

# Council finance

COUNCILS GOING BUST · THE 1991 TAX · WHAT COUNCILS DO · HOW WE RAISE THE MONEY · RICHER VS POORER AREAS

England's councils are breaking down - structurally, not by accident. The funding system has not been updated since 1991, demand-led duties are eating everything else, and some councils have effectively gone bankrupt. Some fixes hold regardless of politics. Three big choices - what councils do, how we raise the money, and how much we even things out between richer and poorer areas - belong to the public.

## The crisis - five structural facts

- Eight councils issued twelve formal "out of money" notices in five years
- ~30 councils now afloat only on emergency borrowing or asset sales (up from 8 two years ago)
- ~£4.1bn hole in council budgets for 2026/27 - and widening each year
- Council tax still valued off **1991 house prices** - no re-rating in 35 years
- Adult social care alone ~42% of council spending, crowding out parks, libraries, roads

## The fixes that hold regardless

- **Multi-year settlements** - councils told their budget 3-5 years ahead, on a published formula
- **Commercial borrowing limits** - Woking ~£1.9bn, Thurrock ~£1.5bn in failed bets; binding caps to stop it
- **Rebuilt audit** - on-time accounts fell from ~97% to ~1%; a new national body to fix it
- **Defined failure route** - resolve a bust council on stated rules, not improvised rescue
- **Ring-fence demand duties** - so care costs stop cannibalising everything else

## THE THREE CHOICES FOR THE PUBLIC

### 1 · What councils do - and who runs it

Which services are compulsory (care, child protection, homelessness) and which optional? Which funded nationally to the same standard everywhere, which raised and varied locally? And should a service be run by the council or handed to an independent body? The honest evidence on hiving-off: **it sometimes works, often falls short** - what matters is the quality of the operator and whether the public keeps a clear line of sight. The choice is between national fairness and local control. No option recommended.

### 3 · How far to even out richer vs poorer areas

Deprived areas have the most need but the least money; wealthy areas are the opposite. Fully levelling the playing field shifts around **£7.3bn a year** from affluent to deprived areas (illustrative). One thing the evidence settles: letting councils keep more of their own tax growth did **not** grow local economies - it widened the gap between rich and poor areas. The honest trade-off is fairness against local control. No amount recommended.

## CHOICE 2 - HOW THE MONEY IS RAISED

### The revenue menu (central yield, £bn/yr)

- Re-rate & reband council tax to today's values - ~£3.9bn
- Proportional property tax (% of current value) - ~£5.0bn
- Land value tax - ~£3.0bn (rough estimate only; no reliable UK figure)
- Local income tax - ~£4.0bn (but raises most where need is least)
- Business-rates lever - ~£2.0bn
- Visitor levy + parking charge + second homes - ~£0.65bn combined

Today's average Band D bill: £2,280/yr. Deferral option available for asset-rich, income-poor owners - no one forced to sell.

### Winners & losers - direction certain, magnitudes illustrative

Band	Re-rate & reband	Proportional tax
A (cheapest)	-£267	-£593
B	-£158	-£352
C	-£78	-£173
D (middle)	+£59	+£130
E	+£192	+£426
F	+£465	+£1,033
G	+£1,627	+£3,616
<b>H (most valuable)</b>	<b>+£3,510</b>	<b>+£7,799</b>

Income and business-rates options do not change council-tax bands.

## THE HONEST NUMBERS

<p><b>£4.1bn</b></p> <p>funding gap for 2026/27 - structural, not cyclical; widens each year</p>	<p><b>1991</b></p> <p>last year homes were valued for council tax - 35 years with no re-rating</p>	<p><b>£2,280</b></p> <p>average Band D bill today</p>	<p><b>~£7,800</b></p> <p>max top-band rise under full proportional reform (illustrative)</p>	<p><b>~£7.3bn</b></p> <p>annual shift to even out richer vs poorer areas fully (illustrative)</p>
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*The question for you: what should councils be for - and who should pay? Any tax that tracks today's home values shifts the burden in one clear direction: cheaper homes pay less, more valuable homes pay more. That is not a side-effect - it is the whole point of making the tax fairer. Which trade-off is fairest is a value judgement, and it is yours.*

**The rule: evidence settles the machinery; the public decides the dial**

Multi-year settlements, commercial-risk limits, a rebuilt audit system and a defined failure route are not contested - the evidence points the same way whoever is in charge, and they are built to hold under any answer to the three choices. What councils are for, how the money is raised, and how far to even things out between richer and poorer areas are genuinely yours to decide - shown here with their honest costs, no option labelled recommended.

**How it stays non-partisan**

- No revenue option labelled "recommended"
- Winners and losers shown explicitly for every option
- The 1991 data gap named - not hidden behind spurious precision
- The "retention grows the pie" claim tested - and found false
- Value choices (who pays, how much redistribution) never dressed as technical necessity
- Presents options; does not advocate adoption