LOCAL NEWS PARTNERSHIPS

Growing council debt 2025

The Drum Online Media Awards
Winner 2020

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Please note this report and accompanying dataset is subject to change

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Wincott Award
Winner 2022

Contents

What’s the story?

Councils in the UK added £7.8bn to their growing debt pile in the space of a year - the Shared Data Unit has found.

Analysis of data from the Ministry of Housing, Communities and Local Government (MHCLG) shows UK councils owe a combined **£122.2bn** to lenders, equivalent to **£1,791** per resident, as of April 2025.

That is up **seven per cent** from a total of **£114.5bn**, the equivalent of **£1,677** per resident, a year ago.

Councils can borrow funds to invest in projects such as schools, leisure centres and theatres - they can also borrow to invest in property that will bring in an income over and above repayments on the debt.

But the recent rise is being partly driven by a **near tripling of short-term lending from central government**, which in some cases is being used to paper over holes in some council revenue budgets rather than pay for investments and town centre improvements.

Experts including Jonathan Carr-West of the Local Government Information Unit (LGIU) said the spiralling levels of debt at local authorities was “extremely worrying”.

He said: “That is not a sustainable system. As one local government finance officer said to me, it's essentially payday loans for local governments.

“I don't think the government would say that’s it’s long-term ambition. They would say that is what we have had to do to paper over the cracks while we introduce a new funding system for local government.”

This pack contains:

Data showing the amount of debt held by each council in the UK [here](#):

- To give the figures a sense of scale, we have used population data to show how much that debt is worth per person in your area at the close of the last financial year (Q4 24-25).
- We have also included your council's debt position from the end of Q4 23-24 so you can see how the authority's debt position has changed since then.

If you want to see those figures in the context of other councils, analysis can be found on page **9.**

We have also sought Rights of Replies from:
Barking and Dagenham
Birmingham
Croydon
East Lothian
Edinburgh
Greenwich
Leeds
Manchester
Newham
Spelthorne
Surrey
West Dunbartonshire
Woking

Background

Last year, the Shared Data Unit reported on the spiralling debts seen at town halls across the country.

It found council borrowing had reached "staggering" levels at some councils, according to chair of the Public Accounts Committee Dame Meg Hillier.

The money, borrowed largely from an arm of the Treasury, had been used to buy hundreds of commercial assets from shopping centres, to office parks, cinemas, energy companies and housing developments all with the aim of returning a stream of income.

Many council leaders said they had no choice but to invest in order to fill the gap in income they used to receive from the government under the revenue support grant.

Though that grant has increased in the years since the pandemic, core spending power for local authorities is around 18% down per person compared to 2010, the Institute for Fiscal Studies found.

In recent years, various commentators have warned that the debts held by councils - which must balance their budgets every year - are unsustainable. In 2020, Dame Meg said the Government was “blind to the extreme risks” of council borrowing levels.

Since then, six more councils have had to issue section 114 notices declaring themselves effectively bankrupt: Croydon, Slough, Thurrock, Birmingham, Woking and Nottingham.

In the case of Croydon, Slough, Thurrock, Woking and Nottingham - those effective bankruptcies could be directly linked to failed investments and spiralling debts. Thurrock’s £469m funding black hole, for example, was caused by a series of failed investments in solar farms.

In June, Sir Keir Starmer announced a planned overhaul of council central grant funding, promising to simplify the complicated funding formula used to distribute funds to town halls. Labour’s plan will see it redistribute grants to focus on the most deprived areas.

The changes have been welcomed by SIGOMA, a group of mainly Labour-led urban councils, which has long argued its members were harder hit when government funding was slashed during the austerity era in the 2010s.

But the County Councils Network, which represents a group of mainly rural authorities, warned the new rules could "overcompensate" for deprivation, arguing there was "little evidence" it was the main driver for services other than social care.

Meanwhile, a further 30 councils have sought exceptional financial support from the government in 2025-26, totalling £1.3bn. The authorities will be allowed to use **Treasury loans or cash from selling assets to cover day-to-day spending**, which they are normally banned from doing.

The following table shows the 30 councils and the amount they are excepted to borrow or sell.

Local authority	Exceptional financial support 2025 (£m)
Barnet	55.7
Birmingham	180
Bradford	127.1
Cheshire East	25.3
Croydon	136
Cumberland	24.4
Eastbourne	2
Enfield	10
Halton	32
Haringey	37
Havering	88
Medway	18.484
Newham	51.2
Nottingham	25
Shropshire	26.9
Solihull	32.7
Slough	15.7
Somerset	63
Southampton	89.9

Stoke on Trent	16.8
Swindon	14.7
Thurrock	72
Trafford	9.6
West Berkshire	3
Windsor	41
Wirral	7.5
Woking	74.6
Worcestershire	33.6
Worthing	2

Recent stories from the LDRS wire:

West Berkshire: Council could be £37m in debt worry

Stoke-on-Trent council avoids £14.4m overspend thanks to government bailout

Halton given £50m emergency 'loan' to stop it going bust | Runcorn and Widnes World

Somerset Council temporarily escapes bankruptcy threat following government ruling - Somerset Live

Government could send in commissioners to run Croydon only three years after council's last bankruptcy - southlondon.co.uk

Methodology

We extracted **debt data** from the borrowing and investment live tables (Q4 2024 to 2025) by the Department for Levelling Up, Housing and Communities.

We summed all the borrowing categories listed to get our "total amassed debt" figure

The categories in the dataset were follows.

Short-term borrowing: Banks
Short-term borrowing: Building societies
Short-term borrowing: Other financial intermediaries
Short-term borrowing: Public corporations
Short-term borrowing: Private non-financial corporations
Short-term borrowing: Central Government
Short-term borrowing: Household sector
Short-term borrowing: Other sources
Short-term borrowing: Loans from Local Government
Longer-term borrowing: Negotiable bonds & commercial paper
Longer-term borrowing: Other listed securities
Longer-term borrowing: Public Works Loan Board
Longer-term borrowing: Banks UK
Longer-term borrowing: Building societies
Longer-term borrowing: Other financial intermediaries
Longer-term borrowing: Public corporations
Longer-term borrowing: Private non-financial corporations
Longer-term borrowing: Central Government
Longer-term borrowing: Household sector
Longer-term borrowing: Other sources
Longer-term borrowing: Loans from Local Government

One of the most commonly used metrics in reports of council debt is the yearly amount an authority spends in servicing borrowing as a proportion of its “core spending power”. Core spending power is a measure of the resources available to local authorities to fund services.

However, we found measuring debt against core spending power was problematic.

This is partly because of self-financing laws brought in under the Localism Act in 2012, which allowed many councils to effectively buy their existing social housing stock out of the Housing Revenue Account subsidy system.

This enabled some to keep all of the rent received from their social housing stock but also required them to take on a set amount of debt relating to the size of their stock. This debt is included in the “total amassed debt” in Oflog’s official figures.

However, some councils have argued that core spending power does not include any of the income they receive from social housing and is therefore a misleading metric. Income from commercial investments is also not included in core spending power.

When we took guidance from MHCLG, we found the department was in the process of revising this measure after receiving representations from councils.

For instance, North East Derbyshire Council told us: “The HRA (Housing Revenue Account) debt makes up 95% of the Council’s total debt with less than only £7m relating to the general fund. This is not recognised in the publicly available measure of debt v net revenue spend, with revenue spend only taking into account general fund expenditure. If the HRA debt is separated out then our % debt to NRE on the General Fund is negligible.”

Population figures are published by the Office for National Statistics (ONS) (‘Dataset Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland’.

What we found

Our analysis consists of 382 local authorities in the UK.

How much have councils borrowed?

- Local authorities in the UK (Excluding Police and Crime Commissioners and Chief Constables, Fire and Rescue Authorities and Combined authorities) owed a combined **£122.2bn**, equivalent to an average of **£1,791** per resident as of the end of March 2025 - the close of the last financial year.

Here's how that looks broken down by nation:

Nation	Total borrowing at the end of Q4, 24-25
ENG	£96,225,469,000
NI	£410,741,000
SCO	£19,160,509,000
WAL	£6,437,473,000
UK TOTAL	**£122,234,192,000**

The debt per person figure in Scotland was around double the UK average at the end of Q4, 24-25.

Nation	Total debt per person as of Q4, 24-25
ENG	£1,668
NI	£214
SCO	£3,490
WAL	£2,034
UK TOTAL	£1,791

How has borrowing changed since 2024 (NATIONAL TOTALS)?

Debt at UK local authorities has risen seven per cent from **£114.5bn at the end of Q4 2024 to £122.2bn** at the end of Q4 2025.

Each individual nation has seen a rise in overall debt levels except for Northern Ireland, which managed to reduce its overall debt by around £3million.

Nation	Total amassed debt, Q4, 23-24	Total amassed debt, Q4 24-25	Difference	Percentage rise/fall(-)
ENG	£90,755,897,000	£96,225,469,000	£5,469,572,000	6%
NI	£435,712,000	£410,741,000	-£24,971,000	-6%
SCO	£17,226,052,000	£19,160,509,000	£1,934,457,000	11%
WAL	£6,051,139,000	£6,437,473,000	£386,334,000	6%
Grand Total	£114,468,800,000	£122,234,192,000	£7,765,392,000	7%

Debt per person

Comparing Q4 2023-24 to Q4 2024-25, Scotland saw the biggest rise in debt per person - almost three times the amount of the UK average - while Northern Ireland saw a reduction.

Row Labels	Borrowing per person in 23-24	Borrowing per person in 24-25	Difference
ENG	£1,573	£1,668	£95
NI	£227	£214	-£13
SCO	£3,138	£3,490	£352
WAL	£1,912	£2,034	£122
UK Total	£1,677	£1,791	£114

Councils with no borrowing

A total of 32 councils had no borrowing on their books at the end of 24-25.

These were:

Amber Valley
Breckland
Broadland
Bromley

Bromsgrove
Chichester
Cotswold
East Cambridgeshire
East Lindsey
Erewash
Forest of Dean
Fylde
Hertsmere
Horsham
Maldon
Malvern Hills
Mid Sussex
Newcastle-under-Lyme
Ribble Valley
Rochford
Rushcliffe
South Oxfordshire
South Ribble
Stafford
Stratford-on-Avon
Teignbridge
Tonbridge & Malling
Tunbridge Wells
Vale of White Horse
West Oxfordshire
Wychavon
Wyre

How many councils saw a rise?

More than half of councils increased their borrowing levels comparing the end of the 23-24 financial year to the end of the 24-25 financial year.

- **49% of councils increased their debt compared to April 2024**
- **14% maintained the same level.**
- **37% reduced debt**

Who has the most debt overall?

Taking a snapshot of council debt levels as of April 2025, Woking continued to have the most debt per person in the UK - double that of the nearest council, Spelthorne. Three of the councils in the top ten are in Surrey.

TABLE 1: Councils with the largest levels of debt per person Q4 24-25

Local authority	Nation	Council type	Debt per person, Q4 2024-25
Woking	ENG	Non-metropolitan District	£20,601.33
Spelthorne	ENG	Non-metropolitan District	£10,252.24
West Dunbartonshire	SCO	Scottish council area	£8,885.81
Warrington	ENG	Unitary Authority	£7,418.51
Barking & Dagenham	ENG	London Borough	£6,854.23
Aberdeen	SCO	Scottish council area	£6,666.33
Runnymede	ENG	Non-metropolitan District	£6,608.79
Highland	SCO	Scottish council area	£5,476.00
South Tyneside	ENG	Metropolitan District	£4,947.46
East Lothian	SCO	Scottish council area	£4,918.25

In terms of overall debt - the country's largest council, Birmingham, remains top despite a 4% reduction in its overall debt.

TABLE 2: Councils with the largest overall debt Q4 24-25

Local authority name	Q4 25 - with council lending
Birmingham	£3,352,457,000
Leeds	£2,640,673,000
Woking	£2,155,641,000

Edinburgh	£1,977,032,000
Glasgow	£1,671,812,000
Manchester	£1,608,568,000
Warrington	£1,575,609,000
Barking & Dagenham	£1,523,750,000
Aberdeen	£1,518,257,000
Croydon	£1,459,601,000

Councils with the biggest rise in debt:

Surrey had the largest overall growth in the amount of debt in the space of one financial year.

Six of the top ten councils to see the largest overall rise in debt were London boroughs, Newham, Greenwich, Barking and Dagenham, Croydon, Haringey and Lambeth. Croydon has issued two effective bankruptcy notices (Section 114 notices) in the past five years.

TABLE 3: COUNCILS with the largest rise in overall debt (£)

Local authority name	Total amassed debt, Q4, 23-24	Totall amassed debt, Q4, 24-25	Difference
Surrey	£726,898,000	£1,073,482,000	£346,584,000
Newham	£1,136,588,000	£1,448,894,000	£312,306,000
Manchester	£1,319,983,000	£1,608,568,000	£288,585,000
Greenwich	£463,946,000	£732,338,000	£268,392,000
Edinburgh	£1,733,582,000	£1,977,032,000	£243,450,000
Barking & Dagenham	£1,321,652,000	£1,523,750,000	£202,098,000
Lambeth	£936,256,000	£1,128,918,000	£192,662,000
Croydon	£1,279,601,000	£1,459,601,000	£180,000,000
Haringey	£819,432,000	£981,253,000	£161,821,000
Highland	£1,132,444,000	£1,294,144,000	£161,700,000

Debt rise per person

Five London boroughs featured among the top ten councils to see the biggest rise per population. Barking and Dagenham's rise in debt was 13 times the national average.

TABLE 4: COUNCILS with the largest rise in debt per person (£)

Local authority name	Nation	Debt per person Q4, 23-24	Debt per person Q4, 24-25	Debt rise per person
Kensington & Chelsea	ENG	£2,319.53	£3,414.74	£1,095.21
Greenwich	ENG	£1,577.44	£2,489.99	£912.55
Barking & Dagenham	ENG	£5,945.14	£6,854.23	£909.09
Scottish Borders	SCO	£2,120.70	£2,991.98	£871.29
Newham	ENG	£3,134.97	£3,996.38	£861.41
North Ayrshire	SCO	£2,390.99	£3,214.52	£823.54
West Dunbartonshire	SCO	£8,097.72	£8,885.81	£788.09
Dundee	SCO	£3,870.06	£4,607.41	£737.36
Falkirk	SCO	£2,485.36	£3,207.61	£722.25
Highland	SCO	£4,791.79	£5,476.00	£684.21

Rights of Response:

Ministry of Housing, Communities and Local Government

An MHCLG spokesperson said:

“While councils are responsible for managing their own budgets, we know that the current funding system is broken which is why we are taking decisive action so local leaders can deliver the public services their communities rely on.

“We have announced over £3.4 billion of new grant funding for local services on top of the £69 billion already made available this year to boost council finances, and we will go further to reform the funding system, including at new unitary councils, to ensure it is fit for the future.”

Background

- Under the current system, local authorities are free to determine their own capital strategies to meet local need, including how they finance investment from borrowing or asset sales. However, they must ensure their decisions are prudent, affordable and sustainable and represent value for money.
- While councils can borrow to meet cash need, they cannot borrow for revenue costs which must be paid for from revenue income or reserves.
- Under the previous administration, councils needing exceptional financial support were charged an additional 1% interest. The Deputy Prime Minister announced in 2024 that she intended to scrap the “punitive payday loan premium” and this was confirmed at the local government financial settlement in February 2025.
- The Spending Review, announced in June, provides £3.4 billion of new grant funding that will be delivered through the Local Government Finance Settlement between 2026-27 and 2028-29. This is on top of the £69 billion already made available for 2025-26, a 6.8% cash terms increase in council’s Core Spending Power on 2024-25.
- The government's proposals for funding reform set out in the Fair Funding Review 2.0 consultation will target central government grant where it is needed most using up-to-date data from 2026-27.

Barking and Dagenham

Second in the UK for the largest debt rise per person.

Please note the Shared Data Unit used official debt figures from the Department for Communities - we do not agree that the council’s IAS debt was wrongly included as mentioned in the statement.

A spokesperson: “As reported to Cabinet on 17 June, the council had a small underspend in the 2024/25 financial year. There is no financial distress at the council, mainly because the council does not face the huge pressures from the cost of temporary accommodation that most councils in London are dealing with at a cost of £4m per day.

“This links to the Council’s Investment Acquisition Strategy (IAS). The IAS is now reaching its conclusion and the council will have funded 3,700 new properties, through arms length companies wholly owned by the council.

“The IAS debt, wrongly included in your figures, is around £1bn and the costs of paying the debt interest are funded from the income from the housing rents and from commercial properties within major regeneration schemes. This programme has had a transformational impact in one of the most deprived boroughs in London.

“The level of Council Tax payer funded debt is low in terms of London Borough debt, at less than £500m, and more than half of this relates to the Housing Revenue Account and is historic with no borrowing added for many years.

“There is no question of a S114 notice being issued and there have been no conversations on this subject with either the Ministry of Housing, Communities and Local Government or the council’s external auditor.

“Local authority financial comparisons are fraught with difficulty due to the individual circumstances of each council. Our IAS is an ambitious and successful programme which has been fully and transparently reported to cabinet and Council over the last nine years.”

Birmingham City Council

Highest level of overall debt in the UK

The council provided background notes only, below:

1. From data provided to the Department for Levelling Up, Housing and Communities (DLUHC), the Council’s gross loan debt of £3,352.5m as at 31 March 2025 was the highest for local authorities in the UK (excluding the Greater London Authority). However, the Council is also the largest local authority by some way and given the population of Birmingham, a more suitable comparison would be debt per head of population.

2. At 31 March 2025, Birmingham had debt per head of population of £2,875, this is 49th in ranking for all 382 UK local authorities that reported to MHCLG.

3. The Council held cash balances of £219.4m as at 31st March 2025 and thus the Council’s net debt was £3,133.1m at that date.

4. The costs of servicing this debt (interest as well as making annual provisions for repayment of debt) are built into the Council’s medium term financial plans. The s114 issued in 2023 by the then s114 officer was not related to the Council’s debt level. At this stage there is no indication that a s114 will

need to be issued as a result of the debt levels as current budget projections are within available resources.

5. The Council's debt is made up of £1,269.0m for the Housing Revenue Account (Council Housing) and £2,083.5m relates to the Council's General Fund.

6. The Council is currently keeping borrowing for the General Fund to a minimum. This should see a fall in General Fund over the next few years,

7. There is a large planned capital investment programme into the Council's Housing stock to improve the conditions for Council tenants and this will be initially financed by borrowing and repaid from the HRA over the term of the HRA Business Plan. The Business Plan demonstrates that this is affordable to the HRA.

Croydon Council

Croydon had one of the largest rises in overall debt and one of the largest debts overall.

A spokesperson for Croydon Council said:

“We recognise that Croydon's financial circumstances are among the most challenging of any local authority in the country. The root cause is the structure of our historic £1.4bn general fund debt, much of which is not backed by assets. Managing this debt costs about £1 in every £5 of spending, which is £71m this financial year. This is two times higher than the average for other councils.

“Croydon has been in receipt of exceptional financial support in the form of capitalisation directions since 2019-20. This is owing to the historical debt burden and the additional pressures that all local authorities are experiencing from rising costs and increased demand for essential services, such as temporary accommodation, adult and children's social care and SEND home to school transport. These capitalisation directions are not sustainable as they are simply adding to our borrowing costs.

“Croydon is working to deliver savings through our Future Croydon transformation plan, by becoming more cost effective and efficient through modernising services across the organisation. Despite this progress, we cannot become financially sustainable and meet our Best Value Duty until a solution from Government, such as a debt write off, is agreed.

“Our General Fund borrowing requirement in 2024-25 only increased by £1.5m, owing to the Council’s successful asset sales strategy largely funding our capital programme and use of exceptional financial support. The increase in external loans was driven in part by a decision, backed by the then government-appointed Improvement and Assurance Panel, for Croydon to hold higher cash balances. There was also new borrowing for housing revenue account investment and new borrowing to offset the reduction in the availability of internal borrowing owing to the use of reserves and repayment of government grants not required.”

East Lothian

Third highest debt per person in Scotland

An East Lothian Council spokesperson said: “Borrowing is directly linked to delivery of our capital programme, which is mainly driven by the need to invest in infrastructure to support a growing local population. East Lothian is one of Scotland’s fastest growing areas due to national housebuilding targets.

“Most day-to-day funding for councils comes from central government grant. Historically, East Lothian Council has received one of the lowest per capita funding of the 32 Scottish local authorities, despite being one of the fastest growing areas. Reduced capital funding relative to infrastructure demands has resulted in a growing borrowing requirement for the council

“A recent Best Value report of our authority, published by the Accounts Commission, highlighted that almost uniquely amongst Scottish local authorities, East Lothian has numbers of both rapidly expanding younger and older populations. This presents significant challenges for resources and, in particular, requires investment in infrastructure to meet the resulting demand and our statutory responsibilities. For example, we are currently delivering three new primary schools which were not fully funded by developers, requiring additional borrowing from the council to meet the costs. The schools will join other operational assets on our balance sheet, including our council housing stock, which we continue to invest in and is funded by borrowing. While this may impact our debt figures this analysis does not recognise the value of our property estate or the fact that we are duty bound to provide such services unlike many of the other authorities we have been assessed against.

“While our council continues to face significant financial challenges as a result of growing demand for services, rising costs and a Government grant that is reducing in real terms, our financial management is recognised as being effective. Our treasury management strategy and monitoring show full compliance with CIPFA’s Prudential Code. We closely monitor and report regularly to council meetings and committees on all of the prudential indicators, with no breaches of these, while regular reports are also produced to highlight work that takes place to manage the financial environment.

“S114 does not apply in Scotland, but no equivalent notices have been made.”

Edinburgh

Fourth highest overall debt levels in UK and fifth largest rise in debt overall

Please find relevant background information from the City of Edinburgh Council below. Thank you.

- **For example, does the council believe the current level of debt is sustainable?**

Yes, the Council is required under the Prudential Code and Local Government Act to ensure debt is sustainable, affordable, and prudent. The Council complies with these laws and their guidance.

- **Is there a strategy to reduce debt over the short or long-term? Has the financial officer issued, or has warned of issuing an S114 notice over the course of the financial year? Can the council explain what is behind the rise?**

The Council has a capital strategy and investment plan plus a loans fund policy which sets out the policy for the repayment of the Council's debt. The Council continues to invest in its business plan priorities, such as tackling poverty, and part of the plan is capital investment to borrow to address systemic social issues and reduce the financial implications for the Council.
The Section 95 officer has not issued warning of a Section 114 notice. (To note Section 114 of the Local Government Act is not applicable in the Scottish Local Government Act – there is no replicated/similar power in Scottish law).

- **Has the council faced an external audit by auditors instructed by the Department for Levelling Up, Government and Communities?**

No.

- **What are the aims and priorities of the council's investment portfolio?**

The Council has a 10 year capital strategy for the Council and the Housing Revenue Account (HRA).
The General Fund's Capital Budget Strategy is fully funded over the 10-year period.
The Council Business Plan 2023-27 sets out three priorities for the next phase of the city's development and for the way we will reform our services. We use this plan to guide our budget and investment decisions, ensuring that spending is focused on those activities with the biggest impact.
Our three core priorities are to:
Create good places to live and work
End poverty in Edinburgh
Become a net zero city by 2030.

The Capital plan, which is guided by the strategy, invests in key areas such as new schools and extensions, roads and infrastructure, cycle and active travel routes, culture and also ensures the Council's estate is maintained. In our 2025/26 budget setting, additional investment was agreed by the Council to invest in prevention and early intervention - such as in temporary accommodation to address homelessness issues in the city, our ASN schools and Adult Social Care.

Greenwich

A Royal Borough of Greenwich spokesperson said: "The Royal Borough of Greenwich has a reputation for strong financial management. We have continued to serve our residents in the face of ongoing economic uncertainty and rising service demands and have avoided borrowing for many years. But with over 26,000 people on our housing register, our need to borrow has been to deliver more social housing, and this revenue is ring-fenced and not met by the taxpayer. Like the rest of London, we desperately need shovels in the ground and roofs over people's heads and we're proud to have had the highest number of new affordable homes started of any borough in the capital last year.

"We've forecast our borrowing for non-housing purposes to drop in the next financial year, and when we do borrow, we ensure it is affordable, sustainable and prudent in accordance with the Prudential Code."

Leeds City Council

Second highest debt overall

A spokesperson for Leeds City Council said: "Leeds is the second largest local authority in the UK, which is important context when considering the size of its debt in comparison to other local authorities.

"The overall level of the council's borrowing is also comparable with many other authorities and our overall level of debt is consistent with the size of Leeds City Council's asset base.

"Borrowing enables the council to invest in assets and services, continue to operate effectively and support upcoming major investment programmes. The cost associated with this borrowing is affordable and can be managed within the council's approved budget for 2025/26 and in line with our capital strategy.

"Between March 31 2024 and the March 31 2025, the council's capital financing requirement (its need to borrow to fund capital expenditure) increased by £111m. However, the actual level of borrowing increased by £27m, which reflects the strategic use of cash balances (£84m) to offset the need to borrow.

“Approximately 26.8% of the councils’ capital financing requirement relates to our Housing Revenue Account (HRA), which reflects the increased resource needed for the Council House Growth Programme. Many local authorities do not operate a Housing Revenue Account and so do not require the same level of borrowing.
“Leeds City Council has not faced an external audit by auditors instructed by the Department for Levelling Up, Government and Communities.
“The assistant chief executive, finance, traded and resources has also not issued, or warned of issuing, a S114 notice.”

Manchester City Council

Third largest rise in overall debt

A Manchester City Council spokesperson said: “Manchester City Council is one of the largest metropolitan councils in England with a broad and diverse base of valuable assets. Our current level of borrowing is affordable and sustainable, as set out in our Treasury Management Strategy, and the cost of financing current debt levels* amounts to less than 6% of our annual budget.

“We make a prudent annual provision for the repayment of borrowing, and once we’ve completed our current capital programme we anticipate that our overall borrowing levels will reduce gradually over time.

“We only borrow to invest in long-term capital assets within the Manchester City Council area. While some of these investments do yield an income, they are all strategic investments which support the city’s regeneration, economic growth and infrastructure for the wider benefit of Manchester people.”

interest and repayment costs, net of investment income

Additional guidance:
Manchester City Council has not issued a section 114 notice or asked for exceptional finance support, nor are we likely to do so due to sound long-term financial management.

The Council has not faced an external audit by auditors instructed by the Government.

Newham Council

A Newham Council spokesperson said: "Newham's debt has risen largely because the Council is investing in capital projects to address the desperate need for housing within the borough.

"Most of the debt taken in the 2024/25 financial year has been used to build and maintain stock in the Housing Revenue Account (HRA).

"The Housing Revenue Account is legally ring-fenced from council tax funded services, and over the long term the rents that tenants pay cover the cost of borrowing. These investments in HRA stock have been made as per the approved capital budget and the HRA business plan.

"It is no secret that Newham's temporary housing costs have increased substantially over the past few years, in building new social homes, we are helping to relieve the pressures on the Council budget.

"Borrowing has also been taken to progress the Council's regeneration schemes, which will create income generating assets that are viable over the long term whilst helping address the borough's housing needs, and taken to enable purchase of housing to provide cost effective temporary accommodation.

"Debt levels are deemed sustainable as the assets created with the debt generate income ,and help relieve pressures on housing services. By improving local amenities we are providing value for money solutions to deliver necessary solutions for our residents."

Spelthorne Borough Council

Spelthorne did not provide a new statement - but referred us to Spelthorne - 2024/25 year in review - Spelthorne Borough Council you can also find information on its Best Value inspection here: Government intervention - Spelthorne Borough Council which raises serious concerns about the financial sustainability of the council.

Surrey County Council

Tim Oliver, Leader of Surrey County Council said:
"Councils across the country are facing unprecedented financial challenges, and while here in Surrey we have a stable budget position, we are not immune to that pressure. It's imperative that the outcome of the forthcoming Fair Funding Review is fair and proportionate.

"All our key services – including social care, children's services, and highways maintenance – are facing higher demand, higher costs, and reduced funding. We must find ways to continue to support those residents who need us most, and to deliver the services that people rely on every day. This means we have to reduce costs where we can – and there is more to do to set a balanced budget next year – but also transform the way we work and find new ways to deliver services more effectively.

"Over recent years our capital ambition and delivery has grown significantly, however the economic environment has changed, with high interest rates and significant increases in prices making delivery of capital schemes more expensive. To sustain our financial resilience, a thorough review of our capital programme for 2025/26 – 2029/30 has been undertaken to ensure the affordability and sustainability in the medium term, which proposes further and ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational needs and disabilities, the green agenda, transforming our libraries and investing in adult social care accommodation with care and support. We have also funded a hugely popular Your Fund Surrey programme, investing some millions in community led projects.

"Interest rates are forecast to reduce in 2025/26, however the current economic conditions and our debt portfolio, whereby we are holding short term debt until rates lower, has seen higher than forecast borrowing costs. Ultimately, we want to secure longer term debt to match the investment made in assets and infrastructure, but current prevailing interest rates result in the holding of short-term debt as the most prudent course despite the higher than expected short term rates.

"As part of our budget setting process, the levels of balances and reserves have been determined to ensure that the level is justifiable and manageable in the context of local circumstances and risk."

West Dunbartonshire Council

Sixth in the UK for largest current debt levels per person

A spokesperson said: "The Council's debt levels are being actively managed through considering the scale of the Council's capital programme and monitoring forecast interest rates to identify opportunities to restructure debt. The Council is committed to investing in the long-term economic development of West Dunbartonshire and the provision of quality housing as we seek to tackle the housing emergency. All decisions on capital investment are and will continue to be informed by a consideration of affordability."

Woking

Highest debt per person figure in the UK

Woking did not issue an on-the-record statement. However, it did refer us towards its latest progress report in its Improvement and Recovery Plan - EXE25-009 Improvement and Recovery Plan Progress - September 2024 to March 2025.pdf

Interviews

Jonathan Carr-West

Jonathan is the chief executive of the Local Government Information Unit. The LGIU is a worldwide, not-for-profit organisation with around 300 membership authorities. It works to strengthen local democracy.

Q: What did you think of the findings broadly?

A: “So I don't think there's any huge surprises there. We've known for some time that a lot of councils across the country carry fairly high levels of debt and that a small number of councils carry very, very high levels of debt. That picture hasn't changed much over over the past few years

“I think it's worth, as always, reminding ourselves why councils are in that position, why they're doing that. There were a series of decisions taken in the years after 2010 that meant the government grant to councils reduced very dramatically and councils were encouraged to use their own resources, their own ingenuity, to be part of the local economy and to raise money themselves. That led to a lot of councils borrowing money, mainly from the Public Works Loans Board (see background), in order to invest in commercial property in new developments. And councils took on quite a lot of debt to do that.

“For many of these councils, that has been a success. There's been a decent payback from those investments; it's been a key part of their revenue budget. Many of the councils with quite high levels of debt are councils that will, through the various complex funding formulas, have received nothing or almost nothing through central government. So it's been, deliberately, quite a key part of the funding picture for local government.

“It would be a mistake to sort of see this story as being about some councils that have gone rogue and gone off to borrow loads of money.

“This has been a fairly consistent thing across the sector. There's only about, as your research makes clear, 30-something councils that don't carry this sort of debt out of the sort of 400-odd councils across the country. So it's a very consistent pattern

“For me, the key question we need to look at is not necessarily the council's overall level of debt, but its ability to pay back that debt and how that compares to the level of revenue those assets are bringing in.

“Where overall this has largely worked for local government, there are a few councils - and we know the famous examples like Thurrock, Woking - that have ended up with unsustainable amounts of debt.

“In those cases and with councils like Croydon also, they have all issued section 114 notices and have effectively gone bankrupt - and that level of debt has been a key element of that failure.”

Q: An £8 billion rise in debt in the space of a year seems a lot - councils certainly aren’t decreasing their debt levels overall - is that worrying?

A: Well, look, I think the overall picture of local government finance is worrying and it should worry us a lot.

“We survey every council in the country every year earlier this year, still one third of councils are telling us that if nothing changes in terms of how they're funded, they are going to go bust within the next five years. Now that's down from 50% of councils telling us that in 2024. So we have made some progress.

“There's a sense that we're slightly moving in the right direction, but overall, I mean, it's not just a debt issue, it's also about the amount of funding they get from central government, it's about their ability to raise council tax and business rates.

“Above all, it's about unbelievable increases in the demand and the cost of statutory services like adult social care, children's services, housing.

“The Labour Government was elected in July last year. They have put in place some changes to how local government should be funded. So, as many people have called for, including us had called for for a long time, they are introducing multi-year financial settlements so the local government can plan over a three-year period. They are ending a process where councils were bidding for little pots of funding and they're entering into a review of the funding formula based on the cost of delivering services and on their ability to to raise council tax. All of those things are steps in the right direction.

“But they're only just beginning. None of those things will really come into effect until the next financial year and we await the provisional settlement for local government in December.

“I think the government would say that they're taking steps. I think what we would all say is it is too early to see whether those are really going to turn the ship around. My worry would be that they're necessary first steps, but we'll probably need to go further and have a more radical conversation about how we fund local services in relation to the debt question.

“You also have an additional complication now in that the government has launched a fairly large-scale reorganisation of councils. In fact the largest shake up of councils for 50 years.

“And in 21 two-tier areas they are reorganising entirely so that you will not have those county and district councils - You will just have a single unitary council.

“Now the problem is that many of the places that hold, as your research shows, the biggest levels of debt are precisely those places where those councils are being wound up and replaced with new councils. What happens to the debt in that process? What indeed happens to the assets in that process? Does that debt risk making the new unitary councils financially unsustainable from day one? These are all questions still to be answered.

“I think the reason that councils are in financial trouble is because we have systemically underfunded local government for the past 15 years, we've created a system in which there is not enough money in the sector and in which councils have become reliant on their own ability to generate money, whether through local taxes or through return on investment.”

Q: The data shows there has been a near tripling of short-term loans to councils from

central government in the space of a year - does that concern you? And why is that happening?

A: "We now have around 30 councils receiving emergency financial support, exceptional financial support from the government. When people talk about that, they often think that's money from government - it's not.

"That exceptional support is about changing accounting rules so that you can sell off assets more easily and so that you can use borrowing to fund some elements of revenue.

"That is not a sustainable system. As one local government finance officer said to me, it's essentially payday loans for local government.

"I don't think the government would say that it's long-term ambition. They would say that is what we have had to do to paper over the cracks while we introduce a new funding system for local government.

"Now, the billion dollar question is whether the changes the government's making around multi-year settlements and a new funding formula make enough difference."

Q: At many councils up and down the country we are seeing assets being sold to repay debt. What will the long-term effect of that be?

"Let's take some of those high profile examples where councils have 'gone bust' where they've issued section 114 notices at places like Croydon and Birmingham.

"We've seen massive council tax increases for residents where there have been deep cuts to services. So children's services were cut by 25% in Birmingham and cultural services completely defunded.

"We're now seeing the selling off of assets and once they're gone, they're gone. So that was public value that is now passing into private hands and that won't come back now.

"Maybe the situation is so desperate that they do need to do that in order to keep their heads afloat. But again it's not a long term way to to think about public funding, public services and generating public value.

"It's a short term fix with very long-lasting implications."

Sarah Calkin

Editor of the Local Government Chronicle

Q: What do you think of the findings broadly? A rise of £8billion of extra debt in a year seems a lot but is that just normal?

A: “The first thing to say is debt is not inherently bad. It depends what it's for.

“Lots of councils borrow money to invest in things like improvements to roads, schools, new leisure centres. But it depends how that debt is structured.

“A lot of the councils that have got themselves into trouble with debt have had to say because they've done lots of short term borrowing and then when they've had to come to refinance that borrowing, the interest rates have risen - the borrowing becomes more expensive and the business case for the project they borrowed for doesn’t stack up anymore.

“And that's what we've seen in some of those places like Woking that have got really, really high debt

“It does look like a big, big jump in-year and there's a couple of things going on that I would sort of hypothesise could be behind that. One is exceptional financial support, which is the government allowing councils to borrow to fund day-to-day spending.

“This is pretty controversial because there is a longstanding accounting principle that you should borrow to fund capital assets, not just to fund your day-to-day spending. And most of us would apply that in our lives as well, wouldn't we? If you're putting the food shop on a credit card, it's not great, but if you're buying a new sofa, then yeah, that's probably OK. So it's the same principle.”

Q: **What’s driving the rise in short-term lending?**

“So this is being driven by the increasing number of councils receiving what's called exceptional financial support. Now I would argue that it's not that exceptional because 30 councils received it this year and it's limited financial support because what it actually does is allow councils to borrow to fund their day-to-day spending.

“The theory behind this is it helps those councils in the most financial difficulty. So those that might otherwise have issued what's called a section 114 notice or effectively declare themselves bankrupt, it kind of helps them transition to become more sustainable organisations that can live within their means.

“But ultimately, that debt will still have to be repaid in the future. So it is not really supporting that council. It's ultimately going to contribute to making them poorer in the long run.

Q: Is that sustainable?

“I think very few senior finance officers or chief executives would say the current system is sustainable. There are some funding reforms coming down the track which will change the way money is distributed around the system and there'll be winners and losers from that.

“That has been welcomed in some quarters and will help in some ways. The multi-year settlement, the government's planning to give it, has also been very welcome and will help by giving councils a longer view over a longer time period over which to manage their budgets.

“I think overall it comes back to this point that the funding isn't adequate to meet the demand out there and that's across a whole range of services for the most vulnerable in our society from adult social care to children's services, education for children with special educational needs and disabilities or housing and homelessness. All of those services are seeing big rises in demand that are pushing up councils’ costs.”

Q: But the reforms are not being welcomed by everyone?

“So I think London and particularly inner London is likely to lose out quite a lot from the way the reforms are currently designed. There's a live consultation at the moment and people will be feeding into that.

“It all comes down to what ingredients you put into the formula in terms of how money is distributed around the system and different parts of the country have very different cost drivers. The debate that's going on at the moment is how do we get a formula that's fair to everybody?”