

Are we facing the end of local government in England?

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The Public Accounts Committee has issued an unusually stark warning about the finances of local government in England. It [has said in a new report](#):

Local government finance is in a perilous state. Despite a real terms funding increase in central government grants, council tax and locally retained business rates of 4%, over the period 2015-16 to 2023-24, the amount per person fell over the same period. Funding has not kept pace with population growth, demand for services, complexity of need, or the rising costs of delivering services.

The result is that councils are going bust. It is thought that half may be at risk of doing so.

What, however, is collapsing is not just the financial management of local government. It is the very idea of local democracy, the principle of local care, and the state's ability to deliver public services that people need that is at risk. The threat goes far beyond finance.

There are a number of reasons for saying this.

First, the services now under threat are those most vital to people's everyday lives. When councils issue a Section 114 notice, effectively declaring bankruptcy, the law restricts them to spending on statutory services. The consequences are stark:

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Adult social care becomes threadbare. Visits are reduced, thresholds for care are raised, and staffing becomes dangerously thin.

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Children's services are cut back, with preventative interventions removed, creating risk for the most vulnerable.

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Libraries, parks, leisure centres and youth services, where they have survived to date, essentially disappear entirely.

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Bin collections, street cleaning, road repairs, planning departments, building control and even public toilets all face neglect or outright abandonment.

I cannot be alone in thinking these are not luxuries. They underpin the infrastructure of everyday life for many.

Second, the financial risks are now systemic. This is not about rogue councils and their mismanagement, although that has happened. Instead, as the PAC notes, the sector faces “rising demand, falling reserves, and unsustainable reliance on unstable income sources.” What this means is that:

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Demand for services, and most especially social care, is rising fast as populations age and poverty deepens.

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Reserves have been run down year after year to plug holes in funding, with many councils now having little or no reserves left to cover shortfalls.

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Some councils have gambled on volatile commercial income (such as property speculation) to try to raise funds to tackle these shortfalls in funding, with disastrous outcomes in some cases.

This is a vicious circle. The more services are cut, the more needs go unmet, and, as the PAC notes, the more costs rise in the long term.

Third, as the PAC suggests, current risk management frameworks are not now fit for purpose. The government has, in effect, told councils to “be prudent”, but it has then forced them into imprudence because of a lack of adequate funding. The result has been the sale of assets, property speculation, and underfunding of services that will most likely generate future liabilities.

This problem has been compounded by the government’s so-called Office for Local Government having no real power. Even the Section 114 process itself does not fix the problem. It stops the spending but does not tackle the underlying issues, not least because emergency government support, if it is granted, is too often conditional on

cuts. The result is that failing councils simply remain under crisis management, but problems are not addressed.

Fourth, and vitally, there is a poverty-related dimension to all this. The collapse in council services will hit the poorest communities hardest. Those with the fewest resources, whether they be financial, social, or political, rely most on local public services. These people are being failed because councils are being allowed to fail. The consequence is that some of the poorest communities will now suffer the worst long-term outcomes from these failures, including worse health, lower educational outcomes, greater inequality, and weaker social cohesion.

This is not, then, just a fiscal or financial issue. It is a moral failure. And in political terms, it creates a breeding ground for support for the far-right.

The PAC suggests the following needs to be done (and I am summarising from their recommendations):

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Immediate emergency funding must be made available to councils on the brink of failure, with no strings attached that require further cuts to services.

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A new financial settlement must be created for local government that is based on need, equity, and stability, and not unpredictable bidding for limited funds that has become far too commonplace, and crisis management

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New independent financial oversight should be introduced to monitor risks across the whole system and across the entire sector. Given the failure of local audits after their outsourcing to the private sector, this is now essential.

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Long-term investment in prevention must be prioritised, particularly in social care, children's services, and housing, or problems will continue and social risks will remain.

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Council tax reform is essential. Not only does the system need reviewing, but so too does the way in which caps work need to be reviewed, and other forms of funding need to be reviewed at the same time.

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The government should fund the cost of local authorities of national insurance increases, which they are unable to bear and which are heavily impacting their ability

to supply services.

I believe in local government.

I believe in local democracy.

Both are in crisis and face existential threats.

As the PAC makes clear, urgent and deliberate action is now needed to restore the essential public services local authorities provide whilst rebuilding local authority financial resilience, and repairing the democratic foundations on which they depend.

Will Labour do that, or is the end of local democracy and the services on which so many depend a price Labour think worth paying to balance Rachel Reeves' books? I fear it is. And that massively troubles me, because Reform will seek to fill the void that will be created as a result.