# Almost half of English councils face bankruptcy amid £4.6 billion deficit



Almost half of the councils across England are plummeting toward bankruptcy, facing a staggering £4.6 billion deficit, as highlighted in a deeply troubling report from the National Audit Office (NAO). This grim revelation casts a harsh light on the dire financial realities gripping local authorities, exacerbated by mounting pressures on public services and the government's catastrophic failure to reform local government funding.

The NAO's report paints a particularly damning picture regarding the mishandling of funding for special educational needs and disabilities (SEND), where rising costs are spiraling out of control, completely outpacing the meager resources made available. The previous government’s ill-fated policy of the “statutory override,” which allowed councils a temporary reprieve from acknowledging their SEND debts, is set to expire in March 2026. Come that time, the accumulated deficit for councils is grimly projected to balloon to £4.6 billion, leaving a trail of devastation in its wake.

While the newly appointed government, under the leadership of Kier Starmer, claims to be working on a long-term solution, the NAO warns of a ticking clock—by March, 43% of local authorities could be on the brink of declaring effective bankruptcy. Despite reported increases in council funding over the years, this money has been insufficient to meet the rising demands and the increasingly complex needs these councils are tasked with addressing.

The trend is alarming; more councils have declared effective bankruptcy in recent years than in the previous three decades combined, largely a consequence of cuts to government funding amid austerity measures that have persisted far too long. Although funding from central government grants, council tax, and business rates has nominally risen by 4% from 2015-16 to 2023-24, the reality on the ground reveals a different story, with per capita funding actually declining by 1%.

In a misguided attempt to manage budgets, councils have drastically slashed spending on vital discretionary services—such as libraries and road maintenance—while directing the bulk of their dwindling resources toward social care, which now consumes an astonishing 58% of councils' total budgets. Just recently, government ministers unveiled a financial settlement exceeding £69 billion for the upcoming year, paired with a significant devolution package that promises restructuring but fails to address the entrenched problems at hand. They also enabled 30 councils to receive some form of financial support, and permitted six councils to hike their local tax beyond the standard 5% limit—a questionable solution at best.

The NAO projects a 7% increase in funding per person by the 2025-26 period. Still, ominously, the Local Government Association warns that councils will be grappling with a potential funding shortfall of up to £8 billion by the 2028-29 financial year—a reality that could cripple essential services even further.

Gareth Davies, head of the NAO, succinctly stated, “There have been repeated delays to local government finance reform and government can no longer resort to short-term solutions to support local authorities. Action to address this must resolve the systemic weaknesses in local government financial sustainability through a comprehensive, cross-government approach.”

In light of these stark revelations, the government's half-hearted acknowledgment of the financial challenges facing councils serves only to reinforce the need for a decisive overhaul of the funding system. Instead of genuine reform that prioritizes the public's welfare, we are left with vague commitments and a system teetering on the brink of collapse.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.nao.org.uk/press-releases/whole-government-response-essential-to-local-authorities-financial-sustainability/> - This URL supports the claim that local authorities in England are facing significant financial pressures, with funding not keeping pace with demand, and highlights the need for a comprehensive approach to address these challenges. It also mentions the statutory override for SEND deficits and its impending expiration.
* <https://www.local.gov.uk/about/news/1-4-councils-likely-need-emergency-government-support-lga-survey> - This URL corroborates the financial struggles of councils in England, with many likely needing emergency government support due to funding gaps and the impact of austerity measures. It also emphasizes the need for immediate action to stabilize council finances.
* <https://www.countycouncilsnetwork.org.uk/send-deficits-risk-bankrupting-almost-three-quarters-of-englands-largest-councils-by-2027-with-government-urged-to-take-action/> - This URL highlights the specific financial challenges related to SEND deficits, which are projected to worsen significantly unless addressed. It warns of potential bankruptcies among England's largest councils due to these deficits.
* <https://www.nao.org.uk/press-releases/whole-government-response-essential-to-local-authorities-financial-sustainability/> - This URL further supports the notion that despite nominal funding increases, per capita funding has decreased, and councils are struggling to meet rising demands for services like social care.
* <https://www.local.gov.uk/about/news/1-4-councils-likely-need-emergency-government-support-lga-survey> - This URL provides additional context on the financial crisis facing councils, including the impact of inflation and unfunded wage increases, which exacerbate their financial difficulties.