Labour says it will not bail out bankrupt councils

Labour will not bail out bankrupt councils, the shadow chancellor has said.

“I’m not going to be able to fix all the problems straightaway,” **Rachel Reeves** said during an interview on **Sky News’ Sunday Morning With Trevor Phillips**.

Her comments follow Birmingham City Council **effectively declaring bankruptcy** after being hit with a £760m bill to settle equal pay claims.

In response, the council **approved plans to hike council tax by 21%** over the next two years, as well as £300m in cuts over the same period.

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Asked if she would bail out the councils, allow them to raise taxes or tell them to sink or swim, Ms Reeves said: “I’m under no illusions about the scale of the challenge that I will inherit if I become chancellor later this year and I need to be honest with people.”

She added: “My focus is on reforming the planning system to get Britain building again…

“If we do those things, we will bring in the tax revenue and we will be able to invest in public services again. There’s no shortcuts. That is the way.”

During the Sky News interview, Ms Reeves also said scrapping the non-dom tax status is “an utter humiliation for this government”.

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“The last budget of this parliament – they’ve had 14 years and they use this moment to close a non-dom tax loophole that everyone has been aware of for years,” she added.



Image:
Shadow chancellor Rachel Reeves and Labour leader Sir Keir Starmer. Pic: PA

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Other councils have effectively declared bankruptcy

Several other councils have effectively declared bankruptcy, with Hackney Council issuing a section 114 notice in 2000 and Northamptonshire County Council following suit in 2018.

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Croydon Council issued its third section 114 notice in two years in November 2022. Thurrock in Essex made the same move in December 2022 after it got into difficulties over borrowing large sums to invest in solar energy.

Woking issued a section 114 in June 2023 due to what it said was “an extremely serious financial shortfall owing to its historic investment strategy that has resulted in unaffordable borrowing, inadequate steps to repay that borrowing and high values of irrecoverable loans”.