



Many of UK’s Councils are effectively on the edge of bankruptcy – so which councils are likely to go under next?

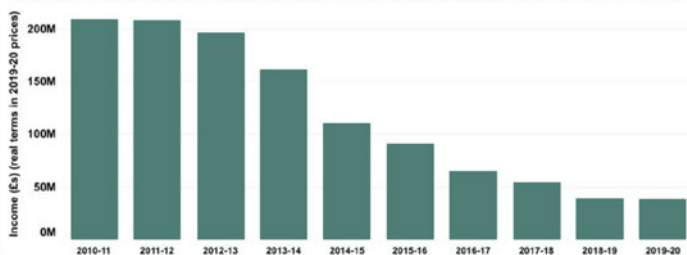
In a series of articles over the coming months, we will look at the councils at risk and will unpick some of the causes and discuss how the consequences are likely to impact communities affected.

Context

Local government spending is paid for by three main sources: central government grants (making up around 60% of total funding), business rates, and council tax.

Reduced Central Government funding over 10+ years

Figure 2.1: Selected main revenue income sources for local authorities, 2010-11 to 2019-20 | Oxfordshire



(Central Government funding of Oxfordshire County Council from 2010 – 2020)

According to the [Institute For Government](#)

“The fall in [councils] spending power is largely because of reductions in central government grants. These grants were cut by 40% in real terms between 2009/10 and 2019/20, from £46.5bn to £28.0bn (2023/24 prices). This downward trend was reversed in 2020/21 and 2021/22 as central government made more grant funding available to local government in response to the pressures of the pandemic. Though even including Covid grants, the fall in grant income was still 21% in real terms between 2009/10 and 2021/22; without, the fall was 31%.”

Set against these cuts in Central Government funding over the last 10+ years, are the increased demands placed on councils, compounded by high inflation. UK’s increasing population is ageing, there are increased demands for adult and children’s social care, and our infrastructure is crumbling (think potholes, RAAC concrete, and sewage spills/water leaks).

Impact

Councils across the country will soon find out how much funding they will receive from Central Government. MPs are set to vote on the government’s funding plans before Christmas, with Councils then voting on their annual budgets in the new year.

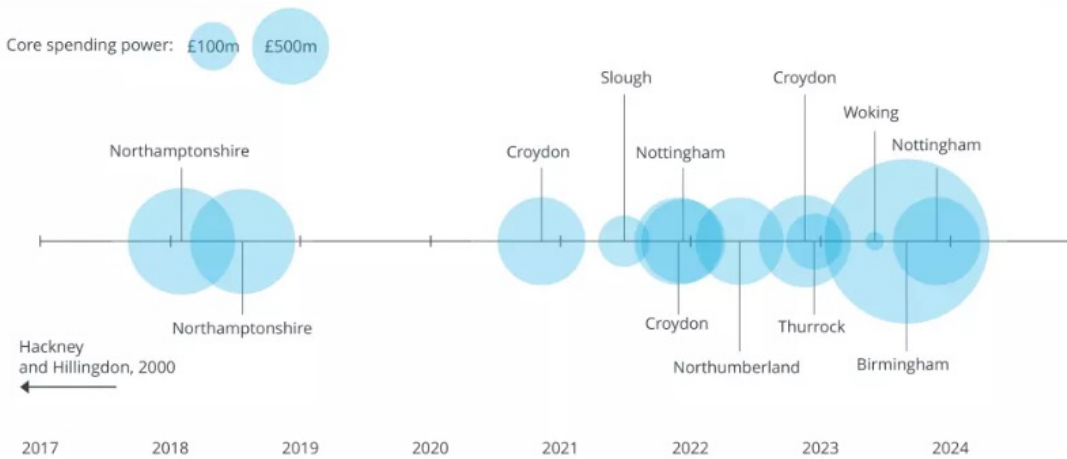
Current levels of funding shortfalls across councils are estimated at around £3.6bn, and that isn’t the whole story. Many councils have taken out huge amounts of debt and

are now unable to service debt repayments, let alone pay for the cost of services they are mandated to deliver to their communities.

Many councils will be left with no choice but to follow Nottingham, Birmingham, and Woking by issuing statutory Section 114 Notices, in effect declaring themselves bankrupt. This will result in significant reductions in spending, and reduced services across affected communities.

Section 114 notices, 2017–2023, as at 29 November 2023 (2023/24 prices)

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(Source: ‘Local Government section 114 (bankruptcy) notices – what is a section 114 notice, and why have councils been issuing more of them recently’, Institute for Government, 9th October 2023 [Link](#))

Financial state of Councils that have gone bankrupt in last 3 years

COUNCIL	DATE OF S.114 NOTICE	FINANCIAL ACCOUNTS Number of unaudited/ unpublished accounts over last 4 financial years	DEBT LEVELS As a ratio of spending power	FUNDING GAP	COMMENTS
Slough	2021	4	7.37	£23,078,000	Slough hasn’t published audited accounts for 4 years
Croydon	2022	3	4.79	£24,277,000	Croydon has a funding gap of over £24M and hasn’t published audited accounts for 3 years
Thurrock	2022	3	10.47	£156,540,000	Thurrock has debt levels over 10 times its spending power. And a funding gap of over £150M
Woking	June 2023	3	146.4	£19,368,000	Woking has debt levels over 146 times its spending power.
Birmingham	Sept 2023	3	4.4	£164,838,000	Birmingham is the largest council in Europe and its funding gap is more than £160M
Nottingham	Nov 2023	4	4.41	£50,900,000	Nottingham hasn’t published audited accounts in 4 years and has debt levels that exceeded Birmingham’s at the time of bankruptcy



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Which councils may go under next?

We have analysed available financial data¹ of all Councils across the United Kingdom and have made some predictions about which councils may be at most immediate risk of failure. These are set out below. We will be releasing further information and analysis in a series of posts over the coming weeks, where we will look at the causes of the problem and the longer-term consequences.

We have categorised at-risk councils into the following tiers:

1. High to Extreme risk
2. Watchlist (for a later post!)

The approach to categorisation:

Our review is based on an analysis of the characteristics of councils that have already submitted S.114 notices (referenced above), and by examining different sets of publicly available financial data, to provide relative risk scorings for each council. Caveats as follow:

Caveats:

- Just because a council hasn't issued audited accounts in any given year, does not, in and of itself, mean there is a problem. However, if there is an underlying financial problem, then the lack of available financial accounts may indeed be a factor in determining a higher relative risk scoring. Further, multiple consecutive unaudited/unpublished annual accounts would increase the risk scoring.
- A high debt to spending power ratio does not, in and of itself, mean a council is unable to service those debts or that it is in trouble, but it may be a factor in the allocation of a higher risk scoring when other risk factors are present.
- A material funding gap (or shortfall) will be a factor in determining a risk rating, especially where other risk factors are present.
- Where a council has made public statements that they are in trouble, they get included!
- We may be wrong – and everything is fine.

Based on our analysis, we believe the below councils are most at risk.

¹Data analysed includes: Information on status of audited financial accounts of councils; analysis conducted by 'Inyourarea.co.uk', on debt levels compared to spending power of UK councils; and report by Unison on Funding Gaps in Local Councils.

High to Extreme Risk (included in alphabetical order)

	COUNCIL	FINANCIAL ACCOUNTS Number of unaudited/ unpublished accounts over last 4 financial years	DEBT LEVELS As a ratio of spending power (only included where ratio more than that of Birmingham)	FUNDING GAP	WHY IN THE TABLE?
1.	Aberdeenshire	1	–	£28,856,000	Very high funding gap
2.	Ashford	0	19	£4,143,000	High debt ratio & funding gap
3.	Barking & Dagenham	4	7.21	£17,046,000	Audited ACs missing, high debt ratio & high funding gap
4.	Barnet	3	–	£5,476,000	Audited ACs missing
5.	Basildon	3	24.8	£1,548,000	Very high debt ratio
6.	Blackpool	3	–	£6,600,000	Audited ACs missing
7.	Blady	3	–	£1,097,000	Audited ACs missing
8.	Bolton	2	–	£21,723,000	Very funding gap
9.	Bournemouth, Christ Church & Poole	2	–	£44,400,000	Extremely high funding gap
10.	Bradford	2	–	£72,000,000	Extremely high funding gap

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11.	Braintree	4	–	£1,477,000	Audited ACs missing
12.	Brighton & Hove	1	–	£13,201,000	Council Public Statement
13.	Bristol	2	–	£14,108,000	Council Public Statement
14.	Bromley	3	–	£1,679,000	Audited ACs missing
15.	Broxbourne	2	6.58	£3,050,000	High debt ratio
16.	Broxtowe	2	10.92	£1,900,000	High debt ratio
17.	Bury	2	–	£29,289,000	Very high funding gap
18.	Caerphilly	1	–	£37,414,000	Extremely high funding gap
19.	Cambridge	1	15.7	£2,902,000	High debt ratio
20.	Cambridgeshire County	2	–	£16,370,000	High funding gap
21.	Cardiff	1	–	£36,800,000	Extremely high funding gap
22.	Carmarthenshire	1	–	£29,000,000	Very high funding gap
23.	Castle Point	3	4.66	£1,190,000	Audited ACs missing & high debt ratio
24.	Ceredigion	1	–	£22,000,000	Very high funding gap
25.	Charnwood	1	6.16	£1,300,000	High debt ratio
26.	Cheltenham	1	11.9	£1,200,000	High debt ratio
27.	Cherwell	2	14.4	£4,674,000	High debt ratio
28.	Chesterfield	2	17.2	£1,501,000	High debt ratio
29.	City of Edinburgh	0	–	£37,600,000	Extremely high funding gap
30.	Coventry	4	–	£30,300,000	Council Public Statement
31.	Crawley	2	19.8	£1,208,733	High debt ratio
32.	Cumberland	n/a	–	£27,336,000	Very high funding gap
33.	Denbighshire	1	–	£17,021,000	High funding gap
34.	Derby	3	–	£8,500,000	Council Public Statement
35.	Devon County	1	–	£20,719,000	Very high funding gap
36.	Dover	3	10.13	£1,650,000	High debt ratio
37.	Dumfries and Galloway	1	–	£27,289,000	Very high funding gap
38.	Dundee City	2	–	£22,400,000	Very high funding gap

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39.	Ealing	3	–	£28,413,000	Audited ACs missing & very high funding Gap
40.	East Dunbartonshire	1	–	£21,030,186	Very high funding gap
41.	East Lothian	1	–	£21,933,000	Very high funding gap
42.	Eastbourne	3	13.4	£1,002,817	Audited ACs missing & high debt ratio
43.	Enfield	4	4.59	£15,807,000	Audited ACs missing, high debt ratio & high funding gap
44.	Epping Forest	0	22.8	£2,389,000	Very high debt ratio
45.	Essex County	3	–	£19,000,000	Audited ACs missing & high funding gap
46.	Falkirk	1	–	£20,400,000	Very high funding gap
47.	Fareham	0	10.84	£1,460,000	High debt ratio
48.	Fife	1	–	£23,484,000	Very high funding gap
49.	Flintshire	1	–	£32,222,000	Extremely high funding gap
50.	Gateshead	2	–	£29,795,000	Very high funding gap
51.	Glasgow City	2	–	£37,700,000	Extremely high funding gap
52.	Gravesham	4	10.6	£1,171,830	Audited ACs missing & high debt ratio
53.	Great Yarmouth	3	12.7	£2,400,000	Audited ACs missing & high debt ratio
54.	Hackney	2	–	£22,162,000	Very high funding gap
55.	Halton	1	4.89	£15,700,000	High debt ratio & high funding gap
56.	Hammersmith & Fulham	2	–	£18,682,000	High funding gap
57.	Hampshire County	1	–	£82,000,000	Extremely high funding gap & Council Public Statement
58.	Haringey	3	–	£6,318,000	Audited ACs missing
59.	Hastings	3	5.37	£1,900,000	Audited ACs missing & high debt ratio
60.	Havering	3	–	£16,100,000	Audited ACs missing & high funding gap
61.	Highland	1	–	£46,688,000	Extremely high funding gap
62.	Hinkley and Bosworth	3	10.86	£2,747,818	Audited ACs missing & high debt ratio
63.	Hounslow	3	–	£36,100,000	Audited ACs missing & extremely high funding gap
64.	Ipswich	1	14.3	£8,100,000	High debt ratio

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65.	Kent County	1	–	£18,564,000	Council Public Statement
66.	Kings Lynn & West Norfolk	4	–	£3,212,990	Audited ACs missing
67.	Kirklees	1	–	£47,000,000	Extremely high funding gap
68.	Lancaster	4	5.27	£1,703,000	Audited ACs missing & high debt ratio
69.	Leeds	2	4.87	£59,200,000	High debt ratio & extremely high funding gap
70.	Leicester	1	–	£44,200,000	Extremely high funding gap
71.	Lewes	4	8.5	£820,278	Audited ACs missing & high debt ratio.
72.	Liverpool	4	–	£67,038,000	Audited ACs missing & extremely high funding gap
73.	Luton	4	–	£4,000,000	Audited ACs missing & funding gap
74.	Mansfield	1	12	£3,907,000	High debt ratio & funding gap
75.	Medway	3	–	£38,745,000	Audited ACs missing & extremely high funding gap
76.	Mid Devon	2	5.81	£1,252,000	High debt ratio
77.	Middlesbrough	2	–	£14,204,000	Council Public Statement
78.	Mole Valley	1	10.77	£2,000,000	High debt ratio
79.	Monmouthshire	1	–	£14,700,000	High funding gap
80.	Moray	1	–	£18,590,000	High funding gap
81.	Newcastle Upon Tyne	1	–	£23,100,000	Very high funding gap
82.	Norfolk County	2	–	£45,920,000	Extremely high funding gap
83.	North Ayrshire	1	–	£18,985,000	High funding gap
84.	North Kesteven	1	7.3	£2,285,100	High debt ratio
85.	North Lanarkshire	1	–	£30,458,000	Extremely high funding gap
86.	North Northamptonshire	2	–	£17,100,000	High funding gap
87.	North Warwickshire	3	7.13	£1,567,000	Audited ACs missing & high debt ratio
88.	North West Leicestershire	2	8.22	£1,628,000	High debt ratio
89.	North Yorkshire	N/a	–	£29,100,000	Very high funding gap
90.	Norwich	2	17	£2,713,000	High debt ratio
91.	Nuneaton & Bedworth	2	6.48	£2,602,000	High debt ratio

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92.	Orkney	1	–	£19,825,900	High funding gap
93.	Oxford	2	12.7	£1,481,000	High debt ratio
94.	Perth and Kinross	1	–	£19,000,000	High funding gap
95.	Plymouth	4	–	£8,458,000	Audited ACs missing & funding gap
96.	Redbridge	2	–	£26,600,000	Very high funding gap
97.	Renfrewshire	1	–	£17,700,000	High funding gap
98.	Ruby	1	6.64	£1,786,000	High debt ratio
99.	Runnymede	4	73.7	£1,696,000	Audited ACs missing & extremely high debt ratio
100.	Salford	3	–	£12,441,000	Audited ACs missing & high funding gap
101.	Scots Borders	0	–	£47,100,000	Extremely high funding gap
102.	Sefton	3	–	£9,785,000	Audited ACs missing & funding gap
103.	Sheffield	2	–	£72,700,000	Extremely high funding gap
104.	Shetland Islands	1	–	£47,100,000	Extremely high funding gap
105.	Shropshire	1	–	£1,096,536	Council Public Statement
106.	Somerset	n/a	–	£41,563,000	Extremely high funding gap
107.	South Derbyshire	2	5.21	£2,800,000	High debt ratio
108.	South Holland	1	6.67	£1,520,000	High debt ratio
109.	South Tyneside	2	4.78	£12,460,000	High debt ratio & high funding gap
110.	Southampton	2	–	£21,220,000	Very high funding gap
111.	Southwark	2	–	£23,560,000	Very high funding gap
112.	Spelthorne	4	93.4	£3,853,000	Audited ACs missing & extremely high debt ratio
113.	St. Albans	3	15.7	£6,680,000	Audited ACs missing & high debt ratio
114.	Stoke-on-Trent	4	–	£4,700,000	Audited ACs missing & funding gap
115.	Sunderland	2	–	£7,449,000	Funding gap
116.	Surrey County	2	–	£20,400,000	Very high funding gap
117.	Swansea	1	–	£20,300,000	Very high funding gap
118.	Tamworth	1	8.74	£2,096,000	High debt ratio

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119.	Tandridge	2	9.49	£1,400,000	High debt ratio
120.	Tendring	3	–	£3,772,000	Audited ACs missing & funding gap
121.	Tewkesbury	1	5.41	£1,310,000	High debt ratio
122.	Tower Hamlets	4	–	£30,800,000	Audited ACs missing & extremely high funding gap
123.	Uttlesford	4	28.5	£1,640,000	Audited ACs missing & very high debt levels
124.	Wakefield	2	–	£22,480,000	Very high funding gap
125.	Waltham Forest	4	–	£11,600,000	Audited ACs missing & high funding gap
126.	Wandsworth	3	–	£20,440,000	Audited ACs missing & very high funding gap
127.	Warrington	4	9.69	£38,957,000	Audited ACs missing, high debt ratio & extremely high funding gap
128.	Warwick	2	15.2	£4,334,000	High debt ratio & funding gap
129.	Warwickshire	1	–	£18,100,000	High funding gap
130.	Waverley	2	12.1	£1,381,000	High debt ratio
131.	Welwyn Hatfield	2	20.4	£2,125,000	Very high debt ratio
132.	West Lancashire	2	8.52	£1,470,000	High debt ratio
133.	Westminster	2	–	£11,434,000	High funding gap
134.	West Sussex County	1	–	£25,200,000	Very high funding gap
135.	Wigan	3	–	£11,941,000	Audited ACs missing & high funding gap
136.	Windsor & Maidenhead	3	–	£2,628,000	Audited ACs missing & funding gap
137.	Wolverhampton	1	–	£16,400,000	High funding gap
138.	Worthing	1	11.4	£1,616,000	High debt ratio & funding gap
139.	York	2	–	£13,600,000	High funding gap

In the next article in this series, we will look at some of the causative factors that have led so many councils to the brink of financial collapse and consider what steps should be taken to ensure lessons are learnt and all avenues of redress are properly evaluated.



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