

The descent of local authority funding into chaos

Published: January 18, 2026, 1:01 pm

Birmingham Council [declared itself bankrupt yesterday](#). The biggest local authority in the UK cannot now balance its budget. There may be very particular circumstances that explain the crisis in Birmingham, but it is far from being alone in facing this situation. Some forecast suggests that one-third of UK councils might have to make such a declaration in the next year.

At the same time, as [the Financial Times](#) notes this morning, the audit of English local authorities is in a complete mess. Since it became a statutory requirement that local authorities be independently audited by a private sector firm in 2015, many of the firms willing to provide such services have withdrawn from the market. That is either because they lack the expertise to audit local authorities or because they simply cannot afford to do so on the basis of the fees that are available for this service. The consequence is that the vast majority of councils in England now file their accounts late, and some have many years of accounts overdue for filing at present, with no sign of this problem being resolved at any time soon.

To be blunt, the failure of financial control in England's local authorities can now be added to the long list of broken services in this country.

There was a time when local authorities were the foundation of effective government in the UK. They provided energy, transport, housing, education, and even health services, often without much support from central government. Birmingham was at the forefront of this under the inspired leadership of Joseph Chamberlain. Funding themselves with a combination of local taxes and borrowing, mainly from the communities that they served, financial probity was essential if the confidence of those who provided them with capital was to be maintained.

And now, due to government dogma and market failure, these councils, and their finance systems are failing.

The failure of neoliberalism is written all over this, not that neoliberals will see this that way. For those who hate government, its collapse is not a cause for concern. For

everyone else, and for all those who depend on it, which most of us do at some point in life, this failure is catastrophic and the clearest possible indication that market economics and the need to deliver high-quality public services do not necessarily, or even very often, coincide.

Will we learn that lesson now?