



Living longer with the Proportional Property Tax

How reforming property tax could improve health and life expectancy

A WPI Economics report for Fairer Share

Matthew Oakley - Director - matthew@wpieconomics.com

Ciara Walker – Senior Consultant – ciara.walker@wpieconomics.com

27/06/2023

PRIVATE & CONFIDENTIAL



 www.wpieconomics.com  info@wpieconomics.com  [@wpi_economics](https://twitter.com/wpi_economics)

WPI Economics Limited, registered address 28 Church Road, Stanmore, Middlesex, England, HA7 4XR, is a registered as a limited company in England and Wales under company number 10086986.

Contents

Foreword: Simon Fell MP	3
Foreword: Grahame Morris MP	4
Executive Summary	5
SECTION 1: Property tax and health	7
Housing is impacting on life expectancy.....	9
Housing affordability	10
Housing quality.....	11
Housing security	13
Renting and intergenerational wealth.....	13
Household disposable income is impacting on life expectancy.....	14
Poverty and Income and wealth inequality	15
Debt.....	16
Local Government Funding is impacting on life expectancy	17
Health and social care	18
Homelessness.....	19
Key services	20
SECTION 2: Reforming property tax for longer lives.....	21
Proportional Property Tax will improve the housing situation	22
Proportional Property Tax will raise disposable incomes and improve fairness.....	24
Proportional Property Tax will modernise Local Government Funding.....	25
In Conclusion	26
References.....	27

Foreword: Simon Fell MP

I am delighted to commend this insightful research by WPI Economics on the need to reform the property tax system in the UK.

The study unequivocally demonstrates that the current system perpetuates inequalities and is regressive. The burden falls heavily on the young, low earners, and residents in less prosperous regions, while benefiting wealthy homeowners and property investors.

This disproportionate distribution of the Council Tax has wide-ranging consequences, affecting disposable incomes, exacerbating health disparities, and hindering essential services provided by local authorities.

The evidence presented is compelling, revealing that even a small increase of 0.2% in Council Tax burden maps to a reduction of one year in average life expectancy. This alarming statistic underscores the urgent need for change, as housing affordability, quality, and security profoundly impact the health outcomes of individuals and communities.

The introduction of the Proportional Property Tax offers a transformative solution to this pressing issue. By increasing the efficiency of the housing market and unlocking up to 600,000 homes over the next five years, it offers a route to simultaneously alleviating the housing crisis and improving health outcomes.

The time for change is now. By adopting the Proportional Property Tax, we can create a more equitable society where property taxes are distributed fairly, housing becomes more accessible, and local government finance is reformed to better serve our communities. The benefits will be profound, with economically disadvantaged and less healthy households experiencing significant improvements in both their health and financial well-being.

Fair play is a crucial aspect of our national identity: we are bound together by mutual responsibility, social trust, and, most importantly, a sense of fairness. Now is the time to embrace this reform and to forge a future where every individual has the opportunity to thrive. Together, we can pave the way for a society that upholds equity, health, and shared prosperity.

I wholeheartedly endorse this report and express my sincere hope that the issue gets the attention it truly deserves.

Simon Fell, Member of Parliament for Barrow and Furness

Foreword: Grahame Morris MP

I am honoured to introduce this pivotal report, produced by WPI Economics, which compellingly argues for the urgent reform of Council Tax. This paper brings to light the crucial interconnections between disposable income, improved health, and life expectancy, underscoring the need for change. It is evident that Council Tax, as a broken and regressive system, not only hampers our economy but also undermines our well-being. In response, the report presents a clear and sensible alternative: a Proportional Property Tax.

My perspective on this report is deeply influenced by my personal experiences as a resident, District Councillor, and now as the Member of Parliament for the Easington constituency, located in the North East of England - a community with a rich coalfield heritage. The communities I represent should be at the forefront of our efforts to level up, addressing disparities in disposable income, health outcomes, and life expectancy. The adoption of a Proportional Property Tax could be instrumental in supporting these changes. For me, this is not merely about tax reform; it represents a long-term strategy for levelling up, complemented by immediate support for families facing the challenges of the cost-of-living crisis.

This report sheds light on the detrimental impact of regressive Council Tax and punitive Stamp Duty on health and well-being. It reveals the harsh reality of unaffordable housing, widespread insecurity, and substandard living conditions, especially for financially vulnerable households. Moreover, the unequal distribution of the Council Tax burden further entrenches income and health disparities, while the regressive nature of Local Government Funding perpetuates unequal access to essential services that are crucial for promoting healthier and longer lives.

In a political landscape where both major parties emphasize fiscal responsibility and caution against excessive borrowing, the Proportional Property Tax emerges as a revenue-neutral policy that seeks to rebalance our tax system. By prioritizing fair distribution over blanket tax increases, this alternative addresses the inherent inequalities embedded in our current framework. It is indefensible that the burden of Council Tax on residents in County Durham, which includes my constituency, stands at 1.15% of the average house price, while it is merely 0.06% for households in Westminster. Meanwhile, the disparity in life expectancy is striking, with a seven-year difference for men (78 versus 85) and a six-year difference for women (81 versus 87) between County Durham and Westminster.

The time has come to listen to the calls of the Fairer Share campaign, which offers a viable solution to rectify the structural failures ingrained within our tax system. It is through collective action, supported by compelling evidence, that I firmly believe we can achieve the transformative changes necessary to rebuild our communities and bolster our regional economies.

Together, we will forge a path toward a fairer and more prosperous society - one where opportunities and well-being are shared across all communities.

Grahame Morris, Member of Parliament for Easington

Executive Summary

The current approach to property tax in the UK is highly regressive, disproportionately benefiting the healthiest and wealthiest in the richest areas, and those with the largest properties. This report shows the links between the property tax system, health, and life expectancy. It shows that, not only is the property tax system unfair, it has also contributed to slowing growth in life expectancy, which has essentially stagnated since 2011. An overhaul is long overdue.

Overall, WPI Economics research has found that local authorities with higher Council Tax burden tend to have lower average life expectancy – every 0.2% increase in Council Tax burden is associated with a one-year fall in life expectancy.ⁱ There are three key areas where the current system is negatively impacting the health and wealth of the poorest in society, by:

- Impacting household disposable incomes most for those with the lowest incomes and poorest health;
- Leading to poorer housing outcomes, which in turn impact on mental and physical health; and
- Contributing to an inadequate system of Local Government Funding which fails to tackle the vast inequalities in health evidenced across the UK.

Disposable income

Disposable income significantly influences health outcomes, as evidenced by a correlation between a £1,000 increase in income and an additional 0.5 years of male life expectancy. That makes the regressive nature of Council Tax a problem; there is a stark disparity between the effective rates in the richest areas (0.06%) compared to the poorest (1.4%), meaning that Council Tax is dampening the disposable incomes of those in the poorest areas and having knock-on impacts on health outcomes.ⁱⁱ Beyond this, there are clear direct links between the Council Tax system and health. For example, the poorest households, grappling with Council Tax debt, are four times more likely to experience poor health.

Impacts on health and housing

More broadly, housing affordability, quality, and security are all closely linked to positive health outcomes. Households facing housing affordability challenges are nearly twice as likely to have poor health and 26% of households on the lowest incomes spend more than a third of their income on housing costs, compared to only 3% of those on the highest.ⁱⁱⁱ Those living in overcrowded accommodation also tend to have lower life expectancy, and those facing housing insecurity are twice as likely to rate their health as poor. Again, this makes the current property tax system a problem because, by limiting the supply of new housing and distorting the property market (e.g. slowing down the turnover of the existing housing stock), it has contributed to housing that is unaffordable, insecure and of low quality.

Local Government finance

Inequality in current Local Government Funding means unequal access to the essential services which contribute to healthier, longer lives. The most deprived areas face the heaviest Council Tax burden, but the lowest government funding, and the worst life expectancies.

- The poorest 10% of councils had funding cut by 28% whilst the richest by only 10%;

- Spending on children’s social services grew only 27% despite 41% growth in enquiries; and
- Essential preventative services to support community health, such as sports and early years services, have seen council funding more than halved between 2010-2018.

The knock-on effects of Council Tax on the housing market also put additional strains on already stretched council funding, for instance by increasing the costs of tackling homelessness.

The case for reform:

This situation is untenable and cannot continue. Under a Proportional Property Tax:

- 18 million households would pay less tax, with 75% of households better off;
- 4.6 million households would pay less than they do with the current Council Tax discount;
- £6.5 billion would be saved by Council Taxpayers outside of central London;
- Savings on property tax will be made in every region apart from London, ranging from £143 per year per household for single home UK taxpayers in the East to £615 in Yorkshire and Humber and the North East; and
- Overall poverty would be expected to fall by 0.8%.^{iv}

This would be achieved while maintaining revenue neutrality, with the greatest benefits accruing to people in the poorest and least healthy areas. By increasing the incomes of those in greatest need and poorest health, the shift could reduce inequality and improve health outcomes in the most deprived areas.

Implementing the Proportional Property Tax would also make the housing market more efficient, with the potential to release up to 600,000 homes over the next five years by:

- Taxing under-utilised properties more heavily;
- Taxing sites with planning permission, and
- Linking property tax to property value.

These measures would enhance housing supply, which would not only help to address the housing crisis but also lead to improved health outcomes. It would also release 8.7 million renters from the burden of paying property tax on houses they do not own, rectifying decades of under-taxing property price growth at renters’ expense.

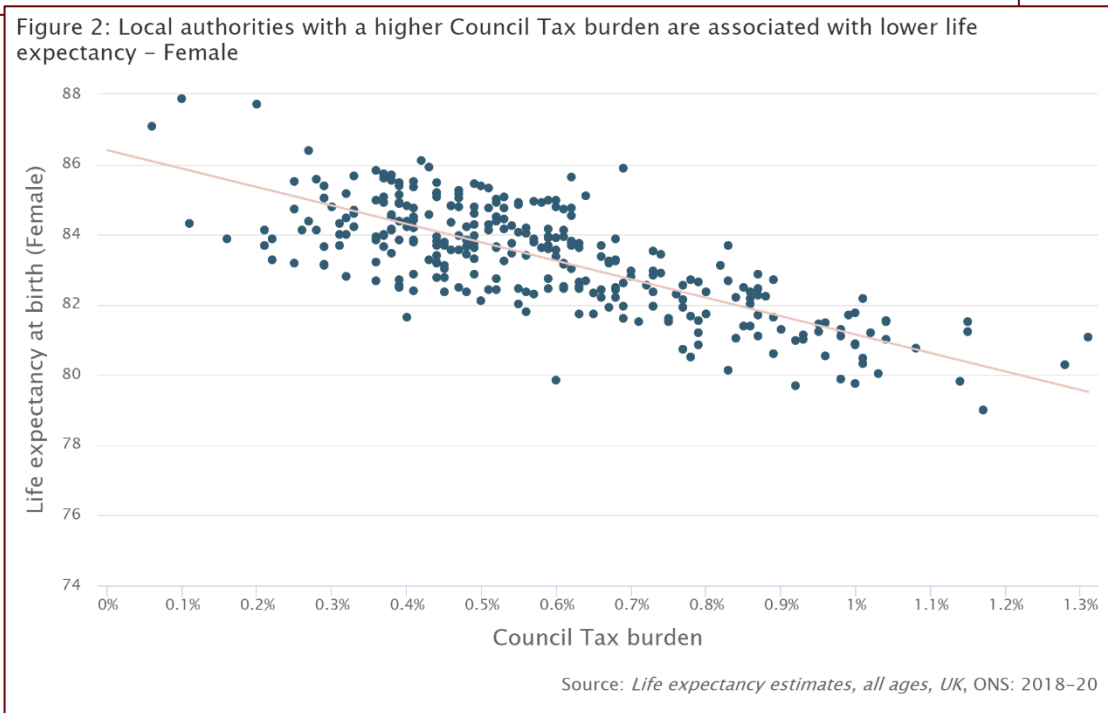
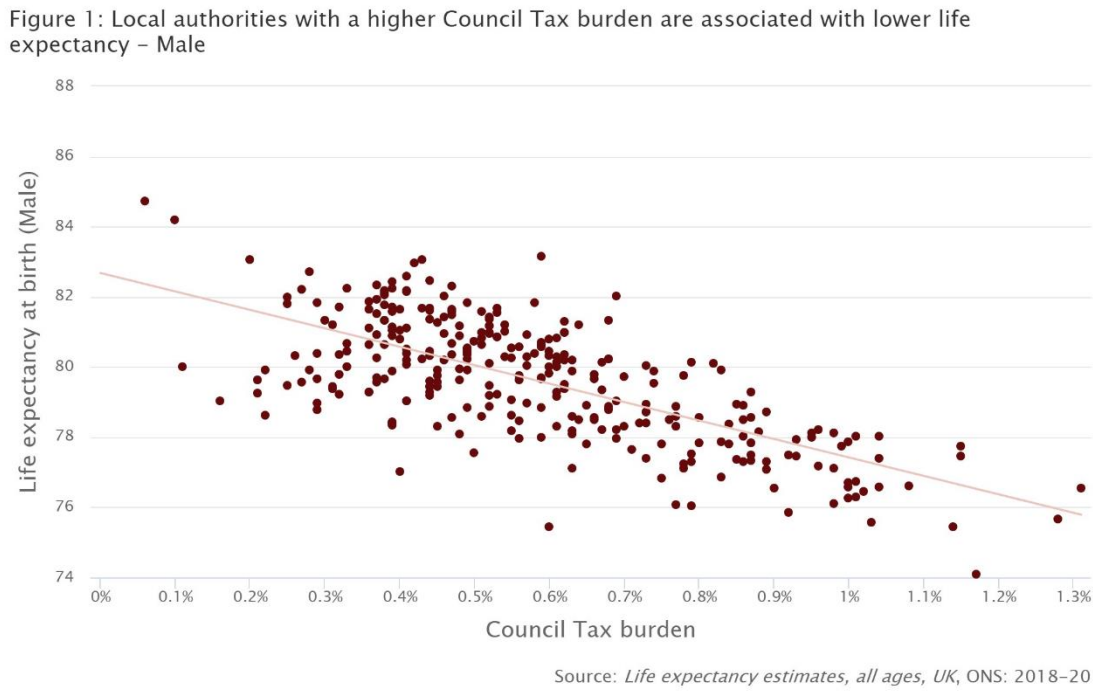
The benefits from reformed Local Government Funding:

Finally, reform could be used to tackle inequality in Local Government Funding, which currently translates into unequal access to the essential services that contribute to healthier, longer lives. Proportional Property Tax would create a new source of revenue, whilst abolishing both Council Tax and Stamp Duty. Councils would receive a direct share of the tax revenue raised in their area and would be able to set their Council Tax rates independently. To create a truly fairer system, a supporting mechanism should be put in place that means gains made in wealthier and healthier councils can be redistributed to the most deprived areas with the lowest life expectancy.

Overall, a shift to Proportional Property Tax will primarily benefit the poorest and least healthy households with lower average life expectancies. This change would enhance housing availability, increase disposable incomes, and underpin Local Government Funding reform, resulting in better health outcomes for those in the most deprived areas. Moreover, the healthiest and wealthiest would contribute more equitably through a new, progressive system, ensuring that the poorest and least long-lived individuals receive the most significant improvements in health and disposable income.

SECTION 1: Property tax and health

The form that property tax takes can impact our lives in many ways – from the very direct impact on our household income and the indirect impact on the supply of housing, to the myriad of effects from Local Government Funding levels, including what services we can access, and the quality of those services. These feed through to our national and local health levels, affecting life expectancy outcomes unevenly with clear winners and losers. WPI research, illustrated in Figure 1 and 2 below,



has found that for both males and females, a higher Council Tax burden is associated with lower life expectancy.

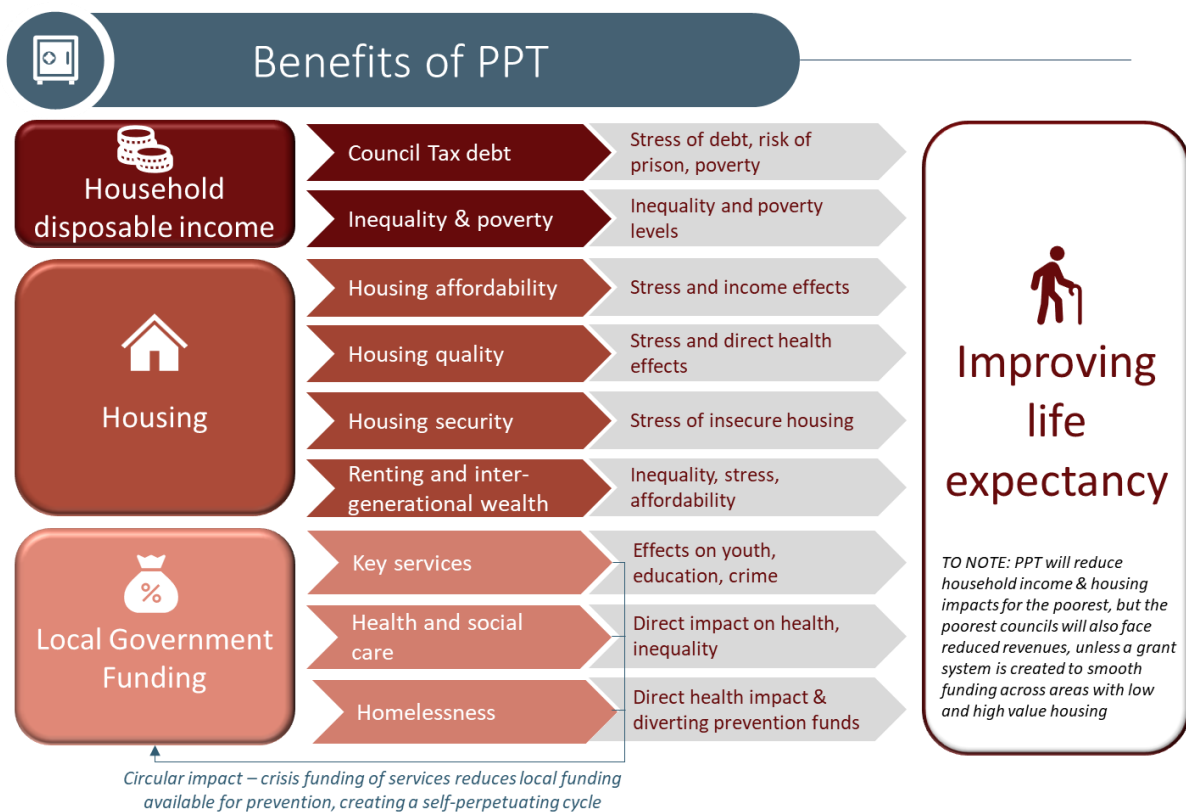
The current system is actively regressive – in England and Scotland Council Tax is now based on property valuations from 30 years ago and does not reflect the massive wealth gained through house price growth in many parts of the country. Those whose health outcomes have benefited the most from this wealth increase have also been the biggest beneficiaries of the unfair Council Tax system. According to research conducted by Onward, a significant disparity exists in the proportion of disposable income that households allocate towards Council Tax, ranging from 0.8% to 4.5%. The study reveals that residents in socioeconomically disadvantaged regions like the North East and South West bear the highest burden, while individuals residing in more affluent areas like London contribute the least.^v As a result Council Tax places the heaviest burden on the young, low earners and poorer areas with worse health, while benefiting wealthy homeowners and those fortunate enough to own multiple properties, who tend to be in better health.

Growth in life expectancy has effectively stalled since 2011, decelerating from 3 months increase per year from 1980-2011.

This regressive property tax system is one of the many elements associated with the flatlining of life expectancy growth. In 2022 life expectancy in Britain is 81, just eight weeks longer than a decade ago. Despite rising steadily at an average rate close to three months per year from 1980 to 2011,

improvements in life expectancy have effectively stalled since 2011. The deceleration in life

Figure 3: Health and Property Tax Framework



expectancy growth exhibits an unequal distribution, with the majority of the 250,000 additional deaths, compared to the anticipated steady growth, occurring in the most economically disadvantaged towns and cities.^{vi}

The poorest Local Authorities across the UK face the highest Council Tax burden (defined as the proportion of property value paid in Council Tax in a year) and are also in the worst health. WPI

research has found that Local Authorities with higher Council Tax burden tend to have lower average life expectancy – every 0.2% increase in Council Tax burden is associated with a 1-year fall in life expectancy.^{vii}

WPI research has revealed a strong association between health and Council Tax bands, highlighting that individuals in lower Council Tax bands, who bear a disproportionate burden, are more prone to experiencing poor or very poor health. 17.1% of people in Band A are in bad or very bad health, which is three times higher than in Band D (5.6%), considered the median band.^{viii}

Given that 80% of a person’s long-term health is determined by wider social factors, improved life expectancy is connected to property tax through health outcomes in three main areas – Housing, Household Income and Local Government Funding.^{ix} We can consider this association using the framework in Figure 3 above. Improving property tax would improve:

- **Household disposable income:** Reducing inequality and poverty, and reduced Council Tax debt, is associated with improved health outcomes and therefore life expectancy
- **Housing:** Improving housing affordability, housing quality, housing security are associated with better health outcomes, and therefore higher life expectancy. Renters will also be better off under PPT, addressing intergenerational fairness and the impact it has on health.
- **Local Government Funding** – reforming property tax and funding allocations would mean improved provision of key services, health and social care and reduced homelessness, all of which are associated with improved health outcomes and life expectancy.

Housing is impacting on life expectancy

The current property tax system has contributed to housing that is unaffordable, insecure and low quality. The impacts are felt most strongly by renters, and the poorest households in the smallest houses, with the worst health.

- Households facing housing affordability challenges are 40% more likely to be in poor health
- Households in overcrowded accommodation tend to have lower life expectancy
- Households that have moved 3+ times are twice as likely to rate their health as poor

Decent, secure and affordable housing is an essential building block for our health. Poor, insecure housing can lead to worse health and shorter lives. The condition and nature of homes, including stability, space, tenure and cost, can have a huge impact on people’s lives, influencing their wellbeing, health and ultimately their healthy life expectancy.^x

At the start of the pandemic, 7.6 million households in England had at least one major housing problem relating to overcrowding, affordability or poor-quality housing, all of which are associated with worse health outcomes. 1 million households in England experience more than one housing problem, which is associated with even worse health.^{xi} The housing problems associated with poorer health include:

- **Housing affordability** impacts health through both direct (stress, anxiety) and indirect (disposable income) effects. It can also contribute to overcrowding.
- **Housing quality** includes both overcrowding, which is associated with increased stress and worse health, and more direct impacts from physical issues such as damp.

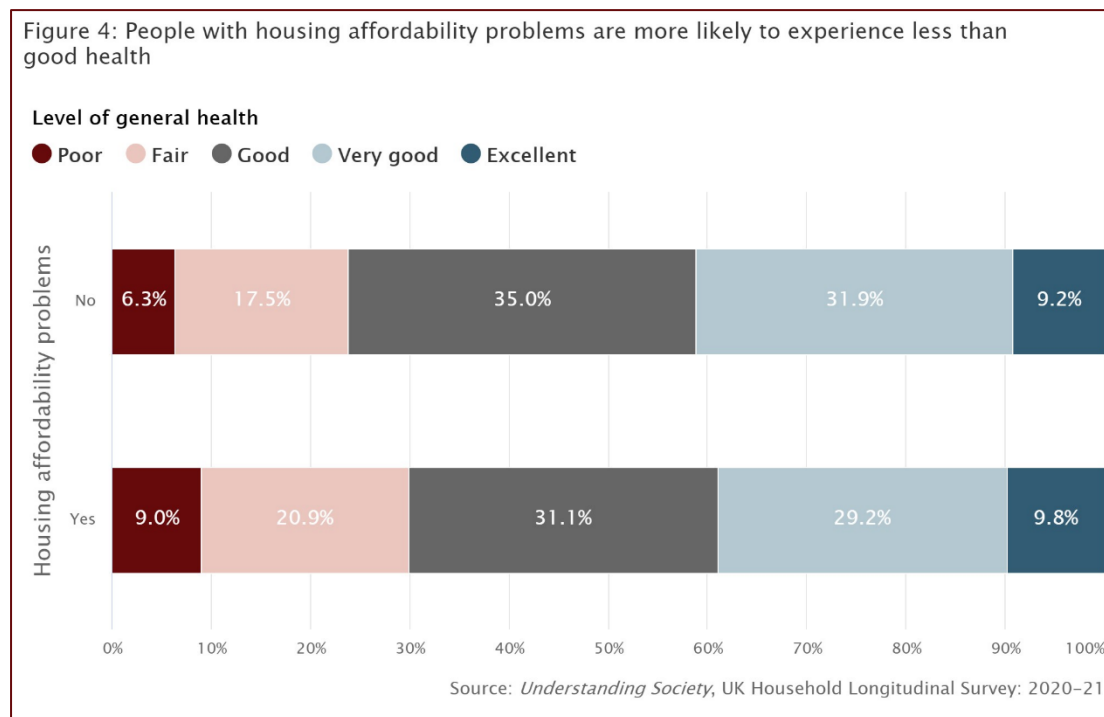
- **Housing insecurity** has a direct health impact through stress, and frequent moves also undermine engagement with health and other local services, impacting health indirectly.

Our current property tax system has contributed to the housing crisis. By failing to keep up with the eye-watering house price growth of the past three decades, Council Tax has artificially increased the relative attractiveness of housing as investment, inflating the house price bubble, and contributing to the steady decline in **housing affordability**. Overcrowding, driven by poor affordability and housing supply challenges worsened by Stamp Duty, contributes to lower **housing quality** - alongside cuts to Local Government Funding - reducing the quality and availability of social housing. These elements, as well as mass movement into the rental market, have all contributed to **housing insecurity**.^{xii}

These challenges are even more prevalent in the rental market and the growth of **renting** is associated with worse health outcomes as well as worsening intergenerational wealth distribution.

Housing affordability

Poor housing affordability has been linked to higher stress levels and worse mental and physical health. A well-documented correlation exists between disposable income and life expectancy, highlighting that reduced housing affordability leads to decreased remaining disposable income, ultimately resulting in negative health consequences. This effect is unevenly distributed across tenures and regions – renters pay a relatively large proportion of their income compared to other tenures, and their lower disposable incomes tend to be associated with worse health outcomes. Areas where house prices have seen the biggest increases face the worst housing affordability, with those on the lowest incomes suffering from the wealth gains of the richest in their areas.



Difficulty paying rents or mortgages can cause stress, affecting health. Lower disposable incomes also leave less for essential spending that influences health outcomes, such as food. WPI research has found that people with housing affordability problems (spending more than a third of their income on housing costs) are 40% more likely to be in poor health.^{xiii}

Housing affordability is driven by the total housing supply and by changes in the nature of housing stock. With less construction of social housing, and cuts to housing benefits, households in the

bottom decile of incomes are faced with fewer economical options. Ongoing growth in housing demand without equivalent growth in housing supply has resulted in a situation of severely constrained supply in many areas, resulting in worsening affordability. Council Tax impacts housing supply – it does not apply to undeveloped sites that have already received planning permission, so incentivises housing developers to delay construction in anticipation of rising land prices, in a process called “landbanking.” Stamp Duty has also contributed to the housing crisis by taxing property transactions therefore discouraging house moves and creating under-occupation of some homes and reducing the speed of the property market, leading to limited supply and overcrowding.^{xiv}

People on the lowest incomes tend to have the highest Council Tax burden, and suffer the worst housing affordability impacts – 26% of households on the lowest incomes spent more than a third of their income on housing costs in 2019/20, compared to with only 3% of those on the highest.^{xv} This relative inequality has increased by 3 percentage points in the past decade, as housing has become even less affordable with changes to housing benefits, and reduction in the supply of social housing.

Housing affordability impacts are unevenly distributed across the population. The youngest are the most impacted by issues with housing affordability – 15% of 16–24-year-olds and 13% of 25–34-year-olds have high housing costs relative to their income. 13-19% of people from all minority ethnic groups have high costs of housing relative to only 9% of white British people.^{xvi} Renting also tends to be a less affordable tenure. All these groups tend to have worse health outcomes and lower life expectancy as well as suffering less affordable housing, and the highest Council Tax burden.

Housing quality

Poor quality housing can undermine health and put occupants at significant risk of health problems. Housing quality includes both overcrowding, as well as housing standards and conditions.

Nearly one in six homes in England are classed as non-decent^{xvii}, meaning that they:

- Contain a hazard or immediate threat to someone’s health (e.g. mould)
- Are not in a reasonable state of repair
- Lack modern facilities
- Are not effectively insulated or heated causing cold and damp conditions

One in three households in England have at least one major problem with their home. Whilst in social housing there is only a minimal, non-statistically significant difference in self-rated health between decent and non-decent homes, for other tenures living in poor quality homes is associated with worse self-rated health. The rental sector (PRS) has the poorest quality housing, with 25% of private rental homes considered non-decent, and 15% of social rented homes.

Poor quality homes effect people’s health in a number of ways, including outright injuries, respiratory problems caused by damp conditions and cold temperatures (excess death has been shown to be three times higher in the coldest 25% of homes than in the warmest).^{xviii} Improving housing standards reduces emergency hospital admissions for cardiorespiratory conditions and injuries.^{xix} Interventions specifically addressing inadequate warmth are the most effective in improving health, particularly when focused on groups with pre-existing conditions.^{xx}

Stress is a significant health factor arising from overcrowding in particular, but also from living in poor housing standards. Overcrowded living conditions can put a strain on relationships, reduce privacy and limit the space children have available to study or play. There is also some evidence that it affects health and respiratory conditions directly, as well as causing psychological distress. In 2021-22 8.1% of

households in the social rented sector were overcrowded, compared to 5.3% of those in the PRS and 1.1% in owner-occupied households. Overall, 3.1% of households in England were overcrowded, amounting to 731,000 households.^{xxi}

Our research has found that Local authorities (excluding the London region) with a higher proportion of households living in overcrowded accommodation tend to have lower average life expectancy. This

Figure 5: MSOAs with a higher proportion of households living in overcrowded accommodation are associated with lower life expectancy – Male

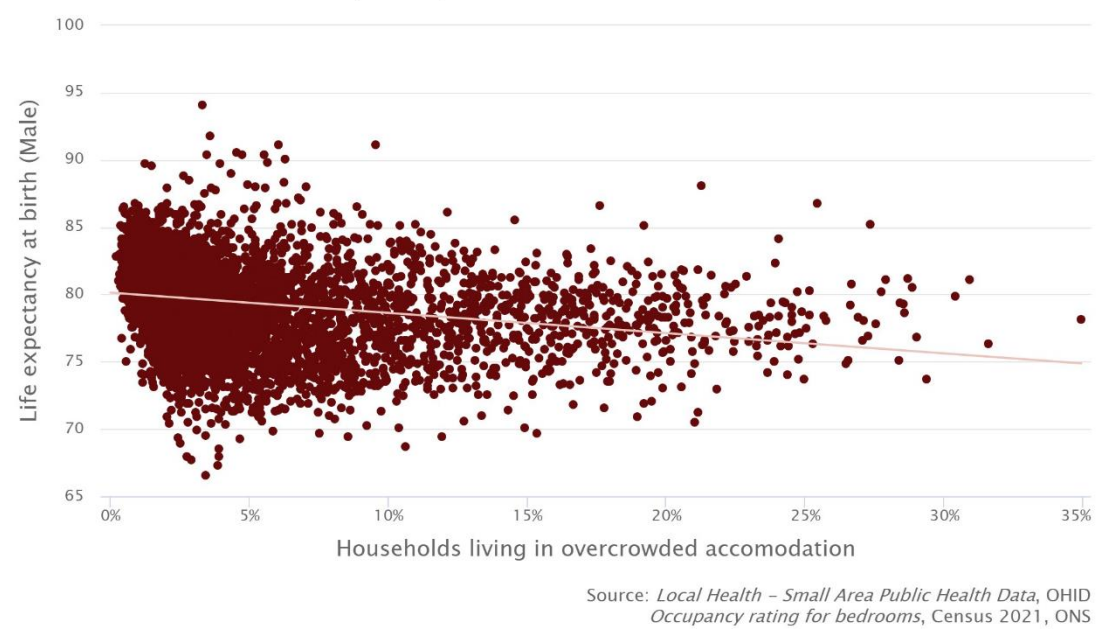
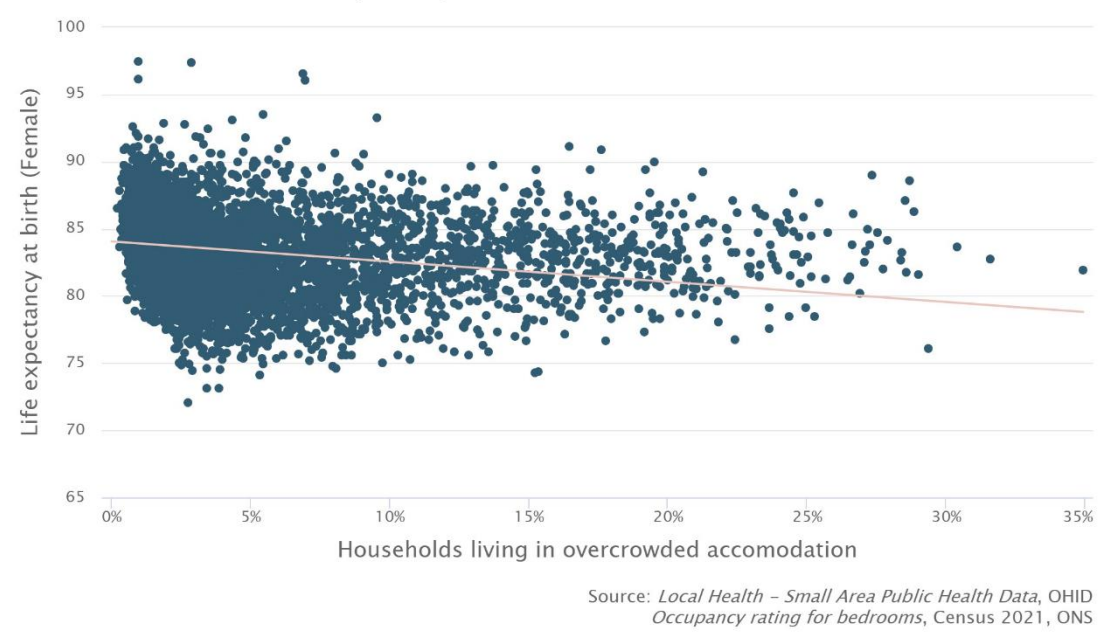


Figure 6: MSOAs with a higher proportion of households living in overcrowded accommodation are associated with lower life expectancy – Female



relationship does not hold for London boroughs which have both a high proportion of overcrowding and relatively high average life expectancy. This is likely due to dramatic inequalities found within London boroughs; when this is accounted for by considering the data at the more local level of Middle Layer Super Output Areas (MSOAs) we find a clear negative relationship even when including London.

The households with the lowest incomes and lowest life expectancies are more likely to live in lower quality housing. 19.7% of households with the lowest incomes lived in non-decent housing in 2020, compared with 10.9% of the households on the highest incomes.

Housing security

A shortage of affordable homes means many people must live in poor, overcrowded conditions, fall into debt because housing is not affordable, move frequently, or even face repossessions or evictions. Feeling secure in a home can provide continuity and stability for other areas of life – while difficult to measure, home moves and duration of housing tenure can be good proxies for general security.

Housing security impacts health and life expectancy most directly through the stress caused by insecure housing, however there are also some important indirect effects. Strong social networks and relationships are important to our health, but if we are frequently forced to move it can undermine our engagement with health services and other local services and weaken our relationships in the local community.

This issue particularly effects those in the private rental sector – 20.5% of private renters have lived in their home for less than 1 year, compared to 5.8% of social renters and only 1.8% of owner occupiers.^{xxii} Growing numbers of households are having to raise children in the private rental sector (PRS). 1.7 million families were renting in 2020, compared with only 0.8 million a decade before.^{xxiii} This instability can pose problems for children’s health; by the time children are 15 there is a clear association between those who moved the most and parents with the worst self-rated health, with statistically significant differences in impact for every move after the second.^{xxiv} 14% of parents who did not move between 2000 and 2014 rated their health as less than good, compared to 26% of those who moved 3+ times, showing the cumulative effect of multiple moves.^{xxv} When considering all households, not just families, the cumulative effect of multiple moves also holds true – the proportion of people rating their health as poor in households who have moved 3+ times (9%) is over double the proportion of those who have not moved (4%).^{xxvi}

Academic research has found well-established links between residential mobility and child mental health, educational outcomes, and emergency hospital admissions, all of which are strongly linked to health and therefore life expectancy. Residential mobility among adults is also associated with poorer health in part due to interruptions in access to services such as local health and social care providers, youth services and social clubs. These services, and the social networks built around a home, are vital to the health of a household. Continuous disruption of these services impacts particularly on children, but affects the whole household’s health, linking housing insecurity to lower life expectancy. The families who have the least asset wealth and the poorest health are often those in the most insecure housing and paying the highest Council Tax burden.

Housing insecurity can also be self-perpetuating - having to move regularly has significant costs associated with it, reducing disposable income, and making future housing less affordable, repeating the disruption, stress, and impact on finances of previous moves. Those who move more are more likely to be in poverty as well as having lower life expectancies.^{xxvii}

Renting and intergenerational wealth

Renters suffer the challenges of housing affordability, quality, and insecurity more acutely. Those with all three of these housing challenges are usually in the private rental sector. Housing costs in the private rental sector are the highest of any tenure, while quality and security are generally the

poorest – and households in the rental sector tend to have lower incomes and worse life expectancy than owner occupiers.

Significant reductions in housing affordability have trapped many households into a cycle of renting past the time they would like to become owner occupiers. Over the last decade rental support through the local housing allowance has been reduced – where previously a maximum of 50% of local rents were covered, from 2011 onwards housing benefits failed to cover even 30% of rents in most areas.^{xxviii} The effects of high costs and reduced support for low-income families in the private rental sector has been exacerbated by insufficient supply of more affordable social housing. This has also led families delaying life stages, with many choosing to hold off on marriage and expanding their families.

With relatively lax regulations on rental housing quality, health impacts from the stress of overcrowding and housing conditions are both more likely to impact renters than owner occupiers. Rental regulations were designed when relatively few households lived in the sector, and those who did were young adults making the transition to being an owner-occupier household. They are unsuitable for the sector as it is functioning today, as a permanent home to significant number of households, including those with dependent children.

A lot of the housing security challenges are driven by precarity in rental contracts, with much higher turnover in rental accommodation than other tenures. Devolved governments have provided renters in other parts of the UK with greater protections, while other OECD countries have generally instituted more protections for renters, but it remains a very insecure tenure in England.

The growth of renting has impacted significantly on intergenerational wealth inequality, reducing younger people's life chances compared to the previous generations. As the young struggle to climb onto the housing ladder, they tend to rent for longer, be poorer and have worse health outcomes than older generations at the same age. Younger adults have also suffered specific reductions in housing benefits including the bedroom tax in the social rented sector, and an overall cap on benefits.

These issues are not experienced equally across the population – rental housing problems are more commonly experienced by black and minority ethnic communities, younger people, women, disabled people and single parents – all of whom also tend to face a higher Council Tax burden, and to have a lower life expectancy.^{xxix}

Household disposable income is impacting on life expectancy

The regressive Council Tax system means the poorest, least long-lived households in the cheapest properties are facing the largest Council Tax burden. These income inequalities contribute to inequalities in health outcomes and are exacerbated by Council Tax debts.

- **31% of those on the lowest incomes report less than good health vs 12% on the highest**
- **A £1,000 increase in income is associated with 0.5 more years of male life expectancy**
- **People in Council Tax debt are four times as likely to experience bad health**

The impact of property tax on household disposable income depends both on the level of the tax and the form that it takes. The current system is regressive - it does not take account of the value of the property being taxed, so the relatively prosperous, healthy households face a lower Council Tax burden, whilst relatively poor, unhealthy households face the highest Council Tax burden. Renters currently pay Council Tax on properties they do not even own.

This regressive effect on disposable income levels impacts significantly on health in the long term, in particular when resulting in **poverty** or **debt**. Areas with higher average household disposable income tend to have longer average life expectancy. Poverty has a significant negative impact on health and life expectancy due to households not being able to consistently meet basic survival needs such as food, shelter, water, and warmth. This means 31% of people on the lowest incomes report ‘less than good’ health, as compared to 22% of those in the middle of the income distribution, and 12% of those with the highest incomes.^{xxx} Across the income spectrum, an increase in income is associated with improvements in health. Council Tax’s negative impact on disposable incomes is exacerbating existing inequalities in health and life expectancy outcomes across income levels, rather than redressing it. More than 10% of adults on the lowest incomes report having bad or very bad health, compared to only 6% of those in the middle, and around 1.5% in the highest income brackets.^{xxxi}

Healthy life expectancy increases with income – an increase in the average net annual income of £1,000 in an area is associated with an increase of 0.5 years in male healthy life expectancy. Given their relative affluence, Local Authorities in the South of England tend to be areas with the highest average incomes, the lowest average Council Tax burden and the highest average life expectancies.^{xxxii}

Poverty and Income and wealth inequality

Given the strong relationship between income and health, inequality of income results in inequality of health outcomes, and inequality in life expectancies across the country.

The effect of income on health is particularly pronounced for those in poverty. Poverty can affect health when financial resources are insufficient to meet basic living needs, such as adequate heating for the home, appropriate clothing or adequate nutrition. Poverty is defined as someone living in a household where the net household income is below 60% of that year’s median, after adjusting for household size and housing costs. People in poverty are more likely to be in less than good health than those not in poverty at all ages below 65, and the impact increases with age, with the difference between those in-poverty and not largest for those aged 45-54 years.^{xxxiii} After 55 this gap reduces as poor health increases overall, reducing the difference between those in poverty and those not. People in poverty are also 9% more likely to report very bad or bad health at age 45-54, the biggest gap. This gap in health outcomes remains even when accounting for employment, meaning that it is not just due to people with poor health being prevented from working and therefore in poverty.

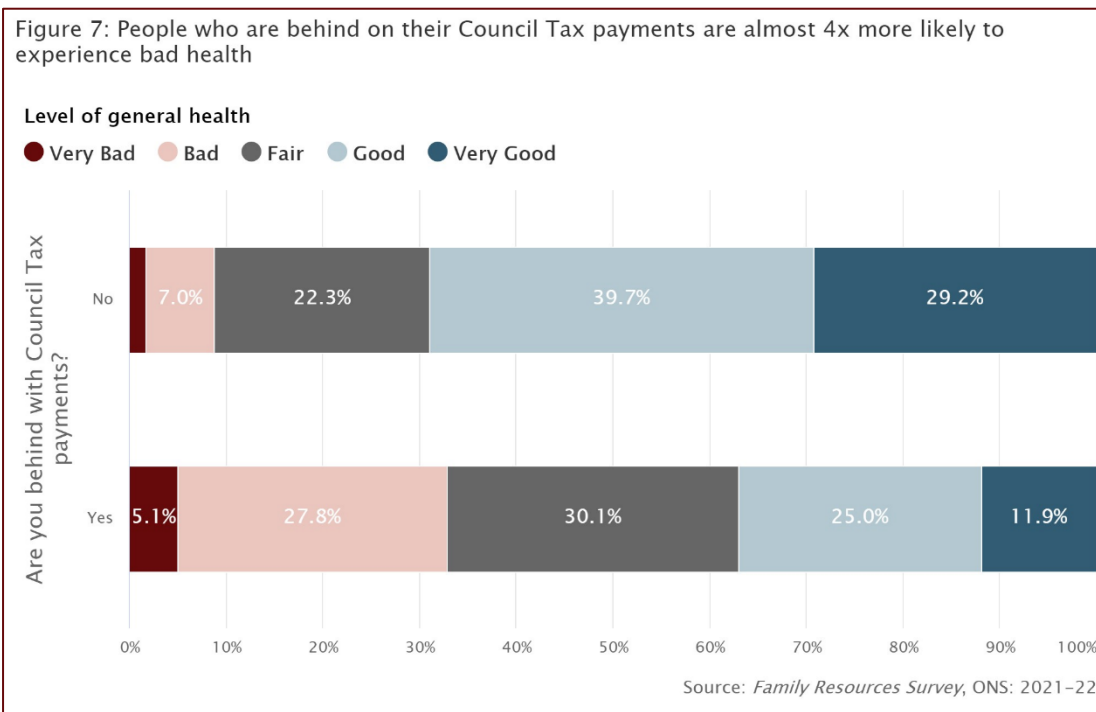
Persistent poverty is a particularly important issue for health because prolonged periods of poverty have cumulative effects, including the build-up of chronic stress. 30% of working-age adults living in households in persistent poverty rate their health as less than good, which is higher for adults in poverty, at 25%, compared to the 15% for those not in poverty.^{xxxiv} Research on child poverty has found that exposure to poverty in childhood was associated with worse health outcomes, but the effects were significantly more severe for children living in persistent poverty.^{xxxv}

Income inequality has strong links to inequalities in health outcomes and life expectancies, but wealth inequality also plays an important role. Wealth inequality represents a systemic denial of opportunity to those unfortunate enough to be born into less wealthy families. The IFS has found that 10% higher parental wealth is associated with 3.7% higher child wealth, whilst a 1% increase in parental incomes is associated with only 0.095% increase in average child earnings. Systems which perpetuate wealth inequality, such as the current property tax system, therefore have an outsized effect on future inequality. These wealth inequalities also impact income inequality – in areas of rising house prices such as the South East, housing costs take up a greater proportion of disposable incomes, so income growth after housing costs slows relative to elsewhere.^{xxxvi}

Given Council Tax revenue is kept locally, poorer councils with higher social care budgets are forced to charge relatively more Council Tax than the wealthiest ones with the highest property values. The median household in the North East pays 0.77% of their property value in Council Tax every year, whereas in London it is only 0.28%.^{xxxvii} This puts the greatest Council Tax burden on the least wealthy individuals, who also tend to be those with the lowest life expectancies. The way Council Tax is banded means there is also inequality within bands, with the lower valued properties in every band paying a significantly higher tax rate than the higher ones, despite the households being more likely to be poorer, and in worse health.

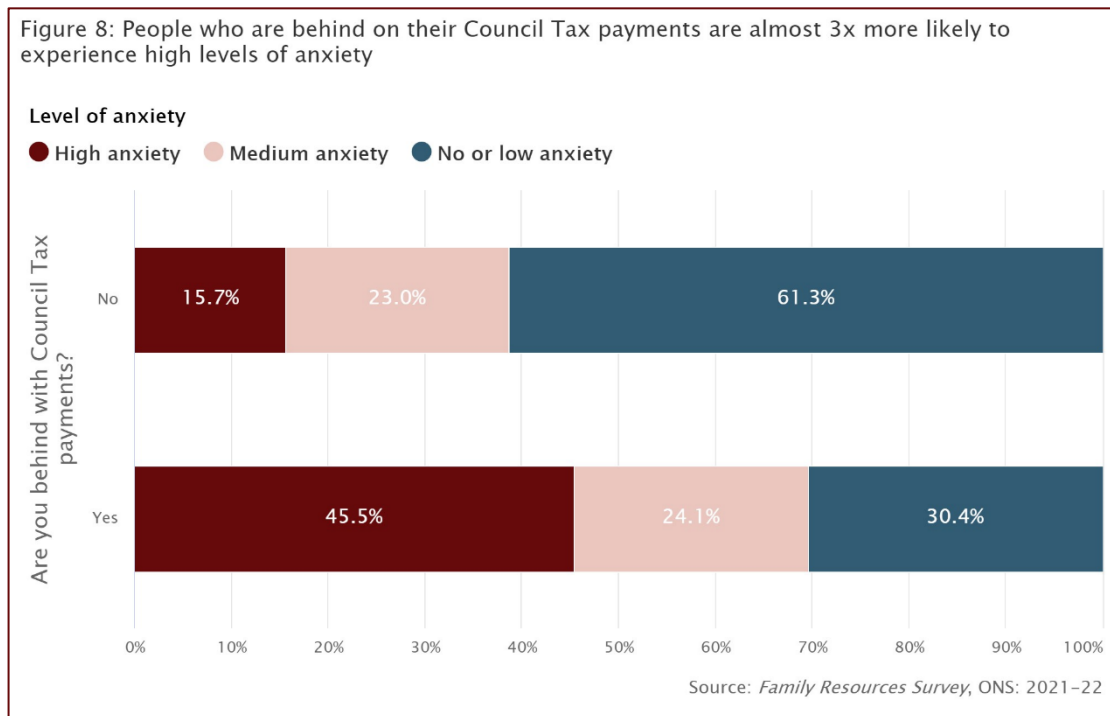
Debt

The Council Tax system is resulting in increasing levels of Council Tax debt and whilst exacerbated by the pandemic, Council Tax arrears were already climbing beforehand. As of March 2019, the total amount of Council Tax debt in England was £3.2 billion, an increase of 20% in just 4 years.^{xxxviii} By 2020 it was £4.4 billion, with the pandemic impacting many household incomes to the point of financial hardship and raising arrears by £841 billion.^{xxxix} Council Tax is one of the household bills with the harshest consequences for non-payment – regulations set centrally for collection are inflexible and push councils to take unnecessarily aggressive action, e.g. after missing payments for two weeks people become liable for their entire annual bill, and people are often liable for court costs and bailiff fees, meaning that missing a single payment of £167 can escalate to a debt of over £2,065 in just over two months.^{xl} England is the only nation in the UK where Local Authorities can use their powers to send someone to prison for up to three months for non-payment of Council Tax. Councils also frequently use bailiffs to collect Council Tax – this adds to the stress of being behind on bills and exacerbates mental health problems associated with debt. In 2018/19 local councils used bailiffs 1.4 million times.^{xli}



There is plenty of evidence linking debt to worse health and life expectancy, with stress being the major culprit. Council Tax arrears are usually a last resort when a household is struggling to pay their bills, so they are usually linked to significant levels of deprivation, and therefore an overall worse health baseline and lower life expectancy.

Data from the ONS Family Resources Survey 2021-22 shows that people in Council Tax debt are three times as likely to experience very bad health and four times as likely to experience bad health than those not in debt. Those in Council Tax debt are also almost 3 times as likely to experience high levels of anxiety.^{xliii}



Council Tax debt tends to impact on those already suffering from other types of inequality – 33% of people on zero-hour contracts have Council Tax arrears, as do 28% of agency workers, 22% of those made redundant during the pandemic, and 17% of parents with children under five. 14% of young people have Council Tax arrears, compared to only 2% of those aged 50+. And importantly, 13% of renters have Council Tax arrears, whilst only 5% of owner occupiers do. All of these groups are more likely to be at the lower end of the income scale, face a higher Council Tax burden, and to have lower life expectancy as well as being more likely to be impacted by Council Tax debt.^{xliiii}

Local Government Funding is impacting on life expectancy

Inequality in current Local Government funding means unequal access to the essential services which contribute to healthier, longer lives. The most deprived areas face the heaviest Council Tax burden, but the lowest government funding, and the worst life expectancies.

- The poorest 10% of councils had funding cut by 28% whilst the richest only 10%
- Spending on children’s social services grew only 27% despite 41% growth in enquiries
- Sports and early years council funding were both more than halved between 2010-2018

Local Government Funding is in crisis after a decade of reductions. Many are spending all of their limited resources on acute crises such as homelessness, with nothing left over to invest into prevention. There are concerns that even provision of basic services is being threatened by funding challenges. The level and form of property tax directly influences local authority funding, and its current regressive form is contributing to unequal funding across different councils.

In 2019, even before the impact of the pandemic, a third of councils feared they would run out of funding to provide statutory services (e.g. adult care, protecting children and preventing homelessness) by the end of Parliament.^{xliii} The over £16 billion cuts to Local Government Funding since 2010 represents a 28% real terms cut to their spending power nationally. The most vulnerable areas, those with the lowest Council Tax and business rates bases, have borne the greatest burden of these cuts – they also tend to have the lowest life expectancies and the highest Council Tax burden.

Local Government Funding contributes to health directly through the provision of **health and social care services**, but also has important indirect effects through the provision of other **key services**, such as youth services, social clubs, sporting facilities and libraries. Councils are also responsible for **homelessness services** such as temporary accommodation, which have a significant effect on health.

Inequality in Local Government Funding results in unequal access to these essential services and often the most deprived areas have the poorest councils and the lowest level of services, as well as poorer health outcomes and lower life expectancy. The gap between the richest and poorest councils has widened, with poorer councils experiencing deeper cuts to their core spending power than richer ones. Between 2010 and 2023, SIGOMA found that in real terms the poorest 10% of councils had funding cut by 28%, whilst the richest 10% of councils saw only a 10% cut in that time.^{xliii} This is in part due to reforms which increased the reliance on the inherently regressive Council Tax and retained business rates (which favours the relatively prosperous councils with strong business bases). Grant dependent councils have been hit the hardest, with those with smaller Council Tax bases less able to plug funding gaps^{xliii}

Health and social care

The provision of health and social care has a direct impact on health and many poorer councils with already lower life expectancies are struggling to adequately fund these services.

Public health services such as drug and alcohol treatment, sexual health services, tackling obesity and health visiting are at risk of being cut back or closed altogether. Every pound spent on preventative services such as these relieves pressure on other services such as the NHS and the criminal justice system and contributes to improved health outcomes. Councils with the highest Council Tax burden tend to be under the most financial pressure and are the most likely to have to cut these essential preventative services, in areas that already suffer from lower life expectancies. This adds to a self-perpetuating cycle whereby cuts to prevention measures lead to more acute pressures in other services, tightening available funding further and resulting in more cuts to preventative services.

The care system is also in crisis, with the pressures of an ageing population and the social impacts of a decade of austerity on struggling families ramping up demand for both adult and children's services. Despite prioritising the protection of the most vulnerable residents, council spending on social care is failing to keep pace with demand following a 40% real terms reduction to the core government grant funding since 2010.^{xliii}

The SIGOMA local authorities (the Special Interest Group of Municipal Authorities representing 47 urban authorities in the northern, midlands and south-coast regions of England) have been subjected to cumulative cuts to their spending power 7% deeper than the English average. This is having a direct impact on their ability to protect care budgets, to the increasing detriment of local health outcomes. This has been imposed against a 3% national increase in the number of children in need, and a 15% increase in the number of 65s in England between 2010 and 2016.

Cuts to funding are compounded by the absence of self-funding populations for adult care in the most deprived parts of the country. The wealthiest councils, with the lowest Council Tax burden and the highest life expectancies, are also much more likely to be able to self-fund their social care. Individuals residing in high-value properties are also generally less likely to require social care services in the first instance. Care homes in the least deprived areas have a significantly higher proportion of self-funders (52.5%) than in the most deprived areas (18.7%).^{xlviii} The most deprived councils are unable to ease the cost pressures of providing care through cross-subsidisation from self-funded care.^{xlix} Facing the deepest cuts and being forced to operate on the narrowest margins means 25% of care homes in SIGOMA areas were rated inadequate as compared to 19% in non-SIGOMA areas. However this is a challenge across all councils – English councils have had to reduce spending on adult social care by 5% on average in real terms since 2010, despite a 1.6% increase in the over 65s proportion of the population.

There is a similar situation in the provision of child protection services; councils were expected to face a £2 billion funding gap in children’s services in 2020, before the impact of the pandemic. There was a 41% increase in child protection enquiries in England between 2012 and 2017, with SIGOMA councils in particular facing far higher levels of demand, increasing 11% faster than the national rate. Despite this, English councils have only increased core spending on children’s services by 27%. Childhood health is an essential determinant of future health outcomes, and whilst demand for children’s services correlates with deprivation, these are the councils which have suffered the biggest cuts to funding, despite their higher need.

Homelessness

The provision of crisis homelessness services is a core part of Local Authorities duties to their local population and is most in demand in the most deprived councils, which tend to have the highest Council Tax burden, and the worst life expectancies, but also the lowest funding bases to respond with. The cost-of-living crisis is also pushing more people into homelessness, exacerbating this existing link. There is a self-perpetuating cycle of worsening homelessness requiring more crisis funding, leaving less funding for prevention, resulting in worsening homelessness, and therefore worsening health outcomes. The increasing number of households in temporary accommodation since 2011 highlights the consequences of reducing both housing benefit and funding to councils – people cannot afford housing costs, and councils do not have enough funding for homelessness prevention.

Homelessness impacts health directly, disrupting access to healthcare, as well as making it more difficult to provide for basic survival needs such as food, warmth and water. In addition to the direct impact on health, homelessness also has a myriad of indirect impacts, ranging from mental health, increased risk of substance abuse, increased risk of violence and the stress effects of housing insecurity, such as lack of community support and inconsistent access to key services.

Becoming homeless and living in temporary accommodation is an extremely stressful experience, linked to both mental and physical health problems. People who have experienced homelessness are more likely to have poor physical and mental health than the general population – chronic and multiple health issues are common, and treatment is hard to come by. 78% of homeless people reported having a physical health condition in 2016, compared to 37% across the population; and health conditions usually associated with older age are also more common.¹

Homelessness is a stressful, lonely and often traumatic experience which evidence has shown has a major impact on mental health (as well as being in part caused by existing mental health challenges). In addition to much greater physical health needs 44% of homeless people have mental health

diagnoses, compared to 23% of the wider population. 41% cited using drugs and alcohol to cope with these mental health issues. Two thirds of the homeless population experience severe and multiple disadvantages, including substance abuse or offending behaviour, raising barriers to accessing the services they need.ⁱⁱ

Key services

Local Government Funding levels also impact health and life expectancy through the provision of key services such as social clubs, sporting activities, public libraries etc. Providing space and education for the young helps to combat crime, bolsters educational outcomes and reduces the likelihood of antisocial behaviour and substance abuse, all of which improve health and life expectancy.

Underinvestment in young people is stifling social mobility – nationally one in five children grow up in poverty, whereas in SIGOMA areas (which are some of the most deprived), one in four children grow up in poverty. Decades of systemic underinvestment by government has eroded opportunities and funding cuts have decimated the council services designed to help them succeed in life.ⁱⁱⁱ The most deprived and unhealthiest councils, are also those with the young people who most need libraries to study in, youth centres to keep them out of trouble and public health and early years services to help their parents overcome adversity and do their best for them. Government austerity has placed the greatest burden on the poorest places with the lowest life expectancies, forcing councils serving them to make the deepest cuts. 356 children’s centres and 603 youth centres closed in England between 2012 and 2017, giving some idea of the scale in the reduction of key services, and the difficult decisions councils have had to make.^{liii}

Investing in young people’s education, health and wellbeing by properly funding council services, which provide a whole range of support at every stage of their development, would not only improve health outcomes, but also reduce burdens on existing services. Investing in preventative services, and investing in providing for the young, reduces the likelihood of local residents being dependent on these services in future, creating a virtuous cycle rather than a vicious one of crisis provision.

Cuts to local services can have a big impact on the life chances of all young people, but they especially impact the most disadvantaged. Many preventative services not considered to be critical have had to be cut. This means young people are losing quiet places to study, safe spaces to socialise, vital public health services to help them address mental and physical issues, and open areas to keep them healthy and to escape their daily pressures. All of which has a long-term impact on their health, and on life expectancy. Cuts to these vital services include:

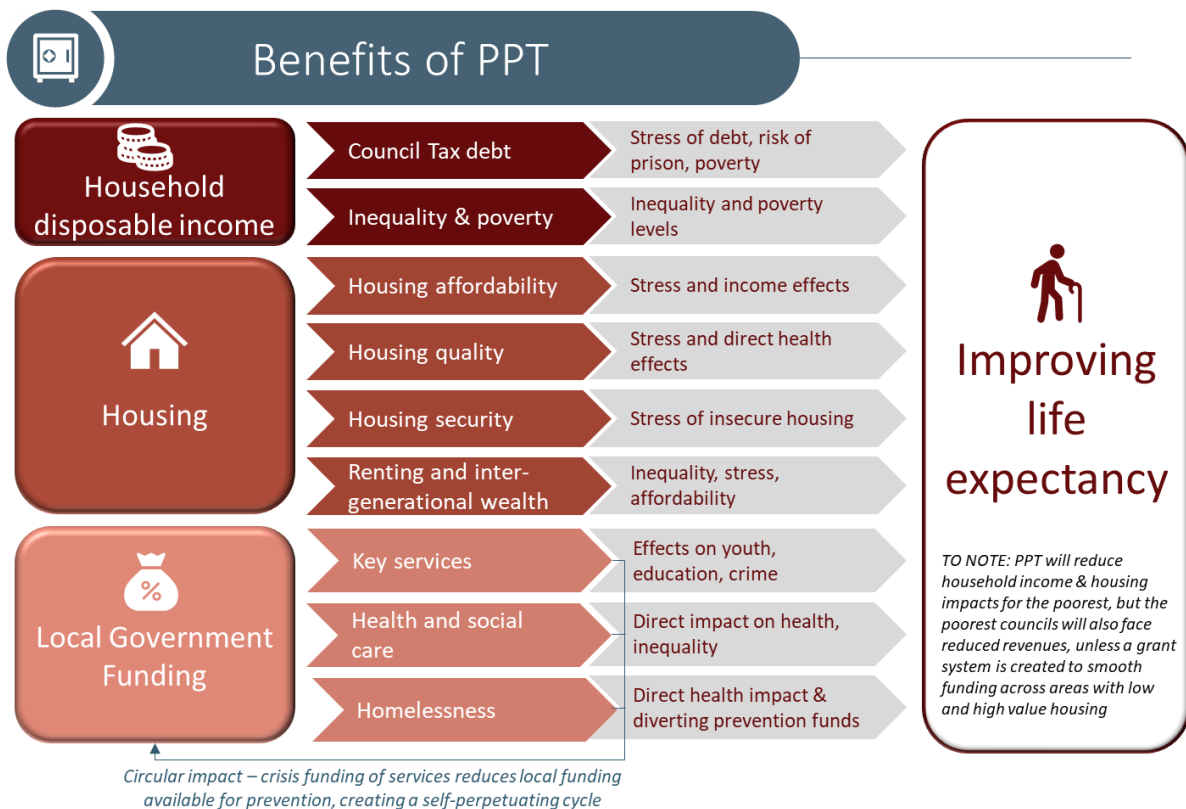
- 32% cut to libraries funding 2010-2018
- 34% cut to culture and heritage funding 2010-2018
- 52% cut to sure start and early years funding 2010-2018
- 53% cut to recreation and sport funding 2010-2018
- 18% cut to parks and open spaces funding 2010-2018

All of which have contributed to deteriorating health outcomes in the most deprived areas, with the highest Council Tax burden. During this time England has seen a significant widening in the gap between the life expectancy of the rich and the poor, with healthy life expectancy 18 years shorter for the most deprived 10% compared to the least deprived by 2018.^{liv}

SECTION 2: Reforming property tax for longer lives

The current property tax system allows those who can afford the most valuable homes, who are the wealthiest and who live the longest to pay very little, while placing an unreasonable burden on those whose homes are worth less, who are the poorest, and who have the shortest life expectancies. Council Tax is regressive in its redistribution of disposable income, lowering the incomes of those who need every penny, and raising the incomes of those for whom the pennies will not be missed. Together, Council Tax and Stamp Duty fail to encourage efficient use of our limited supply of housing, under taxing larger and often underused properties owned by the healthiest and wealthiest, holding

Figure 9: Figure 3: Health and Property Tax Framework



back new supply and contributing to inflating housing costs.

Local Authorities' ability to respond effectively to a multitude of crises has been limited by almost a decade of underfunding public services, with particularly damaging holes in the funding of social care and welfare systems. Reforming the property tax system alongside the Local Government Funding allocation is needed to put money back into the most deprived communities with the worst health.

A Proportional Property Tax system would bring in eight key reforms which together address these failures. Each reform implemented individually would represent an improvement, but together they would be far more effective, and could bring fairness into a system which currently rewards the wealthiest and healthiest at the expense of the poorest and sickest. The proposed reforms are:

1. The Council Tax band system should be replaced with a simple Proportional Property Tax charged as a fixed flat percentage of property value with a surcharge rate for second, empty and non-resident owned homes, improving housing affordability and speed of transactions.
2. Stamp Duty land tax on owner occupied property should be abolished, increasing supply of housing and speed of transactions.

3. At the point of transition to Proportional Property Tax any increase in local property tax would be capped at £100 a month for primary residences, protecting housing affordability.
4. Property tax should be collected not from tenants but directly from owners who are in a better position to pay, addressing the many housing challenges renters face.
5. A deferral mechanism should be introduced for those owners genuinely unable to pay, eliminating the thorny issue of Council Tax debt.
6. Property tax should be made simpler and fairer by abolishing most reliefs and exemptions, increasing supply. The ineffective and unfair bedroom tax should be removed.
7. A revaluation of all residential property must take place as soon as possible, with annual revaluations thereafter – properties should be taxed on their average value across the last three years, to ensure that increases in property value are subject to tax, improving fairness.
8. Property tax should apply to undeveloped plots of land with planning permission, discouraging developers from land banking and increasing supply.

WPI Economics research has found that Local Authorities with lower average life expectancy will have a greater proportion of the people benefiting from the switch to Proportional Property Tax – the poorest and least healthy will be the winners in this reform. Proportional Property Tax would be progressive, putting the highest tax burden on those in the biggest, most expensive houses, with the best health. It would encourage a stronger flow of housing supply to meet growing demand, lowering the pressure on house prices, and discouraging under-use and land banking by developers, making it easier for the poorest and least long living to access suitable shelter, an essential human right. And it would reform Local Authority funding, putting more money into the most deprived and unhealthy communities, who need that funding the most.

Proportional Property Tax will improve the housing situation

Introducing Proportional Property Tax will address some of the deep inequalities and challenges of the housing market and diminish its negative effects on health outcomes and life expectancy.

Young people are half as likely to own a home aged 30 as baby boomers were at the same age. More than a fifth of 25–34-year-olds live in overcrowded conditions, with this figure rising to 46% in London. More than a fifth of that age group also live in concealed households, such as with parents or other relatives. But these same young people spend a greater proportion of their income on Council Tax than most other groups of working age adults.^{iv}

The housing market is shockingly inefficient – across England many thousands of homes have been left empty for more than 6 months, and many thousands more are largely unused second homes. This reflects the fact the wealthiest and healthiest in society who tend to be homeowners have been able to borrow against their assets, taking advantage of low interest rates in recent years to expand their property portfolios. There are millions of under-occupied homes with 2+ spare bedrooms.

A Proportional Property Tax would make the housing market more efficient and release homes for young people experiencing overcrowding and concealment in four ways:

- **Increasing transactions** – eliminating Stamp Duty would allow for increased movement between homes allowing for less under-occupation and overcrowding.
- **Second homes released as primary residences** – the surcharge for second homes would allow more to be released to the market increasing supply of housing.

- **Empty homes occupied** – the proportional taxing of empty homes, and the elimination of Stamp Duty making them easier to sell will stop this space from going to waste.
- **More homes being built** – Proportional Property Tax would tax sites with planning permission, encouraging developers to build sooner, making the homes available and increasing supply.

The issues we have identified in the housing market which impact on health (housing affordability, housing quality, housing security and the challenges of renting and intergenerational wealth) are worsened by the current property tax system. Replacing Council Tax, which under-taxes people in large properties, and Stamp Duty, which penalises people for moving homes, has the potential to release between 170,000 and 600,000 homes

over five years to help tackle the housing crisis, improving health outcomes.

8.7 million renters would no longer pay property tax

As well as the additional homes, this reform would result in:

- 315,000 additional transactions for a better allocation of available space
- 135,000 second homes released as primary residences
- 55,000 empty homes occupied again
- 90,000 homes with planning permission that would not have been built
- 8.7 million renting households would be removed from property tax^{lvi}

All these outcomes will contribute to addressing the housing crisis, and the key ways in which housing under the current system is detrimental to health and life expectancy.

Increasing the supply will improve **housing affordability**, bringing enough new homes to market to halt the inexorable rise of house prices. It will also go a long way to addressing **housing quality** challenges – with more choice in the market there will be more competition in the private rental sector, where many of the non-decent homes are. Increased supply and transactions will also address the challenges of overcrowding.

Housing security is negatively impacted by high housing prices and the tight housing market – by releasing more homes to the market through increased supply and transactions this insecurity will ease.

And whilst all of these will also improve the situation faced by **renters**, and address some of the **intergenerational unfairness** in housing and wealth allocation, the removal of any Council Tax burden will also directly benefit renters, with only 66% of the extra tax burden on landlords expected to be passed on to renters in higher rents in the private sector (25% in the social rented sector).

PPT has the potential to release up to 600,000 homes over five years to help tackle the housing crisis, improving health outcomes

Proportional Property Tax would be associated with higher quality, more secure and more affordable housing, with a better deal for renters, benefiting the wealthiest, healthiest households the least, and the most deprived, least long-lived households the most.

Proportional Property Tax will raise disposable incomes and improve fairness

Implementing a Proportional Property Tax would result in reduced bills for 75% of households, while the wealthiest individuals residing in expensive properties and with longer life expectancies are likely to face increased charges. Conversely, the most economically disadvantaged individuals, who live in more modest properties or rent, and have lower life expectancies, are expected to benefit the most from this policy. Council Tax places the heaviest burden on the young, the lowest earners and those who are living in less prosperous parts of the country, who typically live in the most modest properties and have the worst health and lowest life expectancies. Under the current system, property values have skyrocketed for the asset rich and Council Tax bills have increased, all whilst average incomes stalled. Council Tax is unfairly distributed with the most deprived regions such as the North East and the South West paying the most, and the richest regions such as London paying the least.^{lvii}

Council Tax is based on property valuations that are almost thirty years out of date, despite enormous growth in house prices since then, particularly at the top of the market. Those who have benefited the most from the housing bubble, the wealthiest and healthiest in society, have also been the biggest beneficiaries of the Council Tax system – a clearly regressive outcome.

Even the band structure itself, in which all properties in a specific band pay the same amount, means that the homes at the bottom of each band pay proportionally more than those at the top of the band, despite living in less expensive properties. These flaws in the system mean that a person living in a property worth £100,000 pays around 5 times more tax as a share of the property value than someone in a property worth £1m. For example, the Council Tax bill paid on a £150,000 home in the more deprived, less long-lived council Hartlepool would be £1,858, as compared to a bill of £1,655 paid on an £8 million home in the much richer, much more long-lived council of Westminster. The Hartlepool property is paying just over 1% of the value of the house in tax, whereas the Westminster property is paying just 0.02%. Younger adults and lower earners tend to be clustered in the lower

75% of households would see reductions in their Council Tax burden under PPT

Council Tax bands and pay higher effective tax rates than the wealthier and older households.^{lviii}

The Proportional Property Tax would rectify the underlying unfairness of the current property tax system – under the new, fair system, everyone

would pay the same rate of tax as a proportion of their property value. Those living in the most deprived areas with the lowest life expectancies would see the biggest gains in their disposable incomes, and the wealthiest and healthiest would be required to pay their fair share. Under the new system:

- 18 million households would pay less tax, with 75% of households better off
- 4.6 million households would pay less than they do with the current Council Tax discount
- £6.5 billion would be saved by Council Taxpayers outside of central London
- Savings on property tax will be made in every region apart from London, ranging from £143 per year per household for single home UK taxpayers in the East to £615 in Yorkshire and Humber and the North East
- Overall poverty would be expected to fall by 0.8%^{lix}

As **disposable incomes rise** for those most in need and in the worst health, **inequality will be reduced** and marginal improvements could be seen in health outcomes in the most deprived areas, possibly even resulting in longer life expectancies in these areas, on top of reductions in health inequalities

across regions. The reforming of the current system would greatly **reduce the burden of property tax debt**, with a less aggressive, more humane approach to property tax arrears greatly benefiting the average mental health of the most deprived areas.

Proportional Property Tax will modernise Local Government Funding

Introducing a Proportional Property Tax system alongside reforming the existing funding allocation for councils would address unfairness of current Local Government Funding allocation. With effective rejigging of the system of grant funding, the significant gains to be had from making the wealthiest and healthiest pay their fair share in richer councils could be redistributed to the most deprived and least long-lived areas.

Under the current system the gap in funding between the poorest and richest councils has widened. The poorest, least healthy councils have experienced the deepest cuts to their core spending power – SIGOMA research has found that over the last 13 years the poorest 10% of councils have had their funding cut by 28%, whilst the richest 10% saw funding drop by only 10%. This disparity is down to the 2013-14 reforms to Local Government Funding which increased reliance on Council Tax and retained business rates, meaning that the councils with the most expensive properties and most successful businesses received the highest funding. In 2013-14 central government funding represented 55% of councils’ core spending power, but by 2023-24 this had fallen to 37%. During this time the proportion of funding derived from local revenue such as Council Tax has increased to 62%, from 45%. The most deprived, least healthy councils with the smallest Council Tax and business rates bases have been the least able to plug the gaps in funding and have been hit the hardest.^{lx}

Introducing PPT with a new funding allocation mechanism would increase funding in the poorest and least healthy councils

Currently, Council Tax revenue goes to councils, whilst Stamp Duty revenue goes to central government. Proportional Property Tax would create a new source of revenue, whilst abolishing both Council Tax and Stamp Duty. Councils would receive a direct share of the tax revenue raised in their area and would be able to set their Council Tax rates independently. Amongst other things, this would mean voters could hold local councillors to account for local tax and spend decisions, councils would not give up revenue raising powers to central government, and councils would have an incentive to pursue local growth. Importantly, with revenue based on annually updated house prices, councils would retain a share of the uplift that their policies create.^{lxi}

However, given that the wealthiest councils would also have the highest valued property base - and therefore in the new system gain the most property tax revenue, whilst the most deprived councils saw theirs dwindle as the poorest are required to pay less tax - it is essential to tie the introduction of Proportional Property Tax to a grant funding mechanism which redistributes funding based on local area need as opposed to the current incentive-based system, which rewards growth. This allocation based on need would take into account areas which have higher local spending needs, or a greater need for local economic investment (such as the most deprived, least long-lived councils) and redistribute funds from the centrally collected revenue. This would ensure that not only are the wealthiest, healthiest households with the biggest and most expensive properties paying their fair share, but that they are also contributing to the uplifting of households in the most deprived, most unwell areas of the country, with the smallest and cheapest properties.

This would allow Local Authorities to move away from the current crisis, where core services are threatened after years of cuts to funding, and allow them to return to taking preventative action, and managing crises when they come up.

- They will be able to meet their **social care** obligations again, with all the implications for mental and public health this would entail.
- Increased funding in the poorest and unhealthiest areas through the grant mechanism would allow the preventative **health care** services to resume, which would improve health outcomes directly, and improve life expectancy.
- Councils could pour more funding into the **key services** needed to invest in youth, boosting their health outcomes for the rest of their lives, and acting as prevention to many of the social and economic ills which keep deprived areas in a cycle of poverty
- There will be more funding available to manage the acute impacts of **homelessness** and reduce the effects on local health outcomes and life expectancy. Increased funding will allow for essential preventative action, reducing the incidence of homelessness in the first place.

Whilst reforming Proportional Property Tax alone will not solve the challenge of unequal distribution of Local Government Funding, bringing in an effective redistributive funding mechanism based on need alongside this reform would dramatically improve the allocation of funding. This would allow the wealthiest and healthiest, living in the most expensive properties, to be taxed proportionally to their wealth, and for some of this increased revenue to go towards increasing Local Government Funding in the most deprived, least healthy areas.

In Conclusion

The current property tax system has contributed to a stagnation in the growth of life expectancy, primarily due to its impact on household disposable incomes, housing conditions, and Local Government Funding. The regressive Council Tax and punitive Stamp Duty exacerbate the problems of unaffordable, insecure, and low-quality housing, leading to worsened health outcomes for the most financially vulnerable households. Additionally, the unequal distribution of the Council Tax burden further deepens income and health inequalities. Moreover, the regressive nature of Local Government Funding results in unequal access to essential services that are crucial for promoting healthier and longer lives.

Introducing a Proportional Property Tax would enhance the efficiency of the housing market by releasing up to 600,000 homes, thereby addressing the housing crisis and improving health outcomes. This reform would lead to reduced bills for 75% of households, effectively reducing income and health inequalities. Furthermore, it would redistribute Local Government Funding from wealthier areas to more deprived regions, thus increasing funding for services that support better health. Given the evident shortcomings of our current property tax system, the time has come to adopt the Proportional Property Tax, which would rectify existing failures, benefit the most disadvantaged individuals, and ensure a fairer contribution from both the healthiest and wealthiest segments of society.

References

- ⁱ Fairer Share, The Burden of Council Tax, available here <https://fairershare.org.uk/burden-of-council-tax/> accessed at 24/05/23
- ⁱⁱ Fairer Share, *The Burden of Council Tax (Council Tax as a proportion of property value (%))*, available here <https://fairershare.org.uk/burden-of-council-tax/> accessed at 02/06/2023
- ⁱⁱⁱ The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{iv} Fairer Share report (2022), *Levelling up*, available here https://fairershare.org.uk/wp-content/uploads/2022/02/Report_Levelling-Up_v4.pdf accessed at 25/05/23
- ^v Fairer Share (2021), *The Proportional Property Tax Manifesto*, available here https://fairershare.org.uk/wp-content/uploads/2021/10/Fairer-Share_Manifesto.pdf accessed at 24/05/23
- ^{vi} The Economist (Mar 2023), *Why did 250,000 Britons die sooner than expected*, available here <https://www.economist.com/interactive/britain/2023/03/09/why-did-250000-britons-die-sooner-than-expected> accessed at 24/05/23
- ^{vii} Fairer Share, The Burden of Council Tax, available here <https://fairershare.org.uk/burden-of-council-tax/> accessed at 24/05/23
- ^{viii} Department for Work and Pensions, *Family Resources Survey: financial year 2021-2022*, available here <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2021-to-2022> accessed at 25/05/23
- ^{ix} Office for Health Improvement and Disparities Press Release (Oct 2021), *New era of public health to tackle inequalities and level up the UK*, available here <https://www.gov.uk/government/news/new-era-of-public-health-to-tackle-inequalities-and-level-up-the-uk> accessed at 24/05/23
- ^x The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{xi} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xii} Fairer Share (2021), *The Proportional Property Tax Manifesto*, available here https://fairershare.org.uk/wp-content/uploads/2021/10/Fairer-Share_Manifesto.pdf accessed at 24/05/23
- ^{xiii} Understanding Society, *The UK Household Longitudinal Study*, available here <https://www.understandingsociety.ac.uk/documentation/data-releases> accessed at 25/05/23
- ^{xiv} Fairer Share (2021), *The Proportional Property Tax Manifesto*, available here https://fairershare.org.uk/wp-content/uploads/2021/10/Fairer-Share_Manifesto.pdf accessed at 24/05/23
- ^{xv} The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{xvi} The Health Foundation Evidence Hub, *Inequalities in housing affordability*, available here <https://www.health.org.uk/evidence-hub/housing/housing-affordability/inequalities-in-housing-affordability>
- ^{xvii} The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{xviii} The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{xix} Journal of Epidemiology & Community Health (2018), *Emergency Hospital admissions associated with a non-randomised housing intervention meeting national housing quality standards: a longitudinal data linkage study*, available here <https://jech.bmj.com/content/72/10/896> accessed at 24/05/23
- ^{xx} London School of Hygiene & Tropical Medicine (2013), *Housing improvements for health and associated socio-economic outcomes (Review)*, available here <https://pubmed.ncbi.nlm.nih.gov/23450585/> accessed at 24/05/23
- ^{xxi} The Health Foundation Evidence Hub (2023), *Trends in household overcrowding by tenure*, available here <https://www.health.org.uk/evidence-hub/housing/housing-stability-and-security/trends-in-household-overcrowding-by-tenure> accessed at 24/05/23
- ^{xxii} The Health Foundation Evidence Hub, *Housing*, available here <https://www.health.org.uk/evidence-hub/housing> accessed at 24/05/23
- ^{xxiii} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xxiv} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xxv} The Health Foundation Evidence Hub, *Relationship between health and residential-moves*, available here <https://www.health.org.uk/evidence-hub/housing/housing-stability-and-security/relationship-between-health-and-residential-moves> accessed at 24/05/23
- ^{xxvi} The Health Foundation Evidence Hub, *Relationship between health and home quality*, available here <https://www.health.org.uk/evidence-hub/housing/housing-quality/relationship-between-health-home-quality> accessed at 25/05/23
- ^{xxvii} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xxviii} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xxix} The Health Foundation (Dec 2020) *Better housing is crucial for our health and the COVID-19 recovery*, available here <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery> accessed at 24/05/23
- ^{xxx} The Health Foundation Evidence Hub, *Relationship between income and health*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/income/relationship-between-income-and-health> accessed at 25/05/23
- ^{xxxi} The Health Foundation Evidence Hub, *Relationship between income and health*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/income/relationship-between-income-and-health> accessed at 25/05/23

- ^{xxxii} The Health Foundation Evidence Hub, *Relationship between income and healthy life expectancy by local authority*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/income/relationship-between-income-and-healthy-life-expectancy-by-local-authority> accessed at 25/05/23
- ^{xxxiii} The Health Foundation Evidence Hub, *Relationship between poverty, age and health*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/poverty/relationship-between-poverty-age-and-health> accessed at 25/05/23
- ^{xxxiv} The Health Foundation Evidence Hub, *Relationship between persistent poverty and health*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/persistent-poverty/relationship-between-persistent-poverty-and-health> accessed at 25/05/23
- ^{xxxv} The Health Foundation Evidence Hub, *Trends in persistent poverty*, available here <https://www.health.org.uk/evidence-hub/money-and-resources/persistent-poverty/trends-in-persistent-poverty> accessed at 25/05/23
- ^{xxxvi} Fairer Share report (2022), *Levelling up*, available here https://fairershare.org.uk/wp-content/uploads/2022/02/Report_Levelling-Up_v4.pdf accessed at 25/05/23
- ^{xxxvii} Fairer Share report (2022), *Levelling up*, available here https://fairershare.org.uk/wp-content/uploads/2022/02/Report_Levelling-Up_v4.pdf accessed at 25/05/23
- ^{xxxviii} Fairer Share report (2022), *Levelling up*, available here https://fairershare.org.uk/wp-content/uploads/2022/02/Report_Levelling-Up_v4.pdf accessed at 25/05/23
- ^{xxxix} LocalGov.co.uk, *MPs launch inquiry into collection of Council Tax arrears*, available here <https://www.localgov.co.uk/MPs-launch-inquiry-into-collection-of-council-tax-arrears/53316> accessed at 25/05/23
- ^{xl} Citizens Advice (Jan 2021), *Unavoidable debt Coronavirus Council Tax debt*, available here <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Unavoidable%20debt.pdf> accessed at 25/05/23
- ^{xli} Citizens Advice (Jan 2021), *Unavoidable debt Coronavirus Council Tax debt*, available here <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Unavoidable%20debt.pdf> accessed at 25/05/23
- ^{xlii} Department for Work and Pensions, *Family Resources Survey: financial year 2021-2022*, available here <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2021-to-2022> accessed at 25/05/23
- ^{xliii} Citizens Advice (Jan 2021), *Unavoidable debt Coronavirus Council Tax debt*, available here <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Unavoidable%20debt.pdf> accessed at 25/05/23
- ^{xliv} SIGOMA, *Lifting the Fog: Council Funding and the Spending Review*, available here <https://www.sigoma.gov.uk/documents/public/SR-PDFfrom-Final.pdf> accessed at 25/05/23
- ^{xlv} Local Government Chronicle (April 2023), *Gap between poorer and richer councils has widened, research finds*, available here <https://www.lgcplus.com/finance/gap-between-poorer-and-richer-councils-has-widened-research-finds-26-04-2023/> accessed at 25/05/23
- ^{xlvi} Local Government Chronicle (April 2023), *Gap between poorer and richer councils has widened, research finds*, available here <https://www.lgcplus.com/finance/gap-between-poorer-and-richer-councils-has-widened-research-finds-26-04-2023/> accessed at 25/05/23
- ^{xlvii} SIGOMA, *Care Crisis booklet*, available here <https://www.sigoma.gov.uk/documents/public/Care-Crisis-booklet.pdf> accessed at 25/05/23
- ^{xlviii} ONS, May 2022, *Care homes and estimating the self-funding population, England: 2021 to 2022*, available here <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/socialcare/articles/carehomesandestimatingtheselffundingpopulationengland/2021to2022> accessed at 14/06/2023
- ^{xlix} SIGOMA, *Care Crisis booklet*, available here <https://www.sigoma.gov.uk/documents/public/Care-Crisis-booklet.pdf> accessed at 25/05/23
- ^l Crisis, *Health and wellbeing*, available here <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/health-and-wellbeing/#:~:text=People%20who%20have%20experienced%20homelessness,common%20and%20often%20go%20untreated> accessed at 29/05/23
- ^{li} Crisis, *Health and wellbeing*, available here <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/health-and-wellbeing/#:~:text=People%20who%20have%20experienced%20homelessness,common%20and%20often%20go%20untreated> accessed at 29/05/23
- ^{lii} SIGOMA (June 2019), *No Investment No Future*, available here <https://www.sigoma.gov.uk/documents/No-Investment-No-Future.pdf> accessed at 25/05/23
- ^{liii} SIGOMA, *Care Crisis booklet*, available here <https://www.sigoma.gov.uk/documents/public/Care-Crisis-booklet.pdf> accessed at 25/05/23
- ^{liiv} SIGOMA (June 2019), *No Investment No Future*, available here <https://www.sigoma.gov.uk/documents/No-Investment-No-Future.pdf> accessed at 25/05/23
- ^{liv} WPI Economics (September 2021), *Taxing Times: A Fairer Deal for Future Generations*, available here <https://wpieconomics.com/publications/taxing-times-a-fairer-deal-for-future-generations/> accessed at 26/05/23
- ^{lvi} WPI Economics (September 2021), *Taxing Times: A Fairer Deal for Future Generations*, available here <https://wpieconomics.com/publications/taxing-times-a-fairer-deal-for-future-generations/> accessed at 26/05/23
- ^{lvii} Fairer Share (2021), *The Proportional Property Tax Manifesto*, available here https://fairershare.org.uk/wp-content/uploads/2021/10/Fairer-Share_Manifesto.pdf accessed at 24/05/23
- ^{lviii} Fairer Share (2021), *The Proportional Property Tax Manifesto*, available here https://fairershare.org.uk/wp-content/uploads/2021/10/Fairer-Share_Manifesto.pdf accessed at 24/05/23
- ^{lix} Fairer Share report (2022), *Levelling up*, available here https://fairershare.org.uk/wp-content/uploads/2022/02/Report_Levelling-Up_v4.pdf accessed at 25/05/23
- ^{lx} Local Government Chronicle (April 2023), *Gap between poorer and richer councils has widened, research finds*, available here <https://www.lgcplus.com/finance/gap-between-poorer-and-richer-councils-has-widened-research-finds-26-04-2023/> accessed at 26/05/23
- ^{lxi} Fairer Share (March 2021), *Moving to a Proportional Property Tax: Implications for Local Government Finance*, available here <https://fairershare.org.uk/moving-to-a-proportional-property-tax-implications-for-local-government-finance/> accessed at 26/05/23