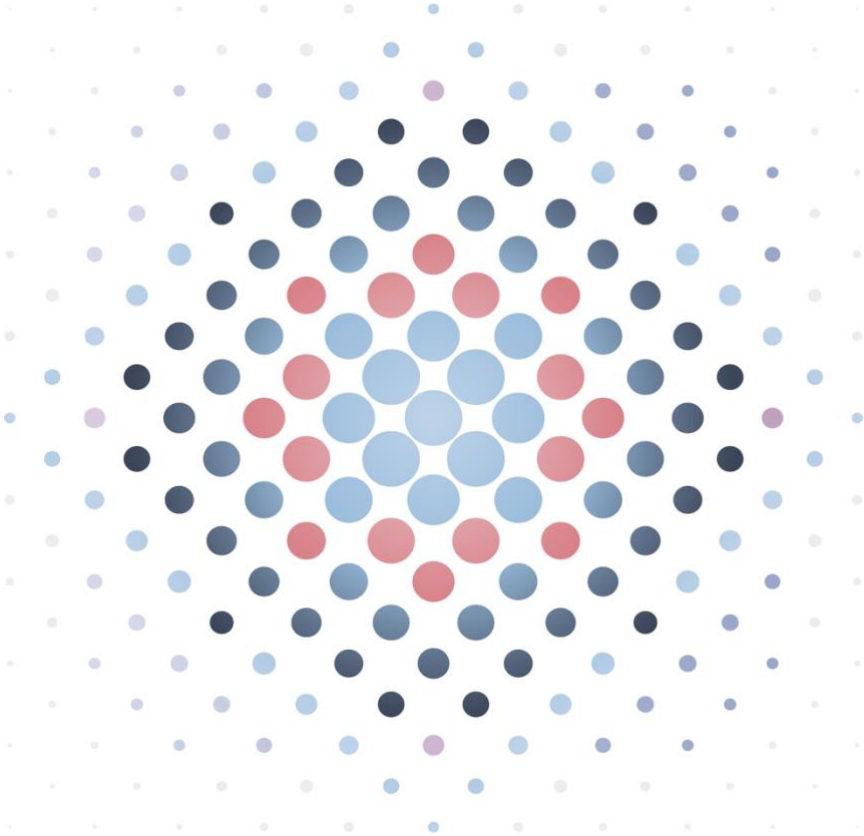
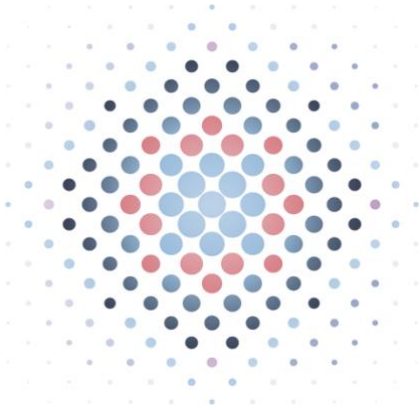


Public spending on the early years in England

This research was commissioned by NESTA's fairer start mission

March 2025





About the authors



Alma Economics combines unparalleled analytical expertise with the ability to communicate complex ideas clearly.

www.almaeconomics.com

About the commissioning organisation

nesta

Nesta is the UK's innovation agency for social good, dedicated to designing, testing, and scaling solutions to society's biggest challenges. Its three missions focus on giving every child a fair start, helping people live healthier lives, and creating a sustainable future where the economy benefits both people and the planet.

For over 20 years, Nesta has supported, encouraged, and inspired innovation. It operates in three key roles: as an innovation partner, working with frontline organisations to design and test new solutions; as a venture builder, supporting new and early-stage businesses; and as a system shaper, creating the conditions for innovation. By combining the rigour of science with the creativity of design, Nesta works relentlessly to improve millions of lives.

Find out more at nesta.org.uk

Table of Contents

Executive summary	1
Introduction.....	3
Methodology.....	4
Welfare.....	4
Healthcare.....	7
Identifying early years healthcare spending in England.....	7
Spending by income group	8
Children’s services and social care	8
Spending by age group	10
Spending by income group	10
Free childcare	10
Spending by age group	11
Spending by income group	11
Findings.....	12
Welfare.....	12
Timeseries of early years welfare spending	12
Spending by age group and household income	13
Healthcare.....	13
Timeseries of early years healthcare spending.....	15
Spending by household income.....	16
Children’s services and social care	17
Timeseries of early years spending on early years services and social care.....	18
Spending by age group and local authority income level.....	19
Free childcare	19
Timeseries of early years spending on free childcare entitlements	19
Spending by age group and household income	20
Bringing it all together: total early years spending in England	22
Bibliography.....	24
Appendix.....	26

Executive summary

This report provides a comprehensive analysis of public spending on early years support in England. We examine trends in the level and composition of spending, structuring the analysis around the four broad areas of welfare, healthcare, children's services and social care, and free childcare. As the UK government prepares for the upcoming Spending Review, this evidence-based assessment highlights the combined effects of some major policy shifts over the past decade to inform future research and policy decisions.

Key findings

Early years spending in England. We estimate that public spending on children aged 0-4 in England amounted to £6,400 per child on average, or £21bn in total, in 2022/23. The largest broad area of early years spending is welfare, at just under £3,000 per child in 2022/23 (£9bn per year), or 46% of the total. The remainder comprises spending on free childcare, healthcare, and children's services and social care.

- **Stability in the total but a big shift in composition.** The total level of early years spending per child in England has fluctuated slightly from year to year but overall has changed little in real terms since 2010/11, when it was £6,600 per child. However, this masks the offsetting effects of large spending changes in different areas. Welfare spending on children aged 0-4 has reduced by £1,000 per child, and spending on children's services and social care has fallen by £300 per child. Meanwhile, spending on free childcare and healthcare have, in combination, almost doubled, from £1,400 per child to £2,600 per child. As a result, the dominance of welfare has reduced, with its share of early years spending falling from 60% in 2010/11 to 46% in 2022/23. Free childcare has grown greatly in importance. It overtook healthcare and children's services and social care during the early 2010s to become the second-largest source of spending on children aged 0-4, and it is being expanded further during the current financial year.
- **Clear links to policy choices.** Falls in welfare spending are the consequence of large cuts to the generosity of many benefits and tax credits during the austerity of the 2010s. These cuts have affected all working-age families in receipt of benefits and were not explicitly targeted at the early years, though a number of them were targeted specifically at families with children. We also show that the reduction in spending on children's services and social care is entirely driven by a fall of about 75% in Sure Start spending (equating to a cut of about £400 per child), which reflects decisions to withdraw most funding for Sure Start centres in England during the 2010s. With this change, the system of support via children's services and social care has shifted in emphasis towards post hoc responses to high needs – with Children Looked After now the single largest item of spending in this area – and away from the kind of preventative early intervention that many of the Sure Start services were focused on. Meanwhile, the rise of free childcare spending results from deliberate large expansions of entitlements to free childcare hours. The rise in early years healthcare spending does not, to our knowledge, have a clear link to explicit policy decisions – and would be worthy of further research.

- **Distributional implications.** Although total early years spending has changed little, this stability is unlikely to reflect the experience of all groups due to the large shifts in the composition of spending. It is highly likely that early years spending has been distributed less towards lower-income households overall since 2010/11. Welfare is by far the most progressive of the spending areas, but it is where most of the cuts to early years spending have fallen. Similarly, Sure Start was highly targeted at poorer areas, and cuts to Sure Start explain all of the cut in spending on children's services and social care. Conversely, free childcare, which has been the major rising area of early years spending, is distributed much more evenly across income groups: at least half of the free entitlements are used by families in the top half of the income distribution. Similarly, healthcare spending is distributed primarily to lower-income households and has been increasing since 2010/11.

Introduction

Support and interventions targeted at the early years of life are major tools that governments have for addressing poverty and increasing life chances and social mobility. Yet decisions over public spending on the early years take place in the absence of rigorous quantitative evidence on the extent to which different forms of spending do, in fact, benefit young children. Publicly available data on different areas of public spending are often not provided in a granular enough form to identify exactly who the beneficiaries are, and there is no coherent, integrated assessment of how different types of spending on the early years combine to form the total.

This problem is made more pressing by the fact that there have been major policy changes in recent years which significantly affect young children, but whose combined effects are obscured by the lack of clear, integrated data. As we will show in this report, the three largest examples of such policy changes in England since 2010/11, which act in different directions, are large cuts to welfare spending, the removal of most funding for Sure Start centres, and large expansions of free childcare.

Ahead of the upcoming Westminster Spending Review, we seek to address some of these gaps in the evidence base.

We estimate the level of public spending on children in England aged under 5, assembling and combining data (and, where necessary, transparent assumptions) on welfare, healthcare, children's services and social care, and childcare. We track how this has changed since 2010, and we disaggregate results across children from richer and poorer backgrounds, and by whether the beneficiaries are aged 0-1 or 2-4.

The geographic scope of this report is for England only. As explained in the next chapter, this is a decision that was confirmed during the research itself as we mapped and examined sources of data from across the UK. Unfortunately, this exercise revealed that obtaining comprehensive measures of early years spending, which we can be confident are consistent across the 4 UK nations, would be a substantial piece of work in its own right. It would certainly be a very useful focus for future research, and is likely to grow in importance over time as post-devolution policy differences between the UK nations continue to accumulate.

We begin by setting out our methods – the key data sources, assumptions, and calculations employed. We then present and discuss our results for each of the four broad areas of early years spending. Finally, we conclude by bringing the analyses of all spending areas together, and drawing out the implications for total early years support, its composition, and the likely distributional effects.

Methodology

In this chapter, we provide an overview of the methods used to estimate spending for each of the four early years spending areas in England: healthcare, welfare, children's services and social care, and free childcare. Taking these areas in turn, we explain how we distinguish spending on the early years from spending on other age groups and how we analyse patterns of spending by sub-age-group (0-1 and 2-4) and by income.

As noted in the Introduction, we focus on England only in this analysis. We examined the possibility of replicating the approach we present below in each of the 4 UK nations, but inconsistencies in the recording and categorisation of spending items across those nations make this very complicated. It would require not only separate data collection and collation processes for each nation, but also a substantial reconciliation and verification exercise - and likely the addition of a number of assumptions - to try to ensure consistency of the resulting series. We recommend that this would be a valuable endeavour for future research. We think it would be particularly important in the areas of children's services, social care and childcare, for which the public spending categories used in the UK Treasury's Country Regional Analysis (UK Government, 2024) do not map precisely enough to even these broad categories of spending to provide a robust comparison across nations.

Many figures in this report are presented on a per-child basis, to make them relatable and more easily comparable across subgroups of children. We use official mid-year population estimates by single year of age from the ONS in order to do this (Office for National Statistics, 2024a). Note that we are therefore *not* expressing spending per child who benefits from, or uses, the relevant service, but spending per child across all children, whether they benefit or not. All monetary amounts are adjusted for inflation and presented in 2024/25 prices.

Trends in spending can be, and are, driven by many factors - not just explicit policy decisions. For example, trends in income levels, demographics, health and housing costs affect entitlements to welfare and hence welfare spending; and spending on services such as healthcare and social care are sensitive to changes in need, and hence do not necessarily reflect changes in the level of quality of provision relative to need. A comprehensive analysis that decomposes the various roles of these factors in driving spending over time, or across nations or other groups, is well beyond the scope of this report. We focus on establishing the much-needed facts about spending, and we hope that this will help provide a stimulus for further research in order to understand more of the underlying causes. That said, many of the trends that we document have very clear links to policy changes – large cuts to welfare for working-age households and Sure Start centre funding, and an expansion of free childcare entitlements.

Welfare

We use the term “welfare” to refer to cash transfers paid to households.

Our approach here is best described in two steps. First, we compute total UK welfare spending. This is the sum of welfare spending reported by HMRC and DWP, plus spending in Scotland on benefits for which responsibility has been devolved to Scotland (including new top-ups to

support that the Scottish Government has chosen to introduce, such as the Scottish Child Payment) which we base on Scottish Government Social Security Statistics along with the Scottish Government Budget (HM Revenue & Customs, 2025; Department for Work and Pensions, 2025; Scottish Government, 2022; Scottish Government, 2023).

Second, we use broadly representative household-level survey data from the Households Below Average Income (HBAI) series to apportion how much of total UK welfare spending (calculated above) goes to different groups within England (Department for Work and Pensions, 2024). Most fundamentally, for our purposes, this includes the proportion of UK welfare spending that goes to children in England under 5 (as well as to children aged 0-1 and 2-4). It also includes how much of that early years spending goes to each quintile of household income among households with children. The reason why we do not use the HBAI data to simply measure early years welfare spending in England directly is that survey data is known to under-record total welfare spending when compared to administrative totals. Hence, we use the administrative totals, and the information in the survey to apportion that total between groups. The implicit assumption is that the extent of under-recording/under-reporting of welfare is the same across all groups.

We have to make an assumption about the degree to which children benefit from welfare payments received by their household. We make the simple and transparent assumption that the benefit is shared equally among all individuals within a household. For example, if a household contains two parents, a 3-year-old and a 10-year-old, and it receives £100 in welfare, we effectively assume that £25 (one-quarter of the total payment) of this is early years spending. This assumption was preferred over alternative options, such as assuming that some people in the household do not benefit at all, as it is a more realistic representation of the benefits' impact.

The sample size of the HBAI data each year has fluctuated over time, but has typically been between 20,000 and 25,000 households per year across the UK. We take a somewhat conservative approach by pooling 3 years of HBAI data together for all of our calculations – so, for example, calculations for 2010/11 are actually based on data pooled across 2009/10, 2010/11 and 2011/12 – except for calculations for 2022/23, for which we pool data from 2021/22 and 2022/23 (the last two years of HBAI data currently available). This ensures that sample sizes always remain robust for our purposes.

The tables below outline the benefits included in our analysis, consisting of UK-wide benefits (Table 1) and devolved benefits (Table 2).

Table 1. UK benefits

Child and working tax credit
Discretionary housing payments
Income support
Jobseeker's allowance
Employment and support allowance
Universal credit
Attendance allowance
Maternity allowance
Statutory maternity pay
Sure Start maternity grant
Tax-free childcare
Child benefit
State pension
Council tax rebate
Pension credit
Housing Benefit
Incapacity benefit
Personal independence payment
Carer's Allowance
Disability living allowance

Table 2. Devolved benefits

Discretionary Housing Payment
Carer's Allowance
Disability Living Allowance
Attendance Allowance
Severe Disablement Allowance
Industrial Injuries Disablement Benefit
Winter Heating Payments
Carer's Allowance Supplement
Child Disability Payment
Best Start Grant
Best Start Foods
Young Carer Grant
Child Winter Heating Payment
Adult Disability Payment
Scottish Child Payment

Healthcare

Identifying early years healthcare spending in England

To calculate healthcare spending on 0-4 year-olds in England we used data from the NHS National Cost Collection (including pregnancy), which breaks down costs by care activity (NHS England, n.d.), supplemented by community services statistics, GP costs, dentistry, and other primary care services (NHS, 2023a, 2023b).

For secondary care, we include paediatric, ante-natal and peri-natal activities within our measure of early years healthcare spending. These include inpatient¹ and day attendances, outpatient attendances², A&E attendances, mental health services³, and community services⁴. The costs of paediatric services are given for all children aged 0-18, not just those aged under 5 (or 0-1 or 2-4), so to apportion the fraction of this 0-18 healthcare spending that goes on the age groups of

¹ Examples of inpatient attendances include paediatric cardiac conditions, skin disorders, blood-cell disorders, and development disorders.

² For example, we have included paediatric dentistry service, ophthalmology service, pain management service, and urology service.

³ Such as paediatric liaison service, paediatric mental health conditions, and peri-natal mental health services.

⁴ Including, community midwife post-natal visits, community paediatric services, and community matrons.

interest we used age profiles of health spending from the Office for Budget Responsibility (Office for Budget Responsibility, 2022). We also create a separate “pregnancy” category for healthcare spending to capture healthcare activities related to childbirth.

There were some changes to the way that NHS England cost data was made available in the early 2010s, as well as in 2023-24. As a result, it was not feasible to collate spending specifically for natal related and paediatric activities in those years. Instead, to extrapolate back from our estimate of early years spending in 2013/14 we assume that between 2010/11 and 2013/14 it grew at the same rate as total NHS spending. We take an analogous approach to extrapolate forwards from 2022/23 to 2023/24.

Spending by income group

To document how early years healthcare spending is likely distributed across income groups, we use the ONS’ “Effects of Taxes and Benefits on UK Household Income” series (Office for National Statistics, 2024c). This includes an analysis of public spending on a number of specific “benefits-in-kind” (for our purposes, notably including NHS spending and free childcare) across different groups of households, including among quintiles of household income among (non-retired) households with children. Under the assumption that the distributional pattern of early years healthcare spending is the same as that for all healthcare spending on households with children, this allows us to examine the progressivity of this area of early years spending and to compare it with similar analyses for the other spending areas. Note that the ONS series on which this analysis is based is currently not available beyond 2022/23. It is also for the whole of the UK, so we implicitly assume that this is the same as the distributional pattern for England specifically. Given England’s size relative to the other UK nations, this is very likely to be a close approximation.

Children’s services and social care

To estimate England’s spending on children’s services and social care we used data on Local Authority (LA) expenditure on children’s services from the Department for Education (DfE) (Department for Education, 2024c). Tables 3-7 present the individual spending items that we included in our analysis.

Table 3. Sure start children’s centres spending items, children aged 0 to 4

Spend on individual Sure Start Children’s Centres (Department for Education, 2024c)
Spend for services delivered through Sure Start Children’s Centres (Department for Education, 2024c)
Spend on management costs relating to Sure Start Children’s Centres (Department for Education, 2024c)
Other spend on children under 5 (Department for Education, 2024c)

Table 4. Children looked after spending items, children aged 0 to 18

Residential care (Department for Education, 2024c)
Fostering services (excluding fees and allowances for LA foster carers) (Department for Education, 2024c)
Fostering services (fees and allowances for LA foster carers) (Department for Education, 2024c)
Adoption services (Department for Education, 2024c)
Special guardianship support (Department for Education, 2024c)
Other children looked after services (Department for Education, 2024c)
Short breaks (respite) for looked after disabled children (Department for Education, 2024c)
Children placed with family and friends (Department for Education, 2024c)
Education of looked after children (Department for Education, 2024c)
Asylum seeker services children (Department for Education, 2024c)

Table 5. Other children and families services spending items, children aged 0 to 18

Other children and families services (Department for Education, 2024c)

Table 6. Safeguarding children and young people services spending items, children added 0 to 18

Social work (including LA functions in relation to child protection) (Department for Education, 2024c)
Commissioning and Children's Services Strategy (Department for Education, 2024c)
Local Safeguarding Children Board (Department for Education, 2024c)

Table 7. Family support services spending items, children aged 0 to 18

Direct payments (Department for Education, 2024c)
Short breaks (respite) for disabled children (Department for Education, 2024c)
Other support for disabled children (Department for Education, 2024c)
Targeted family support ⁵ (Department for Education, 2024c)
Universal family support (Department for Education, 2024c)

Sure Start is explicitly targeted at 0-4-year-olds. However, the other items above include spending on children over 5 as well as the early years. To approximate the proportion of non-Sure Start spending that goes to children under 5, we use DfE data on the age profile of children

⁵ Family Support Services capture statutory services provided to children in need and their families and voluntary aid to other children, such as short breaks for disabled children and home care services.

looked after (CLA), which includes the proportion of CLA that are under 5 in each year (Department for Education, 2024b). While not all non-Sure Start spending is on children looked after, this provides a readily available empirical measure of the age distribution of spending on children's services and social care that is, to our knowledge, the most reasonable proxy available.⁶

Spending by age group

As in other spending areas, we also break down spending on children's services and social care into the money spent on 0-1 year-olds and on 2-4 year-olds.

For spending other than Sure Start, the CLA data mentioned above provides further breakdowns of the numbers of CLA who are aged 0 and aged 1-4, per year since 2010. For Sure Start spending, we took a similar approach to disaggregate spending by age, but using data on the age distribution of children in need (CiN) in each year (Department for Education, 2024a). This, once again, is not exactly the population of interest, but it provides an empirical measure of the age distribution of support for a population that likely shares some relevant characteristics. We further assume that 1-year-olds receive one-quarter of the spending on 1-4 year-olds. This is to convert figures on 0-year-olds and 1-4 year-olds into figures on 0-1 and 2-4 year-olds for comparability with the other spending areas that we consider in this report.

All in all, we would consider our age breakdowns of spending on children's services and social care to come with a slightly higher degree of uncertainty than for other spending areas.

Spending by income group

We are unaware of data that would allow us to directly estimate how spending on children's services and social care goes to different income groups based on a household-level measure of income. Hence, our analysis of the distributional pattern of spending in this area is conceptually somewhat different to that for other areas, as we employ an approach based on a local area-level measure of income. We combine DfE data on children's social care spending by local authority with ONS data on average income by local authority (Department for Education, 2024b; Office for National Statistics, 2024b). This allows us to show how children's social care spending varies with the average income of the local authority.

Free childcare

We identify funding for free childcare entitlements in England from the Early Years Block of the Dedicated Schools Grant (DSG) from the Department for Education. In particular, we included early years pupil premium, disability access and universal entitlements funding, as well as disadvantaged and working parent entitlements for children aged between 0-2 years old. We referred to figures after recoupment and direct funding of high needs, available under the DSG table of allocations (Education & Skills Funding Agency, 2024). We use annual funding data

⁶ England's CLA data is measured on March 31st each year. At the level of a financial year, we therefore take the average of the CLA data across the As a result, we assume the number of CLA for a financial year is the average across the two relevant years.

back to 2010/11 and up to 2024/25. The figure for 2024/25 – the financial year that we remain in – is based on the initial funding allocation for the year, but our analysis of previous years suggests that this is likely to be very similar to the consolidated expenditure figure at year-end. Including the figure for 2024/25 means that our analysis here goes beyond the time period covered for other spending areas, but it means we can capture the impact of the major expansion of free childcare entitlements to children between 9 months and 3 years old, which began in September 2024.

Spending by age group

All free childcare entitlements are for children aged under 5, so it is straightforward to attribute this spending as early years spending. We also split spending between that going to 0-1 year-olds and to 2-4 year-olds. For this, we use data on the numbers of children of these ages eligible for free childcare entitlements, available in part-time equivalent terms, to apportion total spending on free childcare across the two age-groups (Education & Skills Funding Agency, 2025).⁷

Spending by income group

To document how free childcare spending is likely distributed across income groups, we use the ONS' "Effects of Taxes and Benefits on UK Household Income" series, as we did for healthcare (Office for National Statistics, 2024c). This includes an analysis of public spending on free childcare entitlements by quintile of household income among (non-retired) households with children. Note that the ONS series on which this analysis is based is currently not available beyond 2022/23. This means that it does not capture the extension of entitlements to many more families in which children are aged between 9 months and 3 years that began in September 2024 - an extension which predominantly benefits middle- and higher-income families with children (Drayton and Farquharson, 2023). As with healthcare, the ONS analysis by income is also for the whole of the UK, so we implicitly assume that this is the same as the distributional pattern for England specifically. Given England's size relative to the other UK nations, this is very likely to be a close approximation.

⁷ "Supplementary funding" within the DSG is not provided by age group, so we assume that its apportionment across 0-1 year-olds and 2-4 year-olds is the same as for the other streams of free childcare funding.

Findings

In this chapter we take each of the four broad spending areas in turn and set out our key findings. In the next chapter, to wrap up, we then bring together the four areas in order to highlight how the overall level and composition of early years spending has changed. All monetary figures are reported in 2024 prices unless otherwise stated.

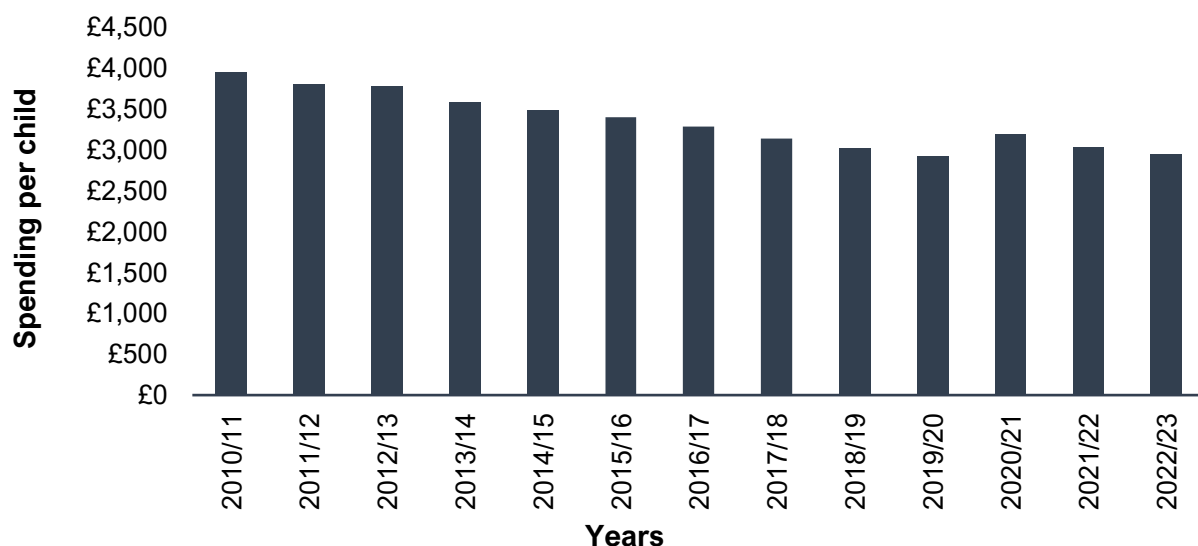
Welfare

Timeseries of early years welfare spending

As has been examined extensively and in detail in its own right (e.g. Waters and Wernham, 2024), the period since 2010/11 has seen a large number of cuts to the generosity of working-age welfare. For example, most benefit and tax credit rates were uprated by less than inflation in each year between 2013/14 and 2019/20; housing benefit limits for private sector tenants were subject to a series of cuts; and within the means-tested benefits system, per-child support has been limited to the first two children in the family for children born since April 2017. The latter policy is a leading example of one which affects families with children specifically, but families with children receive more in benefits than other working-age families on average, and so they tend to have more to lose from even broad-based cuts to support.

Figure 1 presents the annual time series of early years welfare spending per 0-4 year-old in England, from 2010/11 to 2022/23. Unsurprisingly given the policy context just discussed, this strand of support – which is the biggest strand of early years support overall (see end of this Chapter) – has fallen very substantially. In real terms, the reduction since 2010/11 equates to about 26%, or £1,000 less support per child. Annual spending per child aged 0-4 fell in almost every year between 2010-11 and 2019-20, before a largely temporary rebound during the Covid pandemic (caused at least in part by a temporary £20 per week increase to Universal Credit).

Figure 1. Timeseries of early years welfare spending per child in England, 2010/11-2022/23



Spending by age group and household income

The next two tables provide some additional detail on where early years welfare spending goes. In both 2010/11 and 2022/23, there are only very minor differences in per-child spending by age within the early years, but very large differences by household income level. This is unsurprising, because none of the largest welfare payments in the UK vary entitlements based on child age within the early years, but means-tested payments – which dominate the UK welfare system for working-age households – are explicitly targeted at those on low incomes. As a result, the lowest-income fifth of households with children receive several times more welfare spending than the highest-income fifth. As we shall see, this makes it a significantly more progressive component of early years spending than the other spending areas that we are able to analyse on a household income basis (healthcare and free childcare) – and it is the only one of those three areas that have been cut since 2010.

Table 8. Per child spending on early years welfare in England in 2010/11 and 2022/23 by age group

Age group	Annual spending per child in 2010/11	Annual spending per child in 2022/23
0-1 years old	£4,200	£3,100
2-4 years old	£3,800	£2,900
Average	£4,000	£2,900

Table 9. Distribution of UK spending on early years welfare by income quintile, 2022/23

Income quintile	% of UK spending on welfare in 2010/11	% of UK spending on welfare in 2022/23
Q1	28%	36%
Q2	31%	26%
Q3	20%	20%
Q4	14%	13%
Q5	8%	4%

Healthcare

As set out more fully in the previous chapter, to identify early years spending on healthcare services in England we identify specific sub-categories of spending focused on under-18s, and then apportion a fraction of that to under-5s using data on the age profile of NHS spending.

Table 10 presents the estimated figures for 2010/11 and 2023/24, split by broad healthcare category. Note that these figures include spending on pregnancy (though when we move to per-child spending on the early years we will focus on spending on 0-4 year-olds only). This suggests that approximately £4.9bn per year is spent on early years healthcare in England. Most

of this is spent on inpatient (£1.6bn), primary care (£1.5bn) and outpatient services (£0.7bn). Each of these areas has contributed to the 63% real-terms increase in total early years healthcare spending since 2010/11.

Table 10. Total spending on early years healthcare in England, 2010/11-2023/24

Type of provision ⁸	Total spending in 2010/11 (£m)	Total spending in 2023/24 (£m)
Inpatient	£1,000	£1,600
Outpatient	£400	£700
Primary care ⁹	£900	£1,500
Mental health ¹⁰	£10	£20
A&E	£300	£500
Community	£100	£200
Other ¹¹	£300	£400
Total	£3,000	£4,900

Table 11. Spending per child on early years healthcare in England, 2010/11-2023/24

Type of provision	Spending per child in 2010/11	Spending per child in 2023/24
Inpatient	£300	£400
Outpatient	£100	£200
Primary care	£200	£400
Mental health	£3	£5
A&E	£100	£100
Community	£30	£50
Other	£100	£100
Average	£800	£1,300

⁸ These spending lines are themselves aggregates of a very large number of individual disaggregated spending lines, which would not be digestible to present in their entirety. But to give a few examples of where specific services would fit, part of midwifery services would be classified as outpatient services, while others are under the “other” category. As another example, health visiting is included in the “other” category.

⁹ Data on prescriptions are only available from 2013–14 onwards. For years before that, we assumed that their relative share over total primary care spending remained stable and equal to its 2013 level.

¹⁰ This includes only paediatric mental health. Maternal mental health and peri-natal mental health services are included in inpatient and outpatient services depending on the provision type.

¹¹ The ‘other’ category includes, for example, spending on occupational therapists, physiotherapists, and midwives. The last item sits at approximately £35m in 2023.

Tables 12 and 13 break this spending down into total and per child spending on: (i) pregnancy, (ii) 0-1 year olds; and (iii) 2-4 year olds. Pregnancy-related spending includes sub-items specifically related to natal provision. The other spending is on paediatric items, for which data is available on spending on all 0-18 year-olds. We apportion a fraction of that to 0-1 year olds and 2-4 year-olds using data on the age profile of NHS spending, as explained in the “Methodology” chapter.

This shows that the spending is split roughly evenly between pregnancy, 0-1 year-olds, and 2-4 year olds. We do not attempt to precisely estimate pregnancy spending per unborn child, but it is clear that it is higher than spend per child among 0–4-year-olds (given that there are fewer children in utero at any one time than there are children aged 0-1, or 2-4). Healthcare spending per child is also a little higher for 0–1-year-olds than for 2–4-year-olds. The age profile of healthcare spending within the early years seems to have remained stable since 2010.

Table 12. Total healthcare spending by age group in England, 2010/11-2023/24

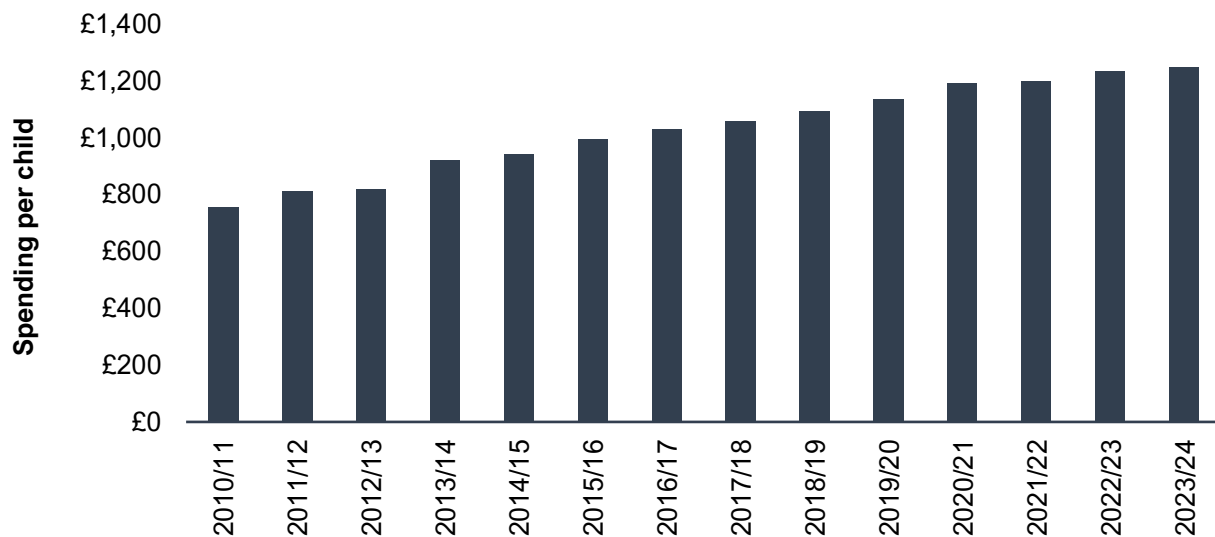
Type of provision	Total spending (£m, 2010/11)	Total spending (£m, 2023/24)
Pregnancy	£500	£1,100m
0-1 years old	£1,200	£1,700m
2-4 years old	£1,400	£2,100m
Total	£3,000	£4,900m

Table 13. Per child healthcare spending by age group in England, 2010/11-2023/24

Type of provision	Spending per child aged 0-4 (2010)	Spending per child aged 0-4 (2023)
0-1 years old	£900	£1,400
2-4 years old	£700	£1,100
Average	£800	£1,300

Timeseries of early years healthcare spending

Figure 2 presents the full annual time series of estimated early years healthcare spending, on a per child basis, back to 2010-11. This shows that the increase has been a secular one, with rises in per-child spending occurring in every single year since 2010/11. We interpret this as evidence that the increase is likely driven by gradual changes in levels of need or demographics, rather than specific policy shifts. In particular, the total early years population in England has decreased by approximately 8% since 2010. As a result, the increase in spending per child is partially driven by the decrease in the number of children benefiting from healthcare spending.

Figure 2. Timeseries of early years healthcare spending per child in England, 2010/11-2023/24

Spending by household income

Table 14 uses ONS data (described in the previous chapter) to document how UK healthcare spending is distributed across quintiles of household income among households with children, and how this changed between 2010/11 and 2022/23 (the latest year for which this breakdown is available). This shows a shift from healthcare spending that was distributed almost uniformly, on average, across the income groups to spending which is skewed towards lower-income households with children. Although the distributional pattern is nowhere near as pronounced as for welfare, the lowest-income fifth of households with children now receive almost 36% more healthcare spending than the highest-income fifth. In other words, the overall increase in early years healthcare spending appears to have been driven disproportionately by spending on children from lower-income households. The reasons for this would be worthy of further exploration in their own right, but (to our knowledge) they are not the result of a deliberate policy shift. It may, therefore, be an indication that this reflects an increased level of need rather than a change in the level of provision relative to need. As mentioned above, this also fits more naturally with the observation that the increase in healthcare spending has occurred consistently and gradually over the period.

Table 14. Shares of total healthcare spending by household income quintile among households with children, UK, 2010/11 and 2022/23

Income quintile	% of UK healthcare spending (2010/11)	% of UK healthcare spending (2022/23)
Q1	20%	25%
Q2	20%	21%
Q3	21%	19%
Q4	20%	17%
Q5	19%	18%

Children's services and social care

Tables 15 and 16 show total and per-child early years spending on children's services and social care, by broad service type in 2010/11 and 2023/24. The analysis shows that this area has been cut by well over one quarter in real terms, from £4.2bn in 2010/11 to £2.9bn in 2023/24. It also shows that cuts to Sure Start – by far the largest item of early years spending in 2010/11, but since cut by about three quarters in total and by two-thirds on a per child basis – have accounted for all of this reduction.

Conversely, both total and per-child spending on Children Looked After has risen and has now become comfortably the largest area of early years spending in this area. Residential care and fostering services are the largest components of the children looked after category. In 2023, LAs spent £575m and £387m on residential care and fostering services, respectively, far exceeding the third largest spending of £120m on the 'other children looked after services'. The greatest increase is observed in spending on residential care, which increased by £215m.

It is difficult to neatly separate all spending on children's services and social care into that which is responding to need and that which is attempting to prevent need or proactively support families (and some spending will be doing a combination of the two). Nevertheless, a very clear broad pattern emerges from looking at the top two items in the Tables. The spending area that has risen to become the largest – spending on Children Looked After – reflects spending that responds to need, and typically very high levels of need. Conversely, the previously dominant form of spending that has been severely cut back – Sure Start – was an early intervention of largely the preventative variety (though it was targeted at communities with higher levels of need).

Table 15. Spending on early years services and social care by broad service, 2010/11 and 2023/24

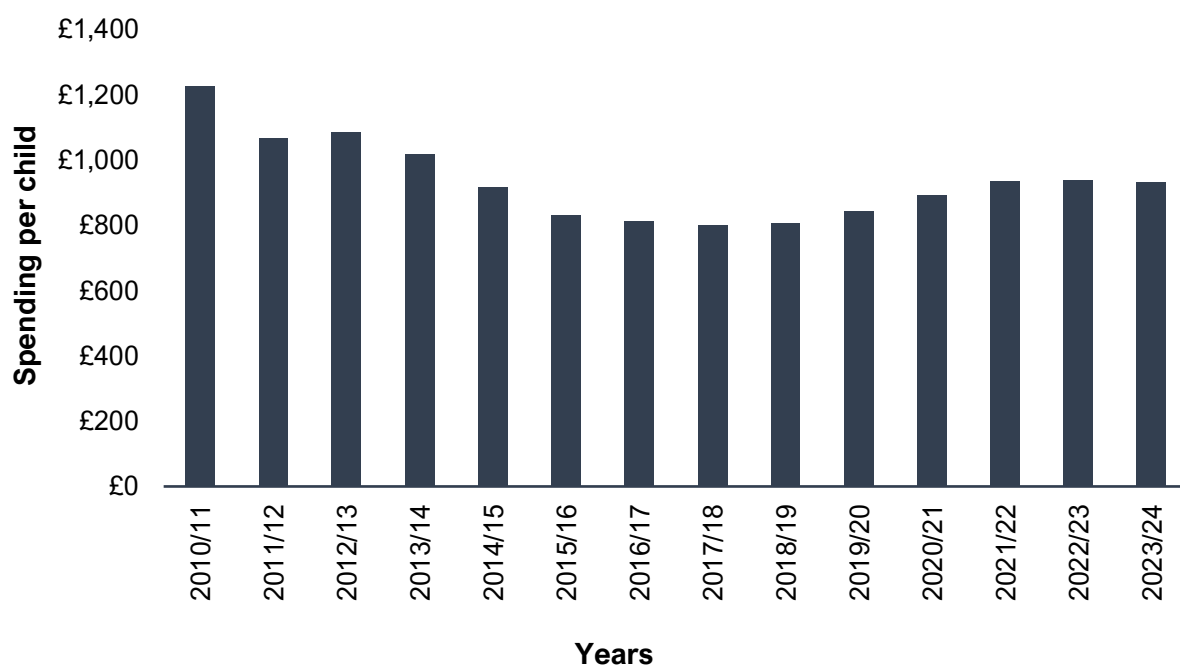
Type of Provision	Total spending in 2010/11 (£m)	Total spending in 2023/24 (£m)
Sure Start	£2,100	£600
Children Looked After	£1,100	£1,400
Other children and families services	£40	£20
Safeguarding Children and Young People Services	£700	£600
Family Support Services	£300	£300
Total	£4,200	£2,900

Table 16. Spending per child on early years services and by broad service, 2010/11 and 2023/24

Type of Provision	Spending per child in 2010/11 (£)	Spending per child in 2023/24 (£)
Sure Start	£600	£200
Children Looked After	£300	£400
Other children and families services	£10	£10
Safeguarding Children and Young People Services	£200	£200
Family Support Services	£100	£100
Average	£1,200	£900

Timeseries of early years spending on early years services and social care

Figure 3 presents the full annual time series of spending on children's services and social care in England since 2010/11, and expresses figures in £ per child aged 0-4. Overall, real-terms early years spending per child has fallen by 24% between 2010/11 and 2023/24, from about £1,200 to £900 per child. The figure shows that the cuts were concentrated during the first phase of austerity during the early 2010s, after the Great Financial Crisis, with a (modest) recovery since 2017/18.

Figure 3. Timeseries of spending on early years services and social care per child in England, 2010/11-2023/24

Spending by age group and local authority income level

The next two tables provide some additional detail on where this spending goes. We estimate that, on a per-child basis, slightly more is spent on 0–1-year-olds than on 2–4 year-olds in 2010/11 and 2023/24. Its distribution across local authorities grouped by average income rank is not very strongly patterned, although most is spent in local authorities in the lower-middle (second and third quintiles) of the income distribution, which have slightly increased. In this context, it is worth noting the well-documented fact that Sure Start centres were highly targeted in more deprived areas, and that the cuts to Sure Start since 2010/11 will be a key reason why this area of spending is not particularly distributed towards lower-income households (Mason et al., 2021).

As set out in the previous chapter, it is important not to directly compare this with the distributional analysis of other spending areas due to the different income concepts (local authority level rather than household level) that we have to use.

Table 17. Spending per child on early years children’s services and social care by age-group, 2010/11 and 2023/24

Age group	Spending per child in 2010/11 (£)	Spending per child in 2023/24 (£)
0-1 years old	£1,300	£1,100
2-4 years old	£1,200	£900
Average	£1,200	£900

Table 18. Percentage of total England spending on children’s services in each income quantile, 2010/11 and 2023/24

Income quantile	% of England’s spending on children’s services in 2010/11	% of England’s spending on children’s services in 2023/24
Q1	19%	17%
Q2	22%	24%
Q3	20%	22%
Q4	20%	19%
Q5	20%	18%

Free childcare

Timeseries of early years spending on free childcare entitlements

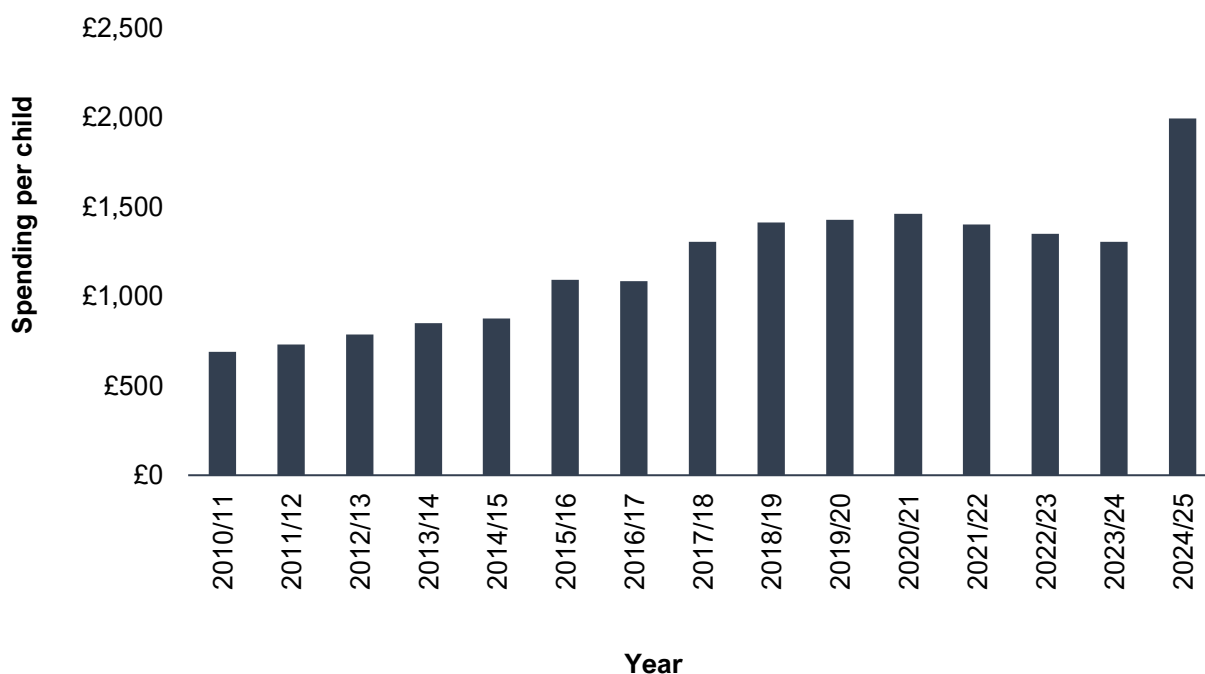
Table 19 and Figure 4 show how spending per 0–4-year-old on free childcare entitlements has changed since 2010/11. As explained in the previous chapter, spending estimates based on initial allocations are already available for the current financial year, 2024/25, so we bring this

analysis right up to the present. This enables us to capture the very recent further expansions of free entitlements among children aged 9 months to 3 years. Overall, spending per child on free childcare has almost trebled since 2010/11, from £700 to around £2,000 per child per year, emerging as a major new plank of early years support and the wider welfare state. Indeed, it has overtaken children’s services and social care and become the second-largest early years spending area, after welfare.

Table 19. Total and per child spending on free childcare entitlements, 2010/11-2024/25

Year	Total spending	Spending per child
2010/11	£2,300m	£700
2024/25	£6,100m	£2,000

Figure 4. Timeseries of spending on free childcare entitlements per child in England, 2010/11-2024/25



Spending by age group and household income

Returning to the age breakdowns that we have used throughout this report, Table 18 shows that a large majority of spending on free childcare entitlements is allocated to the 2-4-year-old group in 2023/24. Note, however, that this split is evolving, as many more free childcare hours are now being made available to children between 9 months and 3 years old with eligible working parents. This is happening in two phases, in September 2024 and September 2025.

Table 20. Per child spending on free childcare entitlements in England in 2010/11 and 2024/25, by age group

Age group	Spending per child 2010/11	Spending per child 2024/25
0-1 years old	£0	£700
2-4 years old	£1,200	£2,800
Average	£700	£2,000

Table 21 presents how free childcare entitlement spending is split across quintiles of the household income distribution of households with children. The ONS data have only provided this breakdown for free childcare since 2020, so here we focus only on the current picture and not trends over time. According to the ONS data, the bottom income quintile group receive the largest share of this spending on average (a closer look at the data shows that this is driven specifically by the second decile group). However, a large share of the support is also received by higher-income households, with the top two quintiles seeing at least a proportional share of the spending. Overall, slightly more than half of all spending on free childcare in 2022/23 went to the highest-income half of households with children. Note also that this area of spending is even less targeted towards lower-income households since 2022/23: the extension of entitlements to many more families in which children are aged between 9 months and 3 years that began in September 2024 predominantly benefits middle- and higher-income families with children (Drayton & Farquharson, 2023).

Table 21. Distribution of UK spending on free childcare entitlements by income quintile, 2022/23

Income quintile	% of UK childcare spending (2022/23)
Q1	29%
Q2	13%
Q3	17%
Q4	21%
Q5	21%

Bringing it all together: total early years spending in England

To conclude the report, we bring the analyses of early years spending areas together. In order to do this coherently we must focus on data that is available for all spending areas, which means we have to conduct this exercise up to 2022/23 (due to lack of estimates for early years welfare spending beyond this). We present figures per child aged 0-4 (which also means that we exclude pregnancy-related spending in healthcare and children’s services).

Figure 5 combines early years spending per 0-4 year-old in England, across all 4 spending areas, for each year between 2010/11 and 2022/23.

Total early years spending on 0–4-year-olds in England was £21bn in 2022/23. This is about 3% of total identifiable public expenditure in England (“identifiable” expenditure excludes items like defence spending that cannot be straightforwardly attributed to specific parts of the UK) (HM Treasury, 2024). This equates to £6,400 per child aged 0-4– very similar to, but fractionally lower than, the £6,600 per child in 2010/11 (note also that, given the expansion of free childcare currently happening, we would judge that this figure is more likely to have risen than fallen since 2022/23).

However, the composition of early years spending has changed significantly. The single largest component remains welfare, at just under £3,000 per child (about £9bn per year in total) in 2022/23. But it is less dominant than before, with its share of spending falling from 60% in 2010/11 to 46% in 2022/23. Free childcare has risen quickly in relative importance, overtaking healthcare and children’s services and social care during the early 2010s to become the second-largest source of spending on children aged 0-4. As shown in the previous Chapter, it is expanding significantly further in the current financial year (beyond the time horizon shown in Figure 5).

Figure 5. Early years spending per child in England, current prices

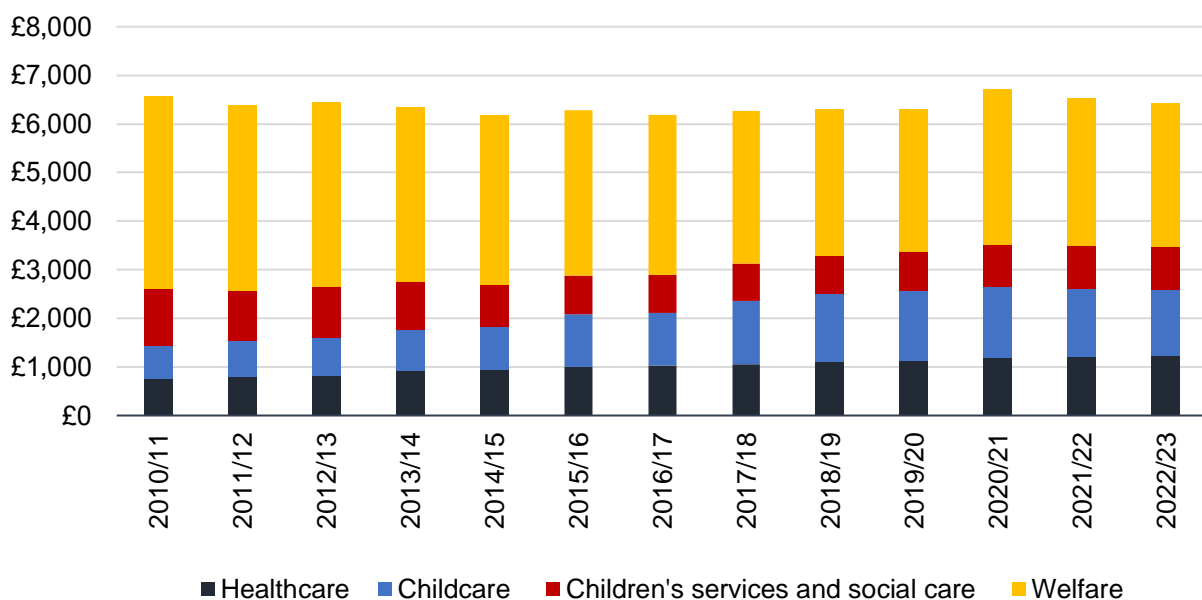


Figure 6 shows the total early years spending in England. This reflects essentially the same trends as the figures for children aged 0-4 shown in Figure 5, although it also includes pregnancy-related spending for healthcare and children's services. Overall, total spending has decreased since 2010, from £22.6bn to £20.8bn.

In sum, the overall stability of early years spending since 2010/11 reflects the effects of rises in healthcare and childcare spending (which in combination have almost doubled, from £1,400 per child to £2,600 per child), almost exactly offset by falls in spending on welfare and children's services and social care. As we saw in the previous chapter, the falls in that latter area of spending are entirely explained by cuts to Sure Start.

We have shown that welfare, which is where most of the cuts to early years spending have fallen, is by far the most progressive of the broad spending areas. Meanwhile, Sure Start, which explains all of the cut in spending on children's services and social care, was a programme that was highly targeted at poorer areas. Conversely, free childcare, which is the largest source of increases in early years spending, is distributed much more evenly across income groups: the top half of the income distribution benefits at least as much as the bottom half (although the lowest-income fifth benefit more from than the rest of the bottom half).

Besides childcare, the other spending area to have grown per child is healthcare. This is probably the area where it is least clear, without further analysis, what is driving the change. We have shown that the increase in early years healthcare spending has likely been driven disproportionately by spending on children from lower-income households. This is not (to our knowledge) the result of an obvious and deliberate policy shift, so it may be an indication that this reflects an increased level of need rather than a change in the "generosity" of the system relative to need. Our findings suggest that trends in early years healthcare spending would be a topic worthy of further exploration and explanation.

The significant shift in the composition of early years spending – even while the overall level has remained quite stable – has likely had substantial distributional implications. Given the respective trends documented around welfare, free childcare and children's services - and Sure Start in particular - it is highly likely that early years spending has become less targeted to lower-income households since 2010/11.

Bibliography

- Department for Education. (2024a, October 31). *Children in need*. <https://explore-education-statistics.service.gov.uk/find-statistics/children-in-need>
- Department for Education. (2024b, December 12). *LA and school expenditure*. <https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure>
- Department for Education. (2024c, December 12). *LA expenditure on children's services—National rounded summary*. <https://explore-education-statistics.service.gov.uk/data-catalogue/data-set/41ac058d-fb86-41a2-8ed6-f57da9a150d9>
- Department for Work and Pensions. (2024). *Households below average income: For financial years ending 1995 to 2023*. GOV.UK. <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2023>
- Department for Work and Pensions. (2025, January 6). *Benefit expenditure and caseload tables 2024*. GOV.UK. <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>
- Drayton, E., & Farquharson, C. (2023, September 26). *Early years spending update: Budget reforms and beyond*. Institute for Fiscal Studies. <https://ifs.org.uk/publications/early-years-spending-update-budget-reforms-and-beyond>
- Education & Skills Funding Agency. (2024, July 17). *Dedicated schools grant (DSG) 2023 to 2024*. <https://skillsfunding.service.gov.uk/view-latest-funding/national-funding-allocations/DSG/2023-to-2024>
- HM Revenue & Customs. (2025, January 22). *HMRC tax receipts and National Insurance contributions for the UK*. GOV.UK. <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>
- HM Treasury. (2024, November 28). *HMT Public Spending Statistics*. GOV.UK. <https://www.gov.uk/government/collections/national-statistics-release>
- Mason, K. E., Alexiou, A., Bennett, D. L., Summerbell, C., Barr, B., & Taylor-Robinson, D. (2021). Impact of cuts to local government spending on Sure Start children's centres on childhood obesity in England: A longitudinal ecological study. *J Epidemiol Community Health*, 75(9), 860–866. <https://doi.org/10.1136/jech-2020-216064>
- NHS. (2023a). *Community Services Statistics: Data sets*. NHS England Digital. <https://digital.nhs.uk/data-and-information/publications/statistical/community-services-statistics-for-children-young-people-and-adults/april-2023/datasets>
- NHS. (2023b). *Prescription Cost Analysis – England – 2022-23 | NHSBSA*. <https://www.nhsbsa.nhs.uk/statistical-collections/prescription-cost-analysis-england/prescription-cost-analysis-england-2022-23>
- NHS England. (n.d.). *National Cost Collection for the NHS*. Retrieved 30 January 2025, from <https://www.england.nhs.uk/costing-in-the-nhs/national-cost-collection/>
- Office for Budget Responsibility. (2022, July). *Fiscal risks and sustainability*. https://obr.uk/docs/dlm_uploads/Fiscal_risks_and_sustainability_2022-1.pdf
- Office for National Statistics. (2024a, October 8). *Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland—Office for National Statistics*.

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

Office for National Statistics. (2024b, October 29). *Earnings and hours worked, place of residence by local authority: ASHE Table 8.*

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashtable8>

Office for National Statistics. (2024c, December 19). *Effects of taxes and benefits on UK household income—Office for National Statistics.*

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2023>

Phillips, D. (2013). *Government spending on benefits and state pensions in Scotland: Current patterns and future issues.* Institute for Fiscal Studies.

<https://doi.org/10.1920/BN.IFS.2012.00139>

Scottish Government. (2022, December 15). *Scottish Budget: 2023 to 2024.*

<https://www.gov.scot/publications/scottish-budget-2023-24/pages/6/>

Scottish Government. (2023). *Social Security Scotland statistics: Publications.*

<https://www.gov.scot/collections/social-security-scotland-stats-publications/>

UK Government. (2024). *Country and regional analysis: 2024.* GOV.UK.

<https://www.gov.uk/government/statistics/country-and-regional-analysis-2024>

Appendix

Table 22. Total spending on early years welfare in England in 2010/11 and 2022/23 by age group

Age group	Total spending in 2010/11	Total spending in 2022/23
0-1 years old	£5,600m	£3,600m
2-4 years old	£7,500m	£5,400m
Total	£13,100m	£9,000m

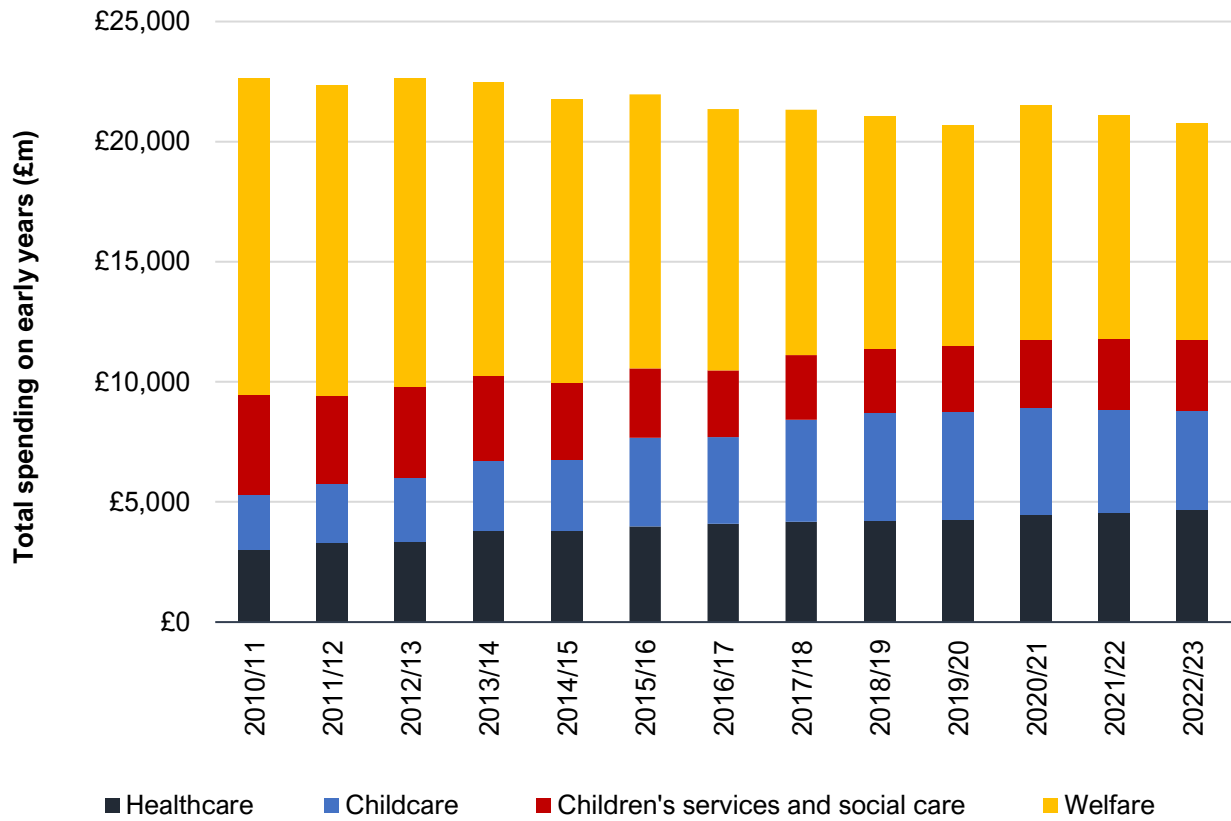
Table 23. Total spending on early years children's services and social care by age group, 2010/11 and 2023/24

Age group	Total spending in 2010/11	Total spending in 2023/24
Pregnancy	£110m	£50m
0-1 years old	£1,700m	£1,300m
2-4 years old	£2,400m	£1,600m
Total	£4,200m	£2,900m

Table 24. Total spending on free childcare entitlements in England in 2024/25, by age group, 2010/11 and 2024/25 prices

Age group	Total spending 2010/11	Total spending 2024/25
0-1 years old	£0	£800m
2-4 years old	£2,300m	£5,300m
Total	£2,300m	£6,100m

Figure 6. Total early years spending in England, current prices





+44 20 8133 3192 43 Tanner Street, SE1 3PL, London, UK

Copyright © 2025 All rights reserved
Company Number 09391354, VAT Number GB208923405, Registered in England and Wales

 [company/alma-economics](https://www.linkedin.com/company/alma-economics)

 [almaeconomics](https://www.almaeconomics.com)

