

Fixing how councils are paid for - a plain-English summary

What is wrong, what the reform would do, what it would honestly cost, and the three questions we are putting to you.

Discussion draft · version 1.0 · June 2026. This is the short, public version of the White Paper. It is a proposal for discussion, not a finished policy. We set out the options and the evidence; what councils should do, how the money should be raised, and how far to even things out between richer and poorer areas are decisions for the public and Parliament - not for us to make for you. A fuller plain-English walk-through of the three choices is in the [Public Choices](#) companion.

The problem, in one paragraph

Your council is the part of government closest to you - it empties the bins, fixes the roads, runs the libraries and parks, cares for older and disabled adults, protects children at risk and houses families who would otherwise be homeless. Across the country that machine is breaking down, and not from a run of bad luck. Some councils have effectively gone bust. There is a roughly **£4.1 billion** hole between what councils must by law spend and the money they have. A handful of services they are legally required to provide - adult social care and support for children with special educational needs above all - are rising so fast they swallow the budget, so the parks, libraries and road repairs get cut to pay for them. The tax that funds a big slice of all this is still worked out from what each home was worth in **1991** - no home has been re-rated in over thirty years. And some councils made disastrous bets - one ran up around £1.9 billion of borrowing, another a £1.5 billion portfolio that collapsed - while the auditing meant to catch them had all but stopped working.

What the reform would do

The reform has two parts: a set of fixes that the evidence can largely settle, and three genuine choices that only the public can settle.

The fixes that make sense whoever runs councils. These are needed however the choices below are answered, and they are designed to stop the failures happening again:

- **Tell councils their budget several years at a time, not one year at a time.** Councils have been told their funding only weeks before the year begins - you cannot plan, invest to save, or keep a prudent rainy-day fund like that. A multi-year settlement is the basic fix almost everyone agrees on.
- **Get a proper grip on risky council borrowing, and fix the broken audit system.** Hard limits on the reckless commercial borrowing that sank councils like Woking and Thurrock, real-time monitoring with early warnings, and a rebuilt, independent system for checking council accounts - after the share signed off on time collapsed from around **97% to about 1%**.

Plus three choices that belong to the public. The fixes above hold whatever we decide. But three questions are not technical - they are genuine value choices about what councils are for, who pays, and how much we share out - so we put them to you rather than answer them for you.

The honest numbers

We will not pretend any of this is free, and we will not dress up a cost as a saving.

- The hole in council budgets is about **£4.1 billion** for the coming year, and on current trends it grows rather than closes.
- **Making council tax track what homes are actually worth today shifts the burden in one clear direction: cheaper homes pay less, more valuable homes pay more.** Under the gentlest reform, a top-band home pays around **£3,500 a year more** and lower-band homes pay a little less. Under a full proportional property tax - charging a simple percentage of a home's value - the cheapest homes pay around **£590 a year less**, while a top-band home could pay around **£7,800 a year more**. (For comparison, today's average bill for a middle, Band D home is about **£2,280 a year**.)
- **A protection runs alongside this** for the "asset-rich, cash-poor" owner - often a pensioner in a now-valuable home on a modest income. They could **defer** the extra charge against the property, settled when the home is sold or passed on. Nobody is forced to sell the home they live in.
- **Some low-controversy local charges** raise money where the pressure actually is, so they cause far less argument: a small per-night **visitor levy** on overnight stays (around £0.4 billion a year if widely adopted), a **workplace-parking charge** on employers (around £0.15 billion), and **higher bills on second and long-empty homes** (around £0.1 billion).

The three questions we're putting to you

The numbers tell you the prices and the trade-offs. What they cannot tell you is what is fair, or what we want councils to be - because those are value judgements, and they belong to the public, not to analysts.

Choice one - what should councils do, and who should run their services? Which services must every council provide and which are optional; which are funded and standardised nationally and which raised and varied locally; and should a service be run by the council itself or handed to an independent or private body? On that last question the honest evidence - from academy schools, privately financed hospitals, and the sold-off water industry - is that handing services off *sometimes worked and often fell short*, and what mattered was **the quality of the operator and whether the public kept a clear line of sight, not whether it was technically public or private**. The trade-off is local control against national fairness.

Choice two - how should we raise the money? A genuine menu, each option different in who pays: re-rate council tax to today's house prices and rebalance the bands (around £3.9 billion a year); replace it with a straight proportional property tax (around £5 billion); a land tax (a rough £3 billion, but nobody has a reliable UK figure); a local income tax (around £4 billion, but it raises most where need is least); or a local business-rates lever (around £2 billion). Every option has winners and losers, shown honestly. Which trade-off is fairest is yours to weigh.

Choice three - how far should we even things out between richer and poorer areas? Wealthy areas can raise plenty and often need less; deprived areas need most and can raise least. The country redistributes to bring funding closer to need - the question is how much. Fully levelling the playing field would shift around **£7.3 billion a year** from the most affluent areas to the most deprived. One point the evidence settles plainly: letting areas keep more of their own tax growth did **not** boost economic growth when it was tried - it just widened the gap between rich and poor areas. So this is an honest trade-off of fairness against local control, not a free lunch.

We are not recommending an answer to any of them. We have set out the evidence as honestly as we can so the judgement can be an informed one.

What it means for you

For a typical Band D bill-payer, today's bill is about **£2,280 a year**. Whether that goes up, down or stays put depends on the choices above - above all on whether council tax is finally re-rated to what homes are actually worth, and if so, where your home sits. A more valuable home pays more under a fairer tax; a cheaper one pays less; and the deferral protection means an older owner on a low income is never forced to sell up to pay it. The honest truth is that fixing council finances costs real money, and it can only come from a fairer property tax, from income, from business, or from how we share it out between areas - there is no free version, and we will never pretend otherwise. And where the evidence is genuinely uncertain - above all *exactly* who wins and loses from a fairer property tax, because no home has been re-rated since 1991 - we say so plainly. That uncertainty is not a reason to duck the question. It is the strongest argument for finally fixing the 1991 problem.

How you will get to decide

We will put these three choices to the public - clearly, with the real costs and the honest catches spelled out - so the decision is made in the open rather than for you. People who take part will be able to have their say and see how others weigh the same trade-offs. The detailed evidence behind every figure here is published in full alongside it, so anyone can check our working. *(The voting itself is still being built - it is a separate part of our work - but the costed choices are published now so the debate can begin.)*

These are choices a generation of reform either ducked or settled behind closed doors. We think it is time they were put to the people who will live with the answer - and pay for it.

The full case, with every figure graded for how strong the evidence is and sourced, is in the [White Paper](#), the [Public Choices](#) companion, the [Delivery Vehicles](#) sub-study, the [Delivery Design](#), the [Evidence Annex](#) and the [costing model](#). This proposal was developed under [The Pragma Method](#), an approach for turning long-unsolved problems into implementation-ready policy on graded evidence and across the political spectrum.