COMMENTARY

Social care and council tax – fixing the fundamental crisis in local government

PUBLISHED: 12 February 2026 **AUTHOR:** Barney Dowling

The system of social care is broken and it is dragging councils down with it

The old age social care system in the UK is broken, so broken that even to call it a system is generous. Though a third of people wrongly assume that the NHS will provide their care in later life and similarly a third wrongly believe it will be free at the point of need, in fact people are expected to pay for their own care until they are close to destitution. Those who are unlucky enough to need substantial care in later life face losing all their assets above a £14,250 threshold (something that only one in five are aware of). For those who need residential care, this can include losing their home.

Despite this lack of generosity, old age social care costs are nonetheless a huge burden on local authorities. According to the Commons Library, net local authority expenditure on adult social care in 2023/24 was £22.3 billion. Around half

(53%) of local authority net expenditure on adult social care in 2023/24 was on adults aged 18–64. This means that roughly £11.8 billion is spent on those over 65 – that's around 25% of total council tax receipts for that year. Given increasing life expectancy and Britain's ageing population, this burden will only increase.

Unable to keep up with these spending obligations, many authorities are cutting back on other expenditure, and some are on the verge of bankruptcy. Core council services, like bin collections, road maintenance and local amenities, are being neglected as social care devours an ever-increasing share of revenues. People can see and feel that most of their council tax is not being spent on the services they expect, and this is likely one of the reasons that council tax is the least popular tax in Britain.

Council Tax is not fit for purpose

The problems with council tax run far deeper, however. Property valuations and council tax bands have not been changed since 1991, leading to some absurd imbalances in people's council tax liabilities. Wealth disparities between local authorities also mean that some must raise far more than others, often from smaller tax bases. This creates a situation where Buckingham Palace, a 775 room Band H property in Westminster, incurs an annual council tax bill of £2,038, less than a typical three-bedroom semi in Hartlepool.

The need for council tax reform is widely acknowledged. Parliamentary debates regularly feature cross-party criticism of the system's fairness, while think tanks from across the political spectrum have called for revaluation or replacement. Polling by YouGov also shows that a majority of voters support reforming council tax to better reflect property values. Indeed, there are plenty of existing proposals for council tax reform, some very detailed and well thought through.

Politicians have shied away from reform

Given the obvious case for reform, it is striking, though perhaps not surprising, that politicians are so wary of acting on either social care or council tax. To do so would come with significant political risk. For more than three decades, the political trauma of London’s poll tax riots has kept the prospect of far-reaching council tax reform off the political agenda. Reforming council tax would create losers as well as winners if current funding levels are to be sustained, with increases for some people necessary to cover cuts for others.

Theresa May’s proposed social care reform, swiftly labelled the “dementia tax”, is widely believed to have cost her a majority in the 2017 election, leading to a similar reticence to take on the issue. With the tax burden nearing post-war highs, the major parties are understandably reluctant to find the new revenue streams that would be necessary to properly fund a more generous care system.

There are some signs that this might be beginning to change, partly because it has to. In the Budget in November, the Government announced a new High Value Council Tax Surcharge for properties in England valued at over £2 million. Though a relatively minor change, it does indicate a willingness to re-examine the relationship between property values and tax. The Government has established the Casey Commission, which will make recommendations on how to reform the adult social care system. The review is expected to be completed in 2028, raising the prospect that social care reform will be on the agenda during the next General Election.

What is required is not tinkering around the edges but wholesale reform. In old age social care, this means funding the system on a national basis, pooling risk across individuals and sharing the burden between different parts of the country. Polling has shown that people are more willing to pay extra if they can be assured that the money will go into the social care system. We are particularly interested in Japan's model of mandatory old age social care insurance, where people make mandatory, means-adjusted contributions that fund old age social care for those who need it.

Proposals for council tax reform range from the relatively conservative, like simply revaluing or re-banding properties while retaining the rest of the current model, to the radical, such as scrapping council tax altogether and replacing it with a new proportional property tax. We tend to favour a more ambitious approach.

Social care and council tax reform are complements

Rather than attempting to take on these issues piecemeal, the Government should consider implementing reforms to council tax and social care at the same time. While this might appear unnecessarily high stakes, such an approach has considerable benefits, with major reform of each system helping to unlock possibilities in the other.

Reforming social care will inevitably require raising new revenue, and the biggest obstacle remains persuading voters that they should pay more in tax or insurance premiums in exchange for a more generous and effective old age care system. This pill could be considerably sweetened by the promise that council tax will at the same time be cut . This promise would not be hollow because, if the burden of funding old age social care were lifted from local authorities, council tax reform would not need to be revenue neutral. The system could be made significantly more progressive, with most people paying less, and few people – or even none – paying more.

Instead of merely asking voters to pay more tax to cover social care, politicians could make a more nuanced pitch: you will need to pay for social care insurance so that if you need care in later life, it can be paid for, and you won't have to worry about losing your home as so many do today. This new system will also allow us to cut your council tax bill significantly and make the council tax system fairer in the process.

The Government needs to show it can fix big problems

As much as anything, at a time when trust in politicians is at an all-time low, parties need to demonstrate that they can solve big problems affecting the country. These reforms offer the opportunity to begin repairing the relationship between the public and their councils. Refocused on their core responsibilities, councils can begin to rebuild the kind of optimism and civic pride that so many people feel is missing. If they can do so while charging less tax, then all the better.

At the same time, the Government could use social care reform to show that the social safety net can expand to meet new challenges, and that it can provide real security to everyone, rather than serving as a minimalist backstop only for the worst off. These benefits are well worth the political risks, and, given the growing unsustainability and unpopularity fo the current arrangement, doing nothing may be the riskiest course of all.

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