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The English councils that have gone 'bankrupt': Birmingham becomes the latest authority to run out of cash amid warnings dozens more could follow - is your local authority at risk?

- The Labour-run local authority will halt almost all spending in the city
- Councillors blamed lower business rates, inflation, and adult social care bills

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Birmingham City Council this week became the latest authority to declare itself effectively bankrupt - following on from five others in just five years.

The Labour-run council, Europe's largest local authority, was hit with a staggering £760million bill to settle an equal pay claim, which it yesterday said it could not afford.

In a statement, the town hall confirmed it had issued the declaration that it cannot balance its books.

The scandal echoed similar budget fiascos which have seen authorities in Northampton, Croydon, Thurrock, Woking and Slough declare bankruptcy since 2018. Before that the last one to run out of money was Hackney in 2000.

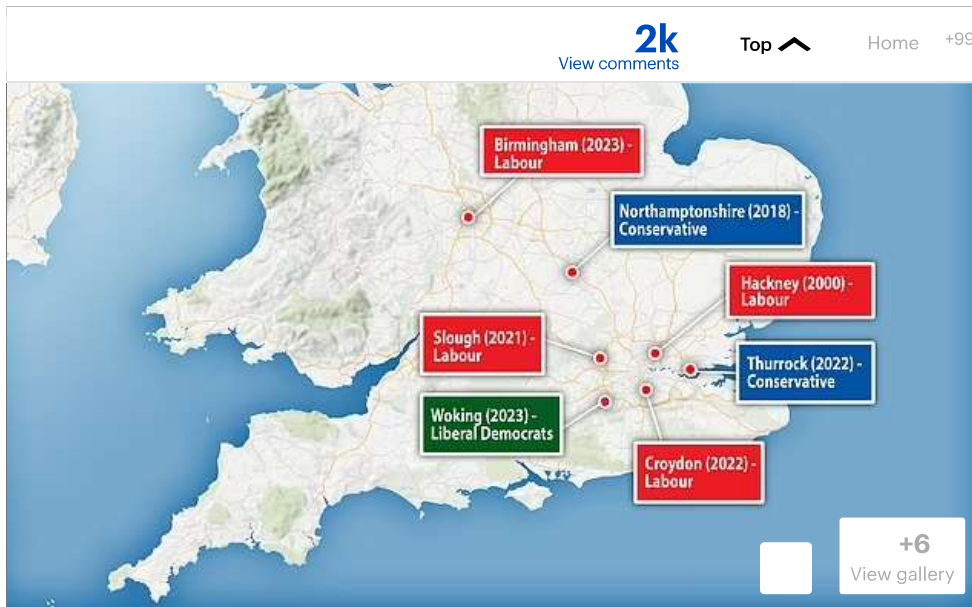
Birmingham's financial demise comes after dire warnings that dozens of other English authorities could soon follow suit, with worrying figures suggesting at least 30 per cent of councils in some of the poorest areas of the country are considering declaring effective bankruptcy this year or next.

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Birmingham is the latest council to declare bankruptcy, following in the footsteps of Hackney, Northampton, Croydon, Thurrock, Woking and Slough



Birmingham City Council has declared itself effectively bankrupt after facing a £760million bill

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Last week it was revealed a survey of 47 council in the north, the midlands and on the south coast were facing overwhelming strain on finances - with five in the



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Meanwhile, a further nine local authorities which are members of the Special Interest Group of Municipal Authorities (Sigoma) said they may have to declare bankruptcy next year.

Sigoma claimed it was the first time so many member councils were considering issuing a section 114 notice, which freezes all non-essential spending.

It followed repeated warnings over the dire state of local authority budgets, with the Institute for Fiscal Studies recently reporting councils serving poorer communities received less investment – largely as a result of delays to planned reform of formulae that determine government cash allocations.

The first Section 114 notice was issued by London's Hackney Council in 2000, followed by Northamptonshire County Council in 2018.

Northamptonshire County Council, just months after issuing the section 114 notice, agreed to enormous cuts to jobs and vital services in a bid to reduce a £70million shortfall.

Councillors at the time were slammed for building a lavish new £53million headquarters shortly before their council effectively went bankrupt.

During the past five years, councils have begun declaring bankruptcy at an unprecedented rate, with Conservative-run Thurrock council issuing one in 2022, followed by Lib Dem-led Woking earlier this year.

Labour-run Croydon and Slough also issued Section 114 notices in 2022 and 2021 respectively.

Slough effectively declared itself bankrupt in July 2021 after discovering a £100million black hole in its budget, following years of what it admitted was poor financial management plus the grotesque mishandling of a number of commercial investments.

Croydon Council was forced to issue a Section 114 notice in November 2022 after becoming insolvent for a third time - admitting it couldn't balance its budget for 2023/24.

In 2020, Croydon Council imposed emergency spending restrictions under a Section 114 notice, at the time blaming its financial crisis on the havoc caused by the pandemic.

Listed: The English councils that have gone BANKRUPT since 2000

Hackney (2000)- Labour

Northamptonshire (2018) - Conservative

Thurrock (2022) - Conservative

Croydon (2022) - Labour

Woking (2023) - Liberal Democrats

Birmingham (2023) - Labour

Slough (2021) - Labour



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The authority had racked up debts of £1.9billion that were expected to increase to £2.4billion by 2024/5, local Government minister Lee Rowley said at the time, adding that Woking 'was the most indebted council in England' of its size.

The council has been run by the Liberal Democrats since May 2022. But the debts were mostly built up by the previous Tory administration, which invested heavily in a shopping centre, residential skyscrapers and a 23-storey Hilton hotel.

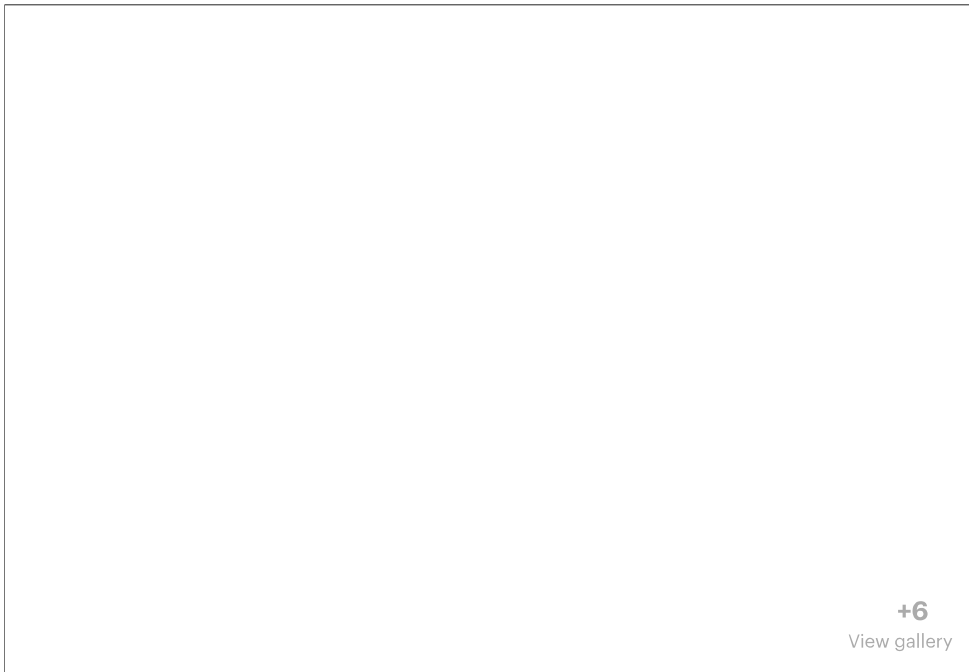
Woking Borough Council issued its section 114 notice in June 2023.

Similarly, Thurrock Council in Essex issued a section 114 notice in 2022 after battling a £469million funding black hole.

Thurrock Council appeared to be struggling for many years with analysts suggesting the trouble may have been linked to the £655million the authority had provided to companies via bonds.

Financial advisers expressed concern about the council's alleged 'extreme' appetite for risk in 2018, evidence obtained by the Bureau of Investigative Journalism and made public by **BBC** revealed.

The authority then paused its investment policy in September 2020 and two years later saw intervention from the Government because of its 'serious financial situation'. A commissioner was put in place to monitor its spending.



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A worker clears the street of rubbish in Birmingham city centre on September 5, 2023

Since 2020, 16 councils have received exceptional financial support from the Department of Levelling Up, Housing and Communities (DLUHC), with seven announced this year.

Sir Stephen Houghton, Labour leader of Barnsley Council and Sigoma chairman, said: 'The government needs to recognise the significant inflationary pressures that local authorities have had to deal with in the last 12 months.'

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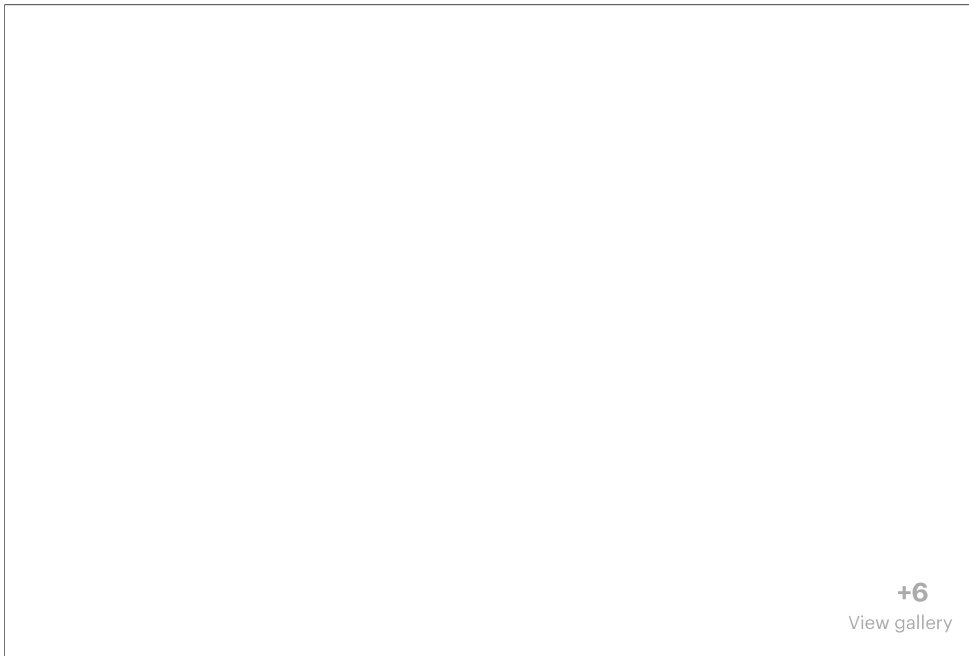
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'Pay increases are putting substantial pressure on budgets, and so the government must ensure that local authorities have the additional funding they need to fully fund these pay increases or risk impacting future service delivery.

'The funding system is completely broken. Councils have worked miracles for the past 13 years, but there is nothing left.'

Birmingham's council said all new civic spending in the city, with the exception of protecting vulnerable people and statutory services, must stop immediately.

The council said it lacks sufficient resources to pay a £760million bill related to an equality claim, which is currently accruing at a rate of £5million to £14million a month.



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All new council spending in the city, with the exception of protecting vulnerable people and statutory services, must stop immediately

Councilors from the local authority blamed the situation on 'huge increases in adult social care demand... dramatic reductions in business rates' and 'rampant **inflation**.'

Councilors John Cotton and Sharon Thompson blamed the bankruptcy on 'long-standing issues' including the equal pay claims and the local authority's costly efforts to install the Oracle ERP financial reporting software on its systems.

The councilors said the local authority's financial problems 'have been compounded by the reality that Birmingham has had £1 billion of funding taken away by successive Conservative governments,' in a statement on Birmingham Live.

Conservative councilor Robert Alden hit back at the local authority's leadership as he accused them of failing to 'accept

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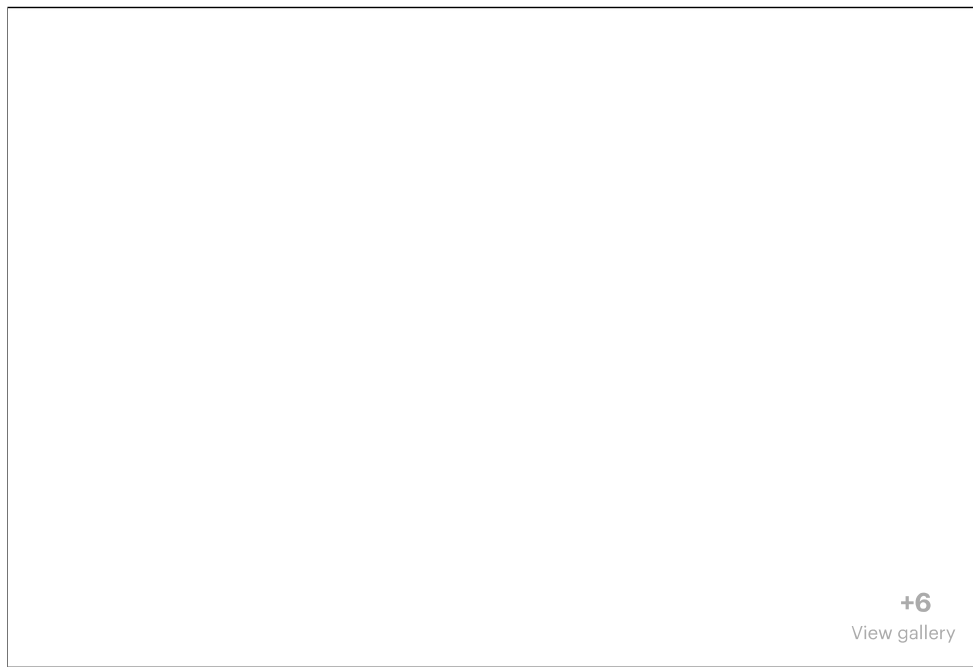
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'This cabinet will not accept responsibility - instead it's trying to blame the government for a problem that was entirely caused by the decision making by this administration,' Mr Alden said.

The bankruptcy means all services apart from statutory services and those that protect vulnerable people will stop immediately.

Birmingham City Council was in 2012 ordered to pay compensation to 170 of its former employees, over claims the local authority breached quality laws.

The lawsuit left the council facing a £760million bill to settle the claims, following a Supreme Court ruling that hundreds of mostly female staff had missed out on bonuses.



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Councillors blamed rampant inflation for Birmingham City Council's bankruptcy

In June 2023, the local authority estimated it would cost £650million-760million to settle the claims. The council had previously paid out £1.1billion to settle equal pay claims.

The council has also sunk millions into a disastrous attempt to install Oracle's ERP financial reporting software onto its IT systems.

The failed attempt saw Birmingham City Council forced to spend £46.53million to fix 'urgent' issues with its IT systems in June 2023, as it estimated the total cost of fixing the system would be in the region of £100million.

The council had initially budgeted just £19million to install the IT system, before admitting the project could cost more than five times that sum.

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The local authority paid out hundreds to Green Destinations Ltd for short trips, including £210 a day - equivalent to £40,500 a year - to take one child on their daily three mile trip to school.



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Birmingham City Council has declared itself effectively bankrupt after facing a £760million bill

Rival taxi firms would have cost the council less than half as much as Green Destinations Ltd - with prices averaging £6million a year compared to the £17million sums charged by the Birmingham-based firm.

A spokesperson for the council said: 'Birmingham City Council has issued a s.114 notice as part of the plans to meet the council's financial liabilities relating to equal pay claims and an in-year financial gap within its budget which currently stands in the region of £87m.

'In June, the council announced it had a potential liability relating to equal pay claims in the region of £650m to £760m, with an ongoing liability accruing at a rate of £5m to £14m per month.

'The council is still in a position where it must fund the equal pay liability that has accrued to date (in the region of £650m to £760m), but it does not have the resources to do so.'

The spokesperson said: 'The council will tighten the spend controls already in place and put them in the hands of the section 151 officer to ensure there is complete grip.

'The notice means all new spending, with the exception of protecting vulnerable people and statutory services, must stop immediately.

'The council's senior officers and members are committed to dealing with the financial situation and when more information is available it will be shared.'

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