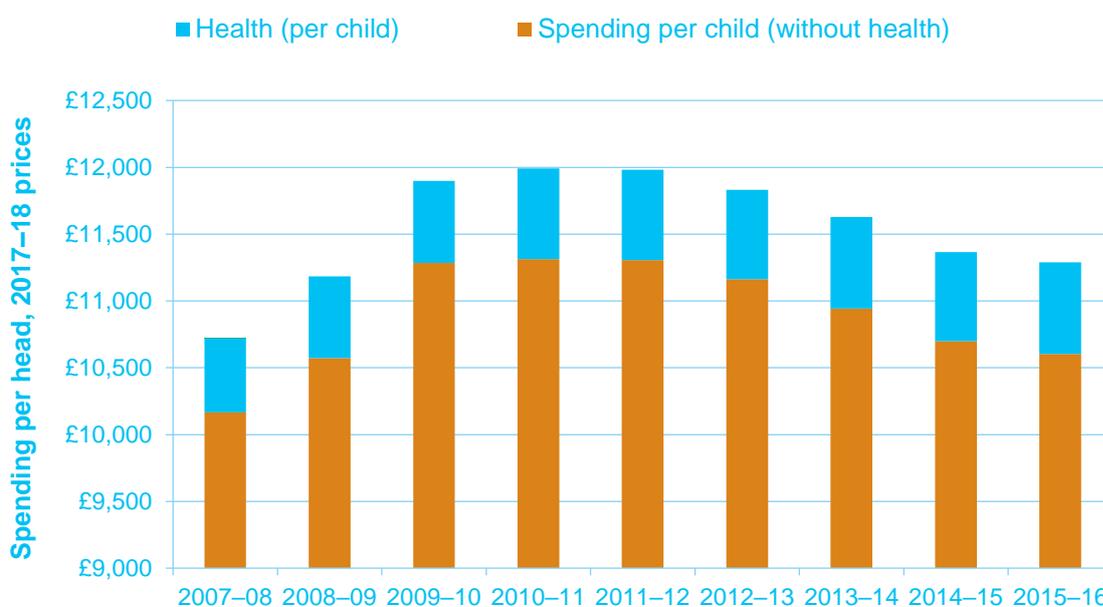
Notes and Sources: See Figure 8.1 and 8.2

In Figures 7.1 and 7.2, we exclude spending on healthcare. This is because we are only able to include healthcare spending for a smaller number of years. In Figure 7.3, we add spending on secondary/community health to show how this changes the estimated level of spending per head and trends over the years observed.

We estimate that secondary/community health spending on children in England represented about £8 billion in 2015–16. The addition of this increases the level of spending per child by about £700 to reach a total of about £11,300 per child in 2015–16. Also, about £100 per child was spent on primary care (excluding GP expenditure), but this can only be tracked for a much smaller number of years. Our previous robustness checks suggest that £800 per child is likely to be a good approximation for total spending per head including health spending.

Looking at trends over time, we see that spending per child without healthcare rose by about 4% in real terms between 2007–08 and 2015–16, and about 5% when we include healthcare. Both also fell by about 5–6% in real terms when we look at the period since 2009–10. The inclusion of healthcare thus has little effect on trends over time.

**Figure 7.3 – Total public spending per child in England (including healthcare) and total spending per pensioner (including health and social care), 2000–01 to 2019–20**



Notes and Sources: See Figures 5.2, 6.5 and 7.2.

## 8. Conclusions

A large element of public spending is targeted at children. We estimate that total public spending on children in England represented just over £120 billion in 2017–18, comprising £53 billion on education up to age 18, £59 billion on state benefits for families with children and £9 billion on children’s services. Altogether this equates to around £10,000 per child.

In addition to these figures, we estimate a further £9 billion or (£800 per child) in the form of spending on healthcare for children, though there is more uncertainty regarding these estimates due to the poor quality of data for England.

These totals are likely to be an underestimate of *all* public spending targeted at children: children also benefit from other areas of spending – such as transport, housing and culture – which have not been included in our analysis.

Over the last two decades, we have seen a rapid rise followed by a small fall in total spending on children. Between 2000–01 and 2009–10, spending per head rose by 58% in real terms. This was driven primarily by similarly sized increases in benefits for families with children and education spending, as well as a doubling of spending on children’s services. With little change in the size of the child population over these years, this translated into substantial rises in spending per head in all cases.

Since 2009–10, there has been a drop in total spending on children, reflecting overall falls in public spending. Between 2009–10 and 2019–20, we expect total spending per child to have fallen by about 12% in real terms, reversing some, but not all, of the rapid rise over the 2000s. However, there have been some very marked differences across different areas of spending. Education spending was largely protected in real terms. In contrast, benefit spending per child is expected to fall by about 17% in real terms over this ten-year period and children’s services spending by about 20%. These are big falls and clearly reverse some of the big increases seen over the previous decade.

Within each area of spending, there appear to be some even bigger challenges. Although education spending has clearly been largely protected in total, education spending per student for 16–18 year olds is expected to fall by about 17% in real terms by 2019–20 compared with its recent high point in 2011–12. This would return it to about the same level, in real terms, as in 1990 – a truly remarkable fact given the overall increases in national income and public spending over this period.

Within children’s services, spending on safeguarding and Looked After Children has been mostly protected since 2009–10. However, services are clearly under pressure as measures of need rise, with increases in the numbers of Looked After Children since 2007, as well as rises in the number of children in need and those with protection plans. The maintenance of this spending has come at the cost of big reductions (around 60%) in spending on non-statutory services for families with young children (i.e. Sure Start) and programmes for young people. Faced with significant reductions in grants from central government, it is understandable that councils have protected spending on services involving statutory duties for the most vulnerable children with immediate needs. Although big reductions in spending on Sure Start and young people’s services might have less immediate impact than reduced spending on statutory duties, early and preventative interventions can often improve children’s outcomes in the long-run and reduce pressures on a range of public services.

Within healthcare, acute hospital care appears relatively unaffected by the slowdown in spending since 2010. However, it is noticeable from the Scottish data that a large share of health spending on children occurs in the community. In England, this type of spending is poorly measured, making it hard to assess recent changes. As many of these services tend not to address acute health problems, they are likely to be more vulnerable to cuts. It is also notable that the freezing of prices for dental and eye care have had a disproportionate impact on spending on children as they form a large share of the population that is exempt. This may have implications if further freezes in payments to dentists or opticians reduce access.

There has been a significant and ongoing public debate on the various protections given for spending on pensioners, against reductions in spending on most other demographic groups. When one looks solely at change to benefits over the period since about 2010, this contrast is very stark, with real-terms protections in benefits for pensioners compared with big reductions for benefits targeted at low-income working-age families with and without children, the latter being the group who have seen the largest reductions in benefits since 2010. However, it is important to see these changes in a longer and wider public spending context.

Over the 2000s, there were much larger increases in benefit spending targeted at families with children than benefits for pensioners. Indeed, the increase in spending per child was about double (61%) that seen for pensioners (29%). The bigger reductions for children over the current decade (cut of 17% per head) and real-terms protections for pensioners reverse some of the earlier higher growth seen for families with children.

Spending per head in adult social care also rose by less than spending per head on children's services over the 2000s. Spending per adult fell by less in real terms between 2009–10 and 2016–17 than spending per child, but only slightly. However, spending on adult social care is due to bounce back over the next few years, though an ageing population will clearly place further demands on services here too.

### **Improvements to data**

In addition to presenting empirical facts and answering policy questions, our analysis has also revealed a number of ways in which data on spending on children and pensioners can be improved. Doing so would give policymakers and the public a much clearer picture of how spending is allocated and better inform debates on how resources are targeted across different generations. There are three main ways in which we think data can be improved.

First, data on healthcare spending could be significantly improved, particularly spending on primary care and mental health. We are only able to produce reasonable estimates for hospital and community spending on children. For pensioners, our estimates are clearly inaccurate and are likely to underestimate spending by a very significant margin, which is mainly due to insufficient data. Furthermore, we are simply unable to examine GP expenditure by age. The fact that we are unable to produce good estimates for health spending on children and pensioners in England is worrying, particularly given the overall size of the NHS budget (over £100 billion). The production of good-quality estimates is also clearly feasible when collecting and releasing the necessary data is a policy priority. Scotland has already done so.

Secondly, in producing our estimates we have been faced with various inconsistencies in the way figures are presented over time, both the Section 251 data and health data. Some inconsistency is

unsurprising when dealing with spending over a period of two decades. However, a major problem is that the way spending is presented often changes when policy programmes themselves change. This creates problems for future analysts when trying to understand spending changes if there is not also a clear commentary on how policy programmes have changed. It would therefore be more useful and easier to understand if spending was presented in thematic ways (e.g. type of spending), as well as in a programmatic manner.

It is also often unclear what is and is not included within specific spending categories in Section 251 data. For example, young people's services are listed as 'universal services' and 'targeted services'. It is also suspected that different local authorities apply different recording practices, making it difficult to make comparisons across local authorities, while some early intervention programmes may or may not be included or not, and this practice could differ across local authorities. It would be desirable for the government to publish clear and exhaustive information on what should be included within each spending category, which might also help to ensure consistent practice across local authorities.

The third point relates to specific problems in analysing school data. We have had to rely on various data sources, budget plans and assumptions in order to produce total estimates of spending on maintained schools and Academies over time. This problem occurs because of the vast numbers of schools converting to Academy status over the last eight years and the different ways in which Academy finances are treated. The Department for Education should make available a consistent series for spending on maintained schools and Academies over time, together with relevant commentary where there are inconsistencies.

### **Future research**

There are a number of ways in which this research could be extended and built upon in future years. First, it will be important to understand the long-term consequences on children's outcomes of the reductions in spending seen over recent years. This could be in terms of the impact of reduced family incomes, squeezes on school spending or the long-run cost consequences of the shift in children's services spending away from early intervention and prevention. Secondly, subject to improvements in data sources and availability, further work is required to understand the total levels of health spending on children and on pensioners. Thirdly, given the overall squeeze in spending, it is important to better understand the levels and drivers of future need, particularly in high-cost areas such as the numbers of Looked After Children and pressures on high-needs school budgets. Lastly, we see great value in extending our methods and approach to other countries of the UK. Ensuring a common basis of comparison will allow us to better understand the choices made, and implications thereof, by different countries and governments.

## Appendix

**Figure A.1 – Number of children and pensioners in England from 2000–01 to 2019–20**



Notes and Sources: Office for National Statistics population mid-year estimates.

**Table A.1 – List of benefits in each benefit group**

Benefit group	Benefits included
Tax credits	Child Tax Credit, Working Tax Credit, Family Credit, Working Families Tax Credit, Disabled Person's Tax Credit
Child benefit	Child Benefit, One Parent Benefit, Guardian's Allowance
Housing benefit	Housing benefit, Discretionary Housing Payments
Out-of-work benefits	Income Support, Jobseeker's Allowance, Incapacity Benefit, Employment and Support Allowance, Universal Credit (actual cost, up to 2016-17)
Non-means-tested disability benefits	Attendance Allowance, Disability Living Allowance, Personal Independence Payment
Childcare	Childcare element of WFTC/WTC, Employer-provided childcare vouchers, Tax-Free Childcare
State pension	State Pension
Council tax benefit	Council tax benefit
Pension credit	Pension credit
Universal credit losses	Universal credit (marginal cost, from 2017-18)

## References

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