Nuffield Foundation

INSTITUTE FOR GOVERNMENT

Public services performance tracker 2025

Local government

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About *Public Services Performance Tracker*

The *Public Services Performance Tracker 2025* annual report, published in partnership with the Nuffield Foundation, provides the most comprehensive stocktake to date of the inheritance left by the Conservative government and the decisions made since Labour came to power.

Using more than 250 indicators, it analyses spending, demand, staffing and performance across nine key public services: general practice, hospitals, adult social care, children's social care, homelessness services, schools, police, criminal courts and prisons.

For the first time, this year's edition looks at how the quality of public services varies across the country and provides more detailed insights into the drivers of performance. It also provides more in-depth analysis of the cross-cutting issues facing local government, the NHS and criminal justice services.

This report focusses on local government and includes analysis of adult social care, children's social care and homelessness services. It will be followed by instalments covering the criminal justice system, the NHS, and education; the final report in the series will offer a cross-service analysis bringing together insights from across all services.

October 2025

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Local government: key findings

Finances overview

- **One in six** upper-tier local authorities relied on emergency funding in 2025/26
- **2011/12 –** the last year upper-tier local authority reserves were as low as they were in 2024/25
- **Over two-thirds** of local authority spending now goes on adult and children's social care, compared to around half in 2009/10

Adult social care

- **The cost of delivering care has outstripped inflation** in all settings and for all age groups since 2015/16
- **23.5%** of staff working in the adult social care sector were from outside the UK and EEA in 2024/25 compared to 8.2% in 2019/20
- **2/68 –** just two of 68 local authorities were rated 'outstanding' by the Care Quality Commission (only one was 'inadequate')

Children's social care

- **2X –** spending on children's social care has risen twice as fast as the number of children in care since 2012/13
- **15,000 –** growth in the number of children in care compared with 2014, however there 2,000 fewer fostering households
- **The number of agency workers fell** in 2024/25 for the first time since data began being published

Homelessness services

- **19X –** councils' net spending on temporary accommodation has grown in real terms by more than a factor of 19 since 2009/10
- **One in 200** households in England are living in temporary accommodation
- **Three years and 11 months –** the average estimated length of stay in temporary accommodation in London

Local government: Overview

Introduction

Most public services struggled when spending was cut during the early 2010s. But few as much as local government. Cuts were so deep that, even with sustained increases throughout the 2020s, funding is still due to be lower in real terms in 2028/29 than it was almost two decades earlier.

Those cuts were also not distributed equally around the country. More deprived local authorities ended up with far lower levels of funding compared to 2010 than more affluent ones. And as a result of those cuts, Labour inherited a much-changed sector when it entered office in 2024.

When the party last left office, in 2010, local authorities provided many services beyond their statutory duties that supported people to live better lives. Authorities ran more Sure Start centres and operated many more libraries. Youth clubs, and youth services, were a common feature of neighbourhoods up and down the country.

By 2024, local authorities' focus had long ago shifted to financial survival. They had been forced to make cuts to universal, preventative services to ensure they could continue to fund acute, statutory services like adult and children's social care. Those services used up increasing proportions of their budgets, to the point that one interviewee described a feeling of local authorities becoming "adult social care factories".

This is a problem for this government in particular. Local government is vital to much of what Keir Starmer wants it to achieve. Labour outlined three principles of public service reform in the 2025 spending review: better integration of services, a focus on prevention and devolving more power to local areas. Vital to all these changes is a well-financed, stable local government sector.

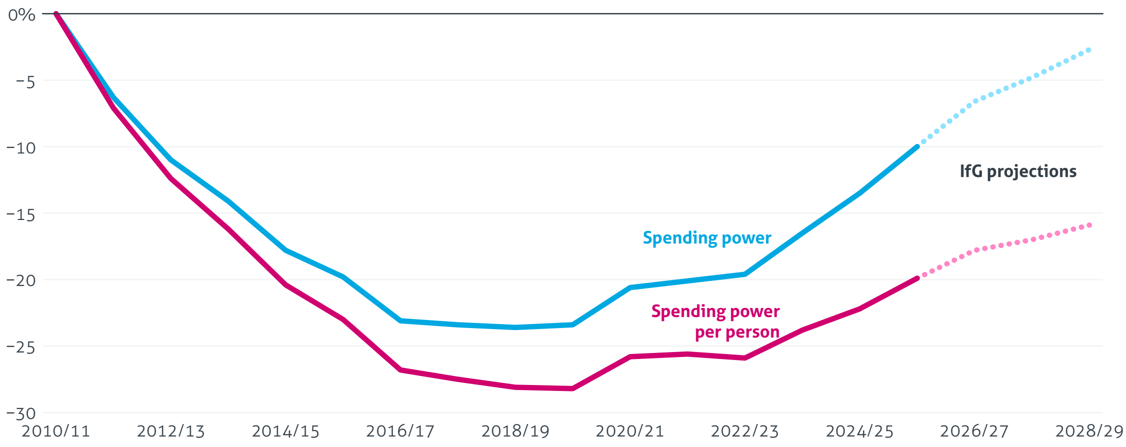
The government has made strides towards reforming the sector. It made a flurry of relatively low-profile but welcome announcements on local government finance, including simplifying some funding pots and changing the process of allocating grant funding. These may eventually contribute to improved financial sustainability and functioning in the sector. But these alone may not be enough to stabilise the sector: the amount of funding is key.

Many public services are on their knees, and have been for years. There is a real risk that, without substantial additional funding, the pattern that emerged during the 2010s – local authorities living in a perpetual state of financial uncertainty – will continue.

Funding for local government

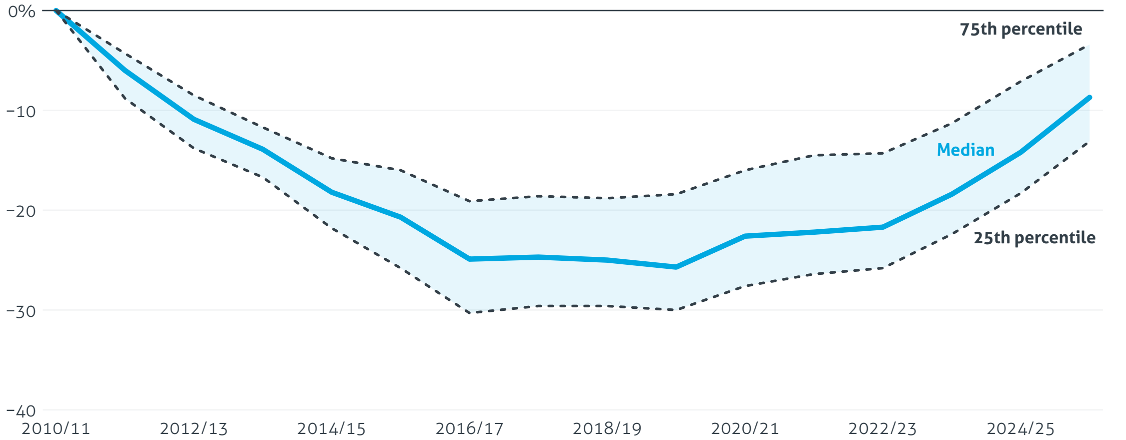
Labour inherited an unstable local government finance environment

Figure LG 1.1 **Real-terms change in local authority spending power, total and per person, since 2010/11**



Source: Institute for Government analysis of MHCLG, 'Core Spending Power table: final local government finance settlement 2025 to 2026', HMT, 'Spending review document', 2025, and ONS, 'Mid-year population estimates', 2024 and ONS, 'Population projections', 2025. Notes: This excludes 'Other' local authorities - for example, fire authorities, mayoral combined authorities - and shows England only. The 'projection' is an estimate of core spending power given current spending plans. Spending power before 2015/16 is an estimate using changes in revenue spending power.

Figure LG 1.2 **Real-terms change in local authority spending power since 2010/11, by local authority**

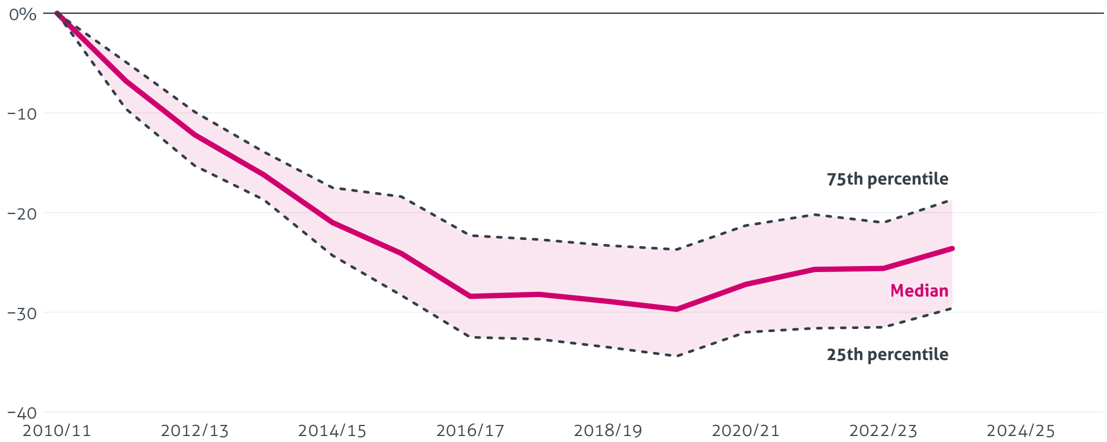


Source: Institute for Government analysis of MHCLG, 'Core Spending Power table: final local government finance settlement 2025 to 2026' and HMT, 'Spending review document', 2025. Notes: This shows upper- and single-tier local authorities in England only. Spending power before 2015/16 is an estimate using changes in revenue spending power. This excludes any local authorities that reorganised in this time.

As a result of the coalition's cuts to local government grant funding, spending power in local authorities* fell by almost a quarter (24.0%) in real terms between 2010/11 and 2019/20. The population grew in that time, meaning that spending power per person fell even further, by 28.8% in real terms.

* Spending power is a measure of the resources that councils can draw on to fund services. In this analysis, it excludes "other" local authorities and is therefore the sum of spending power for shire counties, shire districts, unitary authorities, London boroughs and metropolitan districts.

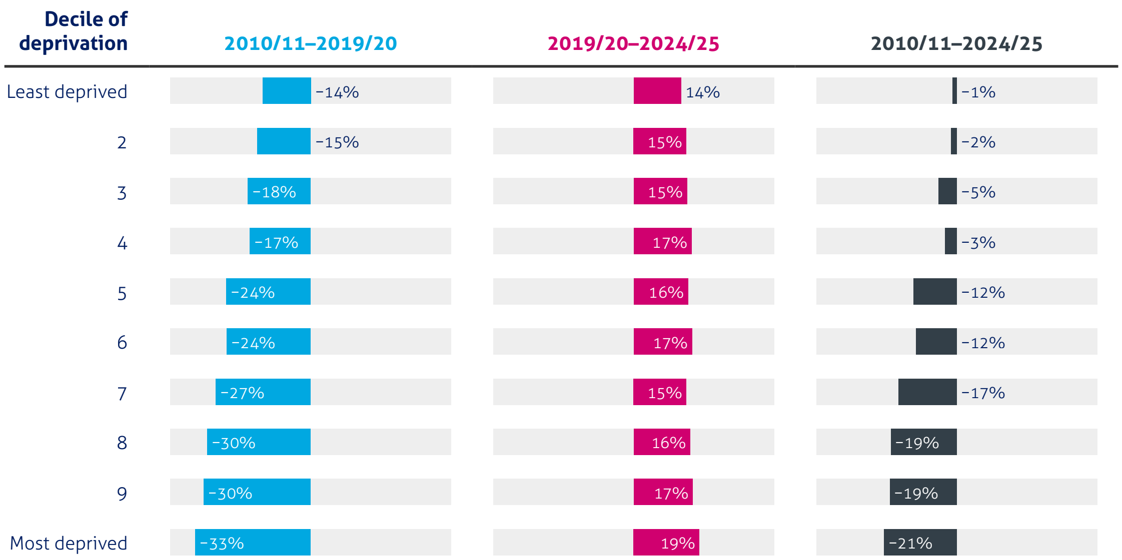
Figure LG 1.3 **Real-terms change in local authority spending power per person since 2010/11, by local authority**



Source: Institute for Government analysis of MHCLG, 'Core Spending Power table: final local government finance settlement 2025 to 2026', HMT, 'Spending review document', 2025, ONS, 'Mid-year population estimates' 2024 and ONS, 'Population projections', 2025. Notes: This shows upper- and single-tier local authorities in England only. Spending power before 2015/16 is an estimate using changes in revenue spending power. This excludes any local authorities that reorganised in this time. This does not include 2024/25 and 2025/26 because there is no local authority-level population figures in those years.

There was some recovery in the years between 2019/20 and 2024/25, as the Johnson and Sunak governments increased funding for the sector. Even so, by the time Labour took office in 2024/25, spending power was still some 13.5% lower in real terms than in 2010/11, and 22.2% lower when accounting for population growth.

Figure LG 1.4 **Real-terms change in local authority spending power, by decile of deprivation, between 2010/11 and 2024/25**



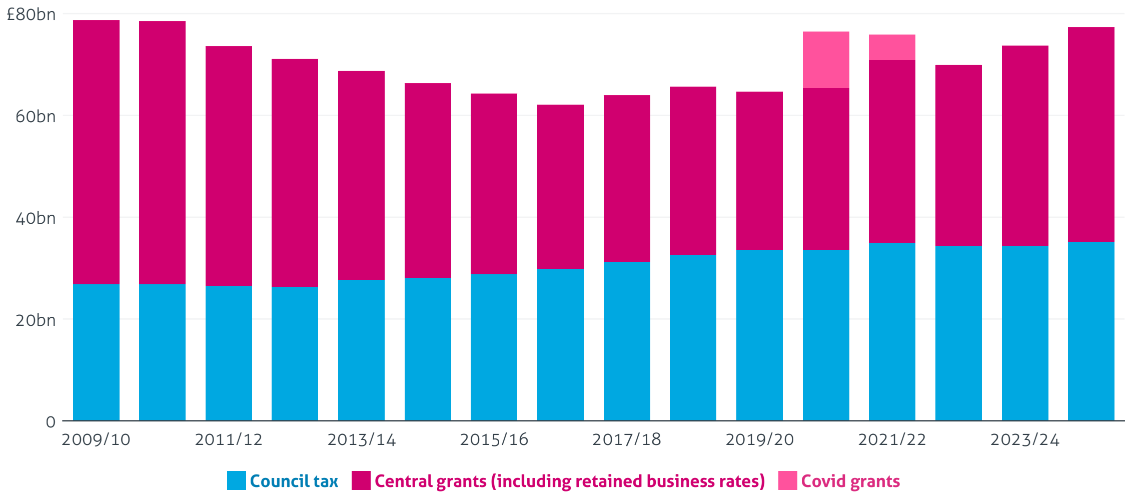
Source: Institute for Government analysis of DLUHC, 'Core spending power supporting information', 2010/11–2024/25 and DLUHC, 'English indices of deprivation. File 10: local authority district summaries', 2019. Notes: 'Local authorities' in this instance is upper- and single-tier local authorities in England only. 'Spending power' refers to revenue spending power in 2010/11 and 2014/15 and refers to core spending power from 2015/16. Local authorities that unitarised during this period are excluded. It also does not include the City of London or the Isles of Scilly.

Since more deprived areas received a higher share of their funding from grants in 2010, they were worst hit by cuts. Spending power for the most deprived decile of local authorities fell by a third (32.8%) in real terms between 2010/11 and 2019/20 compared to 13.7% in the least deprived decile of local authorities.

This pattern reversed between 2019/20 and 2024/25, when the most deprived decile of local authorities received the largest increases in spending power: 18.7% in real terms compared to 13.5% for the least deprived decile. This was not enough, however, to offset the scale of the austerity-era cuts to the most deprived authorities' spending power in the first half of the 2010s and they still experienced the greatest cuts across the entire period between 2010/11 and 2024/25.

Local authorities have become much more reliant on council tax to fund services

Figure LG 1.5 **Local authority revenue by source, 2009/10–2024/25 (2025/26 prices)**



Source: Institute for Government analysis of MHCLG, 'Local Authority Revenue expenditure and financing in England: individual local authority data - revenue outturn', 2009/10–2024/25. Notes: Excludes grants for education services, police and public health. This excludes "Other" local authorities. 2019/20 includes one month of emergency Covid-related funding (March 2020) which increased the proportion of funding from government grants. This includes income from the Better Care Fund (BCF). For details about how we estimated BCF funding in 2024/25, please see the Methodology (which can also be found as a separate PDF on this chapter's webpage). Analysis covers England only.

Alongside central grant funding, local authorities receive most of their funding from a mix of council tax and business rates (a property tax on non-domestic properties). Of these, council tax is the largest: in 2009/10, just over one-third (34.1%) of local authority funding came from council tax, with the remainder coming from grant funding and retained business rates.[*1] In the following years, central government substantially cut grant funding, by 40.1% in real terms between 2009/10 and 2019/20.

At the same time, central government discouraged local authorities from raising council tax between 2011/12 and 2015/16.[2] It did this by offering local authorities grant funding equivalent to the money that they would have received if they had

* Since 2013, local authorities have kept 50% of the business rates income that they collect locally. They send the remainder to central government, which then reallocates that money as grant funding.

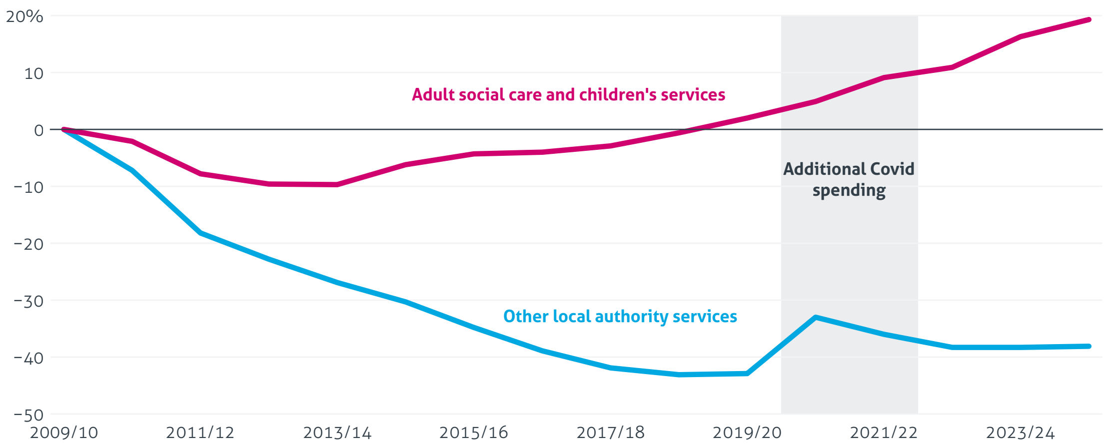
raised council tax, under a programme it called the "Council tax freeze scheme".[3] This saw the median band D council tax rate fall in real terms from £1,760 to £1,676 between 2009/10 and 2014/15 (in 2025/26 prices), or by 4.5%.

Despite this, local authorities' income from council tax rose in real terms in every year between 2013/14 and 2019/20. This could be because they were able to charge more households council tax, as the population grew. Combined with the effect of falling grant funding, the proportion of local authority funding that came from council tax rose to a high of 52.0% in 2019/20. There was subsequently a slight reversal in this trend, with the proportion of funding from council tax falling back to 45.6% in 2024/25 (the last year for which data is available). That was mostly due to central government increasing grant funding more quickly in real terms than council tax between 2019/20 and 2024/25.

The increase in local authorities' reliance on council tax since 2010 has benefited less deprived councils because they derive a greater proportion of their funding from it. As central government caps the amount that local authorities can raise council tax by each year (this limit has been at 5% for councils that provide social care since 2023/24[4]),[*] the same percentage rise leads to a larger increase in funding for local authorities that receive a greater proportion of their income from council tax.

Local authorities had little choice but to fund children's and adult social care at the expense of other services

Figure LG 1.6 **Real-terms change in local authority spending per person, by service, since 2009/10**



Source: Institute for Government analysis of MHCLG, 'Local Authority Revenue expenditure and financing in England: individual local authority data – revenue outturn', 2009/10–2024/25, ONS, 'Mid-year population estimates', 2022 and ONS, 'Population projections', 2022. Notes: This shows net current expenditure and is only for local authorities in England. It excludes "Other" local authorities. It excludes spending on education and public health.

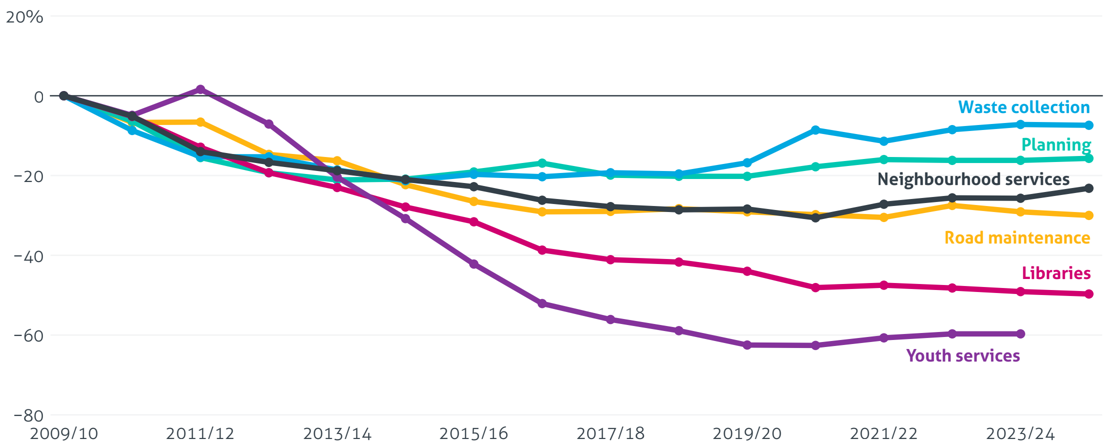
* This 5% is split into the "social care precept", which allows local authorities with responsibility for social care to raise council tax by 2% per year, and the "referendum principle". That principle allows local authorities to raise council tax by up to 3% per year. If they want to raise it further, then they must hold a referendum. If a simple majority vote in favour of the higher increase, the local authority can go ahead. There has only been one referendum held to increase council tax by more than the principle. That was conducted by the Bedfordshire Police and Crime Commissioner in 2015/16, when they wanted to increase council tax by 15.8%. 69.5% of those who voted opposed the increase.

Between 2009/10 and 2024/25, local authorities increased per-person spending on adult and children's social care by 19.3% in real terms; per-person spending on other services declined by more than a third (-38.1%) in real terms in that time. As a result, the proportion of local authority spending that went on adult and children's social care went from just over a half (53.0%) in 2009/10 to more than two-thirds (68.5%) in 2024/25.

This shift was due to a combination of tight funding, rising acute demand for social care, increasing cost of delivering care and statutory duties for local authorities to provide a certain level of care. Local authorities have a legal responsibility to deliver certain services (though the extent of these legal duties is open to interpretation). There are approximately 1,300 such duties, according to one estimate from the Local Government Association (LGA).[5] Most notably, these include children's and adult social care and homelessness services (each covered in full in the respective chapters of this report), which places a large strain on local authorities' finances.

While population growth is a reasonable proxy for demand for universal services like waste collection and road maintenance, it does not capture changes in demand for some of those more expensive, statutory services. Demand for those has arguably outpaced total population growth while also becoming more complex than in 2010 (again covered more later).

Figure LG 1.7 **Real-terms change in spending on selected local authority services, by service, since 2009/10**

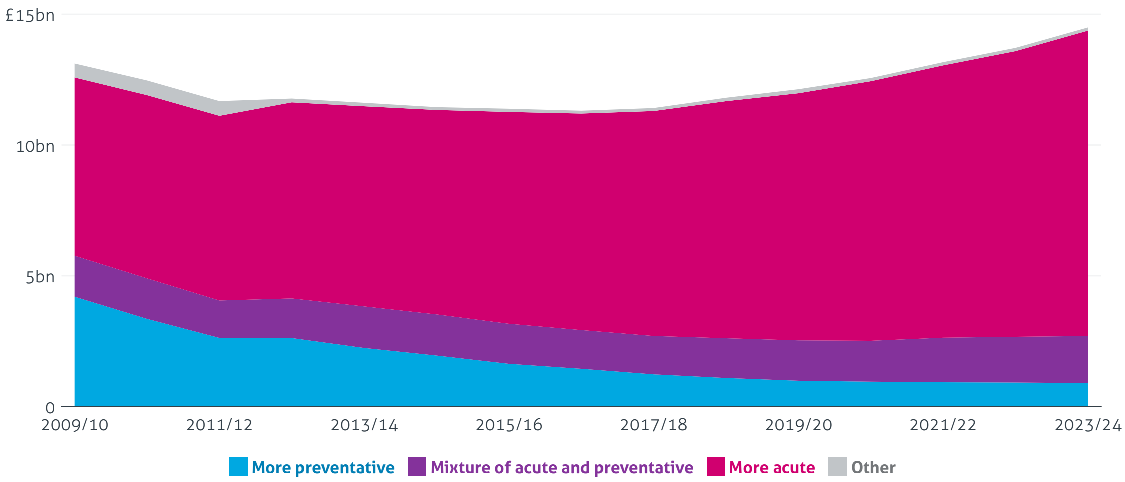


Source: Institute for Government analysis of MHCLG, 'Local authority revenue outturns', 2009/10-2024/25 and DfE, 'Section 251 returns' 2009/10-2022/23. Notes: This shows total expenditure on these services and is for England only. There is no data for youth services for 2024/25 because this is part of a dataset which is updated in December. This excludes "Other" local authorities.

Within non-social care services, there is considerable variation in the extent of cuts that local authorities chose to make. Many cut spending the most on services that arguably have lower political salience, like libraries (by 49.7% in real terms between 2009/10 and 2024/25) and youth services (by 59.7% in real terms between 2009/10 and 2023/24, the last year for which there is data for that service). Meanwhile, services seen as more salient such as waste collection and road maintenance – filling potholes, for example – were relatively protected.

Local authorities cut spending on waste collection by only 7.4% in real terms between 2009/10 and 2024/25. But even in those services it is likely that demand outstripped spending. For example, waste collection is a universal service and the population in England grew by approximately 11% between 2010 and 2024, implying that it would be very difficult for local authorities to provide the same quality of service to every person by 2024.

Figure LG 1.8 **Local authority spending on children's services, by type, 2009/10–2023/24 (2025/26 prices)**



Source: Institute for Government analysis of Department for Education, 'Local authority and school finance', 2009/10–2023/24. Notes: This chart shows spending by English local authorities only. We classify 'Children's centres and children under 5' and 'Services for young people' as more preventative services; 'Family support services' and 'Youth justice' as a mix; and 'Safeguarding children' and 'Looked after children' as more acute. This excludes "Other" local authorities.

As a more general pattern, local authorities cut spending the most on the more 'upstream' or preventative services, instead prioritising the more acute ones. For example, in children's services, local authorities spent 71.3% more on acute services in real terms in 2023/24* compared to 2009/10 (these being 'looked after children' and 'safeguarding children and young people').

In contrast, local authorities cut spending on preventative services such as children's centres and services for young people by 78.6% in real terms between those years.

Local authorities followed a similar pattern for housing spending. Between 2009/10 and 2024/25, local authorities increased spending** on homelessness services by 165.2% in real terms,*** while cutting spending on housing welfare and support by 73.6% in real terms.

Cutting spending on those services is a rational response to in-year budgetary pressures. But it also builds up problems for the longer term, by contributing to more demand for some expensive acute services.[6]

* As with youth services, this data comes from a dataset which is not updated until later in the year, meaning that 2023/24 is the most recent year for which we have data.

** This refers to total expenditure rather than net current expenditure which we use for most of the rest of this report. We do this because it is a better measure of housing spending than net current expenditure.

*** Though this period also included the introduction of the Homelessness Reduction Act in 2018, which increased local authorities' duties to prevent and relieve homelessness.

Funding growth will slow after 2025/26 and may not keep pace with demand

The government increased local government funding in 2025/26 by 4.1% in real terms. However, this amount includes £502m of funding to compensate local authorities for the higher employers' national insurance contributions that Labour announced at the 2024 autumn budget.[7] Excluding that amount, core spending power increased by 3.3% in real terms in 2025/26.

This was slightly below the average growth rate in core spending power between 2022/23 and 2024/25, of 3.7% in real terms. It was, however, well above the anticipated change in funding that was implied by pre-election spending plans. If the Labour government had not increased the envelope at the budget and instead stuck to previous spending commitments, it would have likely meant real-terms cuts to grant funding for local authorities.[8]

Funding will rise further between 2026/27 and 2028/29, albeit at a slower rate: 2.6% per year in real terms. That will leave spending power 2.7% lower in 2028/29 than the levels in 2010/11 in real terms and 15.9% lower when accounting for population growth.

The Recovery Grant directs funds towards more deprived local authorities

Labour used its first local government finance settlement (for the 2025/26 financial year) to redress the unequal cuts between areas, creating the one-off 'Recovery Grant' to direct funding towards the most deprived local authorities. This meant that the most deprived decile of local authorities saw their spending power increase by 8.1% in real terms between 2024/25 and 2025/26, compared to 3.9% for the least deprived decile.

However, using one-off grants is not a sustainable way to rebalance funding. Instead, the Labour government's Fair Funding Review 2.0 (discussed more below) is intended to more closely tie funding to need for local authority services. If it achieves its intended aims, it will be a more sustainable approach to funding local government.

Despite these increases, funding may not keep pace with other pressures. Some costs that disproportionately affect local government look set to rise faster than economy-wide inflation over the coming years. The National Living Wage (NLW) continues to rise at above-inflation rates, while the government's decision to end the visa route for care workers might result in adult social care providers charging higher fees for the same level of adult social care (see the adult social care chapter).

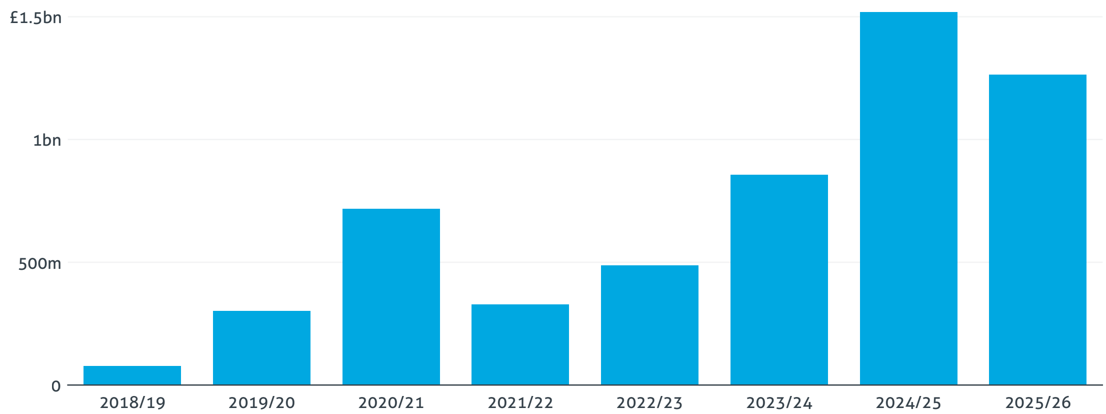
Demand is also likely to continue to rise, particularly for temporary accommodation and special educational needs and disabilities (SEND) services. The cost of providing children's care has risen in recent years due to a combination of increasingly complex care needs, a shift towards more expensive residential care, and a "broken" provider market.[9] It is likely this will continue, at least in the short term, as the government begins its reforms for the sector. Among other factors, these will all exert pressure on local authorities' finances.

Exceptional financial support likely prevented further section 114 ('bankruptcy') notices

Under the Johnson and Sunak governments there was a proliferation of local authorities issuing section 114 notices. This is the step that councils take when they cannot balance their budget in a financial year – in effect, declaring themselves 'bankrupt'.[10] Between 2018 and 2023, eight local authorities issued a total of 12 section 114 notices (some more than once). Just two – Hackney and Hillingdon – had done so in the preceding 30 years.[11]

The Johnson government introduced what is known as 'Exceptional Financial Support' (EFS) in 2020/21[*] to help local authorities when they were unable to balance their budget. Initially, the government intended to use EFS to support local authorities that were struggling during Covid.[12] The government later expanded the use of EFS to stem the rapid increase of section 114 notices.[13] This was effective on its own terms, preventing any further section 114 notices resulting from insolvency after Nottingham's in late 2023.[**] One interviewee told us that it is almost certain that other local authorities would have had to issue section 114 notices after that if it was not for the government's expansion of EFS. Somerset Council makes a similar point, saying that it is reliant on EFS "to balance the budget in 2025/26 in order to avoid a Section 114 Notice being issued".[14]

Figure LG 1.9 **Exceptional financial support granted to local authorities, 2018/19–2025/26 (2025/26 prices)**



Source: Institute for Government analysis of MHCLG, 'Exceptional financial support for local authorities', 2025/26. Notes: This shows the amount granted in capitalisation directions to local authorities in England. No "Other" local authorities have claimed EFS.

EFS is very rarely provided as new grant funding by central government but is instead almost entirely a transfer from local authorities' capital budgets to day-to-day budgets – something that is normally not allowed, but which can be granted by central government in a process known as a "capitalisation direction". For this reason, they are an unsustainable way to shore up local authorities' finances, as they encourage the use of one-off pots of money to fund ongoing, day-to-day pressures. This would be

* Though allowed some local authorities to claim support for previous financial years, hence why our time series starts from 2018/19.

** Barnet issued a section 114 notice in January 2025 for making unlawful payments to its pension fund between 2020 and 2023.

more understandable if local authorities claimed EFS once due to unforeseen financial pressures and then returned to financial health. But this is rarely what happens. Many rely on EFS for several years – in the most extreme case Slough, which has relied on EFS in eight consecutive years between 2018/19 and 2025/26.

A capitalisation direction also allows local authorities to borrow to fund day-to-day spending. That borrowing requires local authorities to pay interest and eventually to pay back the total borrowed. This serves to increase financial pressure and risk over the longer term.

Under the Conservative governments, the amount of EFS that central government granted rose from £79.9 million (in 2025/26 prices) in 2018/19 to £1.6 billion in 2024/25, the last year that the Conservative government had control of the system.

But this government should not rely on exceptional funding measures

The Starmer government announced that it would continue to grant EFS to councils in 2025/26. As a result, 28 local authorities were successful in their applications for EFS in 2025/26, up from 27 in 2024/25. At £1.3 billion, the value of the capitalisation directions was slightly lower in 2025/26 than in 2024/25 (£1.6 billion in 2025/26 prices).

It is understandable that central government would want to avoid section 114 notices, which tend to attract a lot of press attention and raise questions about the sustainability of the sector. But using capital budgets is not a viable approach to funding the system and, naturally, reduces the money available for capital investment in projects and programmes which would likely generate long-term benefit for the council.

The government should aim to wind down the use of EFS. The Fair Funding Review 2.0 may well help some local authorities with this, providing more support to councils struggling under the burden of rising demand for expensive services. Though financial sustainability may require additional funding rather than just redistribution between local authorities.

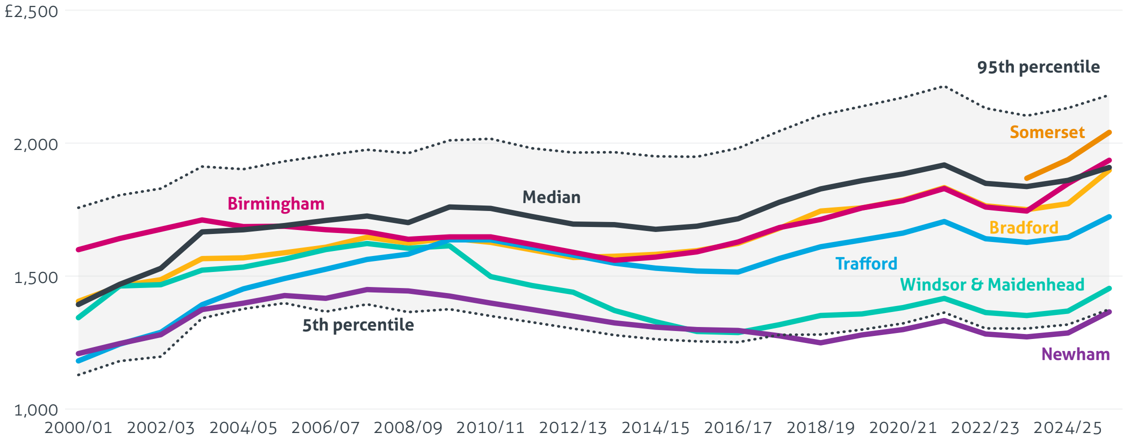
Left untouched, it seems likely that more local authorities will come forward for EFS. Polling of local authority chief executives carried out by the Local Government Association (LGA, the national membership body of councils in England), showed that 27% and 33% of chief executives thought that without EFS, it was very or fairly likely that they would need to issue a section 114 notice in 2026/27 and 2027/28 respectively.[15] This is considerably higher than the 6% who answered in the same way for 2024/25.

The government also allowed six local authorities that received EFS in 2025/26 to raise their council tax by more than the maximum for other local authorities that provide social care (5%).[*] These were Bradford (now allowed 10% in 2025/26), Newham (9%),

* The government has allowed this by raising the threshold at which those local authorities would have to hold a referendum to raise council tax rates.

Windsor and Maidenhead (9%), Birmingham (7.5%), Somerset (7.5%) and Trafford (7.5%).[16] This is an increase from four local authorities that the government granted the same right to in 2024/25, one of which (Birmingham) received the same permission in 2025/26.[17]

Figure LG 1.10 **Band D council tax, by local authority, 2000/01–2025/26 (2025/26 prices)**

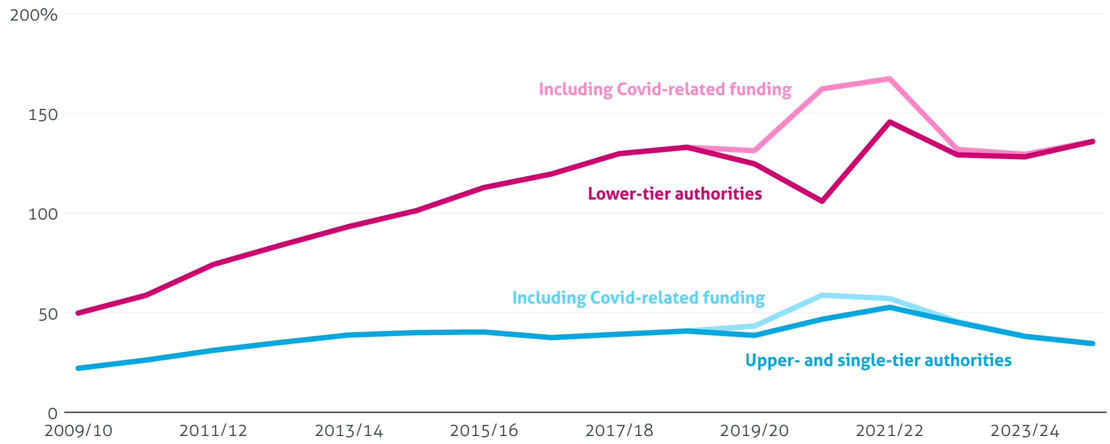


Source: Institute for Government analysis of MHCLG, 'Live tables on Council Tax: Band D Council Tax figures 1993 onwards (revised)', (table 'in_PP'), 2025/26. Notes: This shows English single-tier local authorities only. It includes parish precepts. There is no data for Somerset before 2023/24, because that was the first year after it was formed.

Of those local authorities that were granted permission to raise council tax by more than the usual limit in 2025/26, most of these had council tax rates below the median, with two – Windsor & Maidenhead, and Newham – having very low levels of council tax. In 2024/25, they had the 9th and 7th lowest band D council tax of the 130 single-tier authorities in England. In contrast, Birmingham was at the 33rd percentile for council tax in 2023/24, but rose to the 56th percentile after two years of above-5% council tax increases. This followed Birmingham's issuance of a section 114 notice in September 2023.

Local authorities' reserves have fallen beneath pre-pandemic levels

Figure LG 1.11 **Local authority usable reserves as a proportion of service expenditure, by local authority type, 2009/10–2024/25**



Source: Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing England', 2009/10 to 2024/25. Notes: This shows English local authorities only. Expenditure is net expenditure excluding education services and public health. This excludes 'other' local authorities such as fire authorities and mayoral combined authorities. "Covid-related funding" is predominantly funding from the Business Rates Relief Grant, which was disbursed to local authorities in 2020/21 but was intended to cover lost business rates income over the following few years, and was therefore placed in reserves until it was drawn down.

Reserves are another source of potential funding for local authorities. The Chartered Institute of Public Finance and Accountancy (CIPFA) say that local authorities hold reserves for three reasons: to help smooth uneven cash flows, to provide financial flexibility to respond to unexpected events or emergencies, and to finance known future spending requirements.[18]

Over the 2010s, the level of local authority reserves increased. In 2009/10, upper- and single-tier local authorities held reserves of 22.1% of total service expenditure. This rose to 40.8% in 2018/19, the last year unaffected by the pandemic. The increase was even larger for lower-tier authorities (district councils): from 49.8% to 133.0%.

Interviewees told us that this was a response to funding uncertainty under the governments of the 2010s. Unsure of the extent and timing of future cuts to grant funding, local authorities added to their reserves to smooth further anticipated drops in funding.[19]

Reserves increased further during the pandemic, to a high of 58.8% for upper- and single-tier authorities in 2020/21 and 167.4% for lower-tier authorities in 2021/22. Some of this was because central government provided local authorities with up-front funding in relation to Covid pressures, which was intended to cover multiple years of funding shortfall, notably for lost business rates income.[20] Local authorities then put that funding into their reserves and drew it down over the coming years. But reserves increased even excluding Covid funding. This could have been because local authorities were able to fund services through Covid support, rather than through council tax and normal grants, with the differences going into reserves.

Since the pandemic, reserves have steadily fallen again. And in 2023/24 – just before Labour won the general election – reserves had fallen beneath 2018/19 levels for both district councils and upper- and single-tier authorities: 38.1% and 128.2%. Some of that is likely in response to increasingly difficult financial positions in many local authorities.

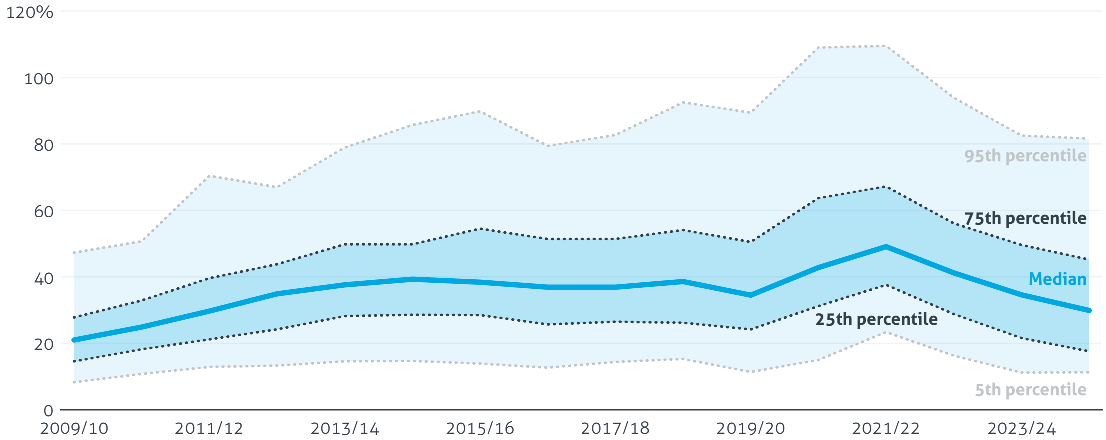
Upper- and single-tier authorities' reserves declined further in 2024/25, to 34.5% of service expenditure. That is a lower level than any year since 2011/12 and a 3.6 percentage point drop from 2023/24. The drop was particularly large among London boroughs, where reserves fell from 51.3% in 2023/24 to 43.6% in 2024/25, though this still left them with the highest level of reserves compared to other upper- and single-tier authorities; the next highest was metropolitan districts at 34.5%.

In contrast, district authorities saw an increase in their reserves as a proportion of expenditure in 2024/25, to 135.9%, up from 128.2% in 2023/24.

There is considerable variation in local authorities' reserves

While the average level of reserves in upper- and single-tier authorities was 34.5% at the end of 2024/25, this obscures a wide range of values. At the upper end of the distribution, 5% of those local authorities had reserves at levels that were more than 81.6% of their service expenditure in 2024/25. Meanwhile, at the lower end of the distribution, 5% of local authorities had reserves beneath 11.3% of their service expenditure.

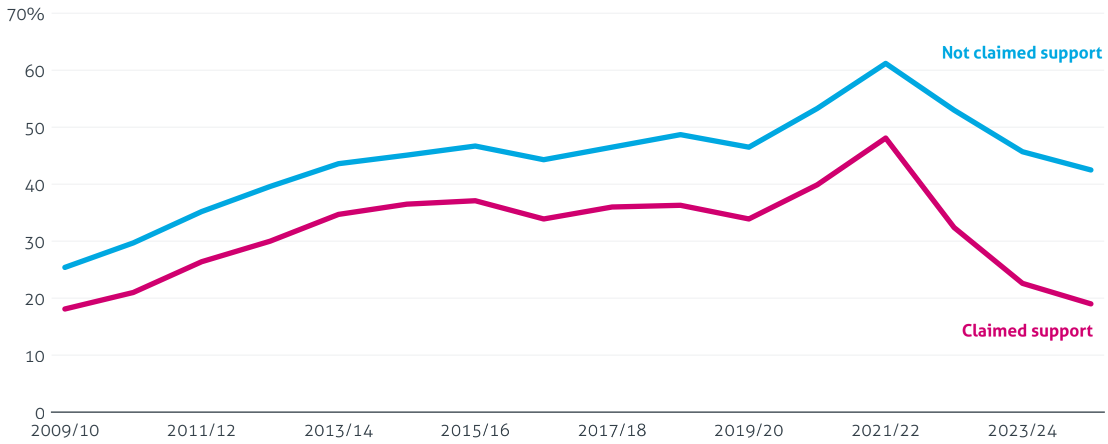
Figure LG 1.12 **Upper-tier local authority usable reserves as a proportion of service expenditure, by local authority, 2009/10–2024/25**



Source: Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing England', 2009/10 to 2024/25. Notes: Analysis covers England only. Expenditure is net expenditure excluding education services (schools) and public health. This excludes any reserves related to Covid funding between 2020/21 and 2023/24. This includes single-tier local authorities, but we have excluded them from the title for simplicity.

When splitting reserves between local authorities that have received exceptional financial support (EFS) and those that haven't, there is a stark difference. Since 2009/10, the local authorities that would eventually go on to claim EFS have consistently had lower reserves than non-EFS authorities. But the gap between those authorities widened in recent years. Between 2009/10 and 2018/19, the gap never exceeded 12.4 percentage points (ppts) which was in 2018/19; by 2024/25, it had nearly doubled to 23.4ppts. Non-EFS local authorities had reserves of 42.5% on average in 2024/25, compared to 19.0% for local authorities that had claimed EFS at any point between 2018/19 and 2025/26.

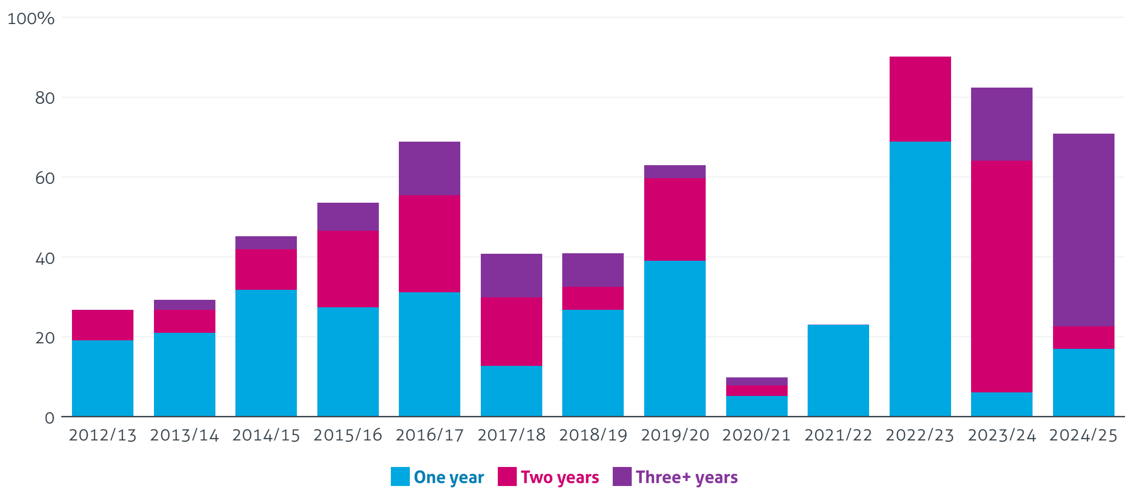
Figure LG 1.13 **Local authority usable reserves as a proportion of expenditure, by whether they have claimed exceptional financial support, 2009/10–2024/25**



Source: Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing England', 2009/10 to 2024/25. Notes: This shows English upper- and single-tier local authorities only. Expenditure is net expenditure excluding education services and public health. This excludes any reserves related to Covid funding between 2020/21 and 2023/24.

Local authorities that have claimed EFS ran down their reserves more quickly since the pandemic than other local authorities. This implies that as they entered financial distress, they relied more heavily on reserves to meet funding requirements.

Figure LG 1.14 **Upper-tier local authorities that drew down usable reserves, by number of years they made consecutive draw-downs, 2012/13–2024/25**



Source: Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing England', 2009/10 to 2024/25. Notes: This shows English local authorities only. This strips out reserves that were related to Covid funding between 2019/20 and 2023/24. This includes both upper- and single-tier authorities, but we use upper-tier in the title for simplicity. "Usable reserves" is the sum of "unallocated reserves" and "other earmarked reserves". This analysis adjusted reserves for inflation.

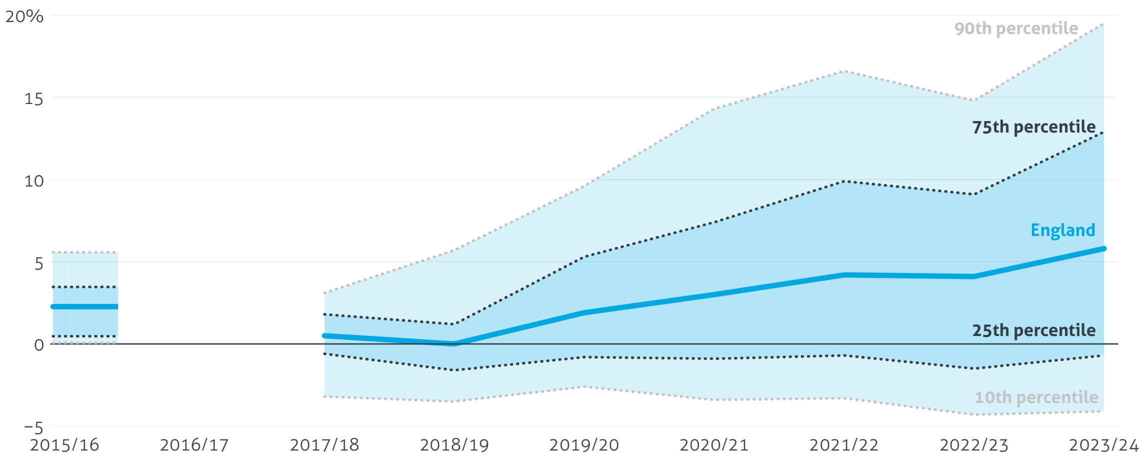
Local authorities drawing down reserves is a sign that their finances are becoming increasingly tight, and is even more concerning if done across several years. So it is worrying that almost half (48.2%) of local authorities did so for the third or more consecutive year in 2024/25. In comparison, the highest pre-pandemic level for that statistic was 13.4% in 2016/17.

It is not a sustainable situation for large swathes of local authorities to continue to draw down reserves; eventually that source of funding will run out.

Extending the statutory override was right, but is not a long-term solution

Rising demand for SEND services has placed local authorities under substantial financial strain (see the Schools chapter). Councils provide schools with top-up funding to help meet the additional costs of supporting pupils with SEND, but the Dedicated Schools Grant (or DSG, the part of council budgets reserved for school spending) has failed to keep pace with demand. As a result, deficits have, for the most part, grown since 2018/19.[21]

Figure LG 1.15 **Cumulative deficit on schools' budgets as a proportion of in-year schools' budgets, by local authority, 2015/16–2023/24**

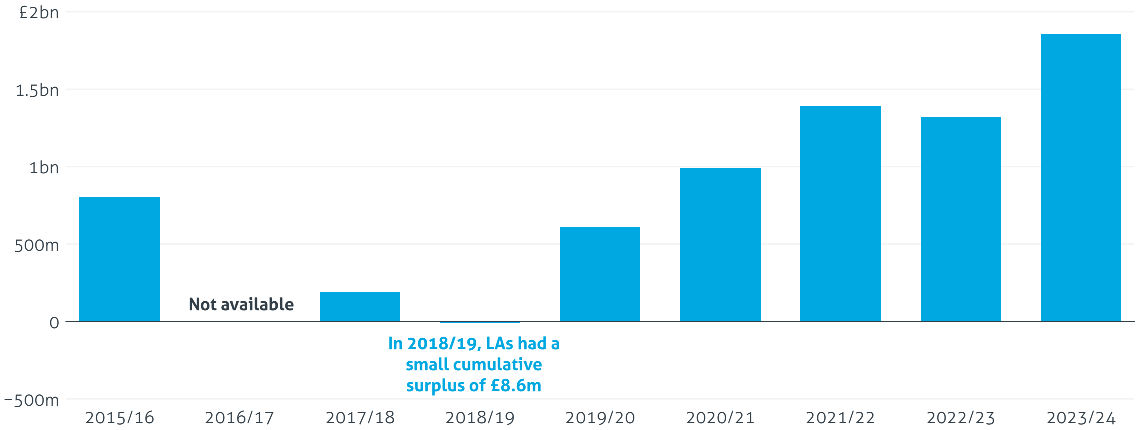


Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2023/24. Notes: The deficit shown is that on local authorities' 'Dedicated Schools Grant' budgets. Data is not available for 2016/17. The City of London and Isles of Scilly are excluded from the calculation of the percentiles. Analysis covers England only.

As the threat of further section 114 notices loomed, the Johnson government intervened. In 2020/21, it created the 'statutory override', an accounting mechanism that separates SEND deficits from the rest of council accounts.[22] This eases the immediate risk, but leaves councils' underlying finances unchanged.

The statutory override was due to expire in 2023 but was extended to March 2026 by the previous government. Estimates suggest that two fifths of councils will have deficits close to or exceeding their reserves by March 2026.[23] If SEND deficits suddenly stopped being ignored at that point with no further plan in place, many would have to issue a section 114 notice.

Figure LG 1.16 **Cumulative deficit on local authorities' schools budget, 2015/16–2023/24 (2025/26 prices)**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2023/24 and OBR, 'Economic and fiscal outlook', March 2025. Notes: The deficit shown is that on local authorities' 'dedicated schools grant' budgets. Analysis covers England only.

The current government extended the override again, all the way to March 2028. While this gave councils much-needed certainty over their finances, and the government time to work out and implement a solution, it cannot continue indefinitely. In 2023/24, councils in England had DSG deficits totalling £1.9bn (in 2025/26 prices), equal to 5.8% of that year's grant.[*24] The Department for Education estimates that by March 2026, the cumulative deficit in England will be between £4.6bn and £5.2bn (in 2025/26 prices).[25] Many local authorities are dipping into their reserves to finance those deficits, reducing their financial resilience and increasing the likelihood of them borrowing money to fund services.[**,26]

The override's new expiry date is before the end of this parliament. One interviewee suggested that this timing, combined with the government's commitment to taking on SEND reform, makes a further extension very unlikely.[27] The government has said it will announce next steps in the local government finance settlement later this year, after it has outlined its SEND reforms in the autumn.

Labour has made good progress on reforming local government finance

Financial instability in local government has been driven by the long-term pressures described above and exacerbated by other decisions made by recent governments. Substantial reform of the system is needed to return local government to financial stability. The Theresa May government first promised a review of local authorities' relative needs for funding in 2016.[28] A succession of Conservative governments then repeatedly ducked those difficult reforms, preferring to rely on short-term fixes – such as EFS and the statutory override. It is therefore very welcome that this government is grasping the nettle.

* These figures have been taken from section 251 outturns, which give details of local authority revenue expenditure. Other estimates differ on the size of this deficit.

** Local authorities cannot borrow directly to pay off the deficit. But, as the National Audit Office reports, using reserves "could mean borrowing more than they otherwise would for other purposes".

The government's changes to funding allocations are sensible and long overdue

Some of these changes do not require large-scale reorganisation but are instead about allocating existing budgets more effectively. Conservative governments fell into a habit of providing the sector with single-year finance settlements – indeed, the last multi-year settlement came under Theresa May's government, for the years 2016/17 to 2019/20.[29]

The Starmer government has committed to allocating funding for the rest of this spending review period, starting from April 2026, with the first announcement of allocations coming in December 2025, as part of the local government finance settlement. This should give local authorities more certainty about grant income, allowing them to plan spending more effectively, though as previously discussed, they already have reasonable certainty over council tax and sales, fees and charges income.

After the coalition cut down on the number of small, time-limited pots of money from central to local government, governments from 2015 increased their use again. This was restrictive for local authorities, as it meant they could not spend it on their own priorities and these pots of money often came with onerous requirements for councils to report how they had spent the funding to central government.

This government committed to moving away from this approach and used the 2025/26 local government finance settlement to merge previously fragmented pots of funding into larger pots. For example, it merged six previously separate funding streams into a single Children and Families Grant worth £414 million.[30]

More structurally, successive Conservative governments starting from 2016 promised to update the funding formulae for local government as part of the Fair Funding Review but failed to make any changes.[31] This government has instead made relatively quick progress with reform already, announcing the conclusion of the Fair Funding Review 2.0 in June 2025,[32] with the explicit intent of better aligning funding with need.

Those changes could have a major impact. The review will, first, update the formulae that central government has been using to calculate an area's need for various council-provided services. It does that by assessing the prevalence of factors within a local authority that are associated with need for those services. For example, the proposed update to the adult social care relative needs formula considers factors such as the proportion of the over-65 population in a local authority area that are aged over 80, and the proportion of adults over 65 that claim a range of benefits.[33] In addition to updating existing formulae, the review proposes introducing new formulae to estimate demand for services such as road maintenance and home-to-school transport for children with special educational needs.[34]

Second, the review will assess the extent to which local authorities can raise revenue themselves and adjust grant funding accordingly. It will do this by looking at the council tax base for each local authority. A local authority's tax base is a count of the number of dwellings that are eligible for council tax in each local authority, split by the council tax band. Under the government's proposed approach, local authorities with higher council tax bases will receive lower grant allocations than those with lower council tax bases.[35] This does not consider the current council tax *rates* that local authorities charge. If a local authority has chosen to keep rates low and has a large council tax base, it may lose out from this approach.

Including an assessment of needs and resources in the calculation of grant allocations to local government is in many ways a return to a past method. Until 2013/14, central government undertook an annual assessment of local authorities' needs and ability to raise local revenue. From 2013/14 onwards, the coalition government ended that approach. That government was concerned that the approach disincentivised local authorities from growing their council tax base – for example by allowing more housing development – because they would receive a commensurate cut in their grant funding.[36]

Finally, the review will include adjustments for the relative costs of providing a service around the country. For example, it is generally more expensive to provide services in a local authority in London than in other parts of the country. The current means of allocating funding does not account for differences in costs across local authorities, but the previous government included a similar proposal in its unimplemented version of the Fair Funding Review.[37]

These changes sound technical but will be transformational to the way that central government funds local government. The last time that the relative needs formulae were updated was in 2013, with funding, demographic and demand pressures having changed considerably since then.

While this is the right thing for the government to do, it will not be painless. Adjusting and updating the formulae used to calculate grant funding allocations means that there will be local authorities that experience a substantial decline in their funding, particularly due to the assessment of council tax bases. Work from the Institute for Fiscal Studies (IFS) shows that inner London boroughs are set to be the biggest losers. The IFS estimates that Wandsworth, Camden, Hammersmith & Fulham, Kensington & Chelsea, and Westminster would see their funding cut by a quarter if the changes were implemented immediately (which will not happen).[38]

The government is taking steps to mitigate some of this. It intends to introduce the reformed system in April 2026 but then phase the full reforms in over the course of three years, meaning that no local authority will lose all their income in one year. But this does, of course, also mean that those authorities that are set to gain most from the new funding approach (for, as we say, the right reasons) will have to wait some time to fully benefit.

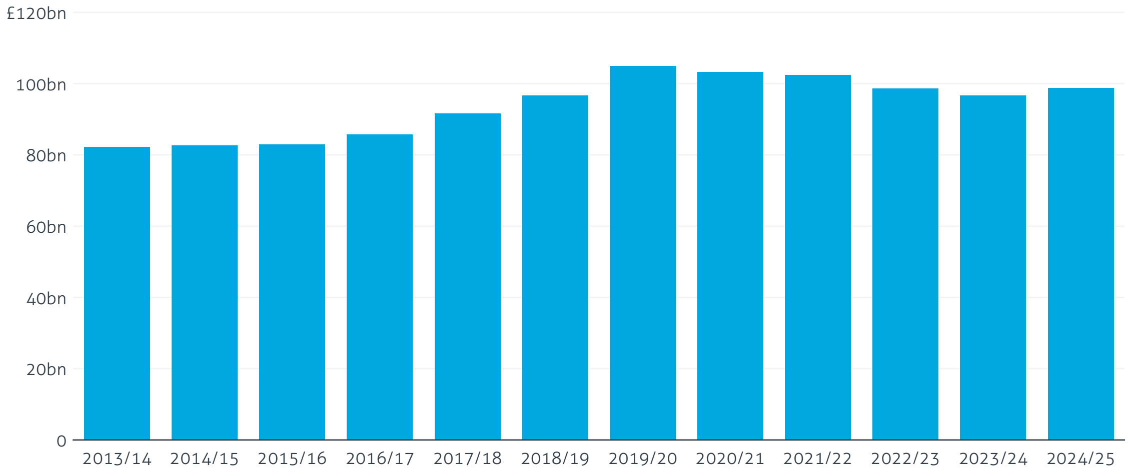
The government is tackling the backlog in local government audit

Decisions taken by Conservative-led governments in the 2010s increased financial risk in local authorities while simultaneously making it much harder for anyone outside a local authority to understand the full extent of that risk.

On the former, the coalition relaxed rules about local authority borrowing, allowing councils far more freedom to invest.[39] Combined with then-relatively low costs of borrowing, this led to a 27.6% real-terms increase in local authority borrowing between 2013/14 and 2019/20. Many used that borrowing prudently, but some invested in relatively risky ventures. For example, Thurrock council invested over £100m (financed through borrowing) in a solar farm company, the owner of which then allegedly spent the money "for his personal benefit".[40] Thurrock issued a section 114 notice in 2022 with its total borrowing reaching £1.5bn in March 2023, more than 13 times higher than its core spending power.

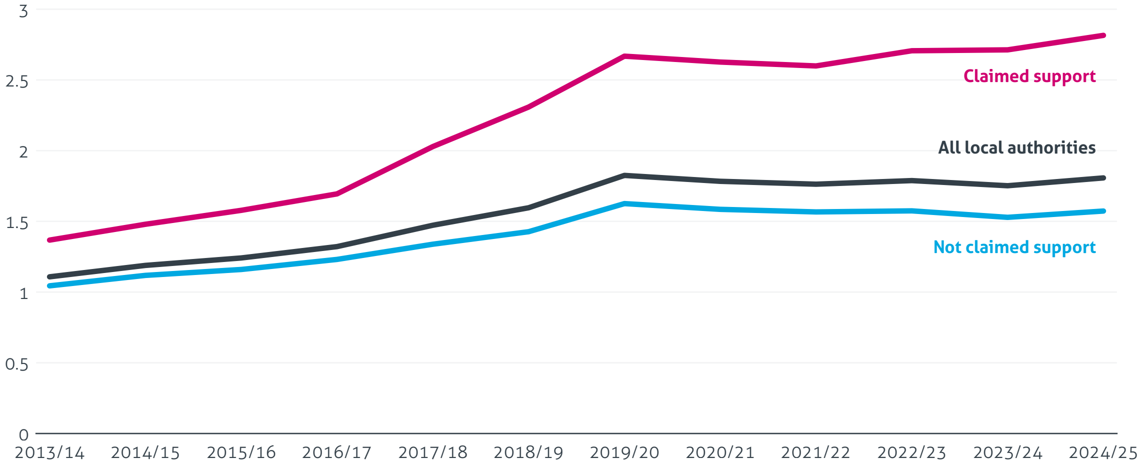
Borrowing fell again after the Conservative government tightened rules in 2020, though it was still 20.2% higher in real terms in 2024/25 than in 2013/14.

Figure LG 1.17 **Local authority borrowing, 2013/14–2024/25 (2025/26 prices)**



Source: Institute for Government analysis of MHCLG, Housing and Communities 'Borrowing and investment live table', Q4 2024/25. Notes: This shows the total borrowing of English local authorities at the end of each financial year.

Figure LG 1.18 **Local authority borrowing as a multiple of spending power, by whether they have claimed exceptional financial support, 2013/14–2024/25**



Source: Institute for Government analysis of MHCLG, Housing and Communities 'Borrowing and investment live table', Q4 2024/25 and MHCLG, 'Local government finance settlement', 2009/10 to 2024/25. Notes: This shows the total borrowing of local authorities in England at the end of each financial year. This excludes any local authorities that reorganised in this time.

When looking at the ratios of borrowing to spending power, there is once again a distinction between the local authorities that claimed EFS at any point between 2018/19 and 2025/26 and other local authorities. On average, the ratio of all local authorities' debt to spending power increased across England between 2013/14 and 2024/25, from 1.11 to 1.81. Local authorities that would go on to claim EFS started the time period with more debt as a proportion of spending power than other local authorities (1.37 compared to 1.04) but saw a much larger rise over subsequent years. By 2024/25, the ratios were 2.81 and 1.58 respectively.

Alongside the growth in local authority borrowing in the 2010s, the coalition abolished the Audit Commission in 2015, dispersing responsibilities for local government audit across a wide range of organisations. Oversight of the system shifted to the Department for Communities and Local Government (DCLG) – now the Ministry of Housing, Communities and Local Government (MHCLG) – while responsibility for securing auditors passed to the Public Sector Audit Appointments (PSAA) organisation, which commissioned private sector firms to carry out the audits.[41]

The functioning of that market quickly deteriorated. In 2018/19, only 57% of local government bodies published accounts including an audit opinion by the statutory deadline, down from 97% in 2014/15.[42] The National Audit Office (NAO) found that part of the reason for this was insufficient capacity in audit firms, itself down to "the relative unattractiveness of local public body audit work compared with alternative audit opportunities".[43] As a result of the capacity crunch in local government audit, just 1% of local authorities' accounts were published with an audit opinion for the 2022/23 financial year by the deadline of 30 September 2023.[44]

The Johnson and Sunak governments committed to establishing the Audit Reporting and Governance Authority (ARGA) to act as a "system leader" for local government audit,[45] but never achieved that ambition.

One of the first things the Labour government did in 2024 was to delay the "backstop date" (a deadline by which local authorities are required to publish delayed accounts) to begin to clear the backlog.[46] The government did this knowing that it would likely entail many auditors issuing "disclaimed opinions" alongside those accounts – a step that auditors take when they are unable to obtain "sufficient appropriate audit evidence", meaning they cannot take a view as to whether the accounts are accurate.[47] The *Local Government Chronicle* reports that this outcome came to pass, with 158 local authorities publishing accounts with disclaimed opinions for 2022/23 by the backstop date.[48]

More recently, the government has announced that it will establish the Local Audit Office (LAO) which it is legislating for in its English Devolution and Community Empowerment Bill.[49] The LAO will oversee the entire local government audit system, a role which will include commissioning and appointing auditors, taking on the code of practice for auditors from the NAO, issuing guidance to auditors, and collating and analysing audit reports.[50]

It is right to put prevention and place-based working at the heart of service delivery

The Starmer government has also decided to place a greater focus on prevention in all public services and has already made some progress in local government. It has created the Children's Social Care Prevention Grant[51] and expanded the homelessness prevention grant, launched under the previous government.[52]

It is also placing a greater focus on place-based working. We are very supportive of this approach, and it is welcome to see the creation of the prevention demonstrator in Greater Manchester and, prior to her departure from government, Angela Rayner's announcement of Total Place-style pilots.[53] There is, however, a risk to this agenda following Keir Starmer's reshuffle in early September 2025. Three of the strongest proponents of place-based working in government were either moved to a different department (Georgia Gould), fired from their ministerial job (Jim McMahon) or resigned (Rayner). It is unclear how supportive the new ministerial team is of this agenda.

So far, progress on these has been mostly rhetorical and much of the difficulty will come with implementation. Many governments said they wanted to make a shift towards prevention, but few achieved it. A particular barrier for local authorities is the need to fund acute services while attempting to rebalance funding towards preventative services. As previous Institute for Government work shows, this may be difficult without some amount of 'double-running'.[54]

Local government reorganisation will distract from service delivery during this parliament and is not guaranteed to deliver savings

Alongside reforming the local government finance system, the government is also undertaking a programme of "local government reorganisation" (LGR).[55] This will effectively abolish two-tier local authorities – shire districts and shire counties – replacing them with unitary authorities.[56] This is not a new process. Since April 2019, there have been nine new unitary authorities created from the merger of district and county councils. What is novel under this government is the requirement that all areas that currently operate under a two-tier system move to a single-tier system.

There are valid arguments for this approach. The government identifies reducing competition for staff, improving local accountability, transforming services, and realising "efficiencies" (by which it means saving money) as benefits of moving to unitary authorities.[57] Examples of savings include the reduction in duplication of back-office functions across district and county councils and better integration of services like social care and housing when they are in the same organisation.

But LGR also comes with costs. For the areas that go through this process, it will be time consuming and absorb attention. Institute for Government analysis predicts that new unitaries could take power from April 2028.[58] But interviews with local authorities that have gone through LGR indicate that the process rarely stops then, with service transformation and other changes continuing for years afterwards. If that comes to pass, LGR could absorb attention in those local authorities for all of this parliament, if not longer.

Interviewees from areas that have been through LGR relayed that in their experience, the delivery challenges of LGR meant that they put aside service transformation programmes and neglected relationships with key public service delivery partners. Both could harm service performance in the short term.

At least some of the rationale for LGR is saving money, as outlined in the government's English devolution white paper. And, again, there is some merit to this. But the government should be wary of relying on quick or substantial savings from LGR. There is no guarantee that unitarisation will put local authorities on a more sustainable financial footing. Of the nine local authorities[*] that have been created through unitarisation since 2019/20, five requested and received exceptional financial support from central government between 2023/24 and 2025/26 – Somerset, West Northamptonshire, North Northamptonshire, Cumberland, and Westmorland & Furness. It may have been the case that the predecessors for those authorities would have claimed EFS. But it is certainly the case that reorganisation did not stop them from needing to do so.

* These are Dorset, Bournemouth, Christchurch and Poole (BCP), Buckinghamshire, North Northamptonshire, West Northamptonshire, Somerset, Westmorland and Furness, Cumberland and North Yorkshire.

The government has not published information of the savings it expects from LGR. Reporting from the BBC revealed that the government did not carry out its own analysis of potential savings, instead relying on an estimate which came from the County Councils Network (CCN) in 2020.[59] The CCN has subsequently updated its analysis, downgrading the potential savings. Under the CCN's most optimistic scenario (a single unitary authority on the footprint of the old county council), estimated savings fell from £2.9bn to £700m.[60] Scenarios in which county councils fragmented into three or more unitary authorities resulted in no savings, or a loss over five years.[61]

In sum, financial difficulties are widespread across the local government sector. While the reforms that the government is undertaking are encouraging – and they should be commended for tackling thorny issues – there is only so far this can take them. Many of the issues in local government are the result of a lack of funding and local authorities having to make difficult decisions between competing budget areas.

The range of reform programmes happening in the sector[*] may help improve value for money. Better matching funding to need is a positive first step, for instance, and efficiencies from LGR may help – albeit at the margins. But in the absence of larger-scale funding increases it seems likely that difficult choices will continue to face many councils.

* Particularly in in children's social care, SEND services, and homelessness services.

Service performance

Almost no local authorities perform well across all services, likely because funding pressures force prioritisation

As discussed above, local authorities are often forced into making difficult funding choices between services. No matter how well run a council is, it is not possible to avoid these trade-offs. And the difficulties of these trade-offs have increased since 2010 as local authorities have gone through successive rounds of savings and transformation programmes. Our analysis looks at one performance metric for each of nine different local authority public services* and finds no local authorities that perform well – or poorly – across the board.

Obviously, local authorities operate in diverse contexts, with varying funding constraints, levels of deprivation, age profiles and rurality, among other factors. Without adjusting for these contextual factors, the analysis risks misclassifying councils that are over- or under-performing relative to their circumstances. For example, a council that appears to perform poorly might actually be achieving strong outcomes across the board, despite a challenging local context.

We therefore adjust for some of these contextual factors and calculate the expected performance for each local authority, given differences in their observed characteristics.** If a local authority does better than would be expected in any given service, given its characteristics, they are overperforming relative to expectation – and vice versa.

For example, the Wirral would be expected to have only a slightly above-average share of its over-65 population accessing adult social care – our metric of performance for that service – shown in Figure LG 1.19 by its position just to the right of the y-axis. Its relatively strong spending power would normally support greater access, while its larger-than-average older population would push the other way.*** Thurrock, by contrast, would be expected to see slightly below-average access. But in practice, both perform much better than that. In the Wirral, the proportion of the over-65 population that receives publicly funded adult social care is almost two standard deviations higher than in the average local authority.

* Adult social care, children's social care, homelessness, drug and alcohol treatment, recycling, waste management, libraries, planning and early-years health visits.

** Core spending power per capita, rurality, deprivation, age structure, ethnicity, proportion for whom English is their main language, proportion of households claiming housing benefit or personal independence payments, overcrowding, housing density and affordability, and the accessibility of key services by public transport. See Methodology, found as a separate PDF on this chapter's webpage, for more details.

*** Recent Institute for Government research explores drivers of adult social care performance in greater detail.

Box 1: Standardised analysis and interpreting standard deviations

In this analysis, we standardise each local authority's performance for each service. This allows us to have a standard scale across all services, making performance on different services comparable.

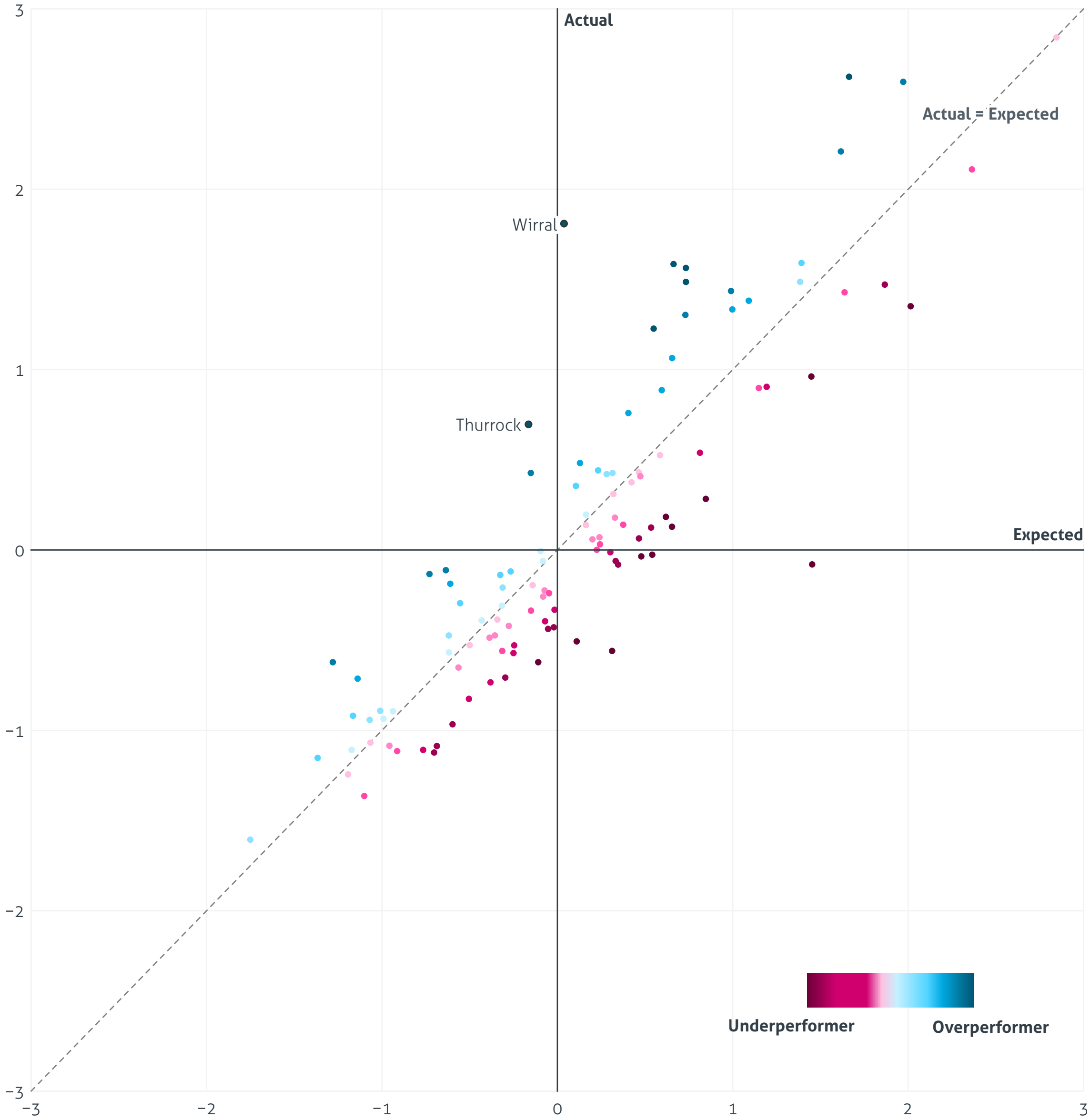
We do this by calculating the mean for each service across the country, which then becomes zero on a standardised scale. From there, we can see how many 'standard deviations' from the mean each local authority's performance is. A positive standard deviation shows that they outperformed the mean, and a negative one shows they underperformed. The higher or lower the standard deviation, the further they are from the mean and the better or worse their performance on that metric is.

We also calculate local authorities' expected performance in standard deviations, by predicting their performance on the basis of various observed characteristics.

The diagonal line in the chart below shows where local authorities would be if they performed in line with expectation. The vertical distance between each local authority and that line represents unexplained variation in their performance, suggesting either potential for improvement, evidence of good practice, or the influence of factors not captured by our model.

Figure LG 1.19 **Actual versus expected proportion of over-65s accessing long-term adult social care, by local authority, 2023/24**

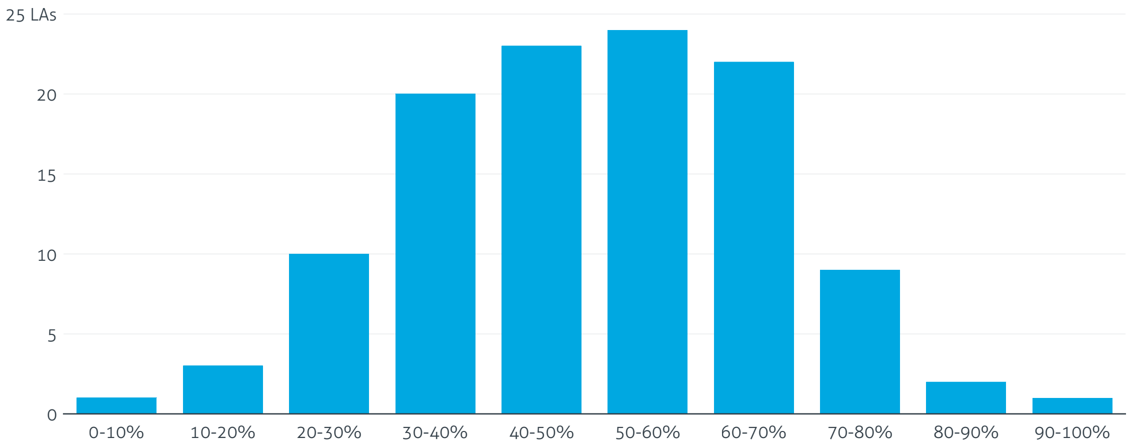
The scale has been standardised so it has a mean of 0 and a standard deviation of 1.



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report', ('Appendix D: User numbers time series' table), 2023/24; and other data sources. Notes: Expected performance accounts for factors such as core spending power per-capita, deprivation, age structure, rurality and more. See Methodology, which can be found as a separate PDF on this chapter's webpage, for details. Analysis only covers single-tier local authorities in England for which all relevant data was available, and excludes the City of London and the Isles of Scilly due to size.

Overall, there are very few local authorities performing consistently above or below expectations. With only two exceptions, every authority performs better than expected in at least one service and worse in at least one other.

Figure LG 1.20 **Local authorities by share of services that are underperforming, 2023/24**



Source: Institute for Government analysis of various data sources - see Methodology, found as a separate PDF on this chapter's webpage, for details. Notes: 'Underperformance' is performance lower than would be expected, given various contextual factors including core spending power per-capita, deprivation, age structure, rurality and more. Nine services are included (but local authorities may not have data on all): adult social care, children's social care, homelessness, libraries, road maintenance, planning, recycling, drug and alcohol treatment and health visiting. Only single-tier local authorities in England are included. See Methodology for more details.

By looking at the exceptions, or near-exceptions, in more detail, we can start to understand how some local authorities are bucking the trend, delivering more high-quality services than others in the face of resource constraints. There are four local authorities that overperform on at least 80% of the services for which we have data: Salford (100%), the Isle of Wight (89%), Wokingham (89%) and Barking and Dagenham (88%).* Salford's lowest-performing service is planning, but even there it is half a standard deviation better than expected. However, Salford lacks data on its road maintenance and homelessness services, which most other local authorities are not missing.

Figure LG 1.21 **Public service performance relative to expectation (in standard deviations) in consistently overperforming local authorities, 2023/24**

	Salford	Isle of Wight	Wokingham	Barking and Dagenham
Drug and alcohol treatment	1.2	0.4	0.1	1.0
Recycling	1.1	0.8	0.4	−0.2
Adult social care	0.8	0.1	0.2	0.2
Libraries	0.7	0.2	−0.1	0.0
Health visiting	0.6	0.5	0.5	0.6
Children's social care	0.5	0.8	1.0	0.5
Planning	0.5	0.9	0.7	1.0
Homelessness	Missing data	−0.1	0.6	0.5
Road maintenance	Missing data	0.9	0.1	Missing data

Source: Institute for Government analysis of various data sources - see Methodology, found as a separate PDF on this chapter's webpage, for details. Notes: A score of 1 implies that the given service is performing 1 standard deviation better than would be expected given various contextual factors, such as core spending power per-capita, deprivation, age structure, rurality and more. See Methodology for details.

* Barking and Dagenham is missing data for road maintenance.

And six local authorities overperform by more than 0.5 standard deviations, on average, across all services. These are: Salford (again), Telford and the Wrekin, South Gloucestershire, Solihull, Ealing, and the Isle of Wight (again).

Figure LG 1.22 **Average of the actual versus expected performance across nine services, by local authority, 2023/24**

The scale has been standardised so it has a mean of 0 and a standard deviation of 1.

Source: Institute for Government analysis of various data sources - see Methodology, found as a separate PDF on this chapter's webpage, for more detail. Notes: The chart shows the average of the standardised actual versus standardised expected performance across nine services: (but local authorities may not have data on all): adult social care, children's social care, homelessness, libraries, road maintenance, planning, recycling, drug and alcohol treatment and health visiting. Expected performance accounts for factors such as core spending power per-capita, deprivation, age structure, rurality and more. See Methodology for details. Analysis only covers single-tier local authorities in England for which all relevant data was available, and excludes the City of London and the Isles of Scilly due to size.

Senior officials in one of these local authorities attributed their strong performance to a few factors. First, they said that stable political leadership over many decades meant that members were able to take a longer-term view during austerity, meaning they were less inclined to make knee-jerk, short-term cuts to balance budgets in-year. Second, recent localised economic growth – driven by rising investment in the area – had increased employment opportunities and reduced some of the demand pressures that they might otherwise have faced. Finally, consistent and deliberate decisions by political leaders to prioritise prevention meant the council was able to maintain investment in services such as early years and youth services, reducing acute demand in the long term – an approach that the Institute for Government strongly supports.[62]

In July 2025, the government announced and began consulting on plans for a Local Government Outcomes Framework, which sets 15 outcomes that are to be delivered by local authorities in partnership with central government.[63] Each outcome reflects a key national priority and will be assessed using a range of metrics, with the aim of introducing a new approach to outcome-based accountability that strengthens councils' ability to shape local priorities.

While giving councils greater flexibility over how they allocate resources is welcome, the government must also acknowledge the difficult trade-offs every area faces in the current financial climate. Very few councils are able to perform at a high level across all services, so it must carefully consider how the framework is used to assess performance. In particular, it should avoid placing excessive weight on any single outcome unless it is willing to substantially increase local government funding. Otherwise it risks weakening rather than strengthening councils' ability to balance competing needs.

Local government: Recommendations

Recommendations

Local government has struggled for over a decade. The joint burdens of severe financial pressure, increasing complexity of demand and onerous statutory duties have left a great many local authorities on which the public rely to make unenviable decisions. Some are in real danger of collapse.

The government has launched reform programmes that will start to address these issues. Many reflect recommendations long put forward by the Institute for Government – so it is very welcome to see, for instance, the government move ahead with the Fair Funding Review, a multi-year finance settlement, the reduction of small pots of grant funding, and children's social care reform. But more can be done.

1. Better integrate services both within and outside local government

Services in a local area are delivered in a way that often results in duplication of work and spending. Multiple services assess and case-manage the same people, each tackling different symptoms of what is often a single problem. For example, someone living in poor housing may seek temporary accommodation from local authority housing services, medical help from their GP for damp-related illness, and support from social services because they cannot wash themselves in a poorly equipped bathroom. Each service supports that person to the best of their ability, but rarely addresses the underlying issue: in this case, poor-quality housing. Until that is fixed, the same problems – and costs – reappear, and may even worsen.

Poor integration is largely the result of silos in government funding and service delivery, which direct each agency's attention only to the relevant symptoms of the problem. The government typically allocates money through departments, which fund specific services such as the NHS, schools or local authorities. Each agency is therefore incentivised to push activity into another service, regardless of the overall cost to the taxpayer. A patient that is medically fit for discharge, for instance, may remain in hospital while agencies decide who should fund their care, delaying the patient's rehabilitation and stopping the hospital from using the bed for another patient.

To combat this, the Institute for Government has previously recommended that the government tries to shift towards a more place-based model of funding.[64] This would mean services pooling budgets within a local area and then deciding jointly how to spend them to achieve desired outcomes, redesigning services around the needs of users. This is based on the model of Total Place, first trialled by the last Labour government, which evaluations found was delivering, or was on track to deliver, a range of improved outcomes in the areas in which it was piloted.[65]

There is also often poor communication between and within sectors. The problems posed in the example above are often exacerbated by a lack of awareness of the person's interactions with other services. Improved data sharing between and within services – homelessness services, the local GP and social workers – would help ameliorate this issue, as we recommend in the cross-service analysis of this report. Future Institute for Government work will provide more concrete recommendations for how to achieve this.

2. Central government should prioritise prevention

Local authorities are stuck in a vicious cycle of cutting preventative spending to meet acute demand, which contributes to further demand for those acute services in the future. Interviewees from local authorities often argue that the only way to break the cycle is to go through a period of "double-running" under which central government provides sufficient funding to cover acute pressures while also allowing for additional investment in more preventative programmes.

Unsurprisingly this can be a hard sell with the Treasury. However, as discussed above, a form of double-running already happens – not through the provision of additional funds to boost prevention, but through duplication, with services spending money to address the same problems. A Total Place-style approach could reduce that duplication and free up resources that might be redirected into prevention, all with only limited additional investment from central government.[66]

To make prevention sustainable, government must also change the way it defines, funds and evaluates 'preventative spending' – as the Institute for Government has previously argued.[67] First, prevention must be a cross-government priority, with a settled definition of what constitutes preventative spending. It would also require incorporating prevention into the government's performance framework, expected to be released alongside the 2025 autumn budget, to track progress and hold departments and the wider public sector to account.

Second, there should be a broad ringfence around preventative funding which would allow local services to spend money on interventions that met the definition of prevention, without central government being too prescriptive over what that would entail.

Third, the government should dedicate more resources to properly evaluating examples of prevention and improve the ways that those learnings are transmitted across the local government sector. For example, the Institute for Government and Centre for Homelessness Impact have recommended that the government creates a national prevention endowment fund for homelessness.[68] Designed to generate long-term savings by funding, testing and scaling promising preventative interventions, the fund would also generate robust data on what works and provide a clear financial case for long-term investment.

The last government established the Office for Local Government (Oflog) in 2023 to "provide authoritative and accessible data and analysis about the performance of local government".[69] Oflog never achieved those goals, failing to become a trusted partner of local government, and was abolished very soon after the election. The Local Government Association (LGA) also provides some sector-led improvement through initiatives such as its 'peer challenge programme'.[70] But there is still scope to formalise and expand this offering by, for example, having an independent process of appointing the people who conduct the reviews.[71]

3. The government must co-ordinate its reforms carefully

The government has embarked on a wide-ranging programme of reform across local government – spanning local government reorganisation, finance, children's social care, SEND services, and homelessness. This is broadly a positive and much-needed shake-up of critical services. However, it will need to carefully co-ordinate these reforms – both with each other, and with wider changes across public services – to ensure they do not block each other's progress.

For example, health partners who are central to reforming children's social care and SEND services are themselves in limbo following the abolition of NHS England and the redrawing of integrated care board boundaries, limiting their capacity to plan and work effectively with local authorities.

To improve co-ordination, central government should use revamped missions boards (as discussed later in *Performance Tracker 2025*) to identify where there are trade-offs in its reforms, and properly prioritise. This will require detailed theories of change for how it expects to achieve its reforms, and collaboration with frontline staff on potential pinch points.

Adult social care remains a glaring omission from the current government's reform agenda, as has been the case for every government this century. By launching an independent commission on adult social care reform – not due to deliver its final report until 2028 – Labour has effectively ruled out large-scale reform during this parliament. The consequences will be felt for years as an ageing population places ever-greater strain on an already broken sector.

Inaction on adult social care is not just neglecting one service, it is actively undermining the government's goals in others. As it stands, the system is imposing heavy costs on other services by funnelling people into more expensive acute care, such as hospitals, and putting pressure on friends and relatives to leave the workforce to provide unpaid care, potentially leaving them financially vulnerable.

Local government: Adult social care

Introduction

When it came to power in 2024, the Labour government inherited an adult social care system that successive governments had neglected. Cuts to local government grants during the early 2010s under the coalition government meant that local authorities were forced to reduce access to adult social care, particularly for older adults.

Those cuts meant that, in 2019/20, spending on adult social care had only just returned to 2010/11 levels. Spending has increased substantially since then, but has struggled to keep pace with rising costs. As a result, it was only in 2022/23 and 2023/24 that access to adult social care increased compared to the previous years (although it still remains below pre-pandemic levels). This is because, ultimately, improving access requires more funding and for that funding to outstrip increases in the cost of delivering care. While funding will likely increase further in this parliament, it is unlikely to be enough to substantially redress the decline in access since 2010.

Multiple governments, from Blair to Sunak, committed themselves to reforming the sector. Brown promised free personal care and Johnson came close to implementing charging reform. But despite many commissions, reviews, command papers and Acts of Parliament,[1] all those governments largely failed. That is partly because of the political damage[2,3] that comes from trying to change the system. The current Labour government has internalised the lesson that reforming adult social care carries a heavy political cost. Despite a flurry of reforms across other services, it has effectively ruled out large-scale reform of adult social care during this parliament by launching an independent commission that will not deliver its final report until 2028.

Other decisions may actively harm the sector. For example, the government has decided to end the visa route for international care workers based outside the UK, cutting off a vital source of staff. While international staff are still entering the sector through other routes and the government has plans to boost domestic recruitment through 'fair pay agreements', these may not come soon enough or deliver the increases in staff that the sector needs.

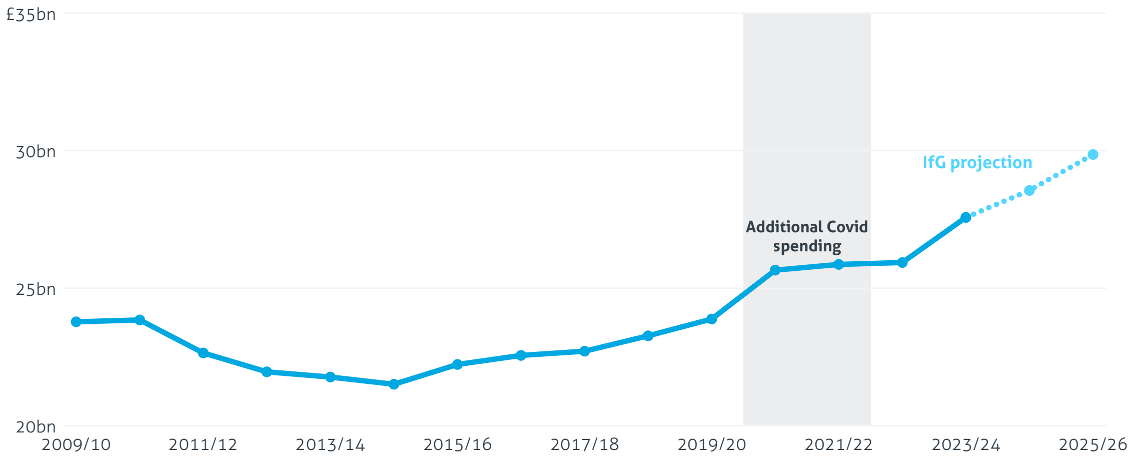
The government's inaction on adult social care is disappointing. Hundreds of thousands of people rely on care to help them live independent lives. More than one and a half million people work in the sector in England – more than in the NHS.[4] And almost six million people in the UK provide some level of unpaid care to friends and loved ones.[5] In short, adult social care touches the lives of a large proportion of the population. Failing to improve the sector will be visible to those millions.

Putting aside an argument to improve the system on its own merits, adult social care has an impact on many other services and rationing care imposes costs elsewhere, either forcing people towards more expensive acute services or putting pressure on friends and relatives to leave the workforce to provide unpaid care. Failing to improve social care in this parliament would be a notable failure of the government and will hinder the progress of multiple reform programmes.

Spending on adult social care

Spending has risen considerably in recent years

Figure LG 2.1 **Spending on adult social care, actual and projected, 2009/10–2025/26 (2025/26 prices)**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2023-24' ('Appendix C, Table 5') and MHCLG, 'Local authority revenue account budget data', 2024/25 and 2025/26. Notes: Spending shown in this chart is for England only and is net current expenditure. The projection applies the percentage increase in local authority spending on adult social care in 2024/25 from the revenue outturns to the total government spending on the sector for 2023/24. For 2025/26, we use the percentage increase in local authorities' core spending power for 2025/26. Please see the Methodology for more details.

The first half of the 10-year period from 2009/10 was difficult for adult social care. Under the coalition government, spending on the sector fell by 9.5% in real terms between 2009/10 and 2014/15. This accelerated the reduction in access to publicly funded care that we describe in more detail below, particularly for older adults.

Spending rose gradually during the second half of the decade and in 2019/20 was roughly in line with the level it had been a decade earlier. After that, the funding picture changed, and in 2024 Labour inherited a system that had experienced relatively large injections of funding in the previous few years. At £27.6 billion (bn) (2025/26 prices), spending in 2023/24 was 15.5% higher in real terms than in 2019/20, an average annual increase of 3.7% in real terms, compared to 2.1% between 2014/15 and 2019/20. In total, spending on publicly funded adult social care rose by 16.0% in real terms between 2009/10 and 2023/24.[*]

That trend is set to continue. If total spending on the sector rises in line with local authorities' spending in 2024/25,[6] it will have risen again, by 3.6%. For 2025/26, we can estimate the increase in spending on adult social care by using the increase in local authorities' funding. Using that data – and assuming that adult social care receives a proportional increase in funding – we would expect spending to rise again in 2025/26, by 4.6% in real terms.[**] This would bring spending on adult social care to just under £30bn in 2025/26.

* From now on, all social care discussed in this report will be publicly funded care, unless stated otherwise.

** More precisely, this uses the increase in upper- and single-tier local authorities' core spending power between 2024/25 and 2025/26. Please see the Methodology for more detail on how this was calculated.

In recent years, much of the additional spending on adult social care has been funded from local authorities' decision to raise Council Tax. Between 2019/20 and 2024/25, local authorities' funding from Council Tax increased by 29.6% in real terms compared to 24.4% for grant funding.

This relatively large amount of additional funding has not translated into a commensurate increase in people being able to access care. As laid out in more depth below, most of this additional spending has been driven by above-inflation rises in fees for providers. Successive governments' decision to raise the real-terms value of the National Living Wage has been one of the key drivers of these rises.

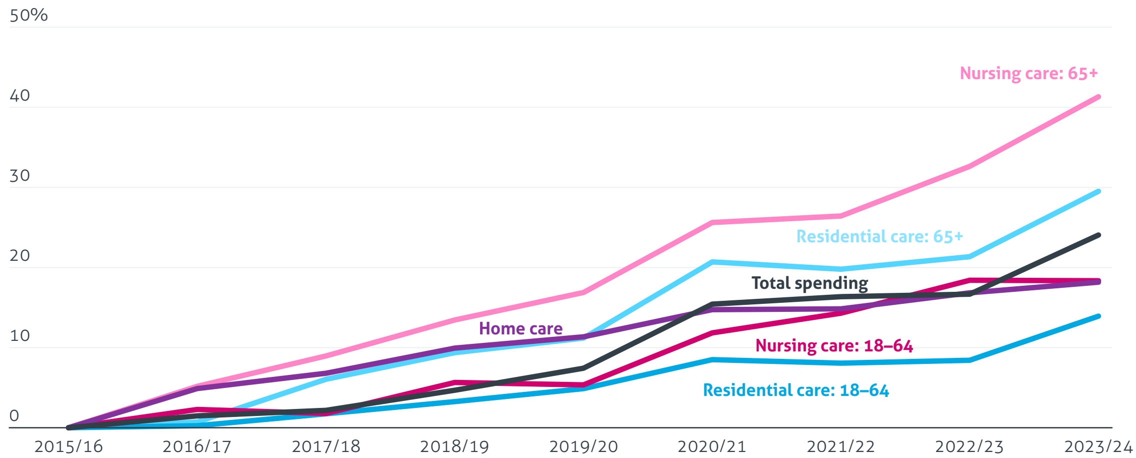
Much of the additional spending on adult social care in 2023/24 paid for increased fees for providers

Cancelled charging reforms funded additional spending in 2023/24

The Johnson government made progress on charging reforms where previous governments had failed. That government announced that it would implement a version of Andrew Dilnot's charging reforms – first recommended in 2011[7] – from October 2023.[8] In the 2022 autumn statement, the Sunak government delayed implementation to October 2025 (after the general election), putting the money that had been set aside for the reforms into new grants for social care in 2023/24.[9] The incoming Labour government then cancelled the implementation of charging reforms after winning the election, with the chancellor, Rachel Reeves, stating that it was not possible to implement reforms that "were not funded".[10]

If they had been implemented, the reforms would have limited the risk of "catastrophic costs"[11] for some people who rely on adult social care and would have made the means test for the receipt of publicly funded social care more generous. But they would not have brought additional funding into the system or likely have improved the quality of care. Rather, the major effect would have been to shift some of the burden of funding the existing system from private individuals to the state.

Figure LG 2.2 **Real-terms change in unit cost of care and spending on adult social care, by type of care and age band, since 2015/16**



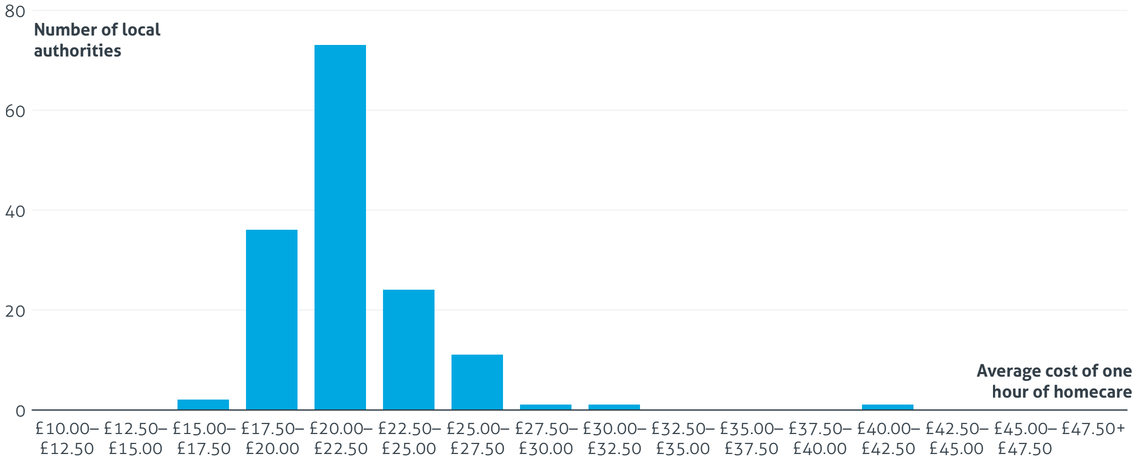
Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2023-24' (table 'T51') and ('Appendix C, Table 5'). Notes: This chart shows real-terms change for England only. Residential and nursing care is in terms of the average cost per week, and home care is in terms of the average cost per hour. There is no split in home care costs by age of adults. "Home care" includes only the external cost to local authorities, and not the internal provision.

While spending on adult social care has risen substantially in recent years, the rising costs of care have driven most of that increased spending. Since 2015/16, the unit cost of delivering care has risen faster than economy-wide inflation in all settings and for both working age adults (aged 18 to 64) and older adults (aged 65 and over). This means that local authorities have to spend more for the same level of care. Between 2019/20 and 2023/24, local authorities' spending* on long-term care rose by 17.1% in real terms. But if provider fees for home care (when carers travel to someone's home to care for them), residential care and nursing care had stayed the same as in 2019/20, local authorities' spending would have *fallen* by 8.0%, implying that local authorities are spending more for less activity.

Costs have risen particularly fast for older adults in nursing and residential care: between 2015/16 and 2023/24, the unit costs for care for those adults rose by 29.5% and 41.3% in real terms respectively.

The costs of providing residential care and nursing care to working-age adults rose by less: 13.9% and 18.4% respectively between 2015/16 and 2023/34. The cost of providing home care (for all adults, there is no split by age group) rose by 18.1% in real terms in that time.

Figure LG 2.3 **Distribution of the cost of one hour of home care for adults, by local authority, 2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2023-24' ('CSV datapack' table). Notes: This chart shows data for England only and relates to the external cost to local authorities, not internal provision. The chart excludes the Isles of Scilly and the City of London.

While fees have risen nationally, there was a substantial range in the average cost that different local authorities paid for home care in 2023/24. For example, Waltham Forest paid an average of £17.00 per hour, while Windsor and Maidenhead paid the most at £40.38 per hour.

* This is in terms of gross current spending, to get a better view of the impact of fee changes, as it does not account for local authorities' income. It is therefore not directly comparable to the net current spending totals shown earlier in this chapter.

At the end of 2022, the Homecare Association (a representative body for home care providers) recommended that the NHS and local authorities should pay a minimum of £25.95 per hour for home care in 2023/24 (the 'minimum price'[*]).[12] Only 10 of the 149 local authorities (6.7%) for which we have data paid more than that amount on average, with almost half (49.0%) paying between £20.00 and £22.50 per hour.

A rising National Living Wage is partly driving increasing costs

One of the main drivers of the increase in provider fees is the rising National Living Wage (NLW). Between 2015/16 and 2025/26, the NLW grew by 82.2% in cash terms. This means that it outstripped both growth in average earnings in the entire economy (45.1%) and economy-wide inflation[**] (37.3%). There were only two years in that time (2021/22 and 2022/23) when the NLW grew less than economy-wide inflation. In real terms, the NLW grew by 32.7% between 2015/16 and 2025/26.

The NLW increases affect local authorities in two ways:

- through the direct cost of having to pay their own staff more
- through the indirect cost of having to pay independent providers more for care packages.

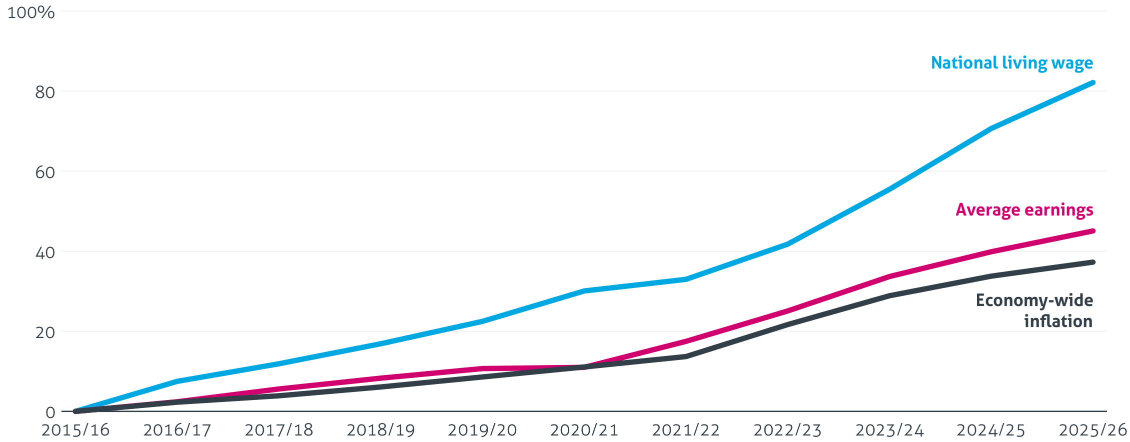
The adult social care sector is particularly exposed to the NLW. Skills for Care (the organisation that collates and publishes adult social care workforce data, alongside other responsibilities) estimates that, in March 2024, more than half (59%) of staff employed in the independent sector earned below the NLW level that was due to be introduced in April 2024.[13] Because of this, an increase in the NLW generally means that providers' wage bills increase substantially. Providers, in turn, pass those higher costs on to local authorities in the form of higher fees.

The Nuffield Trust estimates that, in 2025/26, the indirect cost of the NLW increase to local authorities will be £1.3bn.[14]

* The Homecare Association describes the minimum price as "the amount required to ensure the minimum legally compliant pay rate for care workers (excluding any enhancements for unsocial hours working), their travel time, mileage, and wage-related on-costs. The rate also includes the minimum contribution towards the costs of running a care business, which complies with quality and other legal requirements"; see Homecare Association, A Minimum Price for Homecare: April 2024 to March 2025, 2023.

** In this instance, we mean the GDP deflator, as this is the index that measures the inflation that a local authority faces.

Figure LG 2.4 **Real-terms change in the national living wage, average earnings and inflation, since 2015/16**



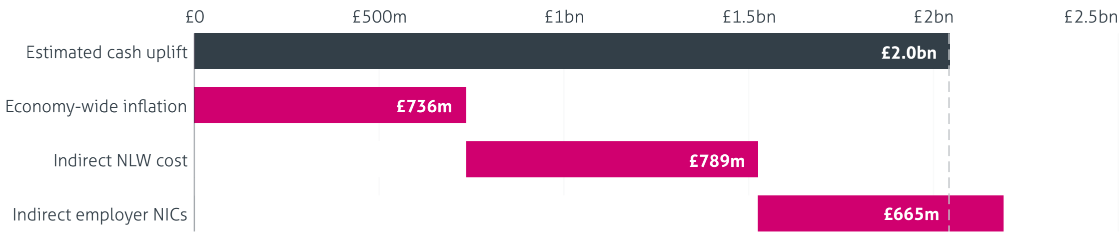
Source: Institute for Government analysis of House of Commons Library, 'National Minimum Wage statistics', OBR, 'Economic and fiscal outlook - detailed forecast tables: economy' (Table '1.6' and '1.7'). Notes: 'Economy-wide inflation' here refers to the GDP deflator. The OBR defines average earnings as "wages and salaries divided by employees. Wages and salaries equal to total compensation of employees minus employers' social contributions".

Cost pressures risk wiping out any increase in spending in 2025/26

The Labour government raised employers' National Insurance Contributions (employer NICs) at the 2024 autumn budget.[15] Like NLW rises, this will raise local authorities' costs.

Labour provided local authorities with £502 million at the 2025/26 local government finance settlement to offset the cost of higher employer NICs for the staff they employ directly (across all services, not just adult social care). But that funding did not compensate local authorities for the higher NIC costs that independent providers will face.[16] As providers pass on those costs to local authorities in the form of higher fees, these are 'indirect costs' of the employers' NICs to local authorities. The Nuffield Trust estimates that the impact of these indirect NICs costs will be £665m in 2025/26 to local authorities.[17]

Figure LG 2.5 **Cost pressures on the estimated increase in spending on adult social care in 2025/26**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2023-24' ('Appendix C, Table 5') and MHCLG, 'Local authority revenue account budget data', 2024/25 and 2025/26 and Nuffield Trust, 'Will the autumn budget push adult social care beyond breaking point?', 2024. Notes: The data in this chart is for England only. It adjusts the impact of the national living wage (NLW) to avoid double-counting for inflation. 'Economy-wide inflation' here refers to the GDP deflator.

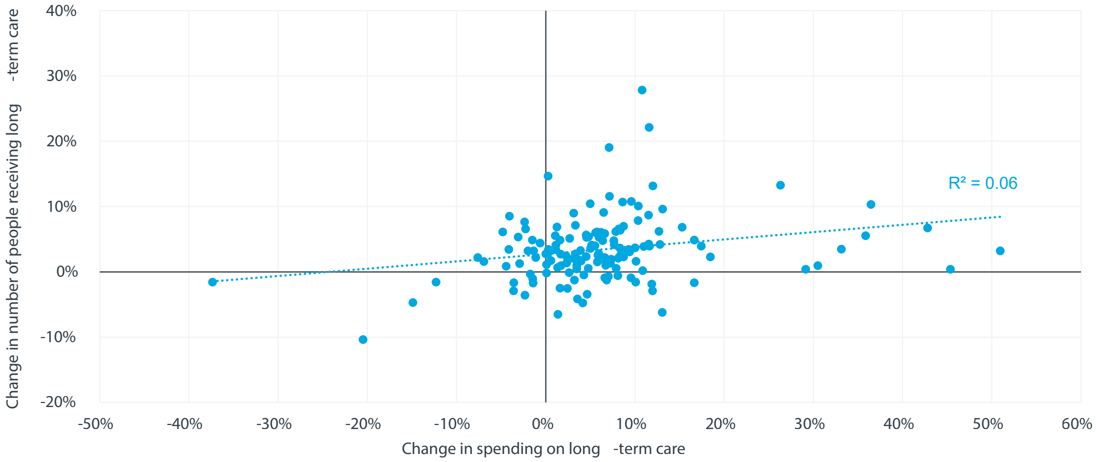
The cost of the NLW and employer NICs, combined with economy-wide inflation, mean that local authorities will spend £2.2bn on adult social in 2025/26 for the same level care as in 2023/24. At the same time, we estimate that the cash increase in funding for adult social care will be just over £2bn.

That means that the entirety of the uplift in spending on adult social care in 2025/26 could go on meeting the higher cost of delivering care. This is before accounting for pressure from rising demographic demand and the increasing complexity of need, which will require even more spending.

There is no straightforward relationship between spending and activity

It might be expected that local authorities that increased their spending on adult social care the most between 2022/23 and 2023/24 also saw the largest increase in activity. But this is not the case. There is no straightforward relationship between the change in spending on long-term adult social care and the change in the number of long-term care packages that local authorities provided between 2022/23 and 2023/24.* This is true even after adjusting for changes in fees.

Figure LG 2.6 **Change in spending on long-term care compared to change in the number of people receiving long-term care, by local authority, 2022/23 to 2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult social care activity and finance report' (tables 'T38' and 'T44'), 2022/23 and 2023/24. Notes: This shows England only. This adjusts the amount spent by for inflation and by the cost increase for care between these two years. It shows the people receiving long-term care at the end of each year.

There are various factors that could explain why there is no direct relationship between spending and activity. There could, for example, be changes in the types and intensity of care that local authorities provide from year to year, with some choosing to shift spending towards prevention, while others put additional funding into more expensive long-term care packages. It is also possible that local authorities are choosing to increase the intensity of care for some of those with the highest needs who are already receiving care, which would result in higher spending but no apparent change in activity.

Interviewees speculated that this pattern could also be because reporting practices vary across local authorities and between years. As an example, they pointed out that local authorities record approximately a fifth of their spending as 'other', which would therefore not be included in our metric of spending on long-term care used above, but which may well have an impact on access to long-term care.[18]

* This is using gross current spending as the measure of spending, instead of net current spending, which accounts for income from sales, fees and charges. We use this measure because it is more likely to be linked to activity than net current spending.

There are positive recent signs for the provider market

The Sunak government set an ambition of stabilising the care provider market. One mechanism it used to achieve this goal was to encourage local authorities to increase provider fees above the rate of inflation in 2023/24.[19] To support local authorities to do this, it provided funding through the Market Sustainability and Improvement Fund (at least part of which was money for charging reform that the government reallocated[20]).

It is difficult to know how effective this approach was. On the one hand, all 153 local authorities increased home care fees in 2023/24 and all but a small handful increased nursing and residential care fees – achieving at least part of the government's stated aim.[21] But it is much harder to determine whether this achieved the desired effect of increasing stability in the provider market – due to a lack of data. One source of information about the provider market is the Association of Directors of Adult Social Services' (ADASS)[*] annual survey of its members. One measure that ADASS uses to track stability in the provider market is the proportion of local authorities in which providers have handed back contracts in the previous year. Providers hand back contracts for a range of reasons, including closure or a change in their business model, and the measure is therefore an "inexact" barometer of market health, as ADASS itself says.[22]

Regardless of the reason, when a provider hands back their contract, it can create distress for service users who have to move to a new provider.[23] The 2025 ADASS survey shows that the proportion of local authorities that had providers hand back contracts in 2023/24 was the same as in 2022/23 (66%) and slightly higher than in 2021/22 (64%). But there was a large decline in 2024/25, to 56%.[24] Unfortunately there is no data on earlier years to make further comparisons.

Another source of information is the Care Quality Commission, which inspects providers. It estimates that care home providers' profit margin[**] (before netting off interest costs, taxes and non-cash expenses) for residents aged 65+ rose from 22.5% in March 2022 to 26.9% in March 2024.[25] It attributes this to a mixture of rising occupancy rates, increasing fees and relatively flat costs (the Care Quality Commission attributes these flat costs, despite rising wages, to reduced use of agency staff). LaingBuisson analysis on the state of the independent sector shows that this increase in profitability comes after a long-term decline in provider profitability, going back to the start of the 2010s.[26]

Despite these measures, successive governments have placed the failure of a major provider on the national risk register, estimating that there is a 5% to 25% chance that it will happen in the next five years.[27] But one interviewee pointed out that there has not been a major failure for a long time (arguably the last was Southern Cross in 2011[28]) or a swathe of smaller failures, implying that "the market is far more stable than the sector states".[29]

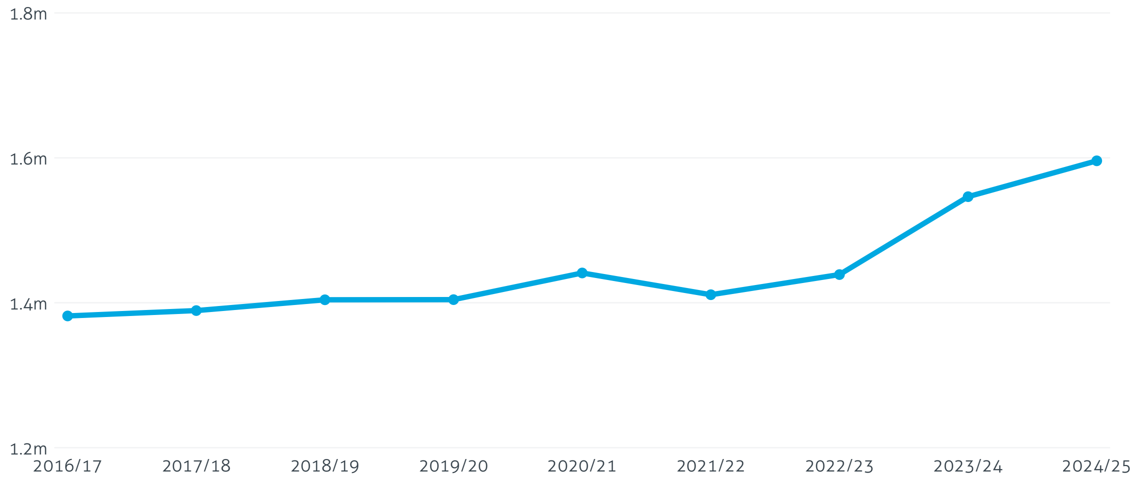
* Directors of adult social services (DASS) are responsible for delivering adult social care in a local authority

** Technically, this is providers' earnings before interest, taxation, depreciation, amortisation, rent and management fees.

Adult social care staffing

Workforce growth continued in 2024/25

Figure LG 2.7 **Filled posts in the adult social care sector, 2016/17–2024/25**



Source: Institute for Government analysis of Skills for Care, 'The size and structure of the adult social care sector and workforce in England, 2024/25'. Notes: This chart shows the number of filled posts in the independent and local authority sectors and for direct payment recipients. Skills for Care changed its methodology in 2025, meaning that 2016/17 is the first year for which there is data.

When the Labour government came to power in 2024, it inherited the largest adult social care workforce on record. There were 1.55 million filled posts in the adult social care sector (whether employed by local authorities, independent sector providers or direct payment recipients) in 2023/24, 7.5% up on 2022/23 and 11.9% higher than in 2016/17, the first year for which there is data on the workforce.

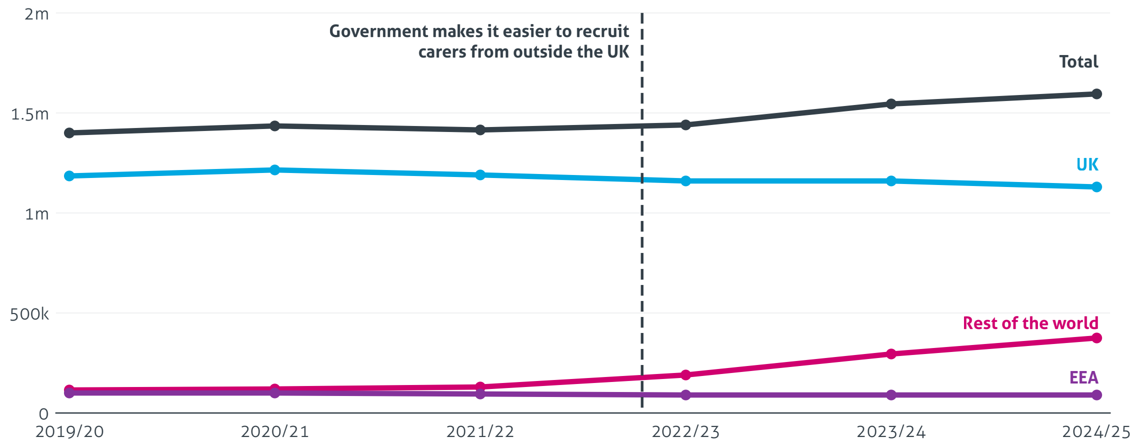
Workforce growth slowed in 2024/25. In that year, there were 3.2% more filled posts in the adult social care sector compared to 2023/24, bringing the total to 1.60 million. This happened at the same time as vacancy rates fell, as discussed in more depth below.

Skills for Care estimates that for the workforce to match the growth of the population aged 65 and over, there will need to be an increase of 470,000 posts between 2024/25 and 2040, a rise of 26.9%.[30] This would be an average annual increase of 1.6%. If the number of filled posts grows at the annual average growth rate between 2016/17 and 2024/25 (1.9%), this would be an achievable target. But this was a period in which there was a large influx of staff recruited from outside the UK, as discussed in more detail below. The current government has made it more difficult to recruit internationally, which might slow the rate of workforce growth in the coming years.

Most of the filled posts in 2024/25 were in the independent sector: 1.35 million out of the 1.60 million (84.3%), with 7.5% employed by local authorities and the remaining 7.5% employed by direct payment recipients.

A rise in international recruitment has driven workforce growth

Figure LG 2.8 **Adult social care workforce, by nationality, 2019/20–2024/25**



Source: Institute for Government analysis of Skills for Care, 'The size and structure of the adult social care sector and workforce in England', 2024/25. Notes: This chart shows data for England only. There is no comparable data before 2019/20.

The Labour government also inherited a system that was increasingly reliant on international staff. This followed the Johnson government's decision to liberalise the immigration system in February 2022, making it easier for health and care staff who would earn low wages to come to the UK. This came after a recommendation from the Migration Advisory Committee (an independent public body that advises the government on migration issues) to add senior care workers to the Shortage Occupation List.[31]

There was steady and then rapid growth in the number of staff from outside the UK and the European Economic Area (EEA) working in the adult social care sector between 2019/20 and 2023/24. In 2019/20, there were approximately 115,000 staff from outside the UK and EEA working in the local authority and independent sectors. That more than doubled to 295,000 in 2023/24, an increase of 156.5%.

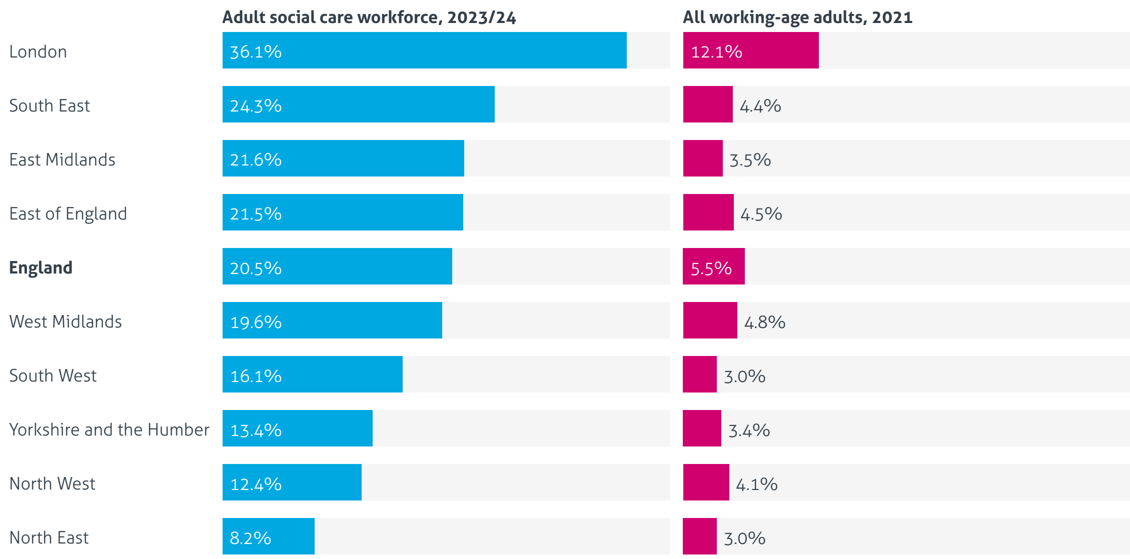
In contrast, the number of British staff working in the adult social care sector fell every year between 2019/20 and 2023/24: from 1.19 million at the start of the period to 1.16 million at the end, a drop of 2.1%. This means that, in 2023/24, 19.1% of the adult social care workforce came from outside the UK and EEA, compared to 8.2% in 2019/20.

This trend did not stop after the Sunak government tightened visa requirements or after the Labour Party won the general election in 2024. By the end of 2024/25, there were 375,000 staff from outside the UK and EEA working in the independent and local authority adult social care sectors, an increase of 27.1% from 2023/24 and 226.1% higher than in 2019/20. It was the second highest single-year increase in staff, behind only 2023/24. There were also 30,000 fewer British staff in those sectors in 2024/25, compared to 2023/24. This means that, by the end of 2024/25, almost one in four (23.5%) people working in the adult social care sector were from outside the UK and EEA compared to roughly one in twelve (8.2%) in 2019/20.

This growth in the workforce was vital for improving access to adult social care in 2023/24. As one interviewee put it to us: "We would have been lost without international staff." The Care Quality Commission also attributes the drop in providers' use of agency staff between 2021/22 and 2023/24 to increased international recruitment. As it is generally more expensive for providers to fill vacancies with agency staff than with permanent staff, this has also helped to keep costs lower than they might be otherwise. But the Care Quality Commission stated that the benefits of this visa route shrank in 2023/24 as providers improved their recruitment and retention of British staff, although its report does not explain why this has happened.[32]

Reliance on international staff varies by region of England and staff group

Figure LG 2.9 **Adult social care and total economy workforce from outside the UK and EEA, by region, 2023/24 and 2021**



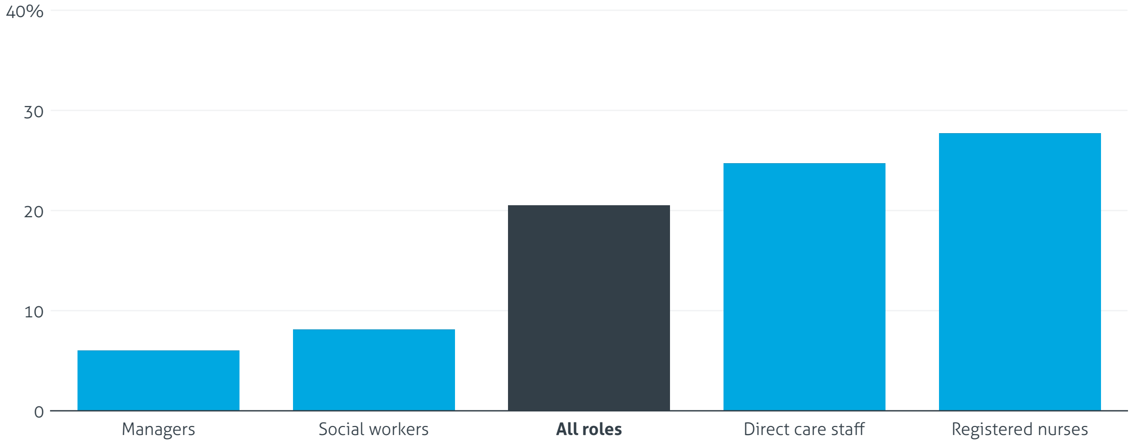
Source: Institute for Government analysis of Skills for Care, 'Workforce estimates' (table '5.7'), 2023/24 and ONS, 'Population by country of birth and nationality' (table '1.2'), 2021. Notes: This chart shows staff in the local authority and independent sectors. It shows data for 2023/24 because there is no subnational data for 2024/25. 2021 is the last time the ONS published data for the entire economy. This chart shows nationality in both cases.

In 2023/24 (the most recent year for which there is subnational data), more than a third (36.1%) of adult social care posts in London were filled by staff from outside the UK and EEA. In contrast, the North East had by far the smallest proportion of its workforce from outside the UK and EEA, at 8.2%.

Both in England as a whole and in all of its regions, the proportion of the adult social care workforce who are from outside the UK and EEA is greater than the proportion of the overall working-age population who are from outside the UK and EEA.[*] For England, 20.5% of the adult social care workforce were from outside the UK and EEA in 2023/24, compared to 5.5% for the entire working-age population.

* Unfortunately, the Office for National Statistics last published data on the working-age population from outside the UK and EEA in 2021 and therefore this does not capture more recent immigration to the UK.

Figure LG 2.10 **Adult social care workforce from outside the UK and EEA, by staff group, 2023/24**

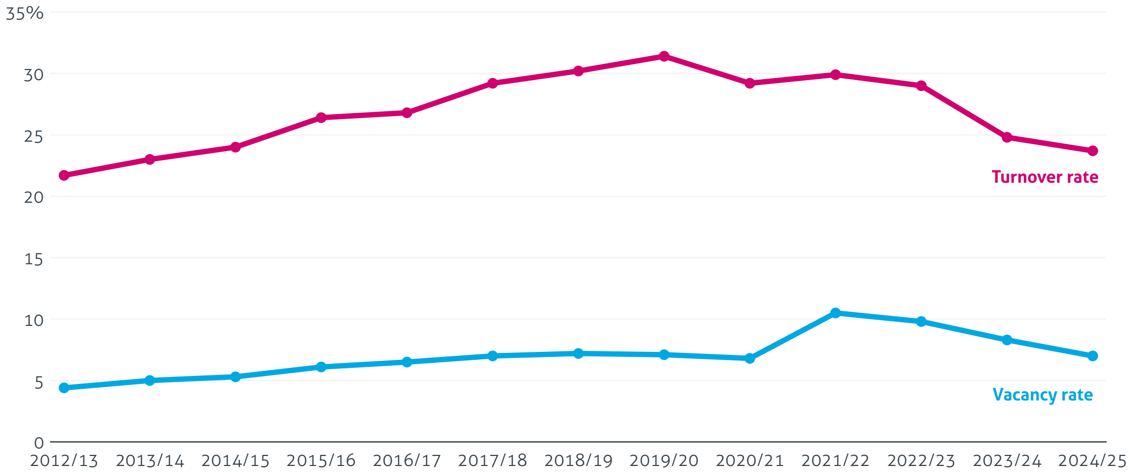


Source: Institute for Government analysis of Skills for Care, 'Workforce estimates' (Table '5.7'), 2023/24. Notes: This chart shows data for England only. It shows only those working in the local authority and independent sectors, as this is the only data that Skills for Care provides.

There are also differences between staff groups. In 2023/24, more than a quarter (27.7%) of registered nurses working in the adult social care sector were from outside the UK and EEA. In comparison, only 6.0% of managers were.

Vacancy and turnover rates fell in 2024/25

Figure LG 2.11 **Adult social care workforce turnover and vacancy rates, 2012/13–2024/25**



Source: Institute for Government analysis of Skills for Care, 'State of the workforce', 2023/24 and Skills for Care, 'Size and structure of the workforce', 2024/25. Notes: This chart shows data for England only. 2012/13 was the first year in which Skills for Care published this data. The vacancy rate is for the independent sector, the local authority sector and direct payment recipients. The turnover rate excludes direct payment recipients because Skills for Care does not publish that data.

The Labour government inherited an adult social care workforce that is much more stable than it has been in recent years. For the fourth consecutive year, turnover rates in the adult social care workforce fell in 2023/24, to 24.8%, down from a high of 31.4% in 2019/20.

Turnover fell again in 2024/25, the Labour government's first year in some control of the sector, to 23.7%. That is lower than any year since 2013/14. This is positive for the effectiveness of the workforce – staff who stay in the sector longer become more experienced and learn to work more effectively. There are also benefits from staff staying in one role for longer, as it increases the likelihood that they care for the same person.

Skills for Care believes that the reduction in the turnover rate is in part due to the increasing proportion of the workforce from outside the UK and EEA, who it says "have around half the turnover rate of people recruited from within the UK".[33] Its report does not offer any explanation for why this is the case, but one interviewee suggested that it is because international staff are more likely to have fixed-term contracts that are tied to their visas, making it harder for them to leave their job.

Likewise, interviewees attributed the recent decline in the vacancy rate to higher international recruitment. The vacancy rate fell consistently between 2021/22 and 2024/25, from 10.5% to 7.0%. That now means that vacancies in adult social care are roughly in line with pre-pandemic levels (7.1% in 2019/20). However, this is still far above the vacancy rate of 2.2% across the wider UK economy in 2024/25.

As the number of total posts (which is the sum of filled and vacant posts) rose between 2023/24 and 2024/25, from 1.67 million to 1.71 million, providers reducing their hiring does not explain the falling vacancy rate. There a few factors that do. First, the leaver rate declined between 2023/24 and 2024/25, meaning that providers would not have to hire new staff as often. Second, employers may be finding it easier to recruit staff, although further research would be needed to establish whether this is the case. Third, the declining vacancy rate reflects the broad pattern in the wider economy. Across the economy, vacancies peaked in 2022/23 (a year after adult social care vacancies peaked and at a much lower rate than in the adult social care sector – only 3.2% compared to the peak in adult social care of 10.5%) and have since gradually declined. As with the adult social care sector, the economy-wide vacancy rate in 2024/25 was back to pre-pandemic levels.

Table LG 2.1 **Adult social care vacancy rate, by region and staff group, 2023/24**

	All job roles	Care workers	Registered nurses	Support and outreach staff	Senior care workers	Managers	Senior management
London	10.5%	12.5%	9.9%	6.9%	12.7%	3.8%	2.8%
East Midlands	9.0%	10.7%	9.6%	8.5%	5.6%	5.0%	2.3%
South East	8.4%	9.8%	10.4%	7.9%	5.1%	4.2%	2.1%
East of England	8.3%	10.1%	8.2%	8.9%	4.1%	5.0%	1.5%
West Midlands	8.3%	10.0%	7.9%	4.9%	4.7%	3.3%	1.5%
North West	7.8%	9.4%	7.9%	7.2%	3.6%	2.9%	1.2%
South West	7.7%	9.6%	6.2%	6.1%	3.9%	2.4%	1.2%
Yorkshire and the Humber	7.0%	7.7%	8.9%	4.3%	3.9%	3.2%	1.0%
North East	6.3%	7.4%	13.1%	4.5%	5.1%	2.1%	1.0%
England	**8.3%**	**9.9%**	**9.0%**	**6.8%**	**5.4%**	**3.7%**	**1.7%**

Source: Institute for Government analysis of Skills for Care, 'Adult social care workforce estimates by local authority area in England' (Table 'Local area – 2023-24'). Notes: This table shows data for England only and all sectors of the adult social care workforce.

Adult social care vacancy rates vary substantially by region and staff group, although data on this is only available for 2023/24, not 2024/25.

The national vacancy rate for all adult social care job roles in 2023/24 was 8.3%. This is not directly comparable to the national adult social care vacancy rate of 7.0% highlighted above, which was for 2024/25. Vacancy rates were highest in London – 10.5% of posts for all job roles were unfilled, two thirds higher than in the North East, where the figure stood at 6.3%.

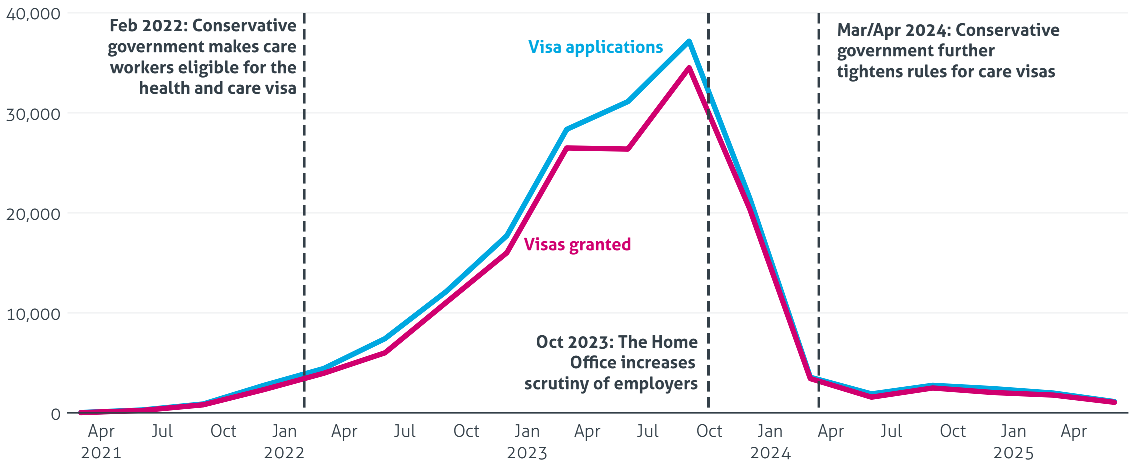
In terms of staff groups, the highest proportion of unfilled posts in 2023/24 were for care workers, at 9.9%. Once again, the greatest shortfall was in London, where one in eight care worker posts were unfilled. Vacancy rates were consistently low in management positions in the sector: only 3.7% of managers and 1.7% of senior management roles were unoccupied and there was no region in England in which the vacancy rate for senior management roles exceeded 2.8%.

While this implies that there are few issues in terms of managerial staff groups at the moment, interviewees said that there are concerns in the sector about the pipeline of staff for future management roles. This is primarily because the wage scale for most staff groups has been compressed over the past few years as the National Living Wage

(NLW) has risen. This has pushed up wages at the bottom of the pay scale, while wages further up have remained much more similar. This reduces the incentive for staff to progress into roles that have more responsibility, such as management.

The government's decision to further tighten immigration rules for care workers could cause staff shortages

Figure LG 2.12 **Visa applications and visas granted for care workers, Q1 2021 to Q2 2025**



Source: Institute for Government analysis of Home Office, 'Sponsored work visas by occupation and industry' (tables 'Occ_D01' and 'Occ_D02'), Q2 2025. Notes: This chart shows applications and visas granted for health and care visas and for staff who work in the occupation minor group '613 – caring personal services'.

The Johnson government's decision to add care workers to the Shortage Occupation List in February 2022 contributed to an increase in visa applications. In 2023/24, there were 93,329 applicants for health and care visas who would then work in 'caring personal services' (the closest proxy for care workers). Of these applications, the government granted 84,715 visas. This was an increase from 59,553 in 2022/23 and 7,354 in 2021/22.

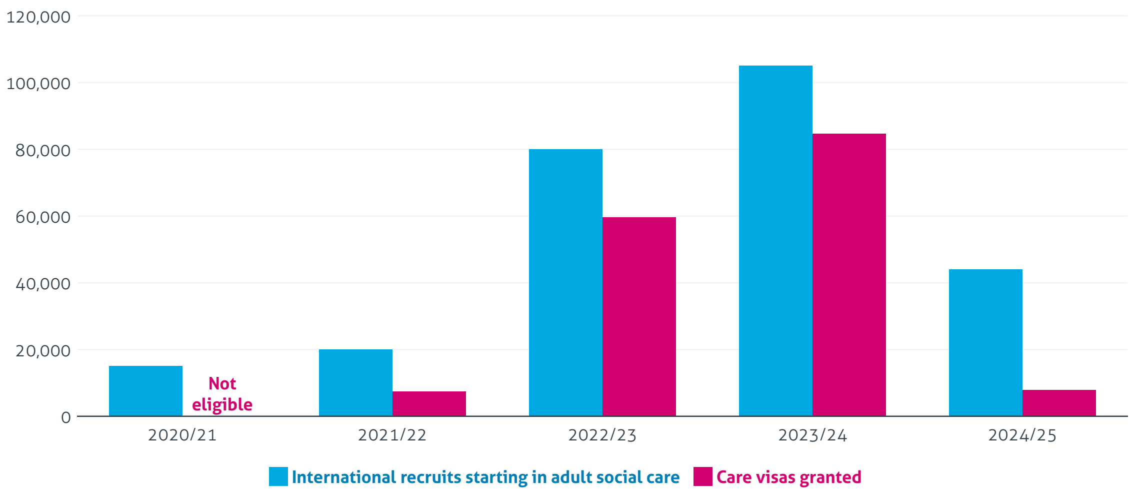
However, there were fears that people who had no intention of working in the sector were abusing this visa route. In its 2023 review of the immigration system as it relates to the adult social care sector, the independent chief inspector of borders and immigration reported instances of fraud, such as people applying under the name of a residential care provider for 275 certificates of sponsorship (the document that the Home Office grants an employer, which allows them to hire someone from outside the UK[34]), without the knowledge of the provider.[35] In response, the Sunak government increased the scrutiny of employers' applications from October 2023,[36] resulting in a large decline in applications between then and mid-2024.[37]

That intervention seems to have been the main cause of the sharp fall in applications rather than the later change the Sunak government made in spring 2024,[38] after which the number of applications stayed broadly flat. The new reforms meant that care workers and senior care workers were no longer eligible to bring "dependants" (by which they mean carers' family members) with them on their care visa and raised the salary threshold for applicants.[39]

The current government decided to further tighten visa rules for care workers. In its white paper, *Restoring Control over the Immigration System*, published in May 2025, it announced that it intends to "end overseas recruitment for social care visas".[40] The government subsequently ended the health and care visa on 22 July 2025 (although continues to allow people who are already in the country on another visa to apply for a health and care visa until 2028).[41] Instead, the government hopes to encourage more British people to work in the sector through the creation of fair pay agreements (a manifesto commitment designed to increase the wages of care staff), as discussed in more depth below.[42]

There is now data for two years that the tightening of visa restrictions may have affected: 2023/24 and 2024/25. In both years, the number of staff from outside the UK and EEA working in adult social care increased despite the visa restrictions, albeit by less in 2024/25 than it had in 2023/24. Combined with lower vacancy rates, this might make it appear as though the visa restrictions have not had much of an effect on the sector.

Figure LG 2.13 **People from outside the UK starting care roles, and the number of care visas granted, 2020/21–2024/25**



Source: Institute for Government analysis of Skills for Care, 'The size and structure of the adult social care sector and workforce in England' ('Chart 7'), 2024/25 and Home Office, 'Sponsored work visas by occupation and industry' (tables 'Occ_D01' and 'Occ_D02'), Q1 2025. Notes: This chart shows data for England and the independent sector only. There is no data for the number of visas granted to people working in the care sector in 2020/21. The chart shows visas granted for staff who work in the occupation minor group '613 – caring personal services'.

But when we look at the number of people who started working in the sector having arrived in the UK that year, there was a large drop between 2023/24 and 2024/25 – 105,000 in the former compared to 44,000 in the latter. Of the 44,000 people in 2024/25, only 7,891 came to the UK on a health and care visa (17.9%). Skills for Care says that the remaining 34,000 must have come to the UK on other visa routes, such as student visas, or as dependants of people arriving in the UK through other visa routes.[43] A far higher proportion of international starters in the sector came through the health and care visa route in 2022/23 and 2023/24: 74.4% and 80.7% respectively.

Given other sources of international staff, it could be that the reduction in the number of health and care worker visas may either take a while to have an impact on the system or have no impact at all. But there is some evidence that the restrictions are making it harder for providers to recruit enough staff. In ADASS's 2025 spring survey, directors of adult social services reported that some (although it is unclear how many) providers had handed back contracts due to "concerns... about the pipeline of international recruits [being] closed".[44]

Regardless of the merits of shifting the source of recruitment from international to domestic staff, it is undoubtedly true that the constant to-ing and fro-ing on immigration policy since early 2021 makes it difficult for providers and local authorities to plan effectively. The government should aim for stability and pragmatism in its policy regarding the international recruitment of care staff for the rest of this parliament.

It is unclear how the government plans to implement fair pay agreements or what effect they will have

Introducing fair pay agreements (FPAs) is the government's policy response to an anticipated reduction in international staff. These agreements are intended, among other aims, to make the sector more attractive to British staff. The government is legislating for the introduction of FPAs through the Employment Rights Bill, which is currently passing through parliament.[45] This will create a single negotiating body that represents the sector nationally.

An FPA "provides a means to negotiate for better pay and conditions in the ASC [adult social care] sector as a whole and provides levers to ensure the negotiated outcome is honoured".[46] The government's own impact assessment provides only a vague indication of costs and benefits, although it says that it expects FPAs to translate into higher costs for self-funders and local authorities.[47]

There is still little detail on how the FPAs will work in practice or what form they will take. Some of that is by design. The government's legislation requires that providers and unions decide the scope of the negotiations themselves.

Even if there was clarity around these matters, there are several barriers to the effective implementation of FPAs. FPAs require agreement between representative bodies of both employees and employers. This is easier said than done. The provider market is heavily fragmented, with more than 18,000 providers operating across England. There are membership organisations – for example the Homecare Association and Care England – but negotiating FPAs would go beyond their current responsibilities. And while they all represent providers, these representative organisations often have overlapping but not completely aligned interests, making agreement difficult.

In addition, direct payment recipients employ approximately 123,000 people, further adding to the complexity of the employment landscape. Finally, there is no collective body representing workers in the sector – the Resolution Foundation estimates that only 15% of staff that private sector providers employ are members of a union.[48]

Experience from the New Zealand government's attempt to implement a similar FPA system indicates that building consensus among employers is crucial, and even then, there is no guarantee of co-operation.[49]

Starting in 2020, the French government has managed to increase pay for care workers through a set of agreements collectively bargained between unions and providers. This includes a national pay scale that rewards things such as length of time in the sector and levels of qualifications.[50]

Previous Institute for Government work has recommended some alternative, simpler models that could deliver similar results. These include:

- introducing a sector-specific minimum wage
- setting up a social care pay review body (along the lines of pay review bodies in the NHS, schools and other public sector areas), which could recommend pay for the sector in each year
- creating an institution modelled on Australia's Fair Work Commission, which sets the pay and terms for the sector based on submissions from employers and unions, without having to rely on the government to approve recommendations.[51]

A less controversial step would be for the government to enforce the payment of existing National Living Wage levels, given widespread underpayment across the sector. As an example, the Nuffield Trust points out that many home care workers are not paid for the time that they spend travelling between appointments.[52]

Crucially, the implementation of any FPA that set a sector-specific wage for social care would, by definition, result in providers having to pay staff more. This would require local authorities to pay more for care in the form of higher provider fees. Work from the Fabian Society estimates that setting pay equivalent to an NHS health care assistant would cost local authorities an additional £1.5bn per year,[53] an increase of 5.8% of 2023/24 social care spending and 2.2% of local authorities' core spending power in 2025/26. In October 2025, the government announced that it will establish the 'Adult Social Care Negotiating Body' in 2026, with the first fair pay agreement 'coming into force in 2028'.[*] The government has allocated £500m for funding that agreement, roughly 2% of the amount spent on the service in 2023/24.

* Department of Health and Social Care, '£500 million for first ever fair pay agreement for care workers', GOV.UK, press release, 30 September 2025, retrieved 7 October 2025, www.gov.uk/government/news/500m-for-first-ever-fair-pay-agreement-for-care-workers

A far larger proportion of staff in adult social care are employed on zero-hours contracts than in the wider economy

In 2023/24,[*] local authorities and independent sector providers employed 21.5% of their staff on zero-hours contracts. These contracts allow employers to employ staff for short periods of time, with no obligation to give them a minimum number of hours. Conversely, staff can refuse to work when asked.[54] There is a large difference in the use of zero-hours contracts between different types of employer. In 2023/24, only 5.4% of local authority staff were employed on zero-hours contracts, compared to 22.9% of independent provider staff. In comparison, only 3.2% of people in employment in England were employed on zero-hours contracts between January and March 2024.[55]

The year 2023/24 saw the lowest level of zero-hours contract usage (21.5%) since at least 2016/17, when Skills for Care began publishing data. But there has been little variation in that time. The highest level of employers' use of zero-hours contracts was in 2020/21, when 24.7% of staff were employed on these contracts in the independent and local authority sectors.

There is much more variation in the use of zero-hours contracts between the regions of England and local authorities. In 2023/24, London had the highest proportion of zero-hours contract usage, at 38.6%, while the North East had the lowest, at 15.6%. The local authority with the lowest rate of usage was North East Lincolnshire, at 7.6%, and the local authority with the highest level was Redbridge, in London, at 58.8%.

The government's employment reforms should reduce the use of zero-hours contracts and may increase the cost of providing care

As part of the government's Employment Rights Bill, staff employed on zero-hours contracts will be able to move onto guaranteed hours contracts, if they wish.[56] This will increase the certainty and stability of work for those employees, but it will also likely raise costs for employers.

As a sector with a large proportion of staff working on zero-hours contracts, adult social care providers will likely see their costs rise, in some cases substantially. As with other measures – such as an increase in the National Living Wage, which pushes up the cost of employing staff – this will likely mean that local authorities will have to pay higher fees to providers for the same level of work.

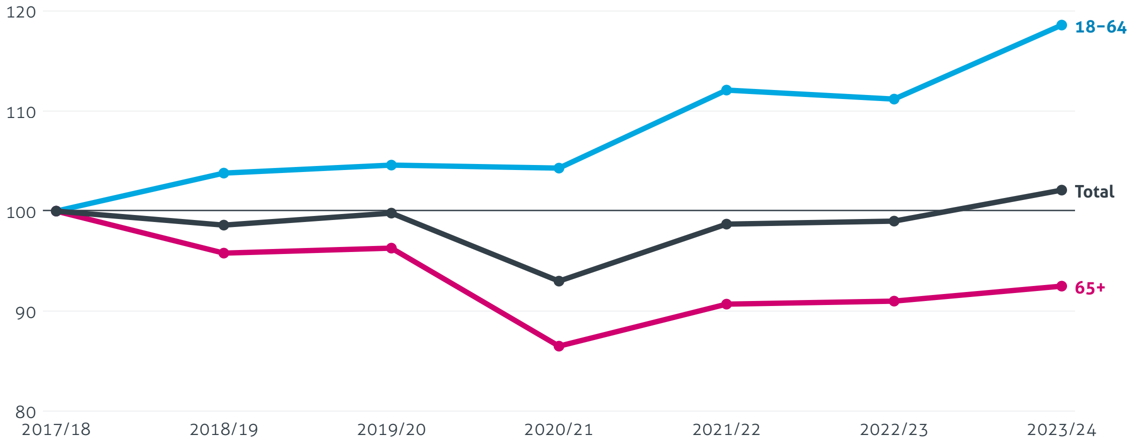
As with the implementation of fair pay agreements, central government must ensure that local authorities are appropriately compensated for changes in national policy that drive up the cost of providing care. If not, there is a risk that these changes will result in a reduction in access to care.

[*] This is the most recent year for which there is published data.

Demand for adult social care

Requests for social care support grew sharply among younger adults (aged 18–64) in 2023/24

Figure LG 2.14 **Index of the proportion of adults requesting social care support from local authorities, by age group (2017/18=100)**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity' (table 'T13'), 2023/24 and ONS, 'Mid year population estimates', 2023. Notes: This chart shows the unique number of people requesting support in England. Data is not available before 2017/18.

In 2023/24, 1.4 million total adults in England requested support[*] from their local authority, an increase of 4.9% from 2022/23. Between 2022/23 and 2023/24, there was growth among both working-age adults and older adults, by 8.5% and 3.2% respectively. This represented a small increase in the proportion of the adult population overall requesting support: in 2022/23, 3.0% of the adult population requested support, compared to 3.1% in 2023/24.

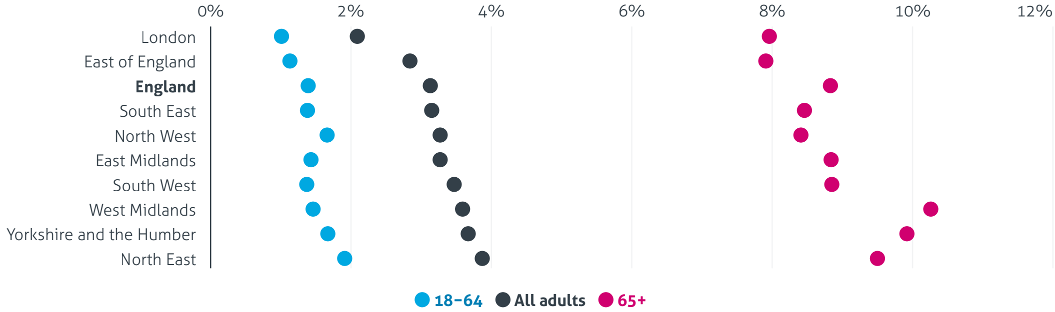
There was growth in requests, even when accounting for changes in population size. 1.3% of working-age adults requested support in 2022/23, rising to 1.4% in 2023/24 – an increase of 6.7%.

Unsurprisingly, a far higher proportion of the population aged 65 and over request support from their local authority than the working-age population. In 2022/23, 8.7% of people aged 65 and over requested support, rising to 8.8% in 2023/24, an increase of 1.6%. The year 2023/24 was the first year that the proportion of adults of all ages requesting support exceeded pre-pandemic levels. The year also saw the highest number of requests for support on record.

Over the longer-term, however, patterns of demand for the two age groups have diverged. The proportion of working age adults requesting support increased 18.6% between 2017/18 and 2023/25. In contrast, there was a decline in the proportion of over-65s requesting support between 2017/18 and 2023/24, by 7.5%. Both of these trends mirror changes in disability rates, as we have previously shown,[57] and which we discuss further below.

* This may not be a perfect indication of need for care. People may not come forward for care when they are eligible as they might be receiving unpaid care from friends or family. And some may apply for an assessment when they are not eligible.

Figure LG 2.15 **Adults requesting support from their local authorities, by region and age group, 2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity' (table 'T13'), 2023/24 and ONS, 'Mid year population estimates', 2023. Notes: This chart shows the unique number of people requesting support in England.

There is considerable variation in requests for support around England,* with London a particular outlier. Compared to the England average of 3.1% of all adults requesting support in 2023/24, requests for support in London were approximately a third lower: 2.1%. London also had the lowest and second lowest proportion of adults requesting support in the 18–64 and 65+ age groups, respectively.

At the other end of the spectrum, in 2023/24, a far larger proportion of working-age adults requested support in the North East than either London or England as a whole: 1.9% compared to 1.0% and 1.4%, respectively.

Access to adult social care is not keeping pace with demand

Need for care is difficult to determine. We can look at changes in requests for support, as previously discussed. But this is only a partial view. We therefore need to look at other measures of demand.

In the 2011 census, 13.4% of adults aged 20–64 reported living with a disability. This rose to 15.6% in the 2021 census. The increase was even larger among those aged 20–34, where self-reported disability grew from 6.1% in 2011 to 12.0% in 2021. In contrast, the rates of reported disability among adults aged 65+ shrank, from 53.1% in 2011 to 35.2% in 2021.

But despite increasing levels of demand, the rate of access has not kept pace. Among adults aged 18–64, there was a slight decline in access between 2010/11 and 2020/21, while self-reported disability rates increased. And while both disability rates and access declined for older adults, the rate of the fall in access was greater than the rate of decline in disability rates. If both were indexed at 100 in 2011, then disability rates fell to 66.3 while access fell to 58.1.

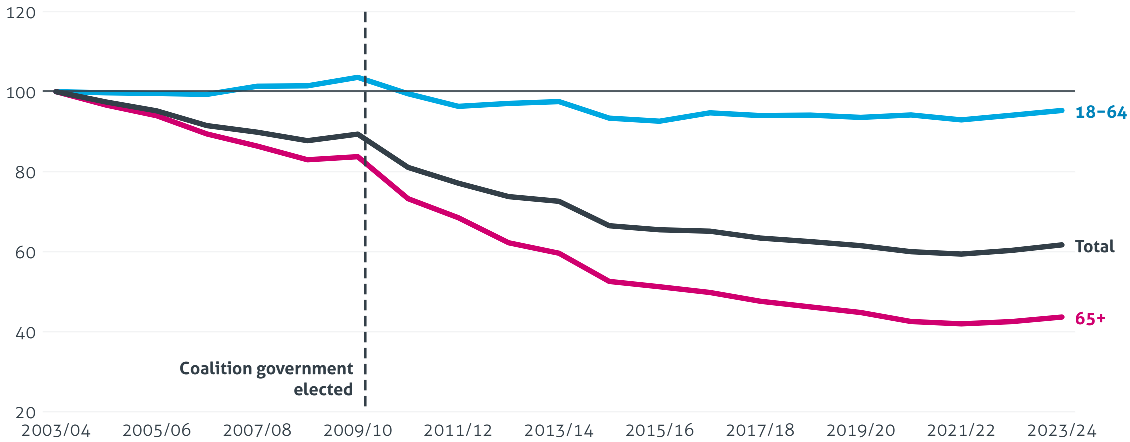
* Some reviewers argued that local authorities record requests for support differently, meaning that some of the data presented here is not directly comparable. We still believe there is benefit in comparing broad trends as different recording practices do not seem to explain, on their own, the scale of some of the differences seen.

Activity and access

A greater proportion of adults received care in 2023/24

The Labour government inherited a system where access to adult social care was at near historic lows. From a high of 2.31% of the total adult population receiving publicly funded long-term care in 2003/04, access fell gradually throughout the rest of the 2000s, declined precipitously in the first half of the 2010s* and then reached a low of 1.37% in 2021/22 (although this was partly due to a reluctance to draw on adult social care during the Covid pandemic). By 2023/24, access to long-term care had rebounded slightly, to 1.42% of the adult population, in line with the level in 2019/20.

Figure LG 2.16 **Index of the proportion of adults receiving long-term care from local authorities, by age group (2003/04=100)**

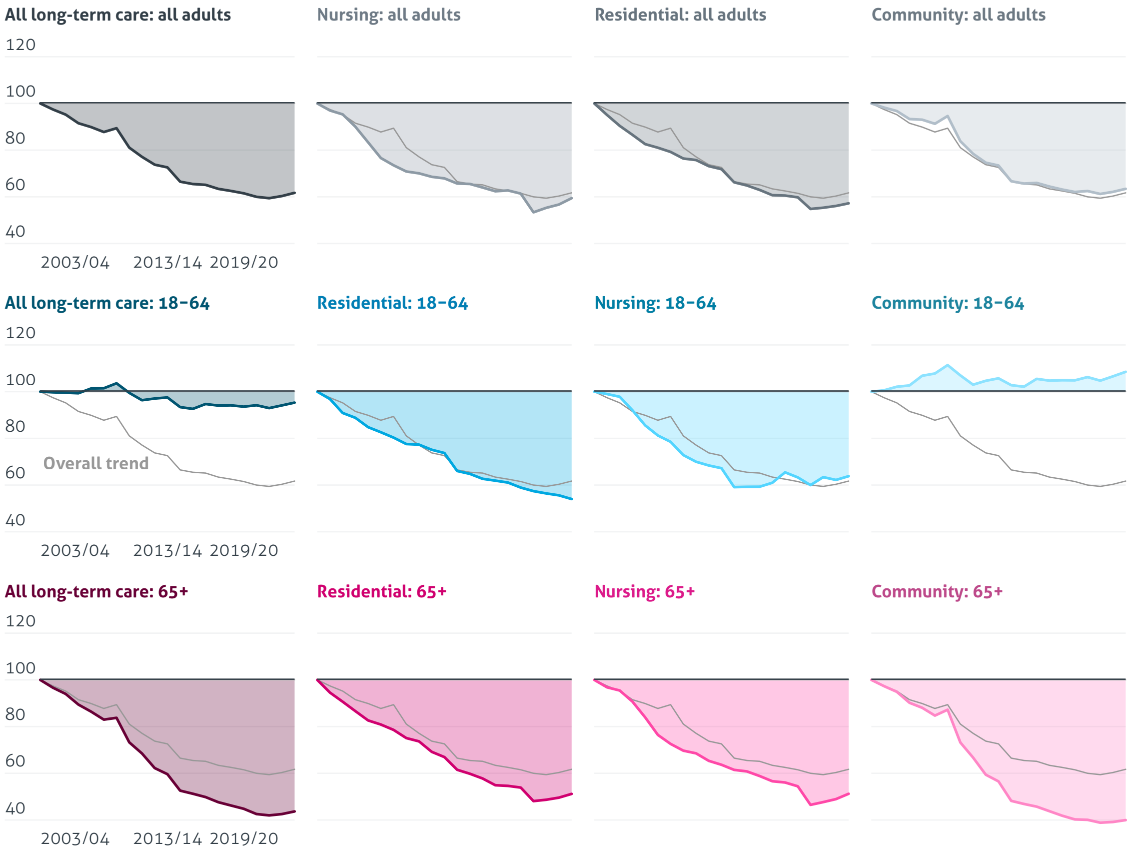


Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report' ('Appendix D: User numbers time series' table), 2023/24. Notes: This chart shows data for England and for publicly funded care only. The data relates to the number of people receiving care at the end of the financial year. There was a change in the methodology for collecting data in 2014/15, though the NHS has attempted to make the time series as comparable as possible.

The decline was steepest among those aged 65+. The proportion of older adults accessing long-term care was 8.19% in 2003/04 and 3.57% in 2023/24, slightly above the low of 3.44% in 2021/22. Access to care among working-age adults (those aged 18–64) also fell between 2003/04 and 2023/24, albeit much less dramatically, from 0.79% to a low of 0.74% in 2015/16, before increasing marginally to 0.76% in 2023/24.

* There are two caveats to this trend. First, the government collected slightly different data from 2014/15 onwards (although it published this time series as being broadly comparable to previous years). And second, the introduction of the Care Act in 2014 placed new duties on local authorities, which may have changed the type and amount of care that they provided.

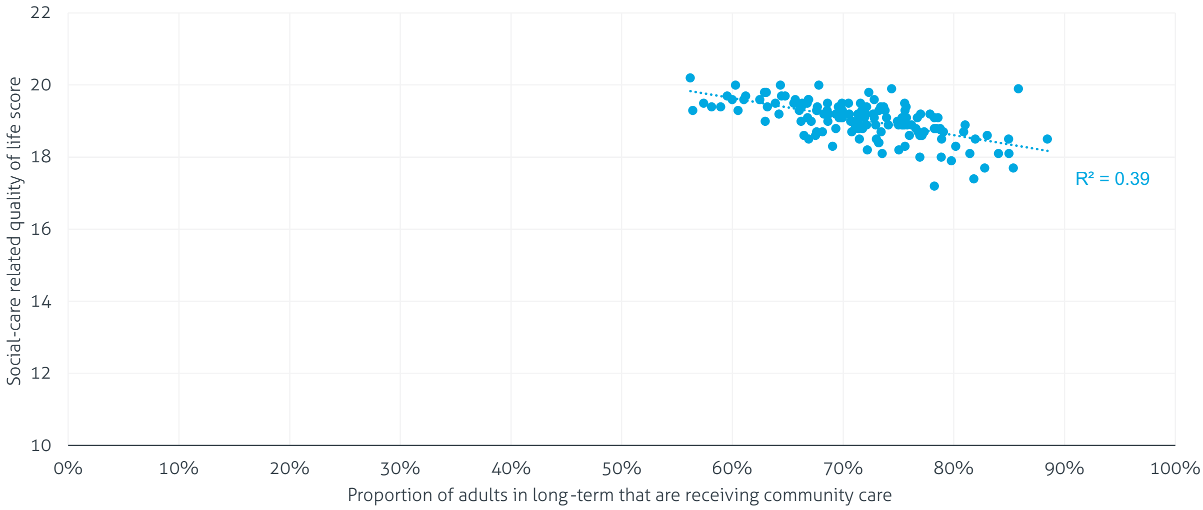
Figure LG 2.17 **Indices of the proportion of adults receiving long-term care, by setting and age group (2003/04=100)**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report' ('Appendix D: User numbers time series' table), 2023/24. Notes: This chart shows data for England and for publicly funded care only. The data relates to the number of people receiving care at the end of the financial year. There was a change in the methodology for collecting data in 2014/15, though the NHS has attempted to make the time series as comparable as possible.

A smaller proportion of people accessed care in most settings in 2023/24 than in 2003/04. This includes working-age and older adults in nursing and residential settings, as well as older adults in community care. The only setting in which there was growth in the proportion of adults accessing long-term care was community care for working-age adults, where 0.65% of adults were accessing care in 2023/24, up from 0.60% in 2003/04.That is the result of successive governments pushing for increased use of community settings. However, our analysis finds that there is a strong negative relationship between the proportion of care users receiving community care and users' self-reported quality of life scores.

Figure LG 2.18 **Proportion of adults receiving long-term care that are using community care, compared to self-reported quality of life, 2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult social care activity and finance report', (table 'T38'), 2023/24 and NHS Digital, 'Measures from the adult social care outcome framework: disaggregated outcome measures' (table '1A'), 2023/24. Notes: This chart shows data for England only.

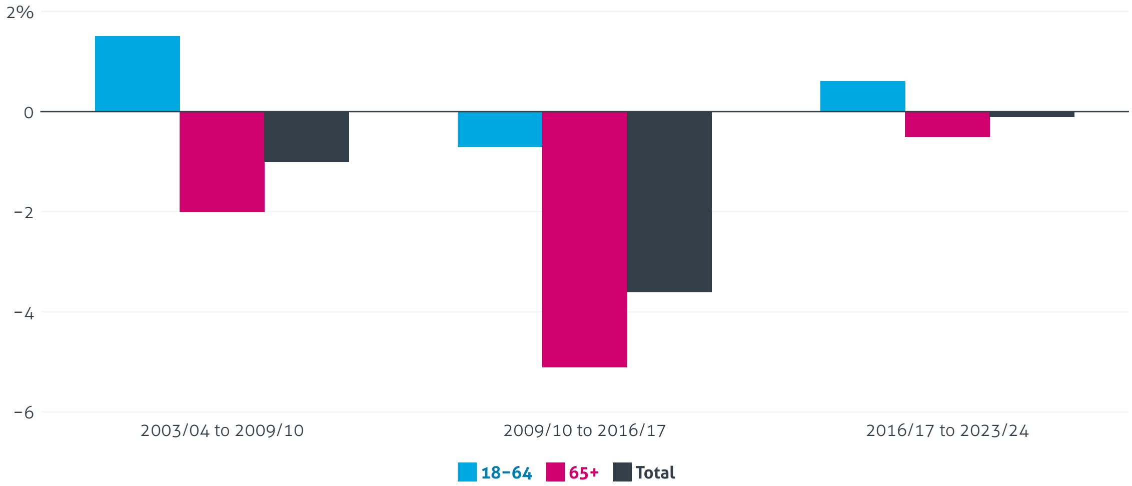
The number and proportion of working-age adults in residential care continued its steady, long-term decline in 2023/24, reaching a historic low of 0.1% – about half the rate in 2003/04 – due to long-running policy to shift care away from residential settings. This is the only age group and setting where the proportion of people accessing care was lower in 2023/24 than it was in 2022/23.

Reduced access is partly due to rationing and a less generous means test

As previous Institute for Government work has shown, falling rates of access to long-term care over the past few decades – particularly among older adults – are the result of local authorities being forced to ration care due to restricted finances.[58]

There is a strong negative relationship between the size of a local authority's older population and the proportion of the population receiving long-term care. As an older adult population acts as a proxy for demand for care, local authorities that have high levels of demand respond by reducing the amount of care that is provided. As our previous work showed, the result holds when controlling for other determinants of demand for adult social care, such as deprivation and living arrangements.[59]

Figure LG 2.19 **Average annual change in the number of adults receiving long-term care, by age group, 2003/04–2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report' ('Appendix D: User numbers time series' table), 2023/24. Notes: This chart shows data for England and for publicly funded care only. The data relates to the number of people receiving care at the end of the financial year. There was a change in the methodology for collecting data in 2014/15, though the NHS has attempted to make the time series as comparable as possible.

This is a phenomenon that pre-dated the coalition government taking office in 2010 but was turbocharged during the first half of the 2010s as central government cut councils' grant funding. Rates of access to long-term care fell more quickly for both older and younger adults between 2009/10 and 2016/17 than in the years before or since.

Our previous analysis has also shown that more people provide unpaid care in the local authorities that provide less long-term care to residents aged 65 and over. An additional percentage point of the 65+ population receiving long-term care is associated with a 0.6 percentage-point reduction in the proportion of the population providing any amount of unpaid care.[60] It is difficult to know which way causality flows in this relationship, but interviewees suggested that it was likely that when local authorities ration care, friends and family members are required to provide more unpaid care.

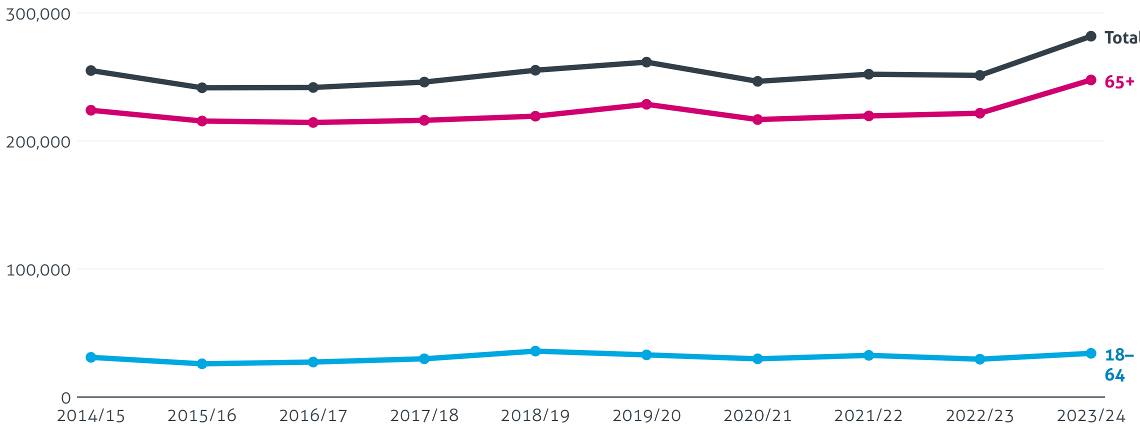
Another reason that a lower proportion of people accessed care in 2023/24 than in the past is because the means test for care has become less generous over time. Not everyone is eligible for publicly funded care. To receive it, a person has to meet both the needs test (which becomes less likely as disability rates and other drivers of demand decline) and the means test. The latter of these assesses an individual's income and assets to determine whether they are wealthy enough to pay for their own care.[61]

But successive governments have kept the thresholds of the means tests frozen in cash terms since 2010/11. This means that the upper and lower capital limits are, respectively, 36.6% and 36.1% lower in 2025/26 than they were in 2010/11, after adjusting for inflation.[62]

Local authorities provided far more short-term care in 2023/24

An alternative explanation for falling levels of access to long-term care is that local authorities are instead substituting long-term care with activity that prevents people from requiring that care in the first place. This is difficult to prove. But one proxy for this type of preventative care is the provision of short-term care. The chart below shows the number of short-term care packages designed to maximise independence (otherwise known as 'ST-Max' packages) that local authorities provided between 2014/15 and 2023/24.

Figure LG 2.20 **Completed short-term adult social care packages to maximise independence, by age group, 2014/15–2023/24**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity', 2023/24. Notes: This chart shows data for England only.

Between 2014/15 and 2022/23, there was not much evidence that local authorities were substituting long-term care packages with increasing numbers of ST-Max packages. But the number of ST-Max care packages rose from 251,260 in 2022/23 to 281,855 in 2023/24 – an increase of 12.2%. The increase happened for both working-age and older adults, although the growth was larger for the former: 15.6% compared to 11.7% for older adults.

Local authorities delivered a record number of ST-Max care packages in 2023/24, with the largest single-year increase on record. That level was 10.8% higher than in 2014/15 – the first year for which there is data on these packages.

Interviewees said that this could be due to the hospital discharge fund, which the previous government launched in 2023/24.[63] This made £200m available to NHS integrated care boards to provide people who have been discharged from hospital with "up to four weeks of a new or extended package of care".[64] This reflects a wider trend in health and care of shifting more care into the community – one of the current government's aims for the NHS. But this also highlights the incoherence of reforming the NHS without simultaneously reforming the care sector; making a success of NHS reforms requires a well-functioning social care system.

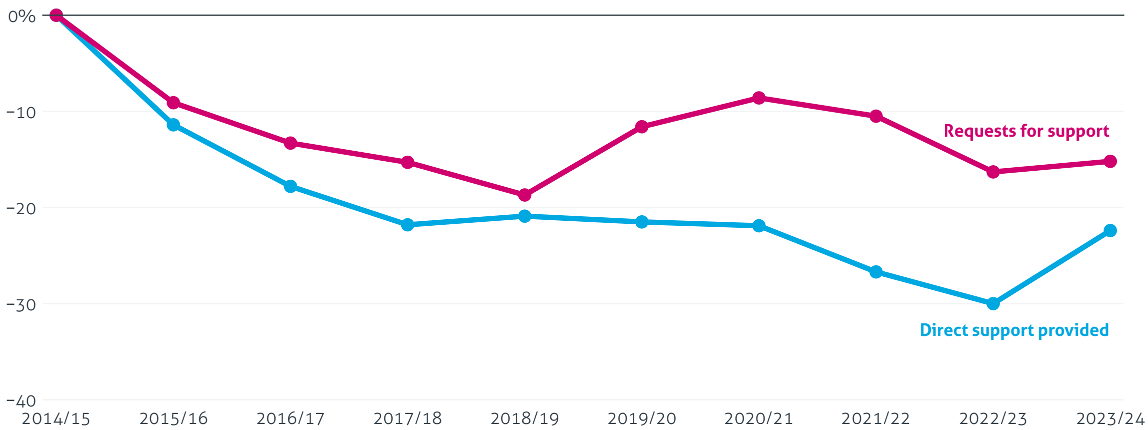
The pattern of reduced access to long-term care in local authorities that have larger older adult populations does not hold in the case of short-term care. There is no relationship between the proportion of adults aged 65 and over and the number of short-term care packages per person aged 65+.

Support for carers returned to pre-pandemic levels in 2023/24

Other than contracting with providers to provide someone with care, or providing it directly themselves, local authorities can also provide support to unpaid carers if they meet certain eligibility criteria, as set out in the Care Act 2014.[65] This support can be in the form of direct payments (when the local authority provides cash payments to the carer or the person requiring care[66]) or as respite care (whereby the carer is able to take a break while someone else cares for their friend or family member[67]).

After a dip during the pandemic, reaching a low in 2022/23, local authorities increased the amount of direct support* they provided to carers in 2023/24.

Figure LG 2.21 **Change in requests for support and direct support provided to carers by local authorities, since 2014/15**



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity' (table 'T47'), 2023/24. Notes: This chart shows data for England only. 'Direct support provided' does not include information and signposting.

Local authorities provided approximately 108,000 carers with direct support in 2023/24 compared to 97,000 in 2022/23 – an increase of 10.9%. But this was still 22.4% lower than the level provided in 2014/15, and roughly in line with the level provided in 2020/21. One interviewee suggested that the increase in 2023/24 could be the result of local authorities having slightly more financial headroom and thus being better able to fund a service that had previously been deprioritised in the face of funding pressures.[68]

There was also a decline in the number of carers coming forward for assistance: by 15.2% between 2014/15 and 2023/24. But this means that even though the direct support provided to carers increased in 2023/24 compared to 2022/23, the amount of direct support provided fell further than requests for support between 2014/15 and 2023/24.

* This is the sum of direct payments, part direct payments, managed personal budgets and commissioned support. It excludes the provision of information and signposting.

Part of the reduction in the number of carers coming forward for support could reflect a genuine reduction in demand for support. The census showed that the number of people providing unpaid care fell from 5.4 million in 2011 to 4.7 million in 2021, a drop of 13.8%.[69]

While not perfectly comparable due to different time periods, this is roughly similar to the reduction in the proportion of requests for support. It could also be that people realised that they were less likely to receive support, so elected not to come forward in the first place.

Most requests for support still result in the local authority providing the unpaid carer with 'information and advice' – one of the lowest cost responses available to a local authority. This was the outcome for 55.4% of requests in 2023/24, compared to 43.5% in 2014/15.

Local authorities report that they scaled back preventative spending in 2024/25

Local authorities have a duty to undertake preventative activity that they think will reduce the need for care in their area, among other objectives.[70] The range of activity that can be classified as preventative is broad. In its statutory guidance for delivering care and support, the Department of Health and Social Care says that there "is no single definition for what constitutes preventative activity" and lists a range of activities, including population-level interventions to improve health and interventions to improve unpaid carers' wellbeing.[71] The Social Care Institute for Excellence has attempted to provide a tighter definition of what constitutes prevention in adult social care: "services which prevent or delay the need for care in higher-cost, more intensive settings" and "strategies and approaches that promote the quality of life of older people and their engagement with the community".[72] But even these cover a wide range of potential interventions.

This vagueness allows local authorities to define preventative activity quite widely. Despite that, ADASS's 2025 spring survey shows that directors of adult social services anticipate that spending on prevention[*] will fall in 2024/25 and 2025/26, after an uptick in both estimated spending and activity in 2023/24. This decline is in both cash terms, but also as a proportion of net spending on adult social care in their local authorities. They estimate that the proportion of net spending on adult social care that goes on prevention will fall from 8.2% in 2023/24 to 7.0% in 2024/25 and 5.6% in 2025/26.[73]

* The question that ADASS asked local authorities in its 2025 spring survey was: "What is your planned spend for 2025/26 on wider prevention services that can be accessed by people whose needs do not cross the national eligibility threshold?" This means the spending would exclude any activity such as the short-term care packages, long-term care and support for carers that we discuss in this section. This is a helpful measure of preventative spending because it includes spending that is more discretionary than spending incurred after someone meets the eligibility threshold.

There are a range of reasons for this low and declining spend on preventative activity. In March 2025, Melanie Williams (then president of ADASS and director of adult social services for Nottinghamshire County Council) described the difficulties to the House of Commons Health and Social Care Committee:

> "[Local authorities] have a very in year focus. It is all about managing the restrictions now and, in all honesty, trying to work with somebody in a way that minimises their draw on adult social care and the cost [to the local authority]."[74]

She then went on to describe how the rising costs of providing care mean that local authorities are less able to spend money on the upstream services that reduce demand in the longer run.

There are good examples of local authorities taking preventative approaches to provision. In its report on Camden council (one of only two local authorities to thus far receive an 'outstanding' score after an inspection), the Care Quality Commission said that "a prevention approach was evident at all levels of the local authority".[75] Crucially, Camden relies on working across multiple services within the local authority – housing services and drug and alcohol services, for example – to help reduce the reliance on adult social care. Despite lauding Camden's approach, the report notes that there is little evidence from published data about the impact of this approach, showing a key difficulty that local authorities have in justifying greater spending on prevention.

Many of the reasons for underinvesting in prevention in adult social care are the same as previous Institute for Government work has described across all public services:

- a need to provide and fund acute services in a constrained funding environment
- a lack of strong evidence
- poor political incentives to create long-term benefits
- difficulties agreeing on what outcomes to pursue.[76]

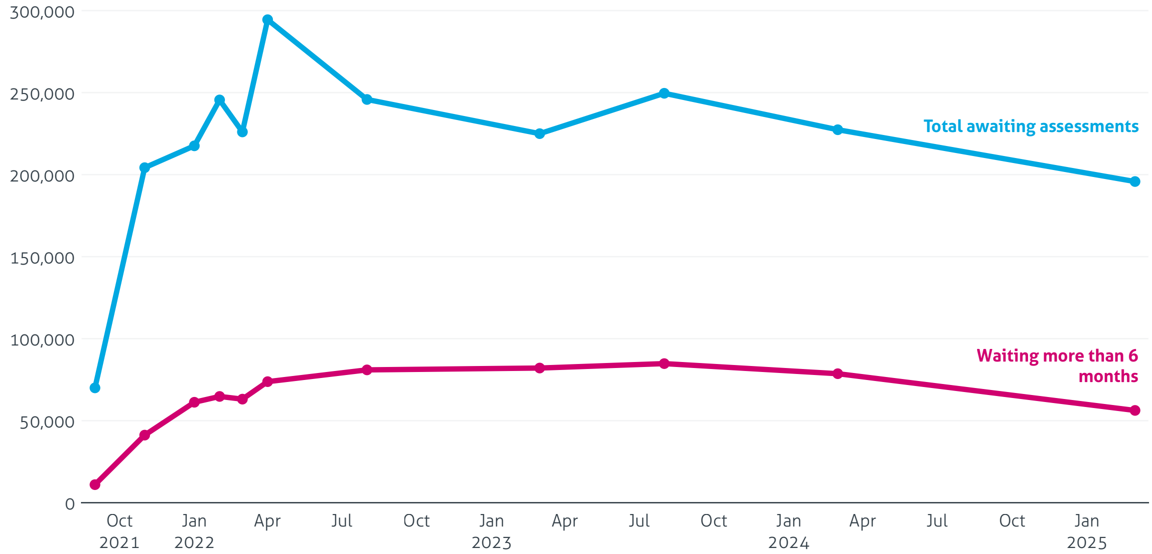
One interviewee stressed that some preventative work that would benefit adult social care sits outside of local authorities' remit. The example they gave was the use of district nurses (who are employed by the NHS) to help reduce avoidable admissions to hospital, as admissions tend to contribute to higher demand for adult social care.[77] But a lack of district nurses is also the result of the NHS failing to properly invest in preventative interventions and a consistently poor track record of co-operation between adult social care and the NHS.

Performance

The number of people waiting for adult social care assessments is slowly falling

After the pandemic, ADASS surveys suggested that there was a large increase in the number of people who were waiting for a local authority assessment of their care needs.

Figure LG 2.22 **People waiting for adult social care assessments, November 2021 to March 2025**



Source: Institute for Government analysis of the Association of Directors of Adult Social Services, 'Spring survey report 2025' ('Figure 14 - Number of people waiting for assessment, care or direct payments to start, or reviews' table). Notes: This is for local authorities in England only. Comparable data is not available before September 2021. Data is irregular because ADASS surveyed its members at irregular intervals.

This reached a peak of 294,000 people waiting for an assessment in April 2022, despite requests for support in 2021/22 being lower than they were before the pandemic. The number of people waiting more than six months peaked later, at 85,000 in August 2023. Both levels have fallen recently. There were 196,000 people waiting for an assessment in March 2025, down from 227,000 a year earlier, a fall of 13.9%.

Long waits for an assessment mean that people who are waiting and would be eligible for publicly funded care spend longer living without the support necessary to improve their standard of living. It can also mean that people deteriorate further and might, in some situations, require admission to hospital.

It was reasonable for there to be a spike in people waiting for an assessment during the pandemic as face-to-face contact was restricted. But interviewees claimed that the reason for the consistent backlog after the pandemic was due to a lack of staff – such as social workers – who carry out assessments of an individual's care needs.[78] At a national level, the number of social workers was flat at 19,000 between 2019/20 and 2021/22. But there was a slight increase to 19,500 in 2022/23 and a larger increase to 21,000 – a record level – in 2023/24.[79] This might explain why there has been progress in clearing some of the backlog of assessments.

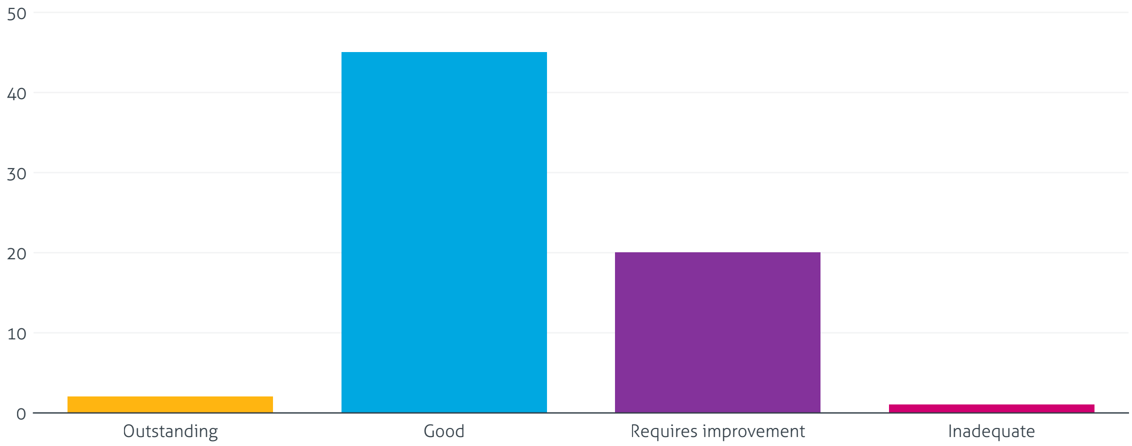
The Care Quality Commission has inspected just over a third of local authorities

The previous government introduced assessments of local authorities' adult social care services in April 2023.[80] Those assessments are intended to evaluate whether local authorities are meeting their duties as laid out under the Care Act 2014.[81] These include responsibilities such as:

- "promoting individual wellbeing"
- "preventing needs for care and support"
- "promoting integration of care and support with health services".[82]

Since April 2023, the Care Quality Commission has conducted assessments of all upper- and single-tier local authorities. At the time of writing, it has published the results of 68 inspections – just under 45% of the total number of local authorities. It aims to have conducted first assessments of all local authorities by December 2025.[83]

Figure LG 2.23 **Results of CQC inspections of local authorities' adult social care services, as at 25 September 2025**



Source: Institute for Government analysis of Care Quality Commission, 'Local authority assessment reports', 25 September 2025. Notes: 'CQC' stands for the Care Quality Commission, the independent regulator of health and adult social care in England. At the time of writing, the CQC has not published the results of all its inspections of local authorities.

Of those 68 local authorities, the Care Quality Commission rated one local authority as 'inadequate', 20 local authorities (29.4%) as 'requires improvement', 45 (66.2%) as 'good' and only two (1.9%) as 'outstanding'. Camden, and Kensington and Chelsea – the only two local authorities that received an outstanding rating – were awarded a substantially higher score (89 out of 100)[84,85] than Hertfordshire, the next best performing council (81 out of 100).[86]

Although the sample size is still relatively small, there is no obvious relationship between a local authority's score on their Care Quality Commission assessment and metrics including:

- levels of access to adult social care
- satisfaction scores from the adult social care outcomes framework
- spending per adult in the local authority
- staffing levels.

Local government: Children's social care

Introduction

The cost of children's social care is rising, with little evidence that outcomes are improving in step. Local authorities have increasingly relied on residential provision to house children in care, meaning care is more expensive. And because of gaps in other public services, most notably mental health services, a growing number of children with complex needs are entering care, with local authorities sometimes spending more than £1 million every year on individual care packages.

Yet shortages of foster carers and secure children's homes mean some children end up in unsuitable settings and occasionally are even deprived of their liberty in accommodation that lacks appropriate safeguards.

However, there are some positive signs. Kinship care – where children are fostered by relatives or friends – is becoming more common. This is a sign of success for mounting central and local government efforts to keep children with their families. Furthermore, the core social care workforce appears to have stabilised after the turbulence of the Covid pandemic. And new statutory guidance,[1] introduced by the Labour government in late 2024 – although developed under the Conservatives – appears to be curbing the excessive use of agency staff, historically a driver of churn and high cost.

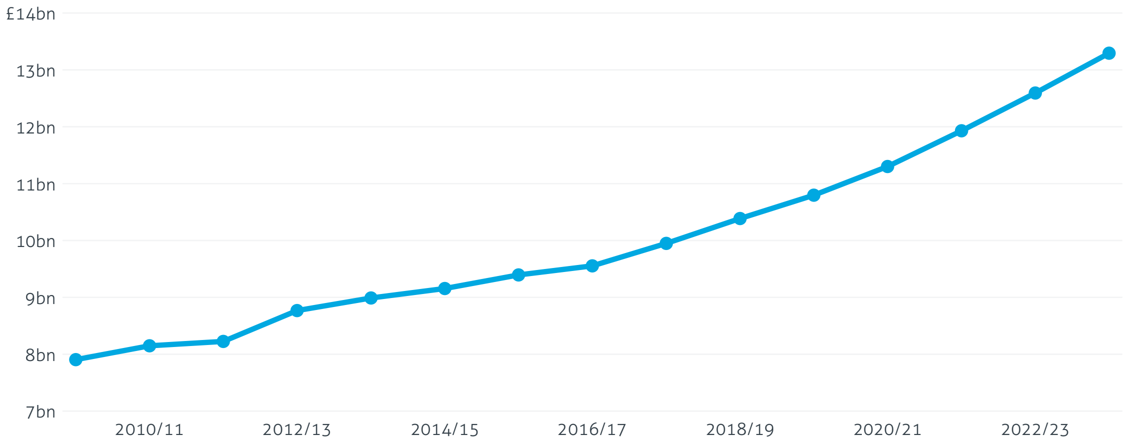
The Labour government's reform agenda, which has a particular focus on prevention, is promising. But a lack of data on the workforce in preventative services means the government cannot be certain that its plans in this area are achievable, and a lack of joined-up working across health, education, justice, immigration and social care may hinder progress.

Nearly all local authorities overspend on children's social care, putting pressure on their budgets

Spending on children's social care[*] has grown faster than economy-wide inflation every year since at least 2009/10. In 2023/24, local authorities in England spent £13.3 billion on children's social care, nearly a quarter (23%) more in real terms than the £10.8bn spent on the eve of the Covid pandemic in 2019/20 and two thirds (68%) more than the £7.9bn spent in 2009/10.[2]

[*] Defined as spending on children in care, safeguarding and family support services. Spending on other children's services such as youth justice, early years and services for young people is excluded.

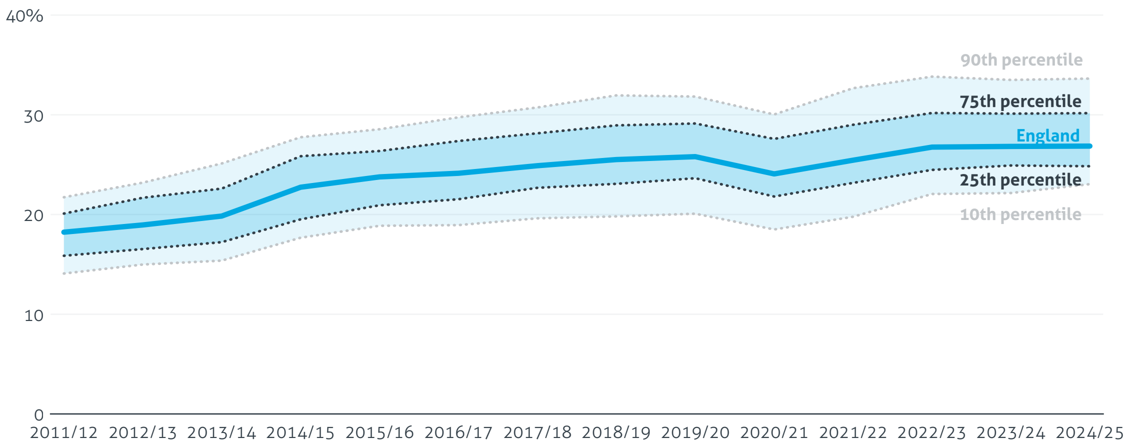
Figure LG 3.1 **Spending on children's social care, 2009/10–2023/24 (2025/26 prices)**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2015/16–2023/24. Notes: Analysis covers local authorities in England only. Calculated using net spending on children in care, safeguarding and family support services.

Local authority budgets shrank as a result of cuts in the early 2010s, and they have yet to fully recover.[3] In 2024/25, local authority core spending power was 5.4% lower in real terms than it was in 2010/11.[*,4] Children's social care is therefore eating up a substantially bigger – and growing – share of available money. In 2011/12, spending on children's social care accounted for 18% of local authority spending.[5] By 2024/25, it had reached 27%.[6] It is now the biggest financial pressure that most councils face,[7] putting some at risk of insolvency.[8]

Figure LG 3.2 **Proportion of local authority spending going to children's social care, by local authority, 2011/12–2024/25**



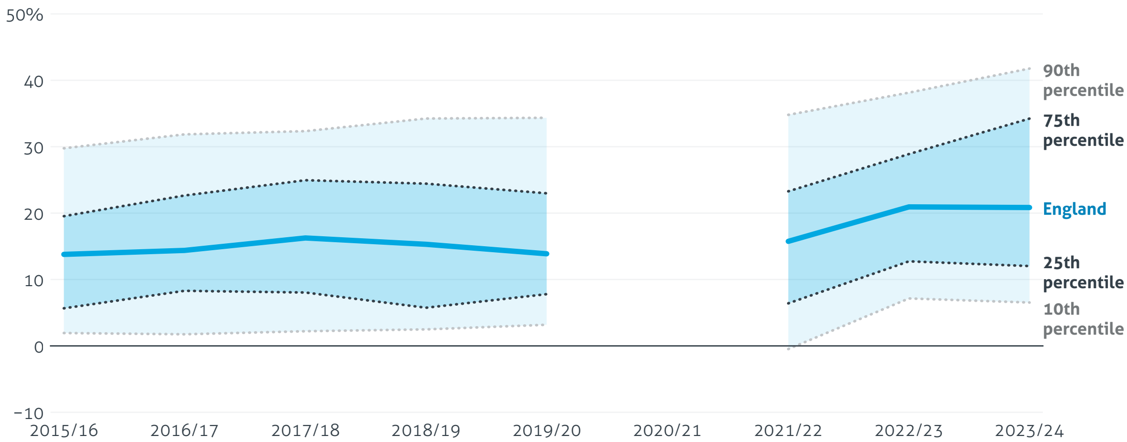
Source: Institute for Government analysis of MHCLG, 'Local authority revenue outturns', 2011/12–2024/25. Notes: Local authority spending is net current expenditure on highways and transport services, adult and children's social care, housing services (GFRA only), cultural and related services, environmental and regulatory services, planning and development services, central services and other services. This excludes spending on education, public health, police and fire services and spending from the Better Care Fund – areas where funding is essentially ring-fenced. The analysis shows upper-tier local authorities in England only. The City of London, Isles of Scilly and Rutland are excluded from calculations of the percentiles, as are local authorities that underwent a reorganisation.

* This figure, like other spending figures in this section, excludes the spending power of shire districts and 'other' authorities (combined authorities; police, fire and rescue authorities; waste authorities; and national park authorities), which are out of the scope of this chapter on children's social care.

Budgets for children's social care (set by each local authority) have not grown in line with spending on it, resulting in mounting overspends. Of the £13.3bn spent on children's social care in 2023/24, £2.3bn was not budgeted for, amounting to a 21% overspend.[9] This rose from a 14% overspend in 2015/16.[10] Local authorities can cover these overspends using other day-to-day budgets, capital budgets,[*] increased revenue from sales, fees and charges, or reserves.

While budgetary pressures are not distributed evenly across England, more or less every local authority is struggling to stick to their spending plans.[**] Only three local authorities spent less on children's social care than they had planned in 2023/24: Hampshire, North Lincolnshire and Nottingham.[11] At the other end of the spectrum, Bolton overspent its children's social care budget by £32.6m in 2025/26 prices, or by 79%.[***,12]

Figure LG 3.3 **Overspend on children's social care as a proportion of budget, by local authority, 2015/16–2023/24**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2015/16–2023/24 and DfE, 'Planned LA and school expenditure', 2015/16–2023/24. Notes: Data was not collected for 2020/21. Figures are calculated from net (planned/current) expenditure on children in care, safeguarding and family support services. Isles of Scilly, City of London and Rutland excluded from calculations of percentiles.

Some interviewees cited the difficulties of predicting spending on unaccompanied asylum-seeking children and children with the most complex needs as factors in overspends[13] – the former because it is driven by the UK's immigration policy and the global refugee crisis; the latter because the numbers of children with the most complex needs are so small at a local authority level and these children appear to increasingly present to social care services only once at crisis point (more on this below).[14]

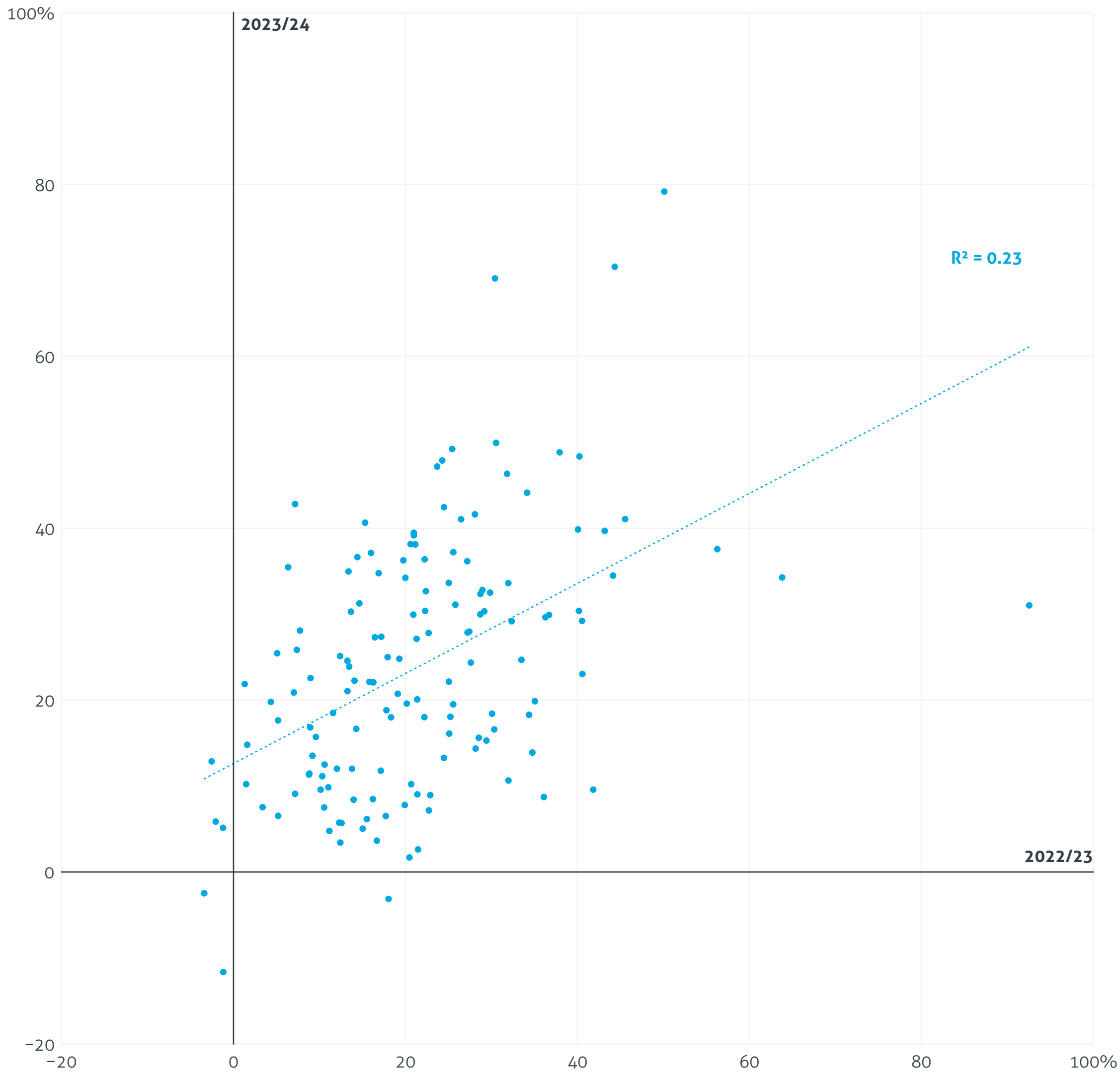
[*] Transfers from councils' capital budgets to their day-to-day budgets are normally not allowed, but central government can grant them using a 'capitalisation direction'.

[**] There are recognised data reporting issues with section 251 returns – the spending data used to calculate these figures. Local authority comparisons should therefore be treated with some caution; see Roma A, *Section 251 Data: Testing accuracy and a proposed alternative*, Government Social Research, 2017, retrieved 22 September 2025, www.gov.uk/government/publications/section-251-data-testing-accuracy-and-a-proposed-alternative

[***] Bolton also had the fourth-highest overspend of any local authority in 2022/23 (excluding the City of London due to its small population).

Overspends are not entirely outside of local authority control, however. If they were purely driven by unpredictable pressures, we would expect to see a high level of year-on-year variation in terms of which local authorities have the highest or lowest overspend. But as the chart below shows, councils with high overspends in 2022/23 tended to have high overspends in 2023/24, and vice versa.*

Figure LG 3.4 **Overspend on children's social care as a proportion of budget, by local authority, 2022/23 and 2023/24**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2022/23–2023/24 and DfE, 'Planned LA and school expenditure', 2022/23–2023/24. Notes: Figures are calculated from net (planned/current) expenditure on children in care, safeguarding and family support services. Analysis covers England only. The Isles of Scilly, City of London and Rutland are excluded.

Another factor driving overspends, then, is local authorities' proficiency at forecasting demand and planning provision accordingly. This varies significantly from area to area, depending on factors such as leadership and capacity,[15] but appears to be relatively poor in most places. What Works for Children's Social Care found in 2022 that "most [local authorities] employed a very basic analysis of less than five data points" and could not "reliably assess the statistical features of the forecasting estimates".[16]

* Regression LG 3.1 – see the Methodology for further details. Similar relationships hold between every consecutive pair of years for which we have data, back to 2015/16.

And almost half of local authorities did not have a publicly available or up-to-date sufficiency strategy,[*,17] despite this being part of statutory guidance.[18]

Poor forecasting appears to be compounded by a persistent optimism bias. If poor forecasting were the only issue, councils would sometimes overestimate, as well as underestimate, spending. But in practice, the errors almost always run in the same direction. Councils are legally required to set a balanced budget each year, which creates pressure to present a plausible savings plan for children's social care that rarely materialises. One interviewee argued that this mostly reflects a genuine, if misplaced, belief that savings plans will deliver, rather than cynical attempts to balance budgets.[19]

In late 2024, the Labour government committed itself to setting up regional care co-operatives as part of its suite of children's social care reforms, discussed in more detail below.[20] These co-operatives will plan and procure social care at a regional level and may help to address the volatile demand for care and poor forecasting capabilities that are driving overspends. A dedicated forecasting function, planned as part of the co-operatives, could build expertise in data analysis, while regional procurement may help improve the cost-efficiency of provision for those with the most complex needs (discussed further below), by enabling sufficiency planning across a wider area. But unless local authorities' budgets are adequate to meet demand for statutory services, many are likely to continue relying on undeliverable savings plans, driving overspends on children's social care.

Care has become more expensive

While the level of activity in children's social care has grown, the rise in spending is largely because services – particularly care placements – have become more expensive. Children's social care activity can be crudely divided into two tiers of acuity: children in need and children in care.[**] 'Children in need' is an umbrella term that encompasses children who have been assessed and found to require services because of risks to their health or development, or because they are disabled.[21] A child in need is considered to be 'in care' if their local authority is responsible – or caring – for them, or has provided them with accommodation for more than 24 hours.[22] This may mean living with relatives or friends under kinship care arrangements, with foster parents or in a children's home.

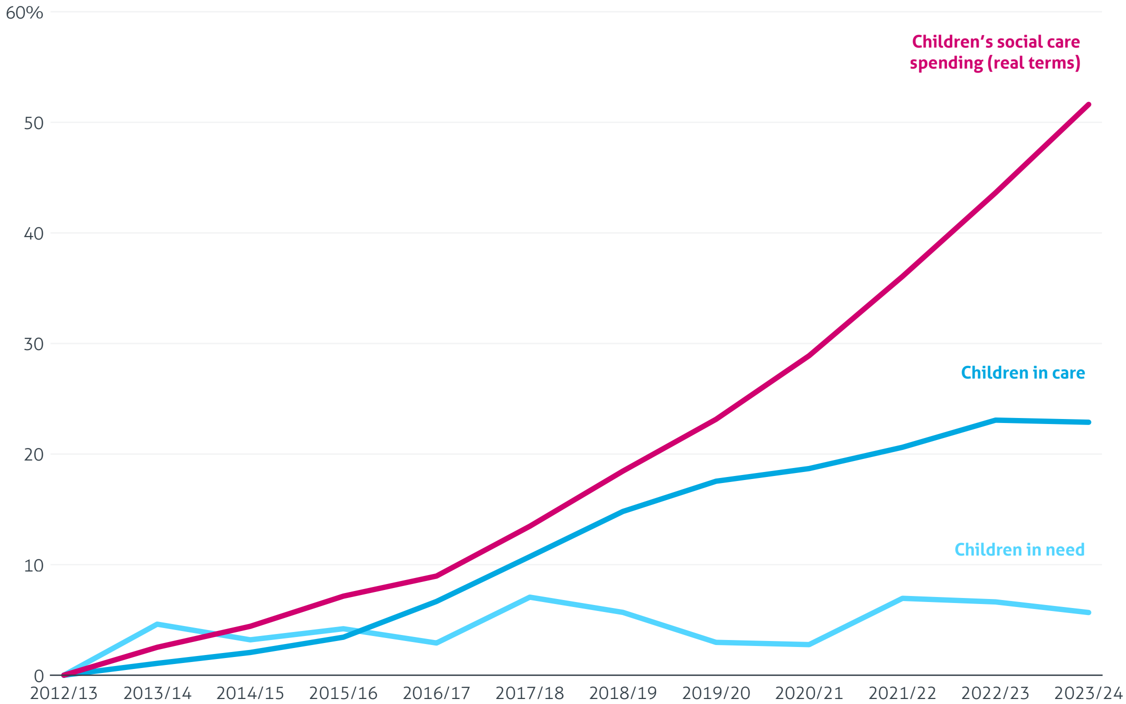
Over the past decade, the number of children in need has risen modestly (by 6%), from 378,030 in 2012/13 to 399,460 in 2023/24.[23] Once population growth is taken into account, the rate has remained almost unchanged – moving from 332 to 333 per 10,000 children.[24] By contrast, the number of children in care has grown by 23%, from 68,060 to 83,630, with the rate rising from 59 to 69 per 10,000.[25]

* A sufficiency strategy is a plan to ensure there is, as far as is 'reasonably practicable', enough accommodation within an area that meets the needs of children in the council's care.

** Most children in need are not considered at risk of significant harm and are on child in need plans. A third tier of acuity, those on child protection plans, is sometimes included. These children form a subgroup of children in need. They have been judged to be at risk of significant harm and often live at home.

Rising levels of activity should, naturally, mean more gets spent on children's social care. But spending has risen twice as fast as the number of children in care since 2012/13, and nearly 10 times faster than the number of children in need.[26] More children need help – but this is not enough to explain ballooning spend.

Figure LG 3.5 **Change in children's social care spending and numbers of children in care and in need since 2012/13**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2012/13–2023/24; DfE, 'Children in need', 2013–2024; and DfE, 'Children looked after in England including adoptions', 2013–2024. Notes: Numbers of children in need include numbers of children in care. Children in need and children in care numbers are as at 31st March each year. Children's social care spending is the net expenditure on children in care, safeguarding and family support services. Analysis covers England only.

Instead, much of the rise in spend is the result of care becoming more expensive. Local authorities spent an average of £97,689 – or £1,879 a week – on each child in care in 2023/24 (2025/26 prices).[*,27] This is a third higher in real terms than in 2015/16, when average spend was £73,339.

Part of this cost increase can be attributed to a small but growing cohort of children – those with the most complex needs.[28] These children often require specialist support and sometimes round-the-clock supervision by multiple members of staff, which by itself costs at least a few thousand pounds a week.[29] Yet only a limited number of providers are equipped, or willing,[**] to accommodate these children,[30] giving local authorities little leverage to negotiate on cost.[31] Moreover, the commissioning of these placements is often inefficient, relying on spot-purchasing rather than longer term strategic planning with providers.[32]

* Calculated by dividing inflation-adjusted net spending on children in care by the number of children in care as at 31 March in the relevant year. This is not quite a unit cost as it does not account for the number of days in care, data on which is not publicly available. Instead, we refer to it as 'per-capita costs'.

** There are reports that providers have become increasingly selective over which children they are willing to support, especially out of fear of poor Ofsted ratings. More on this below.

A lack of supply and the acuity of demand combine to make the costs of placements for children with the most complex needs stratospheric. According to a Local Government Association survey, the number of placements costing more than £10,000 a week rose from 120 to 1,510 between 2018/19 and 2022/23.[33] These placements had a mean weekly cost of £23,746 (in 2025/26 prices) in 2022/23, nearly 13 times more than the typical weekly spend per child in care in 2023/24.[34] The LGA wrote earlier this year that the increasing prevalence of high-cost placements "rarely reflects a proportionate improvement in outcomes for children".[35]

The rising per-capita cost is also the result of a shift away from fostering and towards more expensive residential care.[*] Between 2016 and 2023,[**] the proportion of children in care who were fostered dropped from 74% to 68%, while those in residential settings rose from 11% to 17%.[36] This shift reflects both a changing population of children in care – older children and unaccompanied asylum-seeking children, who are more likely to require residential care, make up an increasing share – and a decline in available foster carers (explored further below).[37]

Further, the National Living Wage rose faster than inflation for much of the past decade,[38] and in 2024 the Labour government raised it again, at the same time as it increased employers' National Insurance contributions.[39] This has exerted upward pressure on residential care prices and will continue to do so.[40] The sector is marked by a reliance on low-paid and agency staff, both of which mean it is particularly vulnerable to rising labour costs.[41]

Local authorities' growing dependence on private provision may also be driving up costs. In 2010, 28% of children in care – around 18,000 – were placed with private providers.[42] By 2023,[***] that share had climbed to 40%, or 33,000 children.[43] The government has accused some private providers of "profiteering"[44] after the Competition and Markets Authority found in 2022 that the 15 largest private providers were making average annual operating profits of £45,000 per child in children's homes and £8,100 per child in foster placements.[****,45]

* We use 'residential care' to encompass children's homes, secure units and semi-independent living accommodation, in line with the Department for Education. While these placements are relatively diverse, data reporting practices make more granular analysis impossible in most cases.

** Data collection practices changed in 2016. In 2024, the 'independent and semi-independent living arrangements/supported accommodation' placement category included data that in previous years would have been put under 'other placements in the community'. A longer time series is therefore not appropriate.

*** 2023 is the most recent year for which data on residential care placements and private provision is comparable with previous years. The introduction of registration requirements for supported accommodation providers, which came into effect in October 2023, affected data in 2024. The numbers of placements recorded as private or residential dropped in many areas where providers missed the deadline for registration (these were instead recorded as 'other'). But in many cases, that drop does not reflect a meaningful change in service provision.

**** It is unclear which year's prices these figures are in.

As discussed below, we find that local authorities that rely more on private provision tend to spend more per child in care. And the sector's attractiveness to investors is clear: private equity-backed firms now supply nearly a quarter (23%) of fostering places in England.[46] The government is seeking to address this through new market management measures in the Children's Wellbeing and Schools Bill, now progressing through parliament. These include steps to:

- encourage new providers into the market
- improve cost and price transparency
- introduce profit caps if necessary.[47]

However, evidence of profiteering does not prove that other providers could deliver services more cheaply. Cost data is often not directly comparable: for example, private providers' prices will account for overheads, while the reported cost of local authority placements may not.[48] Private providers also tend to take in children with more complex needs, which further distorts cost comparisons.[49]

Per-capita spending on care varies dramatically across England

In 2023/24, some local authorities were spending three and a half times more per child in care than others – for example, £198,808 in Richmond versus £56,318 in York (in 2025/26 prices).[50] That gulf between the cheapest and most expensive care (£142,490 per child) has grown since 2015/16, driven by steep rises at the very top of the cost range.[*] Yet the ranking of local authorities has not shifted much: those with the highest costs in 2015/16 still generally have the most expensive care, while those with the lowest costs have stayed relatively cheap.[**]

Despite this stability – and the general trend of care becoming more expensive – there are a few exceptions. In nine local authorities, care has become cheaper in real terms since 2015/16.[***] The steepest drop has happened in Wiltshire, where care has become £6,416, or 6.5%, cheaper per child (in 2025/26 prices). Once among the most expensive local authorities in England, it now sits comfortably below the national average.

For the most part, though, the picture has remained relatively consistent, reflecting enduring local factors. One of the clearest of these factors is that differences in labour and property costs make care more expensive in some parts of England, particularly in London, than others. The government compensates for this through funding adjustments, giving more to local authorities with structurally higher costs.[51]

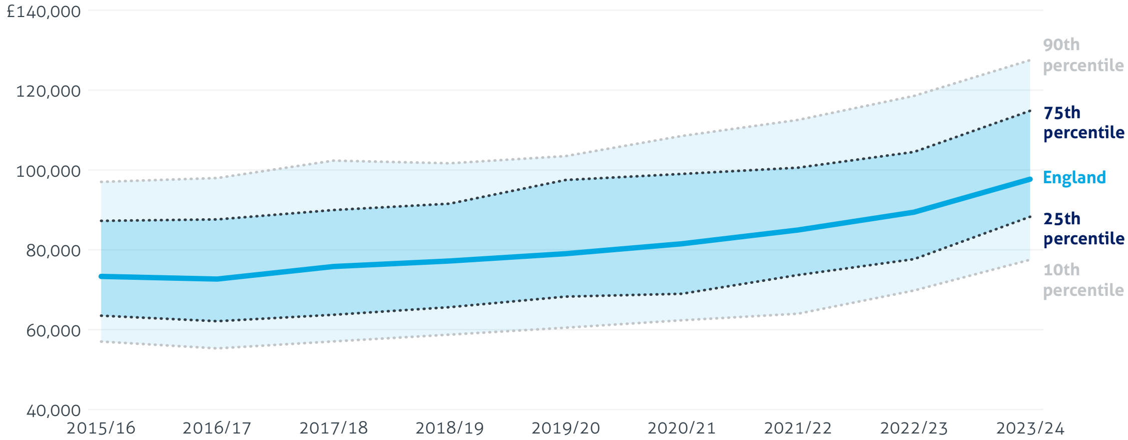
* There are recognised data reporting issues with section 251 returns – the spending data used to calculate these figures. Local authority comparisons should therefore be treated with some caution; see Roma A, *Section 251 Data: Testing accuracy and a proposed alternative*, Government Social Research, 2017, retrieved 22 September 2025, www.gov.uk/government/publications/section-251-data-testing-accuracy-and-a-proposed-alternative

** Regression LG 3.2 – see Methodology for further details. $R^2 = 0.37$.

*** Camden; Hammersmith and Fulham; Kensington and Chelsea; Lincolnshire; Milton Keynes; Rochdale; Waltham Forest; Wiltshire; and Windsor and Maidenhead.

While accounting for these cost differences*,[52] narrows the spending gap slightly,** the gulf persists. Richmond still tops the list at £189,680 per child,*** more than three times York's adjusted figure of £57,532.[53]

Figure LG 3.6 **Annual spend per child in care, by local authority, 2015/16–2023/24 (2025/26 prices, adjusted for varying area costs)**



Source: Institute for Government analysis of DfE, 'LA and school expenditure', 2015/16–2023/24; DfE, 'Children looked after in England including adoptions', 2015/16–2023/24; and MHCLG, '2024 Children's Services Area Cost Adjustment values'. Notes: The City of London, Isles of Scilly and Rutland are excluded from calculations of the percentiles. See Methodology for details of area cost adjustment.

Three factors are likely driving remaining variation in spending. First, some local authorities may be supporting children with more complex needs, which naturally increases costs. Second, factors outside the local authority's control can limit the local supply of different types of placement, some of which may be cheaper than others. For example, in more deprived areas, fewer households are likely to have a spare room suitable for fostering. Third, some councils may simply be delivering or commissioning services less efficiently – for instance, securing poorer deals from providers or placing more children in expensive residential care, even when this is not required.

While some of those explanations are difficult to test quantitatively, we controlled for those that we could.**** We found that local authorities with higher per-capita costs of care tend to have a greater reliance on both private provision and residential care, but fewer children in care per 10,000 in their area.[54] The first two findings align with the cost pressures we have already discussed, although this still does not prove that private provision is more expensive on a like-for-like basis. It is unclear what is behind the third finding, but it may be because local authorities with higher rates of children in care are, on average, supporting children with less severe needs,***** meaning lower per-child costs.

* Using the 2024 Children's Services Area Cost Adjustments. For more information, see the Methodology.

** The interquartile range is lower in every year except 2017/18, and often by £2,000 to £3,000 (in 2025/26 prices).

*** These figures can be interpreted as the per-capita cost of care if the area had average (for England) labour and property costs.

**** The proportion of placements that are private, the proportion of placements that are residential, the rate of children in care per 10,000, the proportion of episodes of need with mental health as a risk factor, the average number of risk factors per episode of need and the level of income deprivation among children.

***** Other proxies for the complexity of cases – the proportion of episodes of need with mental health as a risk factor, the average number of risk factors per episode of need and the level of income deprivation among children – all had effects on per-capita care spending that were statistically indistinguishable from zero, once the aforementioned variables were controlled for.

In 2023, Richmond had the greatest dependence on private provision (84% of placements), the third-highest use of residential settings (36% of placements) and the second-lowest rate of children in care (29 per 10,000) – all of which help to explain its excessively high per-capita costs.*

A shortage of foster carers is pushing some children into unsuitable placements, despite increases in kinship carers

Fostering plays a central role in the care system. In 2024, 56,390 children, or two thirds of those in care (67%), were fostered.[55] Spending on fostering accounted for 17% of all children's social care expenditure and more than a quarter (27%) of spending on children in care in 2023/24.[56]

But in 2024, the total number of fostering households in England was at its lowest point since at least 2014, standing at 42,615.[57] Meanwhile, the number of children in care has continued to grow. There are now 14,840 more children in care than there were in 2014,[58] but 2,165 fewer fostering households.[59] The Fostering Network estimated this year that an additional 5,000 foster families were needed in England to meet demand.[60]

The shortage of foster carers has pushed some children into unsuitable residential care placements. Ofsted looked at a small sample of 111 children living in residential homes in 2019 and found that a third of them originally had foster care on their care plan.[61] In many cases, foster care would better meet these children's needs and stop them from being sent far away from home, all while costing local authorities less.[62]

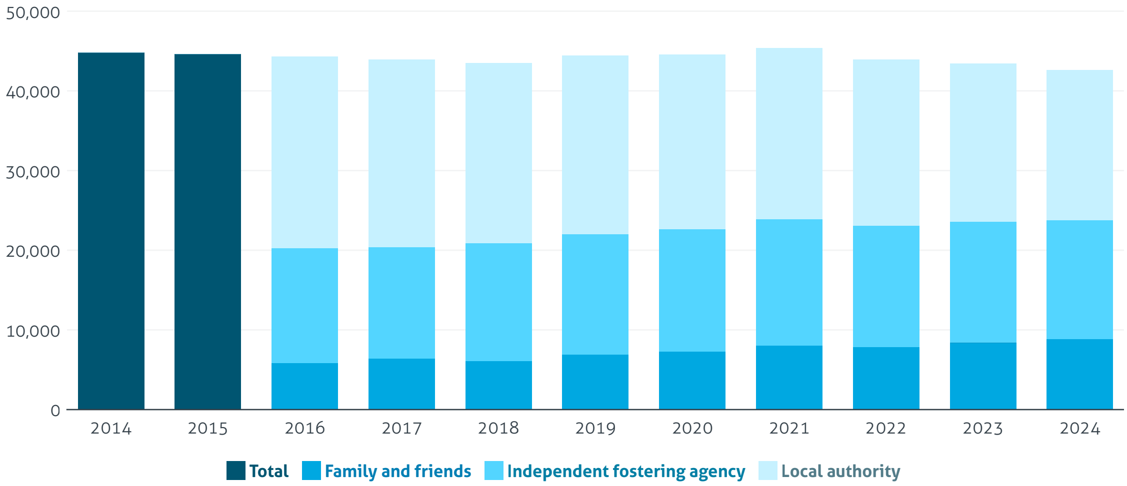
Box LG 3.1 **Different types of foster carer**

Foster carers that local authorities or independent fostering agencies (usually profit-making organisations**) employ are often referred to as 'mainstream' carers, as they look after children they do not already know. By contrast, family and friends carers are approved to look after specific children who they already know.

* Excluding the City of London, the Isles of Scilly and Rutland.

** As of 31 March 2025, 84% of the 339 independent fostering providers in England were private providers; see Ofsted, 'Children's social care data in England 2025', 16 July 2025, retrieved 22 September 2025, www.gov.uk/government/statistics/childrens-social-care-in-england-2025

Figure LG 3.7 **Approved fostering households, by type, 2014–24**



Source: Institute for Government analysis of Ofsted, 'Fostering in England', 2014–2024. Notes: Fostering households were not broken down by type in a comparable way prior to 2016. Figures are as at 31 March each year. Analysis covers England only.

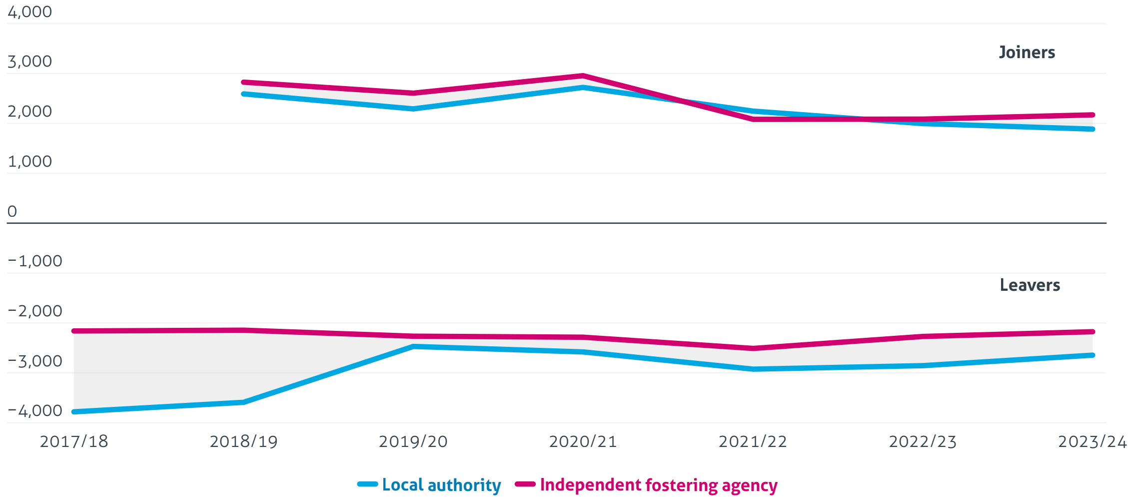
The crux of the foster shortage lies in the mainstream system, and specifically in the falling number of local authority carers. Between 2016 and 2024, their numbers plummeted by 5,175, including a record fall of 1,010 in 2023 alone.[63] Independent fostering agencies (IFAs) recorded a net gain of 480 carers over the same period, but since 2021 they too have been losing fostering households overall every year.[64] The mainstream fostering system has been reshaped as a result. IFAs now account for 48% of all filled mainstream fostering places compared to 34% in 2016.[65]

Some fundamental pressures are likely contributing to a decline in mainstream fostering across both local authorities and IFAs. These include:

- many carers reaching retirement age
- carers finding that they cannot afford to foster a child
- rising house prices, which are pushing carers' adult children to move back in with them, filling spare rooms.[66]

But there are also ways in which local authority fostering services are falling behind IFAs.

Figure LG 3.8 **Mainstream foster carer joiners and leavers, by type, 2017/18–2023/24**



Source: Institute for Government analysis of Ofsted, 'Fostering in England', 2018–2024. Notes: Foster carers that local authorities or independent fostering agencies employ are often referred to as 'mainstream' carers, as they look after children they do not already know. Family and friends carers, by contrast, are approved to look after specific children they already know. The number of joiners minus the number of leavers does not equal the net gain of foster carers in any given year – some carers leave and join within the same year. Joiners were not broken down by type in a comparable way prior to 2018/19. Analysis covers England only.

As the figure above shows, local authorities tend to be worse at both recruiting and retaining foster carers than IFAs, but the gap in retention is greater. Ofsted does not publish data on the reasons for deregistration, meaning that there is a limited understanding of why foster carers are leaving the system. But according to a 2024 survey of former foster carers, the most common reason for resigning was a lack of support from fostering services (43%), particularly from supervising social workers and approved support networks that can provide overnight care.[67] IFAs tend to make more generous and uniform offers of support than local authorities, which is likely contributing to their better retention.[68] Some have also reportedly offered financial incentives to recruit local authority carers into the private sector,[69] although those reports have become less common in recent years. In late 2024, the government announced plans to "[improve] the support offer to both new and existing foster carers".[70] If well targeted and sufficiently funded, this could ease some of the retention challenges.

On the recruitment side, there is a lack of co-ordination between local authorities. England does not have an active foster care recruitment plan, and many local authorities are competing with each other for foster carers.[71] A couple of interviewees stated that improvements should be made to how well foster carer recruitment drives are communicated to the public.[72] Current trials are under way for fostering hubs – regional schemes that aim to co-ordinate recruitment and communications campaigns.[73] At the time of writing, it is unclear how much of the foster care funding announced in the Labour government's autumn and spring budgets (discussed more below) will go towards these schemes.[74]

In contrast to the decline in mainstream fostering, the number of family and friends fostering households rose from 5,835 in 2016 to 8,865 in 2024, an increase of 52%.[75] They now make up a fifth (21%) of all approved fostering households, compared to 13% in 2016.[76] This growth is a sign of success for mounting central and local government efforts to, wherever possible, keep children with their families and out of acute forms of care (more on this below).[77] As the Department for Education (DfE) has set out: "This is likely to be influenced by an increased focus on kinship care, including family and friends fostering, following the independent review of children's social care."[78]

Entries into the system are relatively stable and prevention is gaining traction

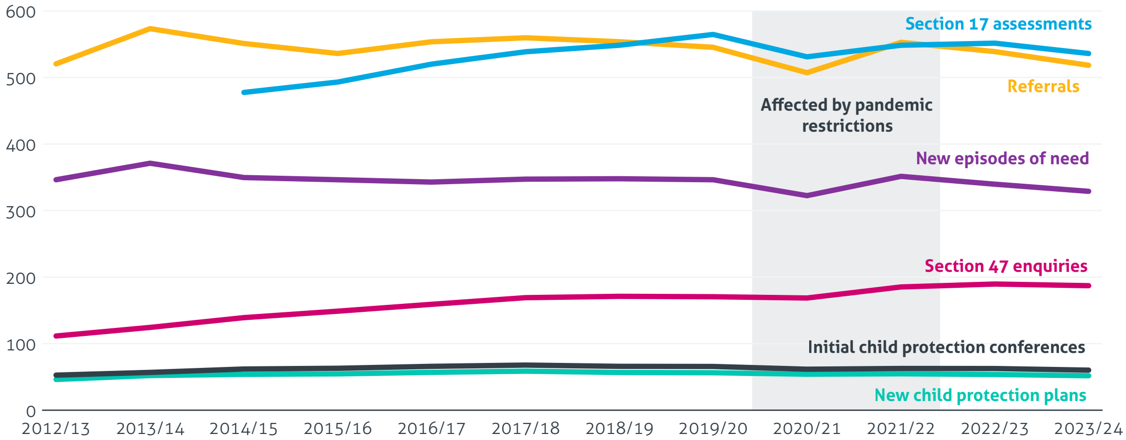
Box LG 3.2 How children come into contact with children's social care

- A member of the public, or services such as the police or schools, raise a safeguarding concern with a local authority. These initial contacts may require no further action, be passed to more universal services such as early help[*] or result in a referral to children's social care.[**]
- A child is referred if there is a request for children's social care services to be provided. Referrals may require no further action.
- The child may be assessed (one or more times) under section 17 of the Children Act 1989, to identify whether they are in need of services such as family or adoption support, because of either a disability or risks to their health or development.
  - If the child is assessed as being in need of children's social care services, an episode of need begins (starting at the referral date).
- The child may also be assessed under section 47 of the Children Act 1989, if there is reasonable cause to suspect they are suffering, or are likely to suffer, significant harm.
  - If concerns are found to be substantiated, an initial child protection conference is convened to plan safeguarding measures.
  - One such safeguarding measure is a child protection plan.
  - In the most severe cases, the child will immediately be taken into the local authority's care.

[*] The terms 'early intervention' and 'early help' tend to be used to refer specifically to preventative work with children. From there, some distinguish between early intervention and early help, with the former referring to more targeted and intensive programmes, and the latter covering universal services.
[**] No official data is collected on initial contacts.

Between 2013 and 2024, England's child population grew by around 700,000.[79] Children's social care entries kept pace, leaving the rate per 10,000 children broadly flat.[80] That is bar a notable dip in 2020/21, when lockdowns due to the Covid pandemic disrupted the usual referral routes.

Figure LG 3.9 **Stages in children's social care referrals, per 10,000 children, 2012/13–2023/24**



Source: Institute for Government analysis of DfE, Children in need, 2012/13–2023/24. Notes: Children assessed as requiring support under section 17 of the Children Act 1989 are defined as children in need, and an episode of need starts. Where there are reasonable grounds to suspect a child is or will likely suffer significant harm a local authority may launch an investigation into their welfare under section 47 of the Children Act 1989. There may be more than one referral, assessment or episode of need per child across the year. Multiple referrals may lead to one assessment and one referrals to multiple assessments. Analysis covers England only.

But not everything has held steady. In 2023/24, section 47 enquiries were two thirds (68%) more common among the child population than in 2012/13, with almost two for every 100 children. This surge has not translated into more child protection conferences or plans, suggesting that local authorities may be acting more cautiously and lowering the threshold for section 47 enquiries, perhaps under the shadow of recent high-profile child protection tragedies.[81]

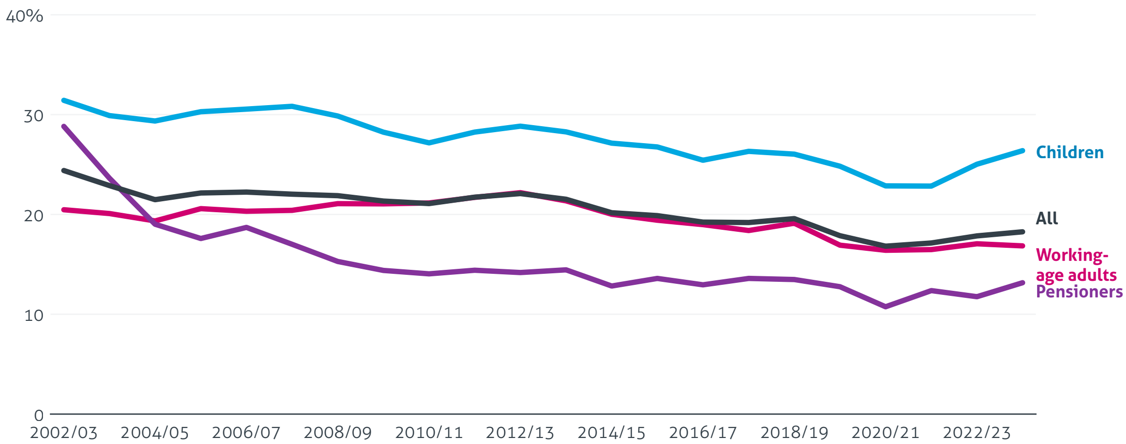
The other major change is that the share of referrals resulting in no further action has more than halved since 2012/13.[82] This may be because more initial contacts are being triaged to early help instead of being referred to children's social care, meaning that those who are referred are now more likely to meet the threshold for assessment.[83] Alternatively, it may reflect greater risk aversion, with more referrals now assessed under section 17 of the Children Act 1989. The DfE does not collect data on initial contacts, nor does it have an early help dataset that links to referrals data, so it cannot test these theories.[84] A recent Association of Directors of Children's Services survey found that local authorities reporting a reduction in safeguarding activity often partly attribute this to having developed a more robust early help offer.[85] But the rise in section 17 assessments resulting in no further action, from 19.0% to 30.3% since 2012/13,[86] is more consistent with an increase in risk aversion.

There has been a broader shift towards prevention, which the independent review of children's social care has accelerated in recent years.[87] In a policy paper published in late 2024, the government outlined its vision that "wherever possible, children should remain with their families and be safely prevented from entering the care system".[88] It has since put money behind the ambition, which we discuss in a section on its reform plans below.

Increasing numbers of children live in poverty, which could drive demand for children's social care

In 2023/24, 26% of children in the UK were in absolute poverty,[*] after deducting housing costs.[89] While that figure is not uniquely high by historic standards – it is roughly the same as in 2017/18, for example – the recent trend is very concerning. The 2.2 percentage-point rise in 2022/23 was the worst increase since 1981, and child poverty rates rose again by 1.4 percentage points in 2023/24.[90] Approximately 600,000 children moved into absolute poverty across those two years.[91]

Figure LG 3.10 **Absolute poverty rates after housing costs in the UK, by age group, 2002/03–2023/24**



Source: Institute for Government analysis of IFS, 'Living Standards, Inequality and Poverty'. Notes: The absolute poverty rate is the proportion of people whose household incomes are below a poverty line that is fixed over time. We use the official absolute poverty line, which is 60% of the 2010 inflation-adjusted median income.

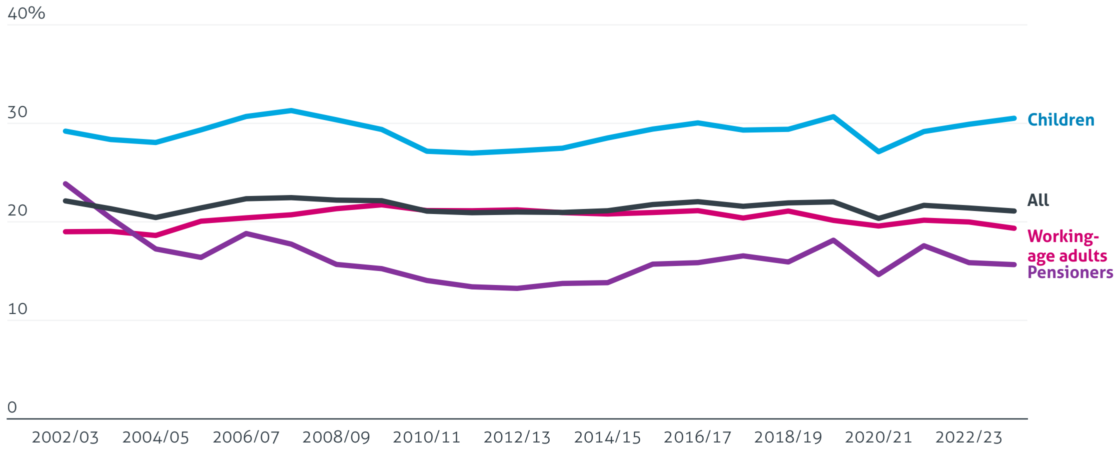
There has also been an increase since 2021/22 in the share of children in relative poverty[**] after deducting housing costs – a trend not seen in any other age group.[92] In 2023/24, 30.5% of children in the UK, and 30.8% in England,[***] were living in relative poverty.[93] The Joseph Rowntree Foundation, a charity aiming to solve poverty in the UK, estimates that, under economic projections from the autumn budget last year, this will rise to 31.5% in England by 2028/29.[94]

[*] 'Absolute poverty' refers to the share of people with household incomes below a time-invariant poverty line. Officially, that poverty line is 60% of the inflation-adjusted median income from 2010.

[**] 'Relative poverty' refers to the share of people with household incomes below a time-variant poverty line. Officially, that poverty line is 60% of the contemporaneous median income.

[***] The UK figure is an average over 2023/24; the England figure captures one point in time in 2023/24. They are therefore not directly comparable. However, both are based on the same relative poverty line: 60% of median equivalised income after housing costs. The England figure is directly comparable to the estimate from the Joseph Rowntree Foundation cited in the following sentence.

Figure LG 3.11 **Relative poverty rates after housing costs in the UK, by age group, 2002/03–2023/24**



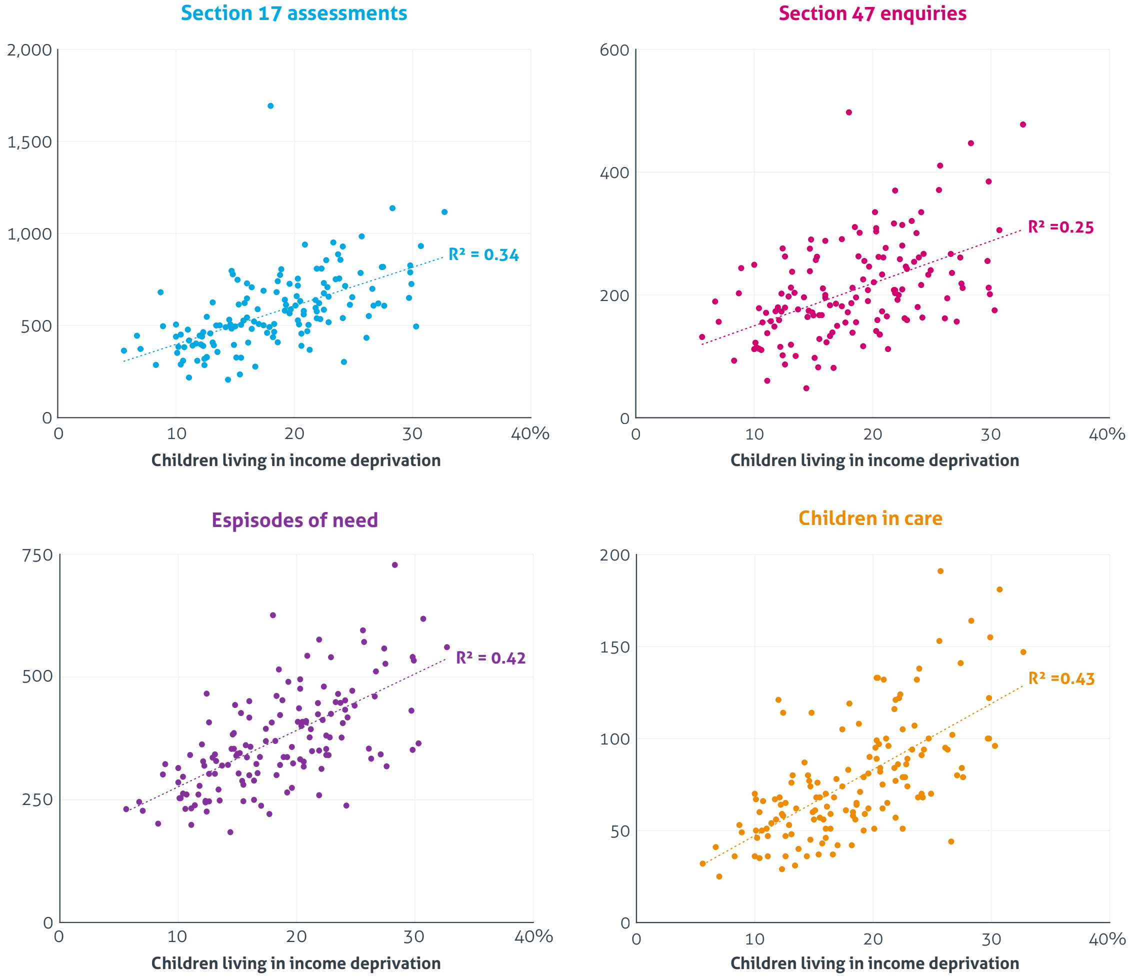
Source: Institute for Government analysis of IFS, 'Living Standards, Inequality and Poverty'. Notes: The relative poverty rate is the proportion of people whose household incomes are below a poverty line that changes over time. We use the official relative poverty line, which is 60% of contemporaneous median income.

There are clear ties between child poverty and families in crisis. For example, children who live in the most deprived 10% of neighbourhoods are 10 times more likely to be in care or on a child protection plan than those in the least deprived 10%.[95] Indeed, a family's housing or financial situation is one reason why a section 17 assessment can be triggered, and why the child may be deemed as in need. And a growing body of research points to deprivation as a contributing cause of child abuse and neglect.[96]

One interviewee expressed concerns that if child poverty continues to rise, many families may lack the stable foundations needed to function well, increasing demand for children's social care.[97] But it is notable that the recent period of rising child poverty has not been matched by a significant rise in demand – entries to children's social care remain relatively stable, as discussed in the previous section.

Figure LG 3.12 **Rate per 10,000 children of various care events, 2023/24, compared to proportion of children living in income deprivation, 2019, by local authority**

Note: y-axis range differs between charts



Source: Institute for Government analysis of MHCLG, 'English indices of deprivation 2019'; DfE, 'Children in need', 2023/24 and DfE, 'Children looked after in England including adoptions', 2023/24. Notes: Analysis covers England only. The City of London, Isles of Scilly and Rutland are excluded. Children are assessed under section 17 of the Children Act 1989 to determine whether they are in need of children's social care services; if they are, they are defined as children in need, and an episode of need starts. Where there are reasonable grounds to suspect a child is suffering, or will likely suffer, significant harm, a local authority may launch an investigation into their welfare under section 47 of the Children Act 1989. There may be more than one assessment, enquiry or episode of need per child across the year.

The government is due to release a child poverty strategy in autumn 2025, which may go some distance towards tackling rising poverty rates.[98] To date, the most substantial action it has taken is the expansion of free school meal eligibility to all children whose families receive Universal Credit. This is projected to bring 100,000 children out of poverty in the long run.[99] But the Institute for Fiscal Studies estimates that the short-term impact will be more limited.[100] Campaigners are calling for the removal of the two-child limit on Child Tax Credit and Universal Credit, which the Conservative government introduced in 2017. Research suggests that this would be a quick and cost-effective way to enable many children to escape poverty.[101]

Some children have more complex needs, which can be difficult for social care services to address in advance

Many local authorities report that children in receipt of social care have increasingly complex needs.[102] Ofsted defines complexity as describing "multiple, overlapping needs" that "require a collective response from multiple agencies".[103] While publicly available data lacks a good measure of complexity, one proxy – the average number of risk factors recorded per episode of need – rose modestly from 2.4 in 2014/15 to 2.7 in 2019/20, and has plateaued since then.[*,104] Whether that rise reflects an increase in complexity, changing practice among social workers in recording risk factors or heightened risk recognition remains unclear.

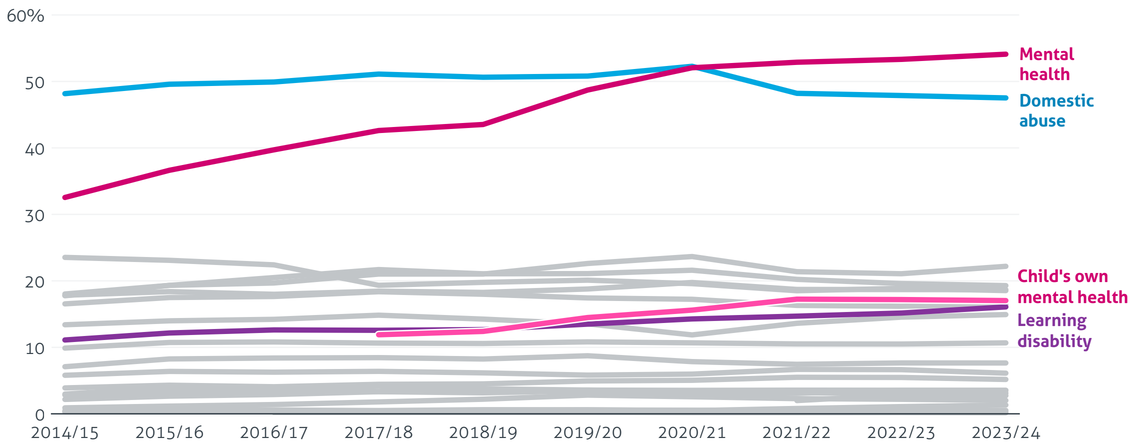
Directors of children's services report that the rising complexity comes at least in part from children's inability to access other services, particularly mental health services.[105] Children's and young people's demand for mental health services has exploded in recent years, with referrals rising by 11.7% per year, from roughly 40,000 a month in 2016 to nearly 120,000 a month in 2024.[106] The capacity of mental health services has seriously lagged behind. Since 2016, the number of people in contact with child and adolescent mental health services has risen more than four times faster than growth in the child and adolescent psychiatry workforce.[107]

Children therefore face inordinate waits for mental health services, often entirely without professional support.[108] Analysis from Mind shows that 609,000 under-18s are on mental health waiting lists across England.[109] A quarter of them – 150,000 children and young people – have already been waiting for longer than two years.[110] Some of these children have nowhere to get support other than via social care.

In 2023/24, the child's own mental health was recorded as a risk factor in 17% of episodes of need, up from 12% in 2017/18.[111] Broader mental health concerns – including those relating to parents or other people – rose even more sharply. In 2021/22, that category overtook domestic abuse as the leading risk factor recorded in episodes of need.[112] By 2023/24 it was recorded in 54% of cases, compared to only 33% in 2014/15.

[*] This calculation excludes risk factors that were introduced as options between 2014/15 and 2023/24, to keep figures as comparable as possible over time. See the Methodology for more details.

Figure LG 3.13 **Episodes of need in children's social care by risk factor, 2014/15–2023/24**



Source: Institute for Government analysis of DfE, 'Children in need', 2014/15–2023/24. Notes: Analysis covers England only. An episode of need begins when a child is referred to children's social care services and is assessed as being in need of those services. A child can have more than one episode of need during the year. Factors do not sum to 100% as the majority of children have more than one factor recorded for each episode of need. 'Mental health' includes instances where mental health is identified as an issue of concern, including when it is another person's mental health. 'Child's own mental health' is a subset of the wider mental health category – data was not split out into these subsets until 2017/18.

Another factor reported to be behind the rise in complexity is the crisis in the special educational needs and disabilities (SEND) system.[113] The proportion of children with education, health and care plans (or EHCPs, which are required for higher levels of SEND support) is increasing more rapidly among children in social care than in the general population.[114] Between 2017/18 and 2023/24, the share of children in need[*] with an EHCP rose by 5.6 percentage points, compared to just 1.8 points in the wider population.[115] This suggests that children's social care could be absorbing unmet need from the overstretched SEND system, although the trend may instead reflect a shift in which groups of children have an EHCP.[**]

A couple of interviewees also attributed the rise in the complexity of children's social care cases to growth in the immigration backlog and changes in the criminal justice system.[116] The former leaves more families with children without recourse to public funds, and for longer, although children's social care must step in if they are facing destitution as welfare or homelessness support would otherwise not be available to them.[117] There have also been reports that efforts to reduce the number of children in custody[118] have pushed a small number of children with very complex needs into care.[119] Associated savings have reportedly remained in the justice system rather than following need.[120]

* Figures cover those who were in need (including children with a child protection plan and those in care) as at 31 March of each year.

** Children in social care may be more likely to have an EHCP because they tend to be, for example, more deprived than the average child, and it may be that more deprived children have seen disproportionate increases in EHCPs. This is difficult to rule out across all potential stratifications of the children's social care population. But it at least does not seem to be true for one measure of deprivation: between 2017/18 and 2023/24, EHCPs only became one percentage point more prevalent among children who are eligible for free school meals, compared to two percentage points more prevalent in the general child population. One interviewee also mentioned the possibility that being in receipt of social care services comes with greater exposure to professionals, who are perhaps more likely to identify a special educational need in any given child than they used to.

These system 'spillovers' may help to explain reports that growing numbers of children with complex needs only present to social care services once they hit crisis point[121] – the primary needs of these children lie in the remit of the health, education, welfare, immigration or justice system, so they may remain invisible to social care services until necessity dictates an intervention. If the spillovers are not addressed, children's social care prevention initiatives, such as those that the Labour government announced last year, may be of limited use in stopping need from escalating.

The solution is better join-up across health, education, justice, immigration, welfare and social care services, as Ofsted recommended in 2022.[122] One interviewee gave examples of how this can work in practice, citing their local authority's use of a multidisciplinary team to regularly review a register of children with the most complex needs in the area.[123] This has successfully kept more of these children living with their families. The council also has an integrated approach to commissioning, with a single officer responsible for the children's budgets of both the local authority and the local NHS integrated care system, enabling improved partnership working in the area.[124]

Other examples can be found among the 10 local authorities participating in the Families First for Children pathfinder programme.[125] This programme was set up under the previous government, and granted additional funding under the current government,[126] to trial a more integrated system with stronger multi-agency working. Although the trials are ongoing, in some areas, education, health, police and social care teams have begun sharing access to families' cases through a single portal.[127] Stakeholders believe the programme as a whole will reduce caseloads, and is already helping families access support earlier.[128]

Insufficient placements for children with the most complex needs have prompted a sharp increase in Deprivation of Liberty orders

To be deprived of liberty is to be confined for a significant period of time by the state, without valid consent.[129] For children in receipt of social care, this usually arises when they are judged at risk – of criminal or sexual exploitation, or of harming themselves or others. It is therefore often the most vulnerable children, and those with the most complex needs, who are subject to such restrictions.

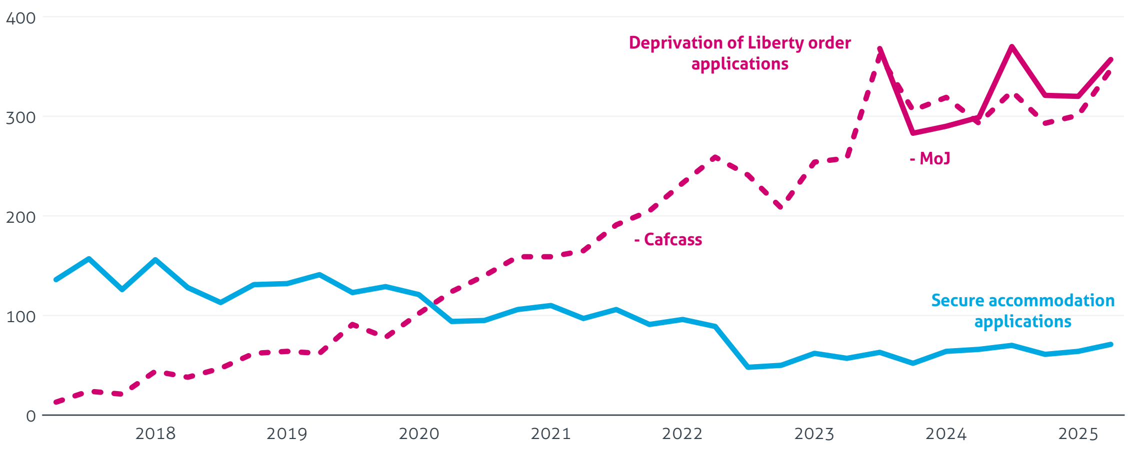
England faces a chronic shortage of suitable placement options for children who have been deprived of their liberty – placements that both meet their needs and provide proper safeguards.[130] The number of secure children's homes (specialist provision designed for restriction of liberty) has more than halved since 2002, falling from 31 to 13 in 2025.[131] Providers' frequent reluctance to accept referrals for children with the most complex needs is further squeezing capacity.[132] In some instances, this is justifiable: homes may lack the staff or specialist facilities required, or worry about unsettling other children already living there.[133] But in other cases, providers purportedly 'cherry-pick' the children they take into care, since they know other referrals will soon come along.[134] Concerns among providers that taking on more challenging children may negatively affect their Ofsted ratings are partly driving this behaviour.[135]

As the number of children with complex needs grows, the most vulnerable increasingly have nowhere to go. In 2024, Ofsted reported that around 50 children were waiting for a secure children's home place on any given day.[136] There were only 235 approved places in England and Wales in March 2025.[137]

In the face of this dangerous inadequacy, local authorities have turned to Deprivation of Liberty orders (DoLs) – intended as a last-resort measure[138] for authorising a deprivation of liberty when none of the statutory mechanisms, such as a secure accommodation order, applies. In practice, DoLs generally mean children are placed in unregistered settings, such as children's homes and sometimes even holiday lets staffed with agency workers.[139] These settings are unlawful, lack Ofsted oversight to ensure minimum standards and are frequently of poor quality.[140] Despite the lack of safeguards, they are authorised to impose severe constraints on children, including: constant supervision (sometimes up to a 4:1 ratio of staff to child); restrictions on access to belongings, money and the internet; and physical restraint.[141] Councils often rely on these settings because they have nowhere else to place a child.

Data from Cafcass, an advisory service for children involved in family court proceedings, shows a more than sixfold increase in DoL applications since 2018, reaching 1,230 applications in 2024.[*,142] Although the trend has levelled off somewhat in recent years for reasons that are not well understood,[143] DoL applications now significantly outnumber applications to place children in secure children's homes. In April to June 2025, there were five times as many of the former than the latter.[144] The drop in secure accommodation applications likely does not reflect a change in demand for those places, rather that the length of the waiting list has deterred local authorities from making applications.[145]

Figure LG 3.14 **Applications for Deprivation of Liberty orders and secure children's accommodation, Q2 2017 to Q2 2025**



Source: Institute for Government analysis of Cafcass, 'Public law demand spreadsheet', August 2025 and MoJ, 'Family court statistics quarterly', Q2 2017 to Q2 2025. Notes: The dotted line uses DoL data from Cafcass, an advisory service for children involved in family proceedings, as official statistics (represented by the solid line) have only been published since July 2023. As a result, figures shown by the dotted line will only reflect the DoL applications that Cafcass advised on. Data on secure accommodation applications covers England and Wales, but data on DoLs covers England only. Quarters are calendar quarters.

* Official statistics on DoL applications have only been published since July 2023, which makes it difficult to analyse trends. Cafcass records how many DoL applications it is involved with, and so its figures may not be representative of the true number.

The use of DoLs and their impact on children has drawn repeated concern from across the system, including from family court judges, directors of children's services, Ofsted and family rights groups.[146] Too often, children who need stable, specialist support are instead placed in unregistered provision as a stopgap, with the hope that something more suitable will emerge.[147] The result is poor outcomes for the most vulnerable children and material pressure on the workload of family courts. This situation is far from inevitable. As Lady Arden wrote in a Supreme Court judgment in 2021:

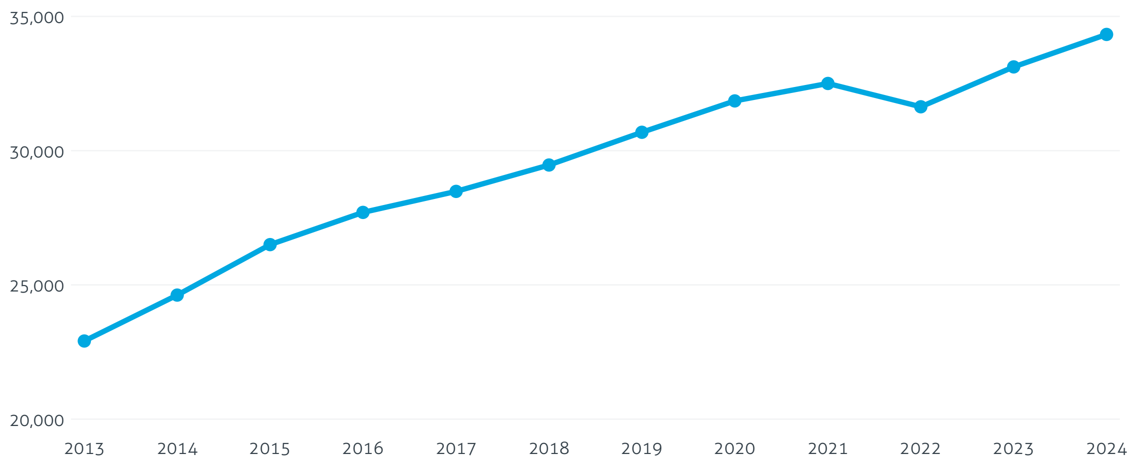
> "It is not entirely clear to me… why the Secretary of State cannot or cannot yet enable all children who need to do so to enjoy the security of a registered home. This problem is clearly not a new one… It is not satisfactory that the courts should be used to address not just a specific gap but a systemic gap in the provision of care for children."[148]

The Labour government intends to address this in part through the creation of regional care co-operatives. The independent review of children's social care, published in 2022, highlighted that, because local authorities typically care for very small numbers of children with the most complex needs, they struggle to forecast demand for, and commission, specialist provision effectively.[149] By commissioning at a larger scale, co-operatives should be able to pool demand and therefore bring greater strategic direction.

The Labour government also intends, through the Children's Wellbeing and Schools Bill, to provide a statutory basis for authorising deprivations of liberty in registered children's homes that do not qualify as secure accommodation.[150] This is designed not only to address the shortage of suitable placements for children with the most complex needs, but also to create provision that can adapt to children's changing circumstances and needs – reducing restrictions when safe, while ensuring access to therapeutic support and appropriate safeguards.

The number of child and family social workers is at an all-time high and vacancy and turnover rates are improving

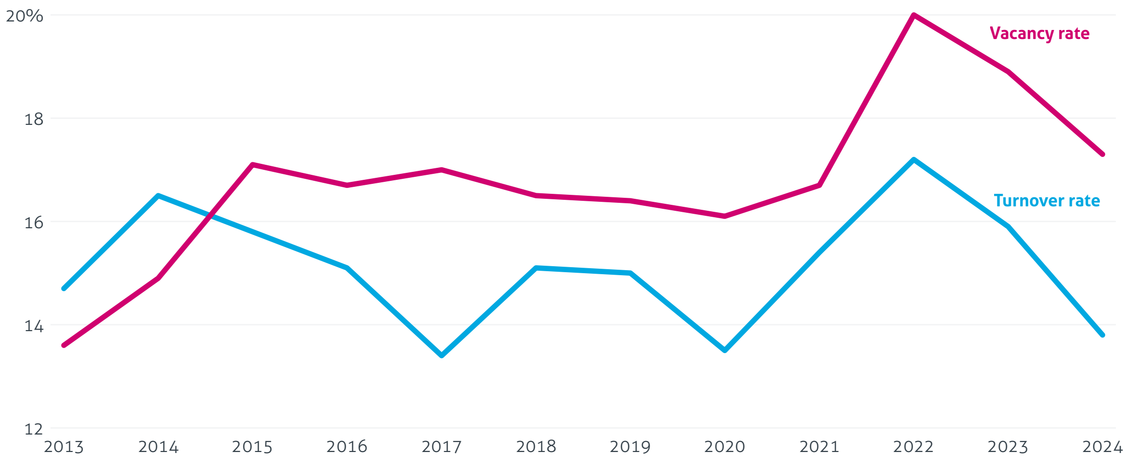
Figure LG 3.15 **Child and family social workers, 2013–24**



Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2013–24. Notes: Figures are in terms of FTE and are as at 30 September of the relevant year. Analysis covers England only.

In September 2024, there were more child and family social workers employed than at any point since comparable data collection started in 2013, with the level rising above 34,000 full-time equivalent (FTE) social workers for the first time.[151] The most recent year's increase was due to an improvement in retention in 2024: the number of staff leaving the workforce fell for the second consecutive year, down 500, or 10%, on a year earlier.[152] As a result, in 2024, 14% of social workers left the workforce, compared to a peak of 17% in 2022.[153] Vacancy rates show a similar pattern, dropping to 17% in 2024 from a peak of 20% in 2022.[154]

Figure LG 3.16 **Child and family social worker vacancy and turnover rate, 2013–24**



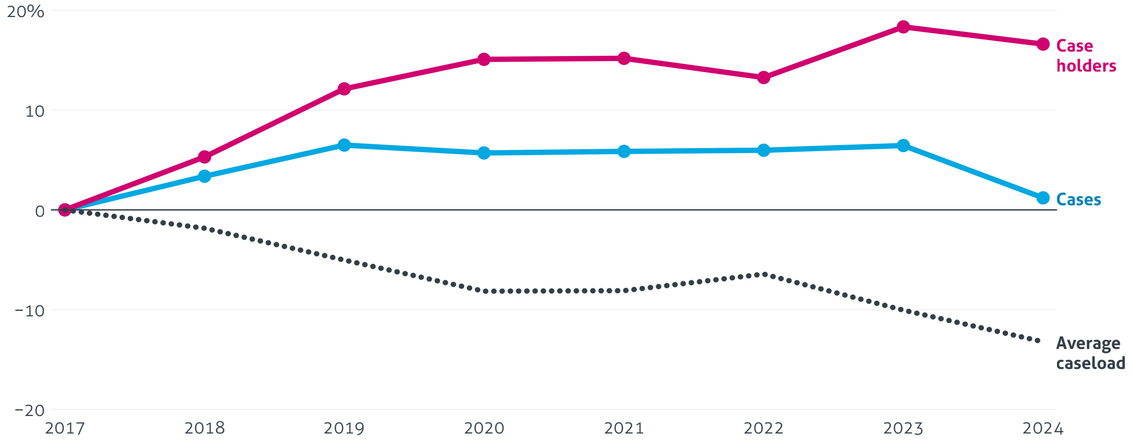
Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2013–2024. Notes: The vacancy rate is the proportion of FTE total posts (full or vacant) that are vacant, as at 30 September of the relevant year. The turnover rate is the number of FTE leavers in the year to 30 September as a proportion of the number of FTE social workers in post at 30 September. Analysis covers England only.

These improvements at least partly represent a correction from the disruption of the Covid pandemic. Covid created difficult working conditions while constraining job mobility, producing a wave of delayed exits from the workforce once restrictions eased. The resulting spikes in turnover and vacancies were likely behind the DfE's decision to raise the national risk rating for insufficient social work capacity to 'critical – very likely' in March 2024,[155] but this year the issue was dropped from the list of principal risks facing the department.[156]

Two additional factors may be contributing to the recent improvements, beyond the easing of pandemic-related pressures. Most notably, new statutory guidance, which the Labour government introduced in late 2024[157] – although it was developed under the Conservatives – appears to be curbing the agency social work market, historically a key driver of churn (discussed further below). The proportion of permanent staff leaving public sector social care employment to join agency child and family social work has halved since its peak of 3.4% in 2022, falling to 1.7% in 2024.[158] This is the lowest level since this data started being collected in 2017.[159]

The second factor that may be behind recent improvements is falling caseloads, where a case is "any person allocated to a named social worker, where the work involves child and family social work".[160] Being overworked remains the most commonly cited reason why social workers consider leaving their jobs.[161] Average caseloads have been declining pretty steadily since 2017, and have now reached an all-time low of 15.4 cases per case holder, down from 17.7 in 2017.[162] While this metric does not reflect the reported rise in the complexity of cases, it may nonetheless track a meaningful shift.

Figure LG 3.17 **Change in number of case holders, number of cases, and average caseload in children's social care, since 2017**



Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2017–2024. Notes: 'Case holders' here refers to FTE social workers recorded as holding cases, which, under DfE definitions, is different from staff in case holder roles. Cases can be held by those not in case holder roles. Figures are as at 30 September in each year. Analysis covers England only.

While the core social care workforce appears to be stabilising, the recruitment and retention of child and family social workers still remain among the most pressing workforce problems for local authorities. Four in five councils report difficulties in recruiting and retaining child and family social workers – more than do for any other role.[163] In particular, recruitment is still trending in the wrong direction. In 2024, the number of starters fell, down 400 (7%) on the previous year. [164]

One interviewee also highlighted concerns around a lesser-known part of the system: the workforce delivering preventative services, below the threshold of section 17 'child in need' assessments.[165] The Labour government's focus on prevention will place greater demands on this group of staff, but little is known about their capacity, with no routinely published data on early help and family support staff. It is therefore unclear whether that part of the system needs support to deliver the government's reforms, and if so, what that support should entail. Thanks in part to those roles' generally lower wages, local authorities are reportedly confident they can afford[*] to staff preventative services,[166] but rising demand could put upward pressure on pay.

[*] Whether there is a sufficient supply of workers is a separate, and more difficult, question.

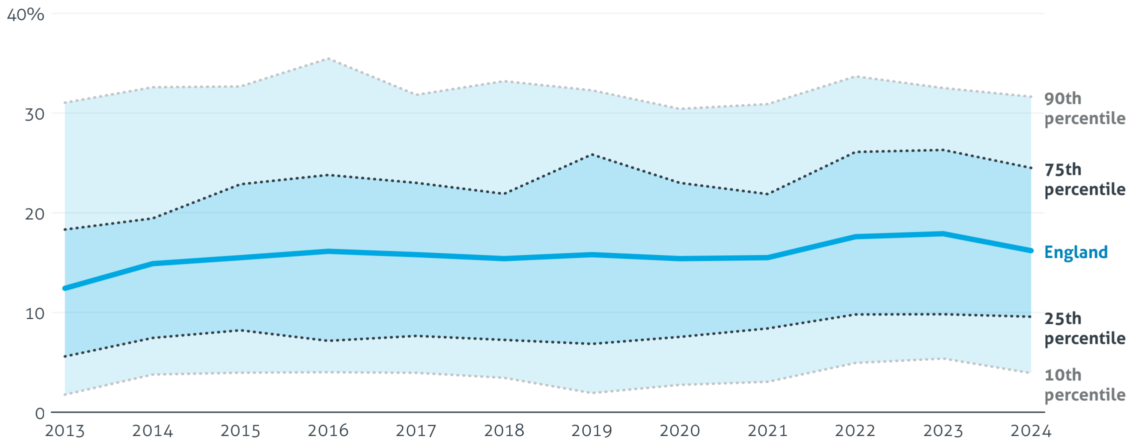
Agency worker rates have started to fall, although remain higher in local authorities with more vacancies and worse Ofsted ratings

In 2024, 16.2% of child and family social workers, or 6,521 FTE members of staff, were employed from agencies.[167] This was considerably higher than, for example, the 10% agency worker rate in adult social care.[168]

Concerns about the sector's over-reliance on agency workers have intensified in recent years. The temporary nature of agency work drives higher churn, destabilising teams and making it harder to build the strong, trusting relationships with children that lead to good outcomes. And agency workers are particularly costly, using resources that could be better spent supporting children and families. Analysis conducted for the DfE in 2020 estimated that each agency worker cost councils around £28,000* more per year than a permanent employee, a 53% premium.[169]

In response to these concerns, and as mentioned above, the previous government consulted on constraining the agency worker market,[170] and statutory guidance was issued on the use of agency staff in local authorities in late 2024, after the Labour government had assumed power.[171] Under this guidance, local authorities are barred from employing agency staff that have recently left permanent roles in the same region, and must agree and observe regional pay caps, among other requirements.[172]

Figure LG 3.18 **Child and family social worker agency rate, by local authority, 2013–24**



Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2013–2024. Notes: The agency worker rate is the number of FTE agency (child and family) social workers divided by the sum of FTE agency social workers and FTE social workers, as at 30 September of the relevant year.

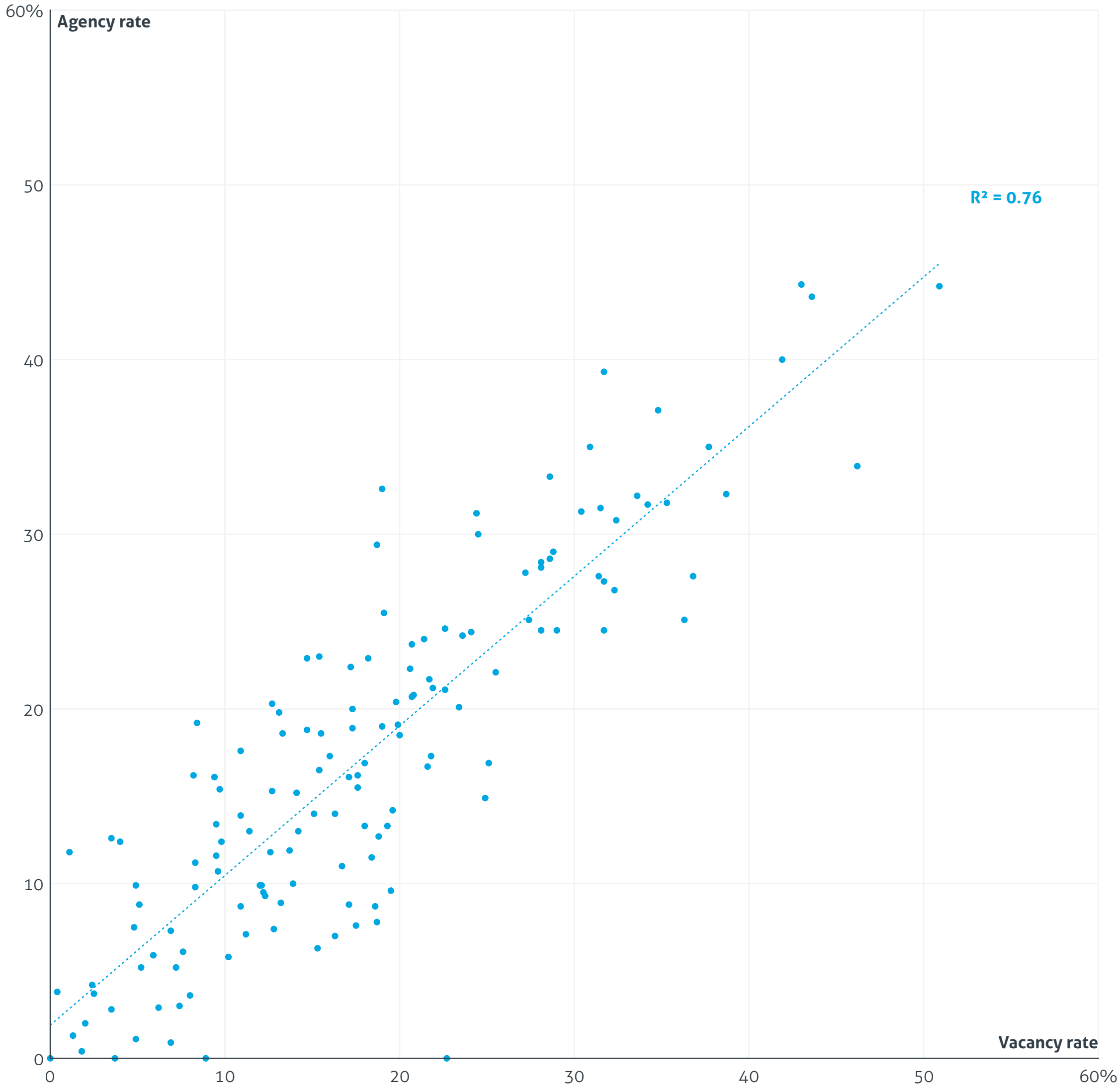
In 2024, the number of agency social workers fell for the first time since data began being published, in 2017 – down 700 (9.2%) from the series peak of 7,179 in 2023.[173] The proportion of the workforce employed through agencies also declined, dropping from 17.9% to 16.2% – the first fall since 2020.[174] While the government's new guidance only took effect on 31 October 2024,** one month after the date the latest statistics refer to, the DfE believes that earlier engagement with local authorities about these regulations may have contributed to these shifts in the market.[175] And an interviewee told us that the guidance is already reshaping agency supply.[176]

* Adjusted to 2025/26 prices.

** The guidance only applies to new contracts from this date; full implementation of the guidance across all contracts did not need to be achieved until 1 October 2025.

Since agency workers are typically used as a stopgap for urgent staffing shortfalls, falling vacancy rates have also likely played a part in reducing councils' reliance on them. Unsurprisingly, then, agency worker rates remain higher in the local authorities with higher vacancy rates.* Local authorities with median vacancy rates (17.3%) are expected to have agency rates of 16.7%; for those with vacancy rates at the 75th percentile (24.2%), agency rates would typically be 5.9 percentage points higher, at 22.6%.**

Figure LG 3.19 **Child and family social worker agency rate compared to vacancy rate, by local authority, 2024**

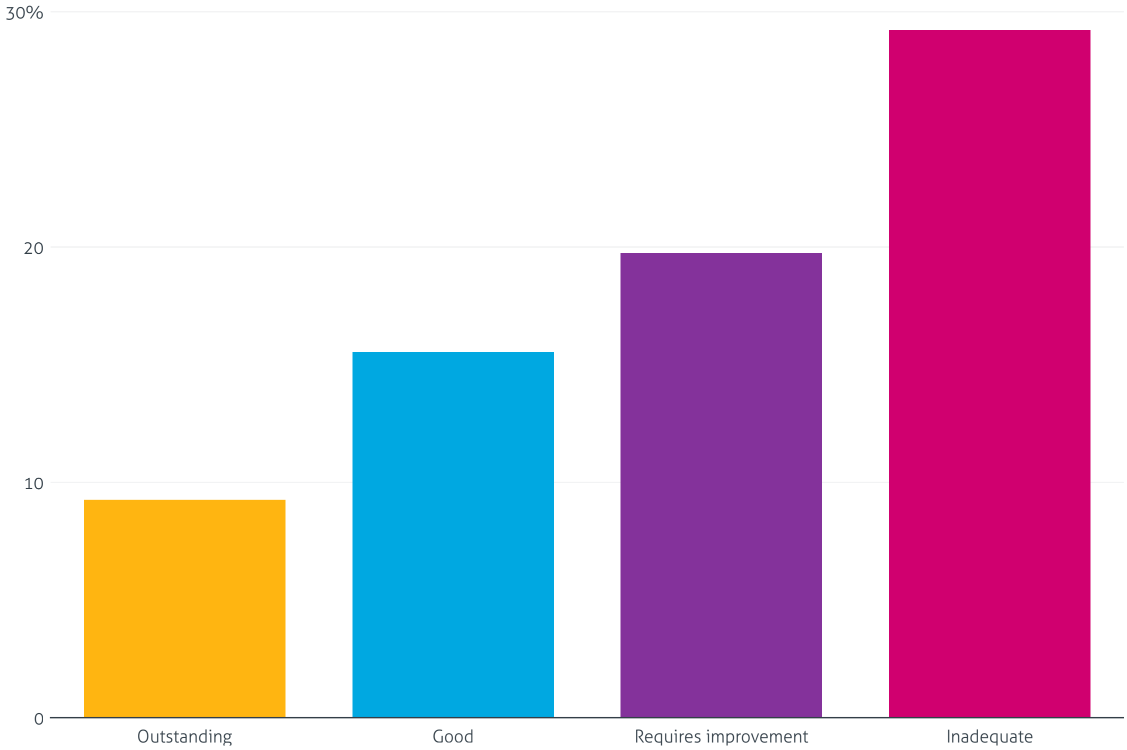


Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2024. Notes: All figures are as at 30 September 2024. Analysis covers England only, with the Isles of Scilly, City of London and Rutland excluded. The vacancy rate is the proportion of FTE total posts (full or vacant) that are vacant. The agency worker rate is the number of FTE agency (child and family) social workers, divided by the sum of FTE agency social workers and FTE social workers.

* Regression LG 3.4 – see Methodology for further details. R^2 = 0.76.
** See the Methodology for details of this calculation.

Local authorities that rely more heavily on agency social workers also tend to have worse Ofsted ratings.* In 2024, just 9% of child and family social workers were agency staff in areas judged as 'outstanding', compared to 29% in those rated 'inadequate'.**,[177] Despite employing just over a quarter (28%) of the total workforce, top-rated services enlisted only 14% of agency staff. The worst-rated ones, by contrast, employed only 14% of child and family social workers, but 23% of agency staff.

Figure LG 3.20 **Average local authority child and family social worker agency rate, by children's services inspection rating, 2024**



Source: Institute for Government analysis of DfE, 'Children's social work workforce', 2024 and Ofsted, 'Local authority inspection outcomes as at 31 March 2024'. Notes: The agency worker rate is the number of FTE agency (child and family) social workers, divided by the sum of FTE agency social workers and FTE social workers. Inspection outcomes are local authorities' most recent, as at 31 March 2024. Analysis covers England only and excludes the Isles of Scilly, City of London and Rutland, as well as local authorities that submit joint workforce census returns.

Reliance on agency staff and worse service performance likely feed into each other. As our vacancy analysis above shows, when services are struggling and demand far exceeds workforce levels, agency staff are relied on more heavily. But this reliance can, in turn, lower service performance by destabilising social work teams and disrupting children's lives with higher turnover rates. The cycle is deepened if the service receives a negative Ofsted judgment: directors of children's services report that this heightens staff churn, and therefore reliance on agency social workers.[178]

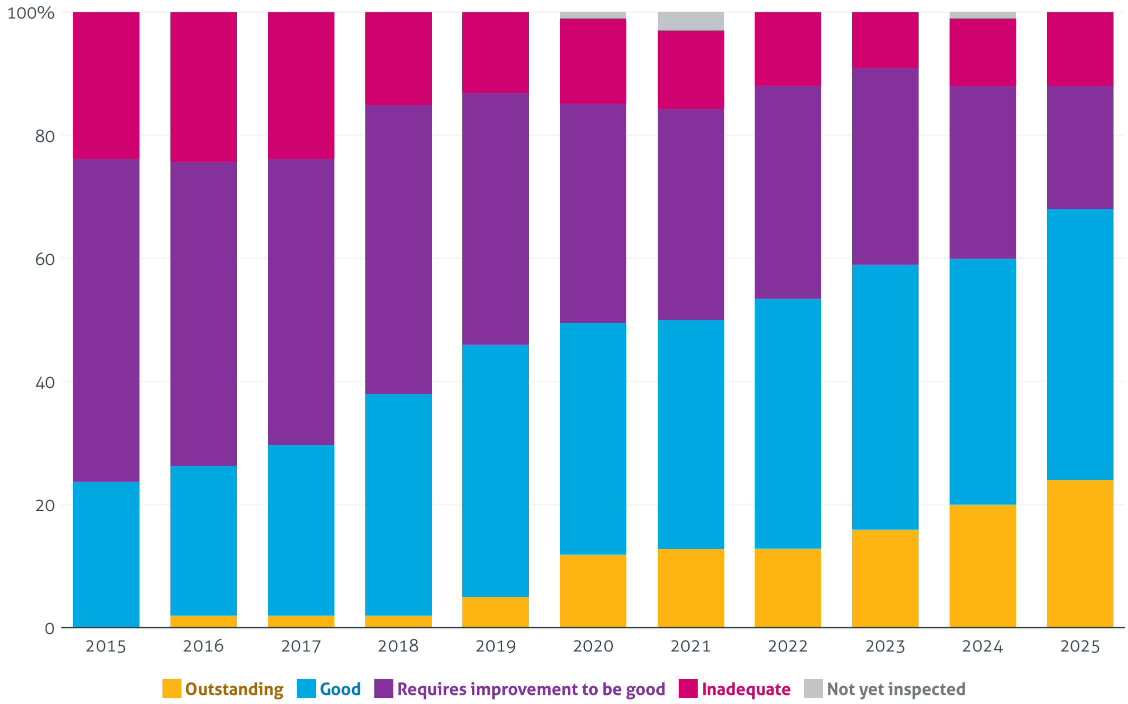
* The Isles of Scilly, City of London and Rutland were excluded from the analysis, as were local authorities that submit joint workforce census returns (Kingston upon Thames, Richmond upon Thames, North Northamptonshire and West Northamptonshire), as there is no equivalent combined inspection rating.

** Using local authorities' most recent inspection outcome as at 31 March 2024.

Ofsted grades for children's services are improving and are highest in London

The share of children's services that Ofsted has rated 'good' or 'outstanding' has risen in every year* since 2015.[179] In 2025, 67% received one of those top ratings, up from just 24% in 2015.[180] Meanwhile, the share rated 'inadequate' halved, falling from 24% to 12%.[181]

Figure LG 3.21 **Local authority children's services inspection ratings, 2015–25**



Source: Institute for Government analysis of Ofsted, 'Local authority inspection outcomes', 2015–2025. Notes: Inspection outcomes as of 31 March each year, except in 2021 where it is at 31 August. 2021 data is affected by Ofsted suspending all routine inspections of social care providers on 17 March 2020. Analysis covers England only.

London led England in terms of Ofsted ratings in 2025, with 88% of its children's services judged as 'good' or 'outstanding' – well above the national average.[182] Two interviewees suggested that this was, in part, because London does particularly well out of various government settlements relative to its need.[183] Another suggested that London's outperformance may reflect the boroughs' strong track record of collaboration: meeting regularly, sharing good practice and investing as groups.[184]

The Labour government has prioritised children's social care reform

Throughout this parliament, the Labour government has allocated relatively large amounts of additional funding to children's social care reform, signalling it as a priority. This was perhaps most noticeable in the 2025 spending review, where children's social care received 17% (or £555m in cash terms) of the Transformation Fund, to spend on "reform of children's social care through earlier intervention".[185]

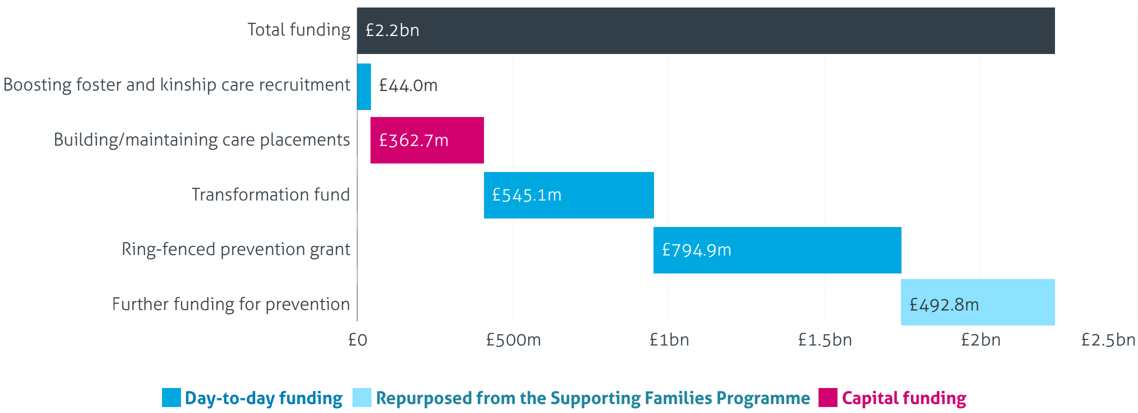
* It stayed flat between 2020 and 2021, but 2021 data is affected by Ofsted suspending all routine inspections of social care provision at the beginning of the pandemic.

The government has also established a £270m a year (cash terms) ring-fenced grant for prevention in children's services, with settlements agreed from 2025/26 to 2028/29.[186] For comparison, local authorities spent roughly £897m on preventative children's services[*] in 2023/24 (in 2025/26 prices).[187]

It is welcome that the government is seeking to prioritise prevention, but this ring-fence is set out in vague terms, with the grant earmarked for "early help, Family Help, Family Networks and child protection".[188] While it is important to ensure that local authorities have sufficient discretion in allocating this grant, there is a risk that it will be eaten up by acute demand if not properly specified.[189] A more effective approach, as set out in the cross-service analysis, would be providing local authorities with a single prevention grant for all local services, protected by a clearly defined ring-fence. This would enable councils to focus on the causes of family breakdown, many of which lie outside of children's services.

In total, the government has apportioned approximately £1.7bn (in 2025/26 prices) of funding to children's social care reform, spread over five years.[190] This rises to £2.2bn if the £493m of repurposed funding – originally earmarked for the Supporting Families Programme – is included.

Figure LG 3.22 **Funding for children's social care reform under the Starmer government, 2025/26–2029/30 (2025/26 prices)**



Source: Institute for Government analysis of various sources – see the Methodology for details. Notes: Day-to-day funding refers to RDEL. See the Methodology for further details.

In his independent review of children's social care, Josh MacAlister – now a Labour MP – called for an additional £2.6bn of investment over four years to transform the system.[191] If we include repurposed and capital spending, the Labour government has met that overall target in cash terms by committing itself to £2.9bn between 2025/26 and 2028/29.[192] Detailed negotiations over funding envelopes for individual programmes are to follow. But MacAlister intended most of the funding to go to family help, with the remainder allocated to the workforce, foster care recruitment, care placements, and support for family networks and care leavers.[193]

[*] In children's social care, we classify spending on children's centres, children under five and services for young people as preventative as these services reduce the likelihood or severity of acute demand.

The government's vision for reform, set out in its policy paper from late 2024, closely follows the priorities that MacAlister outlined. One of its principles is that "wherever possible, children should remain with their families and be prevented from entering the care system".[194] To support this, the proposed Children's Wellbeing and Schools Bill would place a collective duty on safeguarding partners – local authorities, police and health – to set up and run multi-agency child protection teams in every local area.[195]

Each team would include, at a minimum, a social worker, a police officer, a health care professional and someone with education experience.[196] It is hoped this will address the service spillovers discussed above, which appear to be a driver of acute demand for children's social care. Early evidence from the Families First for Children pathfinder programme suggests the approach has potential.[197]

However, one interviewee raised a concern that these multi-agency teams would not tackle the root causes of the service spillovers.[198] Integrated care boards and police forces have been safeguarding partners of local authorities since the implementation of the Children and Social Work Act in 2017,[199] yet the problem has worsened over that time period. Their incentives are not aligned with children's social care, and in many cases they lack the capacity to meet their own targets.

Recent Institute for Government work recommended that the government should launch a revitalised version of the Total Place initiative, which was initially established under Gordon Brown's premiership in 2009.[200] This encouraged agencies in a local area to pool funding, identify duplication and gaps in provision, and redesign services around the needs of service users. It is therefore welcome that Angela Rayner, the former deputy prime minister, announced in July that the government would launch Total Place-style pilots "so councils and mayors can pool budgets and do joined-up services".[201]

Another of the Labour government's reform principles is to "support children to live with kinship carers or in fostering families, rather than in residential care".[202] A major obstacle to this is the shortage of foster carers, driven by recruitment and retention challenges. The government plans to improve the support offer given to foster carers[203] and to co-ordinate recruitment efforts across local areas.[204] To maximise the chances of success, these reforms should tackle the more fundamental causes of the shortage, by making fostering more affordable and attractive, particularly to working-age households.

The Labour government also hopes its reforms will "fix the broken care system".[205] Upcoming Institute for Government work will be exploring these problems in greater detail. But a key element of its plans is the creation of regional care co-operatives, mentioned earlier, with the aim of bringing greater strategic oversight to the forecasting and commissioning of placements. To avoid replicating local authorities' reactive approach, these bodies and their forecasting functions must be properly funded and prioritised. The government must also ensure that regional analysis does not come at the expense of granular insights, particularly in areas with diverse needs.

Local government: Homelessness services

Introduction

The Labour government inherited a system for supporting those who are homeless that is both financially unsustainable and failing those it is meant to help. Real-terms spending on homelessness has more than doubled since 2010, reaching £3.8bn in 2024/25. The number of households in temporary accommodation, much of it unsuitable, has hit a record high.

Local authorities are buckling under the financial strain, with many reporting it as a key concern to their financial viability alongside adult and children's social care. But most importantly, more and more people are experiencing homelessness, at a rate that exceeds population growth, severely affecting their quality of life and prospects for the future.

Instead of letting this continue, the government needs to fundamentally rethink its approach. It has already taken some steps in the right direction, by starting to ring-fence funding for prevention and boosting investment in social and affordable housing to tackle the root causes of homelessness.

The government's forthcoming homelessness strategy must mark a clear break from the crisis-led model that currently dominates. That means defining what 'prevention' looks like in practice and setting out how services will work together – not in silos – to deliver it. It also means equipping local authorities with the analytical tools they need to anticipate demand and plan more effectively.

Spending on homelessness is soaring and local authorities are shouldering more of the cost

Local authorities spent £3.8bn[*] tackling homelessness in 2024/25,[**,1] more than double the £1.4bn spent in 2009/10 (both in 2025/26 prices).[2] Over 80% (or £2bn) of that increase has come in the last seven years alone, driven in part by the introduction of the Homelessness Reduction Act (HRA) in 2018. This extended councils' statutory homelessness duties to support a wider range of households[***] and intervene earlier.[****,3] Other factors, such as rising demand and the growing cost of temporary accommodation (both explored below), have also likely contributed.

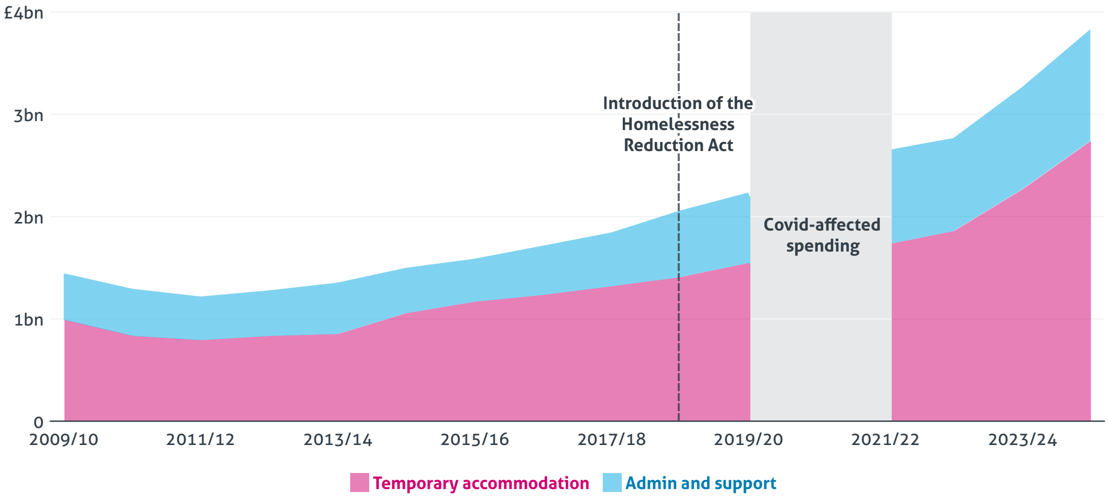
* This includes spending by the Greater London Authority and combined authorities for completeness. Local authorities account for the vast majority (99% in 2024/25) of this amount.

** This does not include the cost of accommodating asylum seekers. This is the responsibility of the Home Office rather than local government.

*** Until April 2018, councils were only required to support households in 'priority need' – for example, those containing a child, a pregnant woman, someone at risk of abuse, or a young care leaver. The HRA expanded this to all eligible applicants, where eligibility is based on immigration and residence status in the UK. For example, people subject to immigration control or not habitually resident in the Common Travel Area are not eligible for housing assistance, with some exceptions. Other ineligibility criteria also apply. But councils are still not required to *permanently* house homeless applicants who are not in priority need.

**** Since the HRA came into force, anyone who is considered likely to become homeless within 56 days is classed as 'threatened with homelessness', twice the previous threshold of 28 days. Councils are legally required to take 'reasonable steps' to prevent homelessness among all eligible applicants in this category.

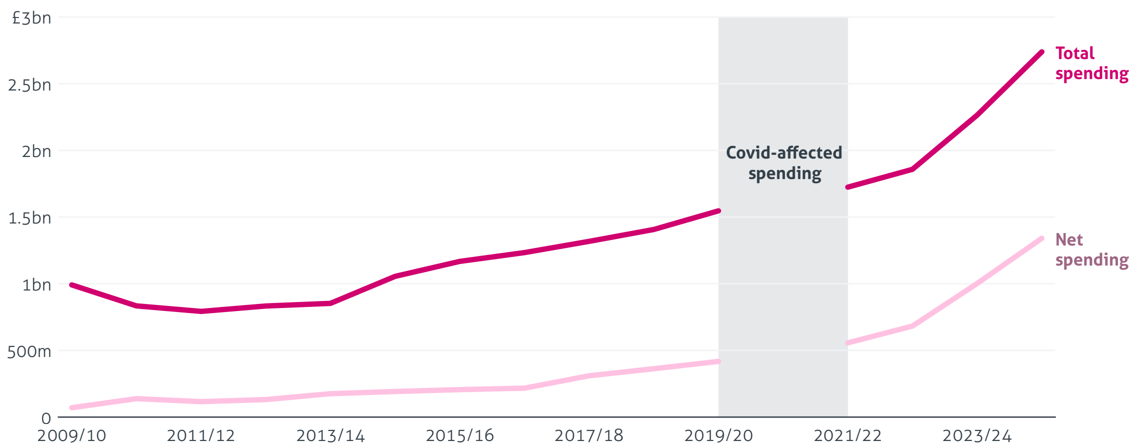
Figure LG 4.1 **Total spending on homelessness by category, 2009/10–2024/25 (2025/26 prices)**



Source:Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing', 2009/10–2024/25. Notes:Analysis covers total expenditure by the Greater London Authority, and all combined and local authorities in England for completeness, although local authorities account for the vast majority. Spending on temporary accommodation excludes spending on administration for temporary accommodation (instead included in the 'Admin and support' category), to ensure a consistent time series. Spending data for 2020/21 has been excluded, as it was affected by Covid.

As homelessness spending has risen, councils have had to shoulder more of it themselves. Councils are partially reimbursed by central government for temporary accommodation expenses via a subsidy for the housing benefit they pay up front.[4] But for most types of temporary accommodation, the amount of subsidy councils can reclaim is still based on 2011 rent levels.[5] As market rents have risen, and temporary accommodation costs have risen even faster, the real value of this subsidy has been eroded. As a result, councils' share of temporary accommodation[*] expenses has jumped from 7.1% in 2009/10 to 50.6% in 2024/25.[6]

Figure LG 4.2 **Spending on temporary accommodation, 2009/10–2024/25 (2025/26 prices)**



Source:Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing', 2009/10–2024/25. Notes:Analysis covers spending by the Greater London Authority, and all combined and local authorities in England for completeness, although local authorities account for the vast majority. Figures exclude spending on administration for temporary accommodation to ensure a consistent time series. Spending data for 2020/21 has been excluded, as it was affected by Covid.

[*] This excludes temporary accommodation admin costs, which were not reported separately from other admin costs until 2020/21, to maintain consistency over time.

What was once a modest line in council budgets has ballooned into a major financial pressure. In 2009/10, councils spent just £70.3m (net) on temporary accommodation.[7] By 2024/25, the figure had grown in real terms by more than a factor of 19, to at least[*] £1.3bn.[8] The rise has been particularly sharp in the last two years: net spending increased by £658.2m, meaning it has almost doubled since 2022/23.[9]

Some councils warn that homelessness now poses one of the biggest threats to their financial viability, alongside adult and children's social care.[10] While it accounts for less spending than the other two services, it is (like those others) statutory, demand-led, and under intense pressure from factors largely outside local control.

Two interviewees called for the freeze on temporary accommodation subsidy to be lifted, allowing councils to recover more of their costs from central government.[11] While this would offer short-term financial relief, another interviewee warned that some landlords – knowing councils could now pay more – might raise temporary accommodation rents in response, redirecting the additional funding into their pockets.[12] This reportedly happened in 2024, following an increase in housing benefit rates.[13] However, research from the University of Essex and the Institute for Fiscal Studies suggests that, at the national level, rents do not move much with changes to housing benefit.[14] If such a change did help local authority budgets, it would ultimately transfer the same costs on to central government, unless local authorities reinvested their savings into developing a more cost-effective stock of temporary accommodation.

The rising spend on temporary accommodation is crowding out prevention, undermining efforts to tackle the root causes of homelessness.[**] In 2023/24, for example, 49% of the Homelessness Prevention Grant (HPG) – set up in 2021 to bring together funding streams in aid of prevention agendas – was used by local authorities to cover some of the costs of temporary accommodation.[15]

In response, the current government has ring-fenced 49% of the HPG for 2025/26, stopping it from being spent on temporary accommodation.[16] While this signals a welcome commitment to prevention, it is unlikely on its own to drive a meaningful shift. At the national level, local authorities will still be able to spend a greater proportion of the HPG on temporary accommodation in 2025/26 than they did in 2023/24. Individual councils that previously allocated more than 51% of their grant to temporary accommodation will now need to scale back. However, one interviewee warned that some may simply re-label activities – such as tenancy support or welfare advice – that are currently financed through other funding streams, presenting them instead as prevention under the HPG.[17] This would amount to an accounting change, not a genuine shift in practice.

* The Centre for Homelessness Impact finds that spending on temporary accommodation is likely to be under-reported. Some councils record no cost when using their own stock as temporary accommodation, or report no temporary accommodation spending at all despite indicating its use in other data returns.

** Previous Institute for Government research finds that this often happens when budgets are tight.

Another barrier is that 'prevention' remains loosely defined.[18] At a recent roundtable hosted by the Institute for Government and the Centre for Homelessness Impact, local authorities noted that, in practice, prevention often takes the form of rent subsidies to keep households in their homes. This is not truly upstream.

From 2026/27, Labour plans to go further, rolling all homelessness and rough sleeping revenue grants – including the HPG – into a single funding pot, while creating a separate stream for temporary accommodation.[19] This aims to end "the current tension that forces local authorities to choose between investment in prevention and meeting current temporary accommodation costs" and should "enable local authorities to plan and deliver services more efficiently and prioritise prevention".[20] This is another positive step, but, like the ring-fence, its success will depend on how prevention is defined and implemented in practice.[21]

Unprecedented growth in demand, particularly in London and the North East, has caught local authorities off guard

Since the HRA came into force, lower-tier local authorities have been required to take 'reasonable steps' to help eligible[*] applicants and their households:[**]

- avoid homelessness[***] if they are at risk of experiencing it within 56 days (the prevention duty)
- secure suitable accommodation if they are homeless (the relief duty).[22]

We use the rolling four-quarterly average of households owed prevention or relief duties[****] to gauge demand on local authority homelessness services. Two interviewees cautioned that while this may be the best available measure, it is not entirely reliable, pointing to examples of councils where limited service opening hours and low staffing levels had suppressed the number of duties owed.[23]

* Based on their immigration and residence status in the UK. For example, people subject to immigration control or who are not habitually resident in the Common Travel Area are not eligible for housing assistance, with some exceptions. Other ineligibility criteria also apply.

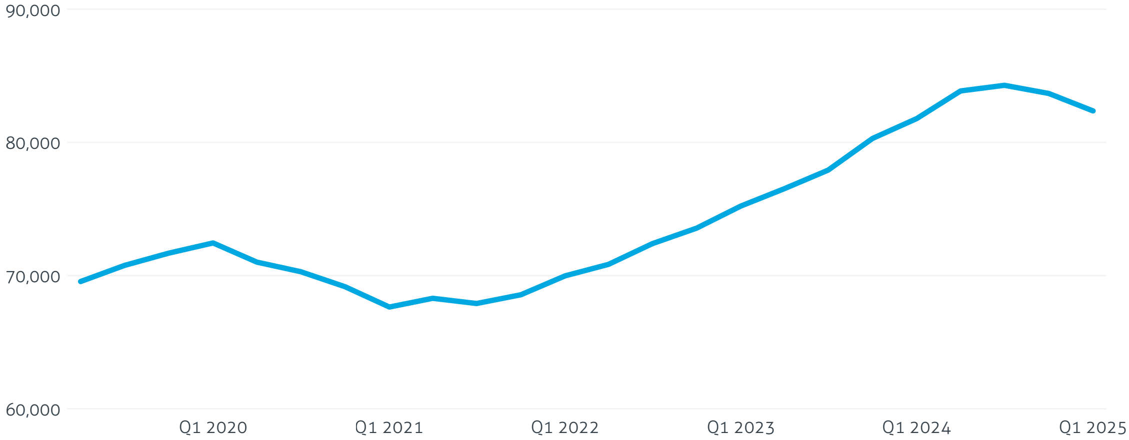
** Households can consist of only one adult, or may include one or more adults with dependent children, or one or more adults without dependent children.

*** The statutory definition of homelessness (under section 175 of the Housing Act 1996) covers people who have no accommodation that they have a legal right to occupy, they (and their household) can access, or would be reasonable for them to continue to occupy.

**** Every figure in this chapter that refers to the number of relief or prevention duties experienced by England, a region, or a local authority is a four-quarterly rolling average, up to and including the quarter mentioned, unless explicitly stated otherwise. This helps smooth out seasonal fluctuations in homelessness, making trends easier to compare over time.

In April to June 2019, there were 69,555 prevention or relief duties in England.[*,24] After a dip in the first year of the pandemic – largely due to emergency measures such as the restriction on private rented sector evictions[25] – demand steadily mounted. By July to September of 2024, it had reached a record 84,285 duties,[**] a 21% increase on initial levels.[26] One local authority leader described the rise as a "tsunami of demand".[27]

Figure LG 4.3 **Households initially assessed as owed a homelessness prevention or relief duty, Q2 2019 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q3 2018 to Q1 2025.
Notes:Uses rolling four-quarterly averages to smooth seasonal fluctuations. Does not include households owed a relief duty as a result of a prevention duty ending. Quarters are calendar quarters. Analysis covers England only.

Several local authority leaders acknowledged being caught off guard by this.[28] As outlined in a recent report from the Institute for Government and the Centre for Homelessness Impact, councils need more robust and timely data to keep pace with change.[29] One interviewee also stressed that many local authorities lack the forecasting capability to plan ahead, arguing that investment in analytical capacity should be a top priority for improving value for money.[30] Manchester, Bournemouth, Christchurch and Poole, and Hastings were highlighted as examples of councils making good use of data to guide decisions.[31]

In the last two quarters for which data is available, demand has fallen, reaching 82,363 at the start of 2025.[32] One interviewee suggested that this could reflect the gradual unwinding of demand built up from Covid and the height of the cost of living crisis.[33] Even so, 3.4 households per 1,000 are now assessed as homeless or threatened with homelessness every quarter – still well above the 3.0 recorded in April to June 2019.[34]

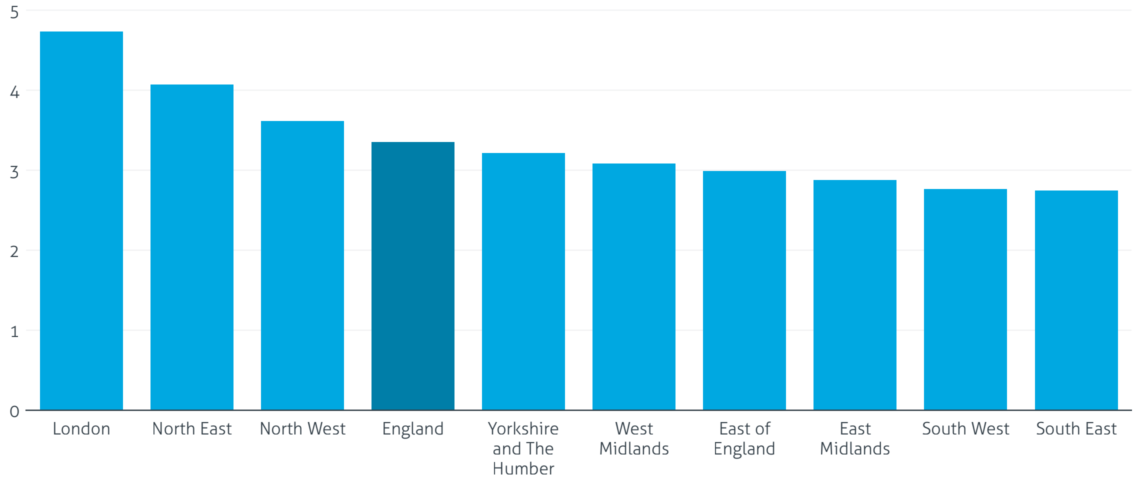
Demand has not risen evenly across the country since 2019. In London and the North East, nearly one additional household per 1,000 is now assessed as owed a duty compared to April to June 2019 (0.9 in London, 0.8 in the North East).[35] The most dramatic growth has been in the London borough of Islington, where the rate has risen

* Duties are owed to households, which in around half of cases consist of only one person, but often involve more than one person. Although data on prevention and relief duties was first published in Q2 2018, data quality in that quarter was particularly poor as local authorities adjusted to new reporting requirements. For this reason, the earliest rolling average we report spans Q3 2018 to Q2 2019.

** Prevention or relief duties only.

by 4.2 households per 1,000 – a 163% increase.[36] By contrast, demand has stayed constant in the East Midlands and has even fallen in some areas, most sharply in Thanet in the South East, where the rate has dropped by 2.5 households per 1,000 (a 44% decrease).[37]

Figure LG 4.4 **Quarterly rate of households per 1,000 assessed as homeless or threatened with homelessness, by region, 2024/25**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q2 2024 to Q1 2025.
Notes:Figures are an average across each quarter in 2024/25. Does not include households owed a relief duty as a result of a prevention duty ending. Quarters are calendar quarters.

As a result, homelessness is now more unevenly distributed than in 2019.* In London, nearly five in every 1,000 households was assessed as owed a duty at the start of 2025.[38] At the extremes, this figure reached 7.7 in Newham, compared to just 0.7 in Ribble Valley in the North West – meaning households in Newham were more than 11 times more likely to be assessed as homeless or at risk of homelessness.[39]

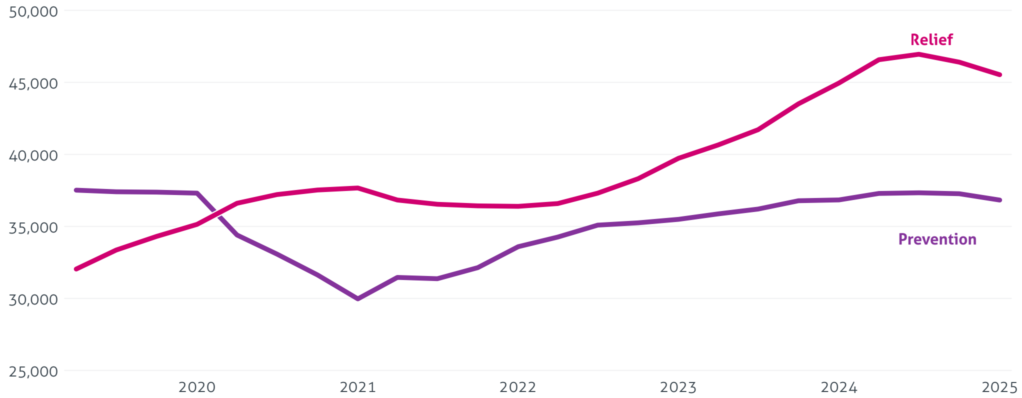
Homelessness support has become more crisis-led, partly because of poor co-ordination between public services

Homelessness support has tipped sharply away from prevention and towards crisis relief. Before the pandemic, prevention duties outnumbered relief duties.[40] But that changed in mid-2020, as emergency pandemic measures led to a sharp drop in prevention activity. While those protections have long since ended, prevention duties have yet to fully rebound.[41]

The growth in demand since 2019 has come entirely from people assessed as already homeless, rather than at risk of it. By early 2025, for every five households offered support once already homeless, only around four were supported earlier to avoid it.[42] This is a reversal of the ratio seen in mid-2019, when prevention led relief by a similar margin.[43] Some councils have an even starker imbalance: in Liverpool, Nuneaton and Bedworth, Sefton and West Lancashire, there are now more than four relief duties for every prevention duty.[44]

* The interquartile range was 1.7 households per 1,000 in April to June 2019, but 2.1 in January to March 2025. The Isles of Scilly and City of London are excluded from this calculation.

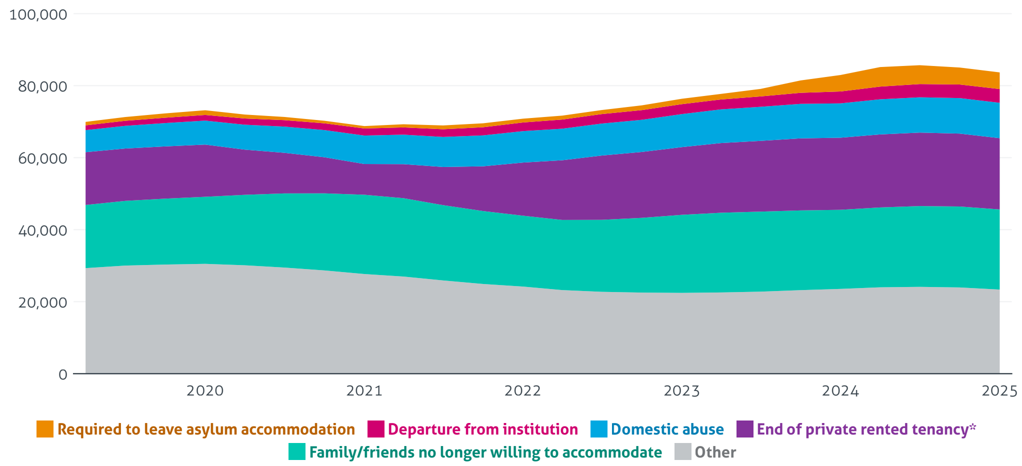
Figure LG 4.5 **Households initially assessed as owed a homelessness prevention or relief duty, by category, Q2 2019 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q3 2018 to Q1 2025. Notes:Uses rolling four-quarterly averages to smooth seasonal fluctuations. Does not include households owed a relief duty as a result of a prevention duty ending. Quarters are calendar quarters. Analysis covers England only.

One driver of this shift may be a rise in 'hard-to-prevent' causes of homelessness – those where early intervention often depends on co-ordinated action from other public services. An increasing share of homelessness duties are linked to people leaving asylum accommodation or institutional settings (such as custody or hospital).[45] The increase in these duties between Q2 2019 and Q1 2025 is equal to nearly half (48%) of the overall increase in homelessness duties over that period.[46]

Figure LG 4.6 **Households initially assessed as owed a homelessness prevention or relief duty, by reason, Q2 2019 to Q1 2025**

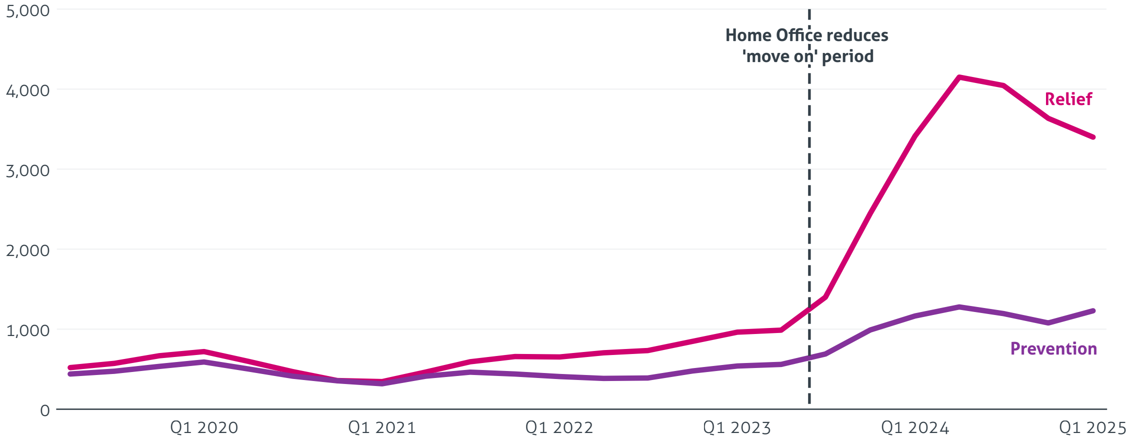


Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q3 2018 to Q1 2025. Notes:Uses rolling four-quarterly averages to smooth seasonal fluctuations. *Only includes assured shorthold tenancies (AST). 'Other' includes: 'End of non-AST private rented tenancy'; 'End of social rented tenancy'; 'Eviction from supported housing'; 'Home no longer suitable – disability / ill health'; 'Loss of placement or sponsorship provided through a resettlement scheme'; 'Non-violent relationship breakdown with partner'; 'Other violence or harassment'; and 'Other reasons/ not known'. Figures do not include households owed a relief duty as a result of a prevention duty ending. Quarters are calendar quarters. Analysis covers England only.

That so many relief, rather than prevention, duties are issued to people after leaving government-run settings like asylum accommodation or prisons is an indictment of public service co-ordination. One of the clearest failures came in August 2023, under the Sunak government, when the Home Office effectively shortened many peoples' notice period to leave asylum accommodation from 28 days to just seven.[47]

Over the next few months, relief duties linked to asylum exits quadrupled.* The Home Office reversed the policy in December 2023[48] and demand began to ease the following quarter.**,[49]

Figure LG 4.7 **Households initially assessed as owed a prevention or relief duty due to requirements to leave asylum accommodation, by category, Q2 2019 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q3 2018 to Q1 2025.
Notes:Uses four-quarterly rolling average. The 'move on' period is the time given to a person to find somewhere new to live after receiving a positive decision on their asylum claim. Quarters are calendar quarters. Analysis covers England only.

In December 2024, the new government introduced a pilot scheme doubling the notice period to 56 days.[50] This overlaps more with the typical 35-day wait for processing Universal Credit applications[51] and councils' 56-day prevention duty. Too little data exists to draw firm conclusions on the effect of this change, but by early 2025*** prevention cases accounted for 32% of duties owed to households leaving asylum accommodation – the highest share since mid-2023.[52] But in August, the government scrapped the pilot for single adults to speed up asylum decisions,[53] illustrating how easily progress in one area can be sacrificed to meet immediate pressures in another.

The shift away from prevention has serious human and financial costs. People are far better off if help arrives before they lose their homes, sparing them intense distress and disruption. And evidence suggests prevention is far more cost-effective. Research by the UK homelessness charity Crisis estimated the up-front costs of preventing homelessness as 2.5–14 times lower than the cost of supporting someone for a year after they become homeless, depending on the individual's circumstances.[54]

In its 2025 spending review, the government committed £100m (cash terms) to preventing homelessness and rough sleeping, most of which is planned for 2026/27 and 2027/28.[55] As demonstrated by the use of the HPG to cover temporary accommodation costs, this funding needs to be protected if it is to be spent on prevention.

* This uses unadjusted data (instead of a four-quarterly rolling average) to avoid introducing a lag on detecting turning points.

** This uses unadjusted data (instead of a four-quarterly rolling average) to avoid introducing a lag on detecting turning points. The number of relief duties linked to asylum exits from: Q4 2023 is 3.8 times higher than from Q4 2022; Q1 2024 is 3.6 times higher than from Q1 2023; and Q2 2024 is 3.1 times higher than from Q2 2023.

*** This uses unadjusted data (instead of a four-quarterly rolling average) to avoid introducing a lag on detecting turning points.

While the government has yet to publish a detailed homelessness prevention agenda, one is expected as part of its homelessness strategy due this autumn. It is clear that an effective approach to homelessness prevention must be rooted in targeted, collaborative action across all public services.[56] Embedding this approach in its new strategy should be a key priority.

The Renters' Rights Bill and the Supported Housing Act risk exacerbating homelessness in the short term

Two major pieces of legislation are expected to reshape the housing landscape over the coming years. The Renters' Rights Bill, designed to provide renters with greater security and stability, will introduce tighter regulation of the private rented sector.[57] Among other measures, it will abolish 'no-fault' evictions for private landlords – which currently allow them to evict tenants without providing a reason – and establish a new private rented sector landlord ombudsman to resolve tenant complaints.[58] The bill is expected to be enacted at the end of 2025.

The Supported Housing (Regulatory Oversight) Act shares a similar purpose: to raise standards in a part of the housing system that is perceived to lack effective oversight. It gives the secretary of state powers to introduce a licensing regime for supported housing – a range of accommodation where residents receive care or support to live independently.[59] The Act was motivated by growing concerns that exemptions from housing benefit subsidy caps were being exploited by some providers, who were keeping the additional funding as profit rather than using it to support residents.[60] While the Act was passed by the Sunak government in 2023, it is not yet in force and the current government consulted earlier this year on how its measures should be implemented.[61]

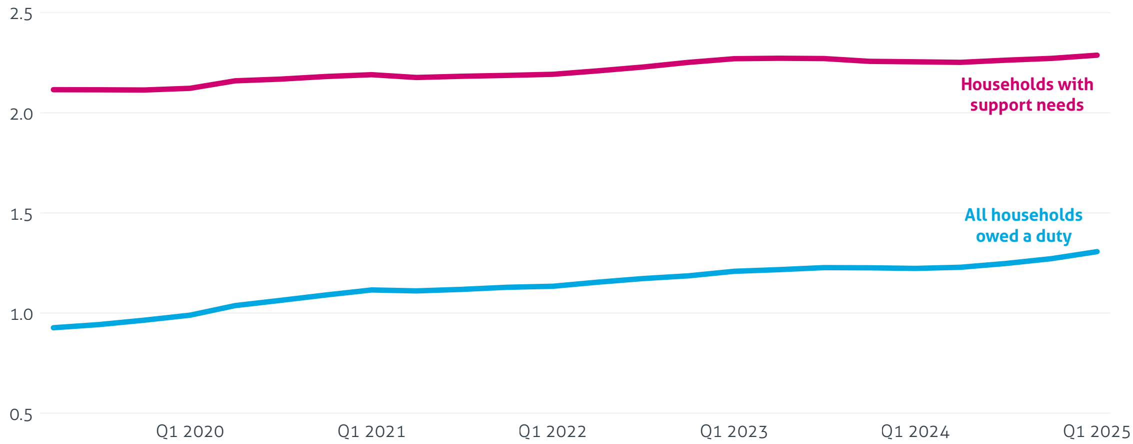
Although the homelessness sector supports the intent behind both pieces of legislation, there are growing concerns that they may exacerbate homelessness in the short term.[62] In particular, there are signs that some landlords are exiting both the private and supported housing markets before the new rules come into force, contributing to rising levels of homelessness.[63]

A lot of uncertainty remains over the impact these pieces of legislation will have. One local authority director of homelessness expressed fear that the government seemed to "be going very rapidly big bang", and were not taking enough time to transition landlords or trial the new rules to understand the unintended consequences.[64]

Households experiencing, or at risk of, homelessness may have a growing number of needs

Many people experiencing, or at risk of, homelessness have additional support needs, such as being a care leaver, or having a disability or mental health condition. Over the past six years, the share of households owed a duty with at least one identified support need has steadily increased, rising from 45% in 2019 to 58% by early 2025.[*,65] Support needs are now more common than not, with nearly four recorded for every three households owed a duty.[**,66]

Figure LG 4.8 **Average number of support needs, for all households owed a prevention or relief duty and for those with at least one support need, Q2 2019 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q3 2018 to Q1 2025.
Notes:Uses rolling four-quarterly averages. Does not include households owed a relief duty as a result of a prevention duty ending.Quarters are calendar quarters. Analysis covers England only.

While needs are now identified across a much broader spread of households, the severity in individual cases has increased only modestly. Among households with at least one support need, the average number has increased from 2.1 to 2.3[***] between 2019 and 2025.[67]

At least part of the overall increase stems from more complete reporting. In 2019, 2.7% of households had support needs recorded as 'unknown'; by 2025, that figure had dropped to just 0.1%.[68] The extent to which underlying need has also grown is less clear, and the picture may well differ across the country. One interviewee was sceptical that underlying needs had increased, but another recounted a clear escalation, describing the "tragedy upon tragedy" that now faces many people presenting as homeless.[69] Where rising needs were observed, they were generally attributed to growing gaps in support elsewhere, especially in stretched services like special educational needs.[70]

[*] This – like all figures on support needs in this section – uses a rolling four-quarterly average to smooth out seasonal fluctuations. Two new support need categories (difficulties budgeting and being a victim of modern slavery) were added in April 2022, which may have contributed to the rise in recorded needs. If these are excluded and it is assumed that households with these needs had no others, the proportion rises more modestly, from 45% to 52%.

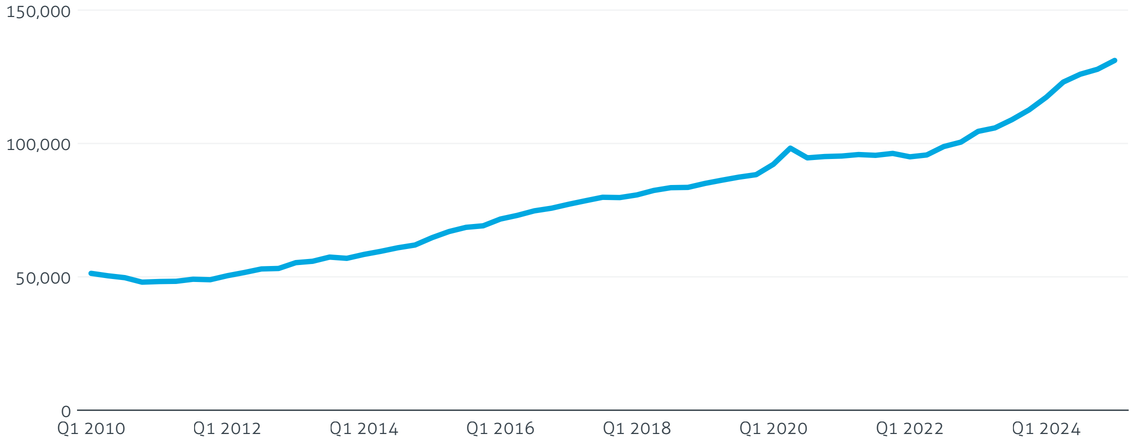
[**] In other words, there were 1.32 support needs for every household owed a duty in January to March 2025. Even when excluding the two support need categories introduced in 2022 (as mentioned in the previous footnote), the figure remains elevated at 1.27 – still a marked increase from 0.94 in April to June 2019.

[***] If you exclude the support needs that were added in 2022 (as mentioned in the previous two footnotes), that figure becomes 2.4, which is a more significant increase on the 2.1 recorded in April to June 2019.

The number of households in temporary accommodation has reached record levels

While homeless households wait for their application to be processed and to be offered a settled home, they live in temporary accommodation – often hotels, bed and breakfasts and short-let flats that are unsuitable as permanent homes. Use of these arrangements has surged. The number of households living in temporary accommodation has hit record highs every quarter for the last two and a half years, reaching 131,140 at the start of 2025.[71] This marks a 156% increase from the same quarter in 2010, when the figure stood at just 51,310.[72] Today, around 5.4 households per 1,000 in England (0.5%) are living in temporary accommodation.[73]

Figure LG 4.9 **Households in temporary accommodation, 2010–25**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness live tables'. Notes:Data collection methods changed in Q2 2018, although MHCLG has made the figures comparable over time. Quarters are calendar quarters. Analysis covers England only.

These settings frequently fall far below acceptable standards. According to a 2023 survey by the UK homelessness charity Shelter, three quarters of households in temporary accommodation reported living in poor conditions, with one in five exposed to safety hazards such as faulty wiring or fire risks.[74] More than two thirds lack adequate access to basic facilities, like somewhere to cook or do laundry.[75]

Temporary accommodation is never meant to be a permanent home and life there is profoundly unstable, often with weak protections against eviction.[76] Yet its growing use reflects not only rising levels of homelessness, but also the increasing length of time people are spending there;[*] 22.4% of households with children in temporary accommodation stay for more than five years compared to 20.6% who stay for less than six months.[77] Those figures are 14.9% and 34.1% for adult-only households.[**,78] Some households remain in temporary accommodation for over a decade.[79]

* Time series data on length of stays is limited, but there are widespread reports that stays have become longer as shortages of social and affordable housing have become more acute.

** There is limited research on why adult-only households have a shorter average stay in temporary accommodation. One interviewee suggested two theories: that their homelessness duties are likely discharged more frequently, perhaps because they are deemed intentionally homeless or as not in priority need, and that it is likely easier to resettle these households.

This trend reflects a chronic shortage of permanent housing available to financially vulnerable people. One reason for this is the dwindling supply of social and affordable homes. Social housebuilding has been slow for decades, and many existing homes have been sold or demolished.[80] As a result, there has been a net loss of social housing in nearly every year since 1981.[81] The fraction of households in the social rented sector has halved over that period, from 32% to 16% in 2024.[82] Investing in new supply would likely be cost-effective. In 2022, the National Audit Office estimated that for every £1 invested in social housing, at least £2.70 is delivered in benefits.[83]

The crisis is most severe in London. Of the 25 councils with the highest rates of households in temporary accommodation, 19 are in the capital.[84] In Newham, 5.8% of households are in temporary accommodation – more than 10 times the national level.[85]

Figure LG 4.10 **Households in temporary accommodation per 1,000, by local authority, Q1 2025**

Source: Institute for Government analysis of MHCLG, 'Statutory homelessness in England', Q1 2025. Notes: City of London and Isles of Scilly are excluded. Q1 is a calendar quarter. Analysis covers England only.

This is driven both by the higher levels of homelessness in London and by the longer waits for a permanent home. As of early 2025, the average length of stay in temporary accommodation was three years and eleven months in London, three times longer than the average stay of one year and four months elsewhere.* One London borough told us that it now expects some children to spend their lives in temporary accommodation.[86]

There are early signs that the current government is confronting some of these structural drivers of homelessness. Three interviewees reported improved collaboration between local and central government in tackling the issues since Labour took office.[87] They described the Ministry of Housing, Communities and Local Government (MHCLG) as having a greater presence at regional meetings, adopting a less top-down approach, and ultimately taking a wider view of homelessness beyond rough sleeping.[88] And the change in focus has been backed by major financial commitment: in its 2025 spending review, Labour committed £39bn over the next 10 years for a new Affordable Homes Programme (figures are cash terms).[89]

* Length of stay data is missing for just under a quarter of London boroughs, and three non-London councils. These estimates account for only the local authorities with data. See the Methodology for details of the calculation.

This is the largest annual investment in affordable housing since 2011 (and that programme ran for a much shorter period of time).[90] Sixty per cent of that funding will go towards homes for social rent.[91]

Recent research from the Institute for Government and Centre for Homelessness Impact recommends that MHCLG explores a new tenure model for households needing lengthy homelessness assistance, which is of a good standard and offers greater stability to residents, especially families with children.[92]

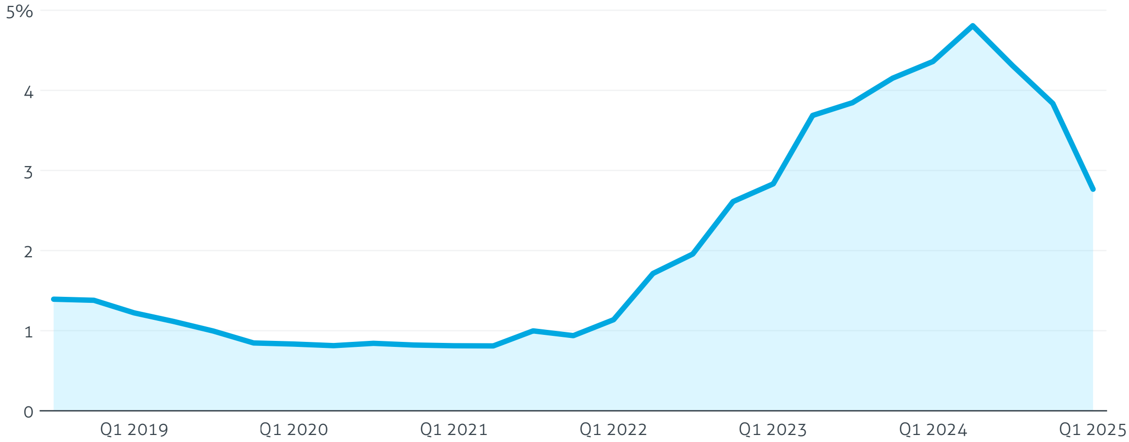
Temporary accommodation is increasingly unfit for purpose

Despite more households living there for longer, temporary accommodation is falling increasingly short of people's needs. Soaring demand has left entire areas without suitable provision, forcing councils to place households far from their homes, support networks and jobs. At the start of 2010, 10.6% of households were placed in temporary accommodation out of their district – at the start of 2025, this was 31.7%.[93] Nowhere is this pressure more acute than in London. According to one interviewee, a homeless household in Hackney will now likely be placed in Peterborough – at best.[94]

With few alternative options available, local authorities are increasingly turning to bed and breakfasts (B&Bs) as temporary accommodation. B&Bs are notorious for having particularly poor living conditions – one interviewee called them "totally unsuited to purpose".[95] They are often cramped and require households to share bathrooms and cooking facilities with strangers, making them particularly inappropriate for children. Recognising this, legislation prohibits councils from placing children in B&Bs except in an emergency, and even then for no longer than six weeks.[96]

Yet since the pandemic, breaches of this limit have become more common. Among households with children in temporary accommodation, the proportion living in B&Bs for longer than six weeks rose from 1.4% in mid-2018 to a peak of 4.8% in mid-2024.[97] Although this has since fallen to 2.8%, it remains well above pre-pandemic levels.[98] As of 31 March 2025, 2,300 families with children were in B&Bs, and had lived there for longer than six weeks.[99] This problem is particularly pronounced in the West Midlands, where 10.4% of families with children in temporary accommodation are placed in B&Bs for longer than six weeks.[100]

Figure LG 4.11 **Households with children in temporary accommodation housed in B&Bs for longer than six weeks, Q3 2018 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness live tables'. Notes:Fewer than half of local authorities were reporting this data at the beginning of the time series, but reporting improved throughout, and 77% were at the end. Quarters are calendar quarters. Analysis covers England only.

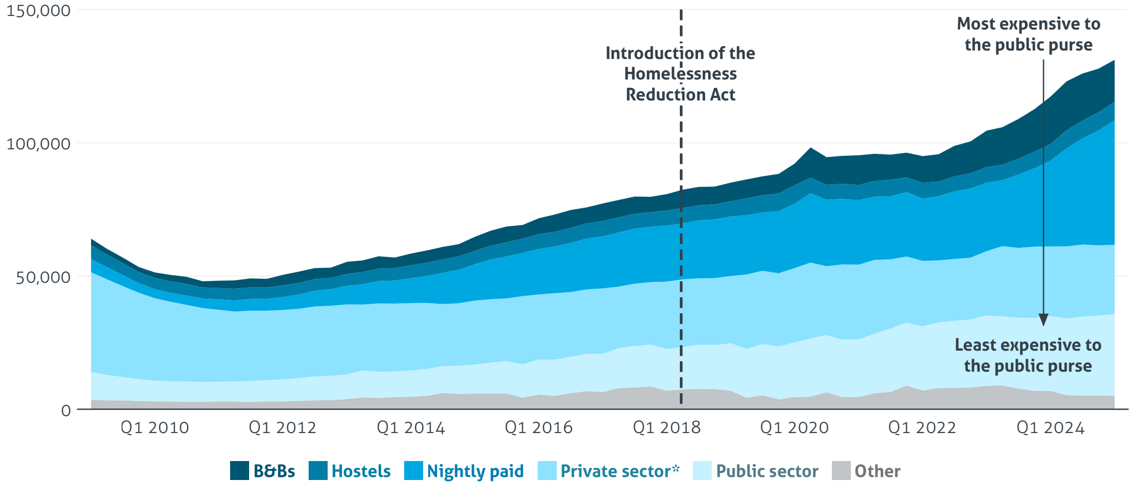
Increases in the rate of children living in temporary accommodation are associated with a higher likelihood that local authorities exceed the six-week legal limit, suggesting they are driven to make these B&B placements by acute supply pressures.[*] But three interviewees cautioned against assuming councils' hands are tied, pointing to significant variation in B&B use between areas that have similar housing markets and levels of demand.[101]

According to them, political leadership plays a key role: some councils (such as Hastings and Manchester, discussed below) have made keeping children out of B&Bs a strategic priority, while others have not.[102] The legal consequences for exceeding the six-week limit are apparently minimal – typically just a letter from central government[103] – leaving much of the decision making to local discretion.

[*] Regression 4.1. This is a two-way within (fixed effects) regression model, which examines how changes within each local authority over time in the rate of households with children in temporary accommodation are associated with changes within the same authority in the likelihood of those households exceeding the six-week limit in B&Bs. See the Methodology for further details.

Temporary accommodation is increasingly expensive

Figure LG 4.12 **Households in temporary accommodation, by type, Q1 2009 to Q1 2025**



Source:Institute for Government analysis of MHCLG, 'Statutory homelessness live tables'. Notes:*Only includes private sector accommodation leased by the local authority or managed by a registered provider. 'Nightly paid' includes only self-contained accommodation – where the basic elements of living are located together within a defined area and are not shared by more than one household. 'Other' temporary accommodation includes that leased directly and temporarily by a household from a private landlord, supported lodgings, mobile homes and unknown. Ranking of expense is done according to aCentre for Homelessness Impact report. Data collection methods changed in Q2 2018, although MCHLG has made the figures comparable over time.Quarters are calendar quarters. Analysis covers England only.

Local authorities now use an increasingly expensive mix of temporary accommodation. B&Bs, the most expensive type,[104] now account for 12.0% of placements, up from just 3.8% in early 2009.[105] The most striking growth has been in nightly paid accommodation,[*] which now houses 46,710 families, or 35.6% of the total.[106] This is more than four times the proportion at the start of 2009 (7.8%), and up sharply from 27.5% just a year ago.[107] One homelessness director reported that the costs of nightly paid accommodation were "crippling" them.[108]

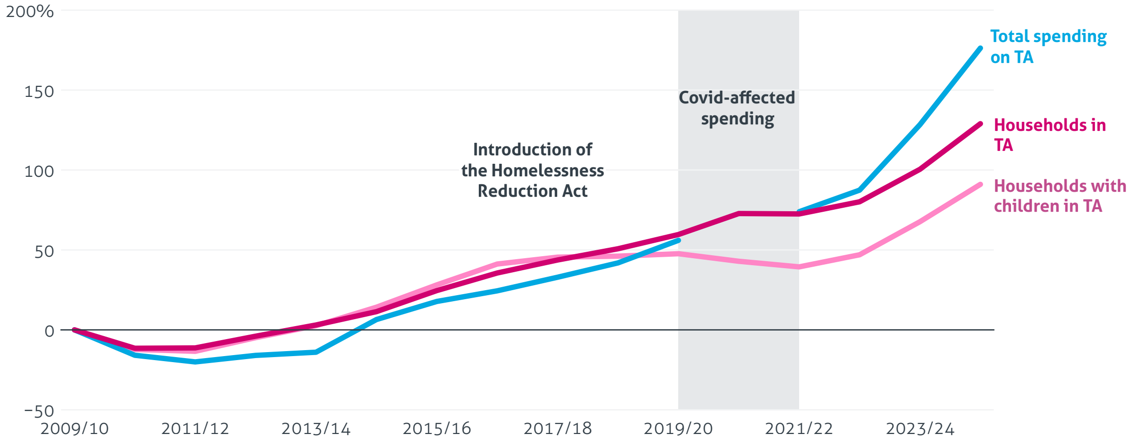
The rising use of costly forms of temporary accommodation is largely driven by necessity: councils must house families to stop them sleeping rough but are rapidly running out of options. But this pressure has also weakened their bargaining power and, in some cases, opened the door to increased profit making. Council leaders described landlords shifting properties from the private rental market into nightly paid accommodation to maximise returns.[109] Another interviewee pointed to offshore investors buying up B&Bs and profiting from their use as emergency housing.[110] And at a recent roundtable, local leaders reported that competition for these properties among various arms of government – such as the Home Office for asylum accommodation and His Majesty's Prison and Probation Service for bail hostels – had also bid up prices.[111]

The scarcity of suitable placements appears to have led to temporary accommodation becoming less cost effective. Since 2009/10, real-terms expenditure on temporary accommodation has risen by 176%, while the number of families housed has increased by only 129%.[112] This gap is particularly striking given the

* Nightly paid, privately managed, self-contained accommodation, such as flats.

shift in household composition: a greater proportion are now families without children, who are typically less expensive to accommodate.[113] This divergence has largely emerged since the pandemic, which contributed to the sharp rise in demand that may have pushed councils towards more expensive placements.

Figure LG 4.13 **Change in spending on, and households in, temporary accommodation since 2009/10**



Source:Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing', 2009/10–2024/25 and MHCLG, 'Statutory homelessness live tables'. Notes:Figures for households in temporary accommodation are averages across the relevant end-of-quarter data for each financial year, and cover England only. Data collection methods changed in 2018/19, although MHCLG has made the figures comparable over time. Spending figures are real terms and cover the Greater London Authority and all combined and local authorities in England for completeness, although local authorities account for the vast majority. They exclude spending on administration for temporary accommodation to ensure a consistent time series. Spending data for 2020/21 has been excluded, as it was affected by Covid.

A lack of financial oversight is a major barrier to more effective management of temporary accommodation. Councils' capacity is often concentrated on meeting immediate front-line demand, leaving little space for strategic planning or financial scrutiny. One interviewee described how, in a council attempting to reform its homelessness services, the finance team had previously had no visibility of homelessness spending.[114]

The challenge is compounded by funding structures that can distort local incentives.[115] Under the housing benefit subsidy system, some types of temporary accommodation are less costly to councils, even though they represent poor value for the taxpayer overall.[116] For example, hostels owned within a local authority's general fund* are exempt from housing benefit subsidy caps.[117] They can therefore attract much higher rates of reimbursement, making them a cost-effective option for local authorities but among the most expensive for central government and the public purse.

However, some councils have made meaningful progress. In Manchester and Hastings, for example, strategic efforts to reduce the use of B&Bs have yielded clear results. At the start of 2019, 9% of households in temporary accommodation in Manchester were in B&Bs;** in Hastings, it was 32%.[118] By the start of 2025, those figures had fallen to around 1% and 17% respectively, with only three households with children in B&Bs

* The main revenue account of a local authority.

** Manchester provided no reliable breakdown of the number of households it had in each type of temporary accommodation in 2018/19 – figures were estimated by MHCLG based on previous quarters.

in Manchester and none in Hastings.[119] Three interviewees mentioned the importance of political steer in making these reductions, with one describing it as essential.[120] Another pointed to deliberate investment in analytical capacity, which enabled better long-term planning and resource allocation.[121]

Manchester is leasing private rented sector accommodation to make up for much of the loss in B&B capacity, whereas Hastings is mostly using nightly paid, self-contained accommodation.[122] Both have, however, recently started relying on council stock – Manchester by converting vacant council buildings to temporary accommodation, Hastings by acquiring around 100 new council properties using funding from the Levelling Up Partnership programme.[123]

In its spending review, Labour committed £950m (cash terms) of capital investment between 2026/27 and 2029/30, aimed at helping local authorities in England expand the supply of good-quality temporary accommodation and reduce reliance on the most expensive forms.[124] One interviewee suggested the government is also likely to introduce a target to end the use of B&Bs for families in its upcoming homelessness strategy.[125] While it is promising that ministers are taking a more active interest in how money is spent on temporary accommodation, it is difficult to see how meaningful progress can be made without investment in, and political prioritisation by both central and local government of, local analytical capacity.

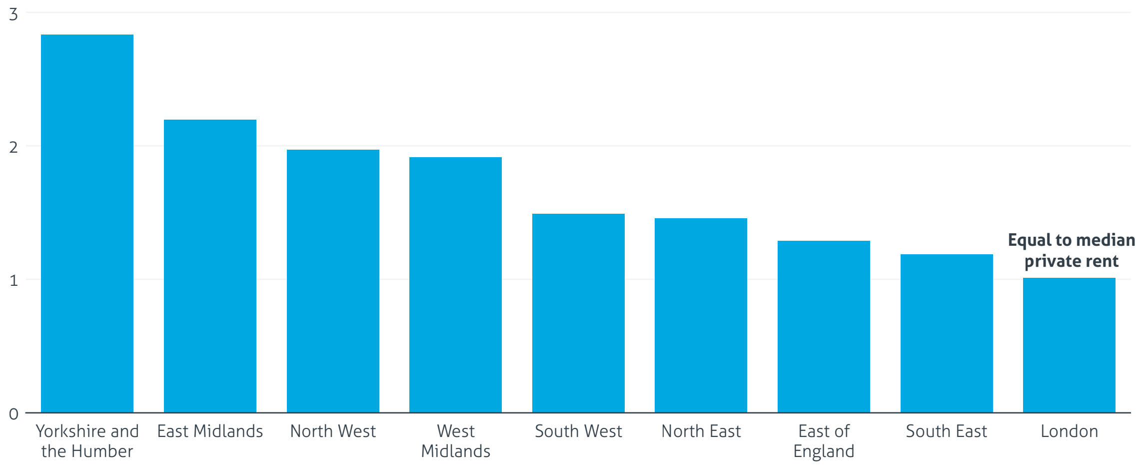
London appears to be securing temporary accommodation more cost effectively than elsewhere

To assess how cost effectively temporary accommodation is being secured across the country, we compared total per-household expenditure on temporary accommodation with the median private rent in each area.[*]

In London, the cost of temporary accommodation is roughly equivalent to the local median private rent, making it relatively efficient by national standards. This is nearly three times as cost-effective as temporary accommodation in Yorkshire and the Humber, relative to local rents. There it costs 2.8 times as much to put a household in temporary accommodation as it does to house them permanently in the private sector. But the fact that *best value* is achieved when councils pay market rents – for temporary accommodation that may be unsuitable and is used to house people in the most financially precarious situations – highlights how distorted the system has become.

[*] There are doubts over the quality of ONS private rent figures, but they are still the best readily available source. Figures in this section should therefore be interpreted with caution. Spending on temporary accommodation varies year-to-year at a local authority level, therefore findings may differ depending on the financial year of spending data used. See the Methodology for details of the calculation.

Figure LG 4.14 **Ratio of temporary accommodation placement cost per household to median private rent, by region, 2024/25**



Source:Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing', 2024/25; ONS, 'Private rental market summary statistics in England', October 2022 to September 2023; ONS, 'Price Index of Private Rents, UK: monthly price statistics', 18 Jun 2025 edition, and MHCLG, 'Statutory homelessness in England', Q1 2024/25 to Q4 2024/25. Notes:Figures are the median ratio in each region of total per-household spend by local authority districts on temporary accommodation to the median private rent in that district. Local authorities with temporary accommodation costs recorded as 0 or less than 0 are excluded. There are doubts over the quality of ONS private rent figures, but they are still the best readily available source. See Methodology for calculation details.

London has faced high levels of homelessness for many years and may, as a result, have developed more tools to contain costs. One London borough told us it had repurposed care homes into temporary accommodation, for example, and was looking at converting disused schools next.[126] London's relative cost-effectiveness is also likely to be influenced by the high price of rents in the capital. Placing households out of area – as 46% of homeless households who are allocated temporary accommodation by London boroughs are[*,127] – is often significantly cheaper than London market rent, and therefore cost-effective according to our metric.

While variation in cost-effectiveness among London boroughs is fairly large, it is relatively limited compared to other regions. In London,[**] the ratio between temporary accommodation costs and local private rents spans from 0.6 in Wandsworth to 1.7 in Merton, a gap of 1.1. But elsewhere in the country, the variation is far greater. In the North West, one council is spending up to 25.2 times the local median private rent to house a family in temporary accommodation, while another spends as little as 0.5.

* According to MHCLG, "households out of area may include households placed in TA by their local authority as well as those recorded as duty owed but no accommodation secured"; 46% may therefore be an overestimate.

** Seven of London's 33 boroughs are missing data.

Figure LG 4.15 **Ratio of temporary accommodation placement cost per household to median private rent, by local authority, 2024/25**

Source: Institute for Government analysis of MHCLG, 'Local authority revenue expenditure and financing', 2024/25; ONS, 'Private rental market summary statistics in England', October 2022 to September 2023; ONS, 'Price Index of Private Rents, UK: monthly price statistics', 18 Jun 2025 edition, and MHCLG, 'Statutory homelessness in England', 2024/25 Q1 to 2024/25 Q4. Notes: Figures are the median ratio in each local authority in England of total per-household spend on temporary accommodation to the median private rent in that district. Local authorities with temporary accommodation costs recorded as 0 or less than 0 are excluded. There are doubts over the quality of ONS private rent figures, but they are still the best readily available source. See Methodology for calculation details.

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