
UCL · INSTITUTE FOR GLOBAL PROSPERITY

Prosperity 2030

The full report, in published order. Printed edition for pre-briefing.

Source: IGP Social Prosperity Network · prosperity2030.uk
Generated 15 July 2026

Programme Overview

Today's developed societies face a set of challenges that defy adequate response within the inherited policy structure. Citizens are trapped in conditional welfare systems that fail to secure their livelihoods and deny their contributions.

Governments are gridlocked between weak infrastructure and overloaded fiscal inheritances. Dependent on individual consumption to compensate for collective insecurity, stewardship of community and environment have been displaced. This leaves everyone feeling powerless. Citizens demand change that governments cannot deliver, resulting in ever greater frustrations with democracy.

This state of affairs is neither inevitable nor intractable. Strategic policy design and sequencing, that combines welfare reforms with tax reforms, opens policy options that would otherwise be blocked by politically painful effects on households.

Summary

ARTICLE

Prosperity 2030 is a prototype reform programme with 30 policies in three sections: 10 Universal Services that cut the cost of living, 4 Revenue Reforms that fund them, and 16 Structural Reforms that remove the constraints on delivery. Together they raise around £101 billion a year, offset tax rises with lower living costs, and leave around £38 billion of additional fiscal space with no new borrowing.

This article is the map for the programme. It states the argument in miniature so that you can enter the report knowing its shape. The full grounding, evidence, and reasoning begin in the articles that follow.

Kind of Document

Prosperity 2030 (P2030) is a direction-of-reform document, not draft legislation. Its policy choices are conditioned by the circumstances of the UK at the time of writing and based on an understanding of how societies promote positive change. The UK serves as an example of a developed nation with increasing social and democratic instability, fragile infrastructure, and blocked fiscal manoeuvrability. The objective is not to prescribe a fixed set of actions but to demonstrate the cascading benefits available when universal safety, revenue reform, and structural repair are designed as one coherent programme rather than treated as isolated initiatives.

The programme is scaled to a single parliament, presumed to start in 2030. It assumes a new political mandate and a five-year execution window, with every commitment funded within that window.

The Mechanism

Britain's households face a cost-of-living problem, its public realm faces a capacity problem, and its government faces a fiscal problem. These are usually treated as three separate domains, requiring three separate trade-offs. The P2030 programme treats them as one design challenge.

The key change is this: instead of transferring cash and means-testing access, provide the essentials that nearly every household already buys as universal services, free at the point of access. Shared provision is cheaper than individual household purchasing, so £1 of Universal Services replaces about £1.21 of cost of living. Taxes rise to fund the services, but because the services displace private spending, the cost-of-living reduction offsets the tax rise for most working households. The frame is contribution and reciprocity: everyone contributes according to their income, and everyone has unconditional access.

This inverts the logic of conditional welfare. Cash transfers gate support at the point of entitlement, through means tests and sanctions, and then leave the spending unconditional. Universal Services remove the bureaucratic gatekeeping entirely: entitlement is unconditional, and the only conditionality is in the fixed shape of the services provided.

Universal Services: 10 policies

Six services cover the essentials of modern life. The Universal Transport Service provides free local buses nationwide, with services doubled over the parliament.

The Universal Information Service re-founds the BBC on direct funding and abolishes the TV Licence. The Universal Digital Service, Universal Energy Service, and Universal Water Service secure basic access to connectivity, power, and water. The Universal Care Service starts to address the largest unmanaged risk facing households and government.

The National Food Service operates through three channels: universal free school meals, Community Food Centres serving meals free at the point of access, and participating venues where entitlements can be used in ordinary cafes and restaurants.

Local Service Hubs complete the section as the physical front door; a place in every community where services are discovered and connected.

Revenue Reforms: 4 policies

National Contributions replace Income Tax, employee National Insurance, Capital Gains Tax, Dividend Tax, and Inheritance Tax with a single schedule applied to all income, whatever its source. Rates run from 22% at the base to 46% at the top, with continuous progression between them and no cliff edges. The reform removes the ceiling on National Insurance for the highest earners, extends an equivalent charge to unearned income, and ends the preferential rates enjoyed by dividends and capital gains. National Contributions provide the bulk of the programme's new revenue, and the incidence is strongly progressive: about four fifths of the additional revenue comes from above the median income, and about two fifths from the top tenth.

National Contributions are also applied to benefit incomes, phased in over three years, so that all income is treated identically. A Local Property Tax replaces Council Tax and Stamp Duty, taxing the property rather than the transaction or the occupant's 1991 banding, and contributes £18 billion a year net. Tripled Air Passenger Duty raises around £8 billion in the first year and funds the free buses: a direct exchange in which the most carbon-intensive travel pays for the least.

Structural Reforms: 16 policies

The Structural Reforms remove the constraints that would otherwise strand the services and the revenues. Digital Protection establishes the Digital ID that services use for access, and a National Digital Service builds public digital capacity. Democracy Revival and Skills Centres rebuild local governance and the skilled-trades pipeline, which are the actual binding constraints on delivery. Community Housing and GB Housing Reform address supply and land assembly. Energy Security pairs GB Energy with long-horizon energy planning. Right to Life brings hospices into public funding. A set of market corrections, including Road Use Duty, a Healthy Food Levy, the equalisation of construction VAT, and Employment Freedom, realigns prices and contracts with public purpose. International Competitiveness adds environmental and social border adjustments so that domestic standards are not undercut from abroad.

The Fiscal Shape

The programme raises around £101 billion a year in new revenue, with a further £16 billion redirected by applying National Contributions to cash benefits. Together these fund around £65 billion of service operations and £14 billion of capital investment in housing, hospices, and care, leaving around £38 billion of fiscal space, roughly 1.4% of GDP, with zero new borrowing across the five-year

window. That fiscal space is the programme's answer to the priorities it does not itself fund: defence, the NHS, debt reduction, or whatever the government of the day chooses.

The right comparison for Prosperity 2030 is not the status quo. It is any rival plan that delivers the same £38 billion of fiscal space, and the question is what that rival plan would have to take from households to do it.

The Sequence

Year One is preparation: the legislation and systems for incomes taxation, local taxes, digital identity, utility governance, and local governance. But it opens with immediate, nationwide signals of the new settlement: free local buses funded by Air Passenger Duty, the TV Licence abolished, universal free school meals in primary schools, and the first Service Hubs. Services then scale year by year as the revenue reforms land, so that every stage of the programme is paid for as it happens.

How to Read the Report

Continue with the articles that follow, which ground the whole design: the diagnosis, the principles, and the sequence. Then read the sections in order: Universal Services, Revenue Reforms, Structural Reforms, Household Effects, and Fiscal. Each policy article stands alone, so readers with an established interest can also enter through the interest tags listed on the homepage as well.

Drilling into the Details

At the bottom of each article you will find **Detail**, **Related & Appendices** and **Further Reading** sections which can be expanded to show more information including links to related policies, appendices, and contributions from others that expand on that policy's theme. The technical appendices carry the modelling and budget details.

There's also an **Ask** feature available from the top menu that answers direct questions about any part of the programme.

The Inversion

ARTICLE

The architecture of modern government was built upright, in an age that took nature to be boundless: infinite to draw from and infinite to absorb. On that assumption, there could be no lasting conflict between the safety a society owed its members and the opportunity that motivated them because there would always be more.

That assumption was false. The limit was first sensed at mid-century, bit hard in the 1970s, and is unavoidable now. Rather than adapting, developed societies inverted: they reached for growth, finance, and the exploitation of the planet to keep the boundless promise alive, and the protection of those who held the resulting assets displaced the safety of everyone else. The whole inverted settlement rested on one implicit but sublimated promise: that the state would always stand behind it.

That promise has been called on at an escalating scale, through the 2008 financial crisis, the eurozone, and the pandemic, each rescue patching the symptom, leaving the diagnosis ignored, and the disease untreated. The pandemic was both the fullest expression of the backstop and the proof of its limit: the state guaranteed everything at once, and in doing so, showed that even the guarantee was finite. What remains is a settlement that can discharge neither the collective safety it inverted, nor the economic growth it promised.

The tempting response is to go back, to make the old settlement run as it did. That is the banner cry of the populists. But it only ever ran on the assumption of boundlessness, so to want it back is to uphold the fallacy. The impulse to restore goes with the impulse to deny environmental limits: accepting the limit makes restoration impossible. Going back is not a resolution. It is the original error, repeated against a harder wall.

The resolution begins by accepting the limits, which force a single correction: the purpose of collective provision is safety, not satisfaction. An unbounded want cannot be the goal of a bounded society. Once the limit is admitted, satisfaction falls away as a purpose, and safety, which asks only for sufficiency, is what remains.

Safety is reliable only when it is unconditional. So a commitment to safety entails universality, not as aspiration but as requirement. Universality is affordable for the same reason it is right: sufficiency is bounded and costable, where satisfaction is neither. And because universality works by removing discretion in the flow between citizen and need, it not only corrects the orientation but is also the means of correction. It sets the settlement upright without rebuilding it, and the institutions reorganise around the restored purpose.

The limit then falls on material throughput, not on human flourishing. A bounded floor of safety is precisely what frees the unbounded potential above it. Productivity in a modern economy depends on the same source as flourishing: the liberation of human capability, not the throughput of more material. Universality is the gateway to universal flourishing.

Prosperity 2030 is a prototype reform programme that demonstrates that universality is the key that allows societies to offset tax increases by reducing

costs of living, while also strengthening resilience, cohesion, and creating fiscal space for other priorities.

RELATED

Complements: [The Collective Mind](#) (Article)

Design Principles

ARTICLE

There are principles of policy design in the P2030 programme that run counter to established social contract arrangements in most developed countries. Below are the most important contrarian principles incorporated in P2030.

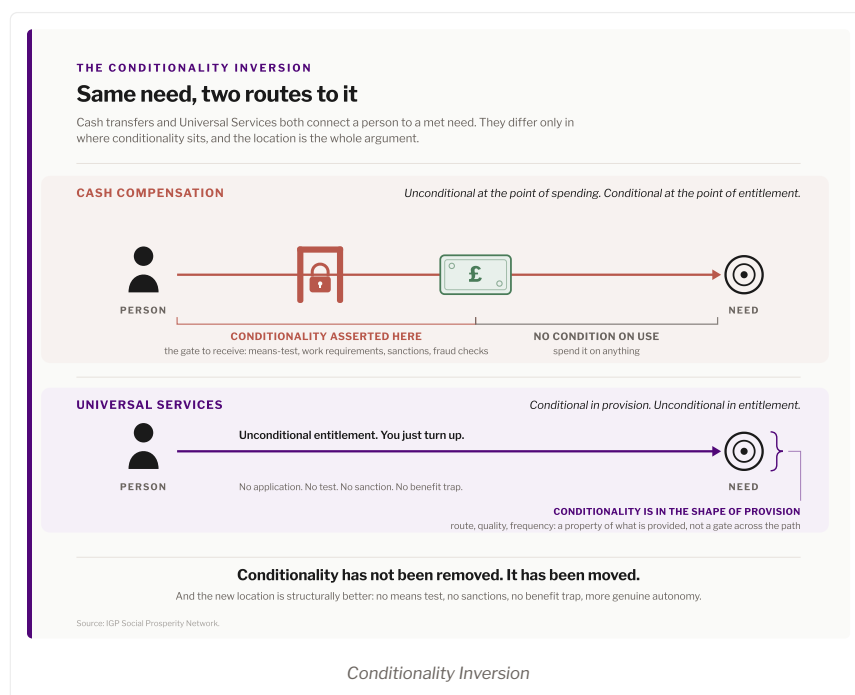
Universal

A core design principle is universality. Recognising the social contract as equally binding on all citizens is a **foundation for reciprocity**. Each citizen is taken as equally entitled to collectively provided safety, security, and services, and equally bound to make contributions from their incomes.

The temptation is to ‘target’ collectively provided support, which assumes that the need is already present and that the administrator can identify it. Creating real safety defies both conditions: the safety is knowing that the support is immediately available if and when needed, without arbitrary external evaluation.

The state is incapable of fair or timely judgement. And any conditionality, beyond needs, erodes the credibility of the state as a counterparty to the social contract. Consciously or not, it introduces in the citizen a notion that contribution is also conditional.

From a practical perspective, taxes apply to everyone and the benefits of the collective action they enable must be accessible by everyone.



Basic

The definition of needs has bedevilled philosophical and policy frameworks and presents a practical hurdle for the design of collectively provided support. The design principle adopted in this report is to establish a criterion where a need is defined as what an individual needs to fully participate in their society – mirroring the framework adopted in the Institute for Global Prosperity’s original

Universal Basic Services report¹. This represents sufficiency, aligned with safety, not satisfaction.

	SAFETY	OPPORTUNITY	PARTICIPATION
 HEALTH CARE	✓		
 EDUCATION		✓	✓
 LEGAL & DEMOCRACY	✓	✓	✓
 + SHELTER	✓		
 + FOOD	✓		
 + TRANSPORT		✓	✓
 + INFORMATION		✓	✓

Table 1: Reasons for Including Services in UBS.

Universal Basic Services (2017)

This simplifies the definition of needs and establishes a criterion for inclusion. The physiological needs for shelter, sustenance, and care, join the enabling services of education, information, and transport to form six basic services. To those, a broad institutional framework is added to protect freedoms, facilitate participation, and organise at scale, as the seventh service category – labelled as Legal & Democracy.

Services

The social contract is better described as a promise. At its core, it cannot be expressed in purely monetary terms. It is a promise to help, bound by a mutual responsibility to seek it only when it is needed, and to provide it when requested.

That promise has become entangled with cultural norms that equate relative worth with material consumption, and that has allowed political expediency in the delivery of the social contract. Distributing cash appears to satisfy the ego of the responder and the requester, without any commitment to actually meet the real need.

Compensatory cash redistribution may be relatively easy to implement, but it has failed to fulfil the social contract. It is mechanically impossible to leverage for efficiency, and assumes the existence of perfect markets for need-satisfiers. The practice is a vestige of the rapid expansion of the population included in the social contract, and has created a deep-seated division between donor and applicant.

Actually building the physical and social structures that make the promise of the social contract a reality requires more effort, more collaboration, and a deeper mutual respect than simply handing out cash. The P2030 programme takes this responsibility to heart.

Broad access lends leverage to the collective provision of need-satisfiers, without entailing centralised provision. It is in the commitment to make a satisfier

accessible, and to do so independently of markets, that the economies of scale and reductions in friction come to the fore. Services are uniquely able to leverage these efficiencies, allowing a programme like P2030 to deliver far greater reductions in the cost of living than the services would cost to make available (1:1.2 in P2030).

Reciprocity

Reciprocity requires the removal of obstacles to contribution, effort, and work, without preconceived ideas of the value of any individual's contribution. It is beyond the capability of any state, or any individual, to pre-judge the contributions that any person may make over their lifetime. The decisions and motivations of individuals are theirs alone. What society can do is smooth the way for contributions based on individual motivation and aptitude. Public policy **creates conditions** on the basis, and expectation, that those conditions will encourage citizens to flourish, knowing full well that the actual flourishing is a private matter.

Resilience

The overarching objective of this policy programme is to create a resilient society that flourishes within the boundaries of the planet we inhabit. That requires social and physical infrastructures that withstand sudden changes in the capacities and capabilities of individuals so that when a financial or other crisis hits, the basic functions of society continue to work. It shifts society from individual fragility to collective resilience.

RELATED

Complements: [The Collective Mind](#) (Article)

REFERENCES

1. Percy, A., Portes, J. and Reed, H. (2017) *Universal Basic Services*. London: UCL Institute for Global Prosperity. Available at: https://www.ucl.ac.uk/bartlett/sites/bartlett/files/universal_basic_services_-_the_institute_for_global_prosperity_.pdf (Accessed: 14 May 2026). ↗

Four Giants of 2030

ARTICLE

The inherited policy structure has left citizens facing four conditions for which the current system has no adequate response.

- Livelihood insecurity, where conditional welfare denies the safety it is meant to provide.
- Weakened social and physical fabric, where resilience has been sacrificed to efficiency.
- Bureaucracies that no longer respond to democratic voice, having promoted consumer choice as the dominant preference, and;
- Conditional support that traps citizens in dependency, penalising contribution rather than rewarding it.

Giant	Condition	Structural Answer	Goal
Insecure	Conditional welfare denies the safety it promises	Safety	Secure
Weakened	Infrastructure decayed; resilience traded for efficiency	Strength	Strong
Ignored	Consumer choice has eclipsed democratic voice	Democracy	Participating
Trapped	Conditional support discriminates between contributions	Contribution	Free

Each Giant has a structural response, not an exhortation. Safety is established by removing conditionality from access to basic services, not by asking people to qualify harder. Strength is built by investing in physical and social resilience, not by asking people to be more individually independent. Democracy is restored by modernising democratic practice at the level where decisions are taken, not by telling people to be more engaged. Contribution is freed by removing the obstacles that discriminate between forms of effort and reward, not by asking people to conform more strictly.

Safety

Provide unconditional access to basic services that meet common basic needs. Establish a basic guarantee of safety that frees citizens to engage with their intrinsic motivations and pursue avenues of contribution of their choice. Unconditional access to basic services that meet common basic needs.

Strength

Build social and physical infrastructures that create a resilient foundation at every level of the society in order to cushion the impacts of future shocks: pandemics, financial crises, conflicts, and the disruptions that planetary limits will impose.

Democracy

Modernise democratic practice, starting at the local level so that it is capable of supporting the devolved and distributed decision-taking necessary to establish resilient social and physical infrastructures. Social cohesion and the efficacy of collective decision-taking are interdependent factors for high-functioning human societies.

Contribution

Free citizens to make whatever contribution they are motivated to, without losing their basic safety. Combine universal entitlements to basic services with simple taxes that do not discriminate between different forms of compensation and reward.

RELATED

Complements: [The Collective Mind \(Article\)](#)

The Destination: Stewardship

ARTICLE

Developed societies have struggled to embed stewardship in their policies for the last 50 years. Exhortation has been tried at every scale, from the household to the international treaty, yet the gap between the call and the response has steadily widened. It's not a case of moral deficiency among citizens. It is that consumerism, as a response to insecurity, weakened infrastructure, ignored voice, and trapped contribution, has prevented stewardship from surfacing. Immediate vulnerabilities have taken precedence over future planning.

The Four Giants are conditions that can be addressed by structural design. Stewardship is the outcome that becomes possible when the four are resolved. Citizens who are secure in their basic needs, embedded in resilient social and physical infrastructures, capable of democratic participation in the decisions that affect them, and free to contribute on their own terms, have the headroom to take the longer view. Stewardship surfaces not because it is demanded, but because it is no longer suppressed.

The Prosperity 2030 programme is therefore designed for stewardship as an outcome rather than as an imposed virtue. Its framework reinforces this: energy efficiency that is leveraged through universal access; water reform that is aligned with catchment integrity; construction taxation that rewards renovation over demolition, food infrastructure that re-localises supply. The 'better beats best' principle runs through the most eco-centric policies: greater sustainability outcomes through reuse, retrofitting, and renovation at lower climate impact and on faster timelines than demolish-and-rebuild alternatives. It's a pragmatic ecology, embedded in policy, designed around how humans actually function.

RELATED

Complements: [The Collective Mind \(Article\)](#)

The Collective Mind

The Political Economy Grounding

ARTICLE

Everything set out above is practice, based on a grounded development of political economy. This article sets out the intellectual grounding for that political economy. The programme, its inversion, the four structural answers and the stewardship they make possible are neither arbitrary policy choices nor the scaling of a single tradition, but a political economy derived from a convergent account of what a human society is and what it is for.

The grounding has three layers, presented in turn: a philosophical foundation (what a society is), a teleological argument (what it is for), and a derivation pedigree (the validated tradition that the programme scales).

The merit of stating a grounding explicitly is that it can then be examined and defended, rather than smuggled in. The honest limits of the argument are stated at the end.

Why a Political Economy Needs a Grounding

Every fiscal settlement rests on a theory of human nature and a theory of social purpose, whether or not it admits them. Mainstream economics is not value-free: it embeds an anthropology, the self-interested rational individual, and a thin telos, the maximisation of utility, proxied by output. These are contestable claims doing concealed normative work.

This programme is a return to the roots of political economy. From Smith through Mill to Polanyi, the discipline understood the economy as embedded in society and morality rather than floating free of them. Polanyi's insistence that markets are instituted by societies, not prior to them, is the classical form of a claim this report makes in its own terms: the economy is a child of the society, not its parent.

The Philosophical Foundation: the Social Individual

Against the atomistic individual

The grounding begins by rejecting the figure on which much contemporary economic and political thought silently depends: the self-sufficient individual who pre-exists society and enters it by choice. This is the state-of-nature fiction in Rousseau's solitary man and its modern descendant, the libertarian self-made individual. It is a fiction. Humans have been a group-living, cooperating, culturally transmitting species for far longer than recorded history, and the solitary human is not the natural baseline but a degraded extreme — a pathological limit case. Without the complex infrastructure and specialisation that only a cooperating society sustains, the great majority of any modern population could not survive at all. We are as individual as ants: real, distinct, and individually consequential, yet only as capable as the group makes us.

Freedom realised through the social, not against it

It follows that agency and freedom are not quantities the individual holds in reserve and the society subtracts from. They are enlarged by the right enabling conditions and stunted by their absence. This is Roberto Unger's sense of deep freedom¹, freedom as the scope for action that good institutions create, and it

converges with the capability approach of Sen and Nussbaum: what matters is not formal liberty but the real capabilities a person has to do and to be.

The contrast with the rival conception is what makes the claim precise. If freedom is merely the absence of interference, a guaranteed floor reads as a charge against it: the floor must be funded through compulsory taxation, so security for some is bought with a constraint on the resources of others, and freedom and security present themselves as rival goods traded on a single axis. On the capability conception that trade is a mirage. A guaranteed material floor is not a constraint traded against freedom; it is a precondition of it. The person secured against destitution, ill health and ignorance has more effective freedom, and more capacity to participate, than the person nominally free but materially precarious.

The normative hinge, stated honestly

There is a move here from an 'is' to an 'ought', and it is made in the open rather than relied on tacitly. The argument is not the naive one that because we evolved as cooperative group decision-takers we are therefore obliged to be so. It is conditional. Given the kind of being we actually are, a thoroughly social one whose flourishing emerges through the exercise of shared agency, a society that takes the flourishing of its members as its aim has reason to arrange itself so that collective agency works well. The only premise smuggled in is that a society should enable its members to live and act well together, and that premise is thin enough to command very wide assent.

The Telos: A Society is a Collective Mind

The Inversion narrative argues that the purpose of collective provision is safety, not satisfaction. The deeper claim beneath that is that safety is the precondition for the one thing a society can do, that no member can do alone. A human society is, at the deepest functional level, a collective decision-taking system: a mechanism for perceiving its situation, working out responses, choosing among them, acting, and learning from the result, to a standard no individual member could reach alone. Each stage carries a characteristic risk of failure, and the weakest stage caps the whole. This serial structure is what later allows the abstract telos to generate concrete design requirements, because each stage turns out to need specific social conditions.

A society's quality as a collective decision-taking system is the end. That is the human advantage, the reason a species of unremarkable individual strength came to remake the planet. Prosperity, fairness, freedom and growth are either instrumental to that end or constitutive of it.

This is why a bounded floor frees an unbounded space above it. The floor secures the members, and secured members are what let the collective mind function. A population held in chronic insecurity cannot contribute clear perception or sustained cooperation to the common task, because fear narrows the very faculties the society depends on each person to bring. Universal safety is not charity to the individual but maintenance of a collective capacity. The flourishing that universality opens up is, properly understood, the liberated intelligence of a population no longer distracted by its own precarity.

The Convergence

The claim that a society is a collective mind is not a theorist's conjecture. It is the shape that has emerged from several independent bodies of research, laid over

one another, although none was built to support the others.

The study of cultural evolution finds the human advantage in the collective brain, the cumulative culture and cooperation that let groups solve what no individual could. The institutional analysis of how communities govern shared resources identifies the conditions as the source of success or tragedy, not an inherent property of the commons. Political philosophy locates democracy's deepest justification in its capacity to harness cognitive diversity for better collective judgement. The formal study of collective computation shows how groups, from cells to societies, turn the partial information of fallible members into shared and often accurate decisions. And the modelling of culture as collective belief-updating treats whole communities as systems that learn.

- **Evolutionary cooperation** (Henrich ², Muthukrishna ³, David Sloan Wilson & E.O. Wilson ⁴). The human advantage is the collective brain: cumulative culture and cooperation let the group compute and innovate across generations as no individual can.
- **Institutional analysis** (Ostrom ⁵). The empirically derived conditions under which groups successfully govern shared resources are the conditions for sustaining cooperative decision-making against the forces that erode it.
- **Political epistemology** (Landemore ⁶). Democracy's deepest justification is epistemic: inclusive, cognitively diverse decision-making produces better collective judgments than rule by the few. The polity is explicitly a cognitive system.
- **Collective computation** (Flack ⁷). Across neurons, primate troops, markets and societies, collectives aggregate the noisy, partial information of error-prone components into collective states, sometimes recovering a ground truth and sometimes constructing a shared reality of their own.
- **Cultural active inference** (Ramstead, Constant, Veissière, Friston ⁸ and colleagues ⁹). Culture can be modelled as shared generative models and collective belief-updating, with communities minimising collective prediction error through shared expectations and regimes of attention.

These are not the same theory and they use "decision", "computation" and "inference" in different technical senses. The claim is more modest and more robust: five independent lenses, focused at different depths, resolve the same object: a society as a collective mind whose quality is what matters. This is consilience in E. O. Wilson's sense ¹⁰, and consilience is a stronger warrant than any single pedigree, because independent methods are unlikely to triangulate on a single artefact.

Prosperity 2030 Scales Validated Practice

Prosperity 2030 (P2030) arrives with a practice already tested at smaller scale. From a worldwide evidence base, Elinor Ostrom derived the core design principles that separate the groups which successfully govern shared resources from those that fail; later work showed these follow from the dynamics of cooperation itself and apply to human groups of every kind. They have been proven in teams, schools, agencies and communities through the Prosocial method of D. S. Wilson and colleagues ¹¹. What they have lacked is an instantiation at the scale of a national political economy. That is what P2030 supplies, and the design principles set out above are the same ones raised to national scale. Proportional equivalence between contribution and benefit becomes National Contributions applied to all incomes. Shared identity and

unconditional membership become Universal Services that constitute everyone as a full member of the venture. Decisions taken at the level that holds the knowledge and bears the consequence become Structural reforms for subsidiarity and local democratic renewal.

The P2030 programme is not improvised. It is the macro form of a validated science of cooperation, expressed in the only instruments a whole society possesses, which are fiscal and legislative. P2030 is the top-down complement of bottom-up action. Both are necessary and dependent.

What Remains Open

That we are a thoroughly social species, and that a society should help its members live and act well together, are starting points: argued for, not proven, but few will reject them. That a society is a collective decision-taking system is the converged finding of the sciences above and carries their evidential weight. The programme is derived from the two together.

Despite its breadth, this programme does not overreach its claim to an account; there are elements left open and fully acknowledged. Amongst those is that the conditions that serve the collective mind are partly in tension, because accurate perception needs independence and diversity of view, while effective action needs coordination and trust. Holding both at national scale is a design question this programme opens rather than closes. Naming that is part of the case, not a retreat from it.

Remaining Ostromian principles, on monitoring, graduated response and conflict resolution, map onto apparatus a state already holds, the rule of law and the measurement system, with the report's only specific contribution being the case for holistic prosperity indicators alongside GDP. The mappings are tight for the structural principles and looser for the enforcement principles, and this report does not pretend otherwise.

The question of whether the specific P2030 policies faithfully express the design principles is also left open for test.

From Capacity to Stewardship

This is why stewardship cannot be commanded, and need not be. A society that secures its members, rebuilds their resilience, restores their voice, and frees their contribution has reconstituted itself as a functioning collective mind, and a collective mind no longer consumed by immediate threat can at last take the longer view. Prosperity 2030 is the political economy of that recovered capacity: not a doctrine handed down, but the settlement a society would choose for itself once it understood what it truly is.

RELATED

Complements: [Design Principles \(Article\)](#), [Four Giants of 2030 \(Article\)](#), [The Destination: Stewardship \(Article\)](#), [The Inversion \(Article\)](#)

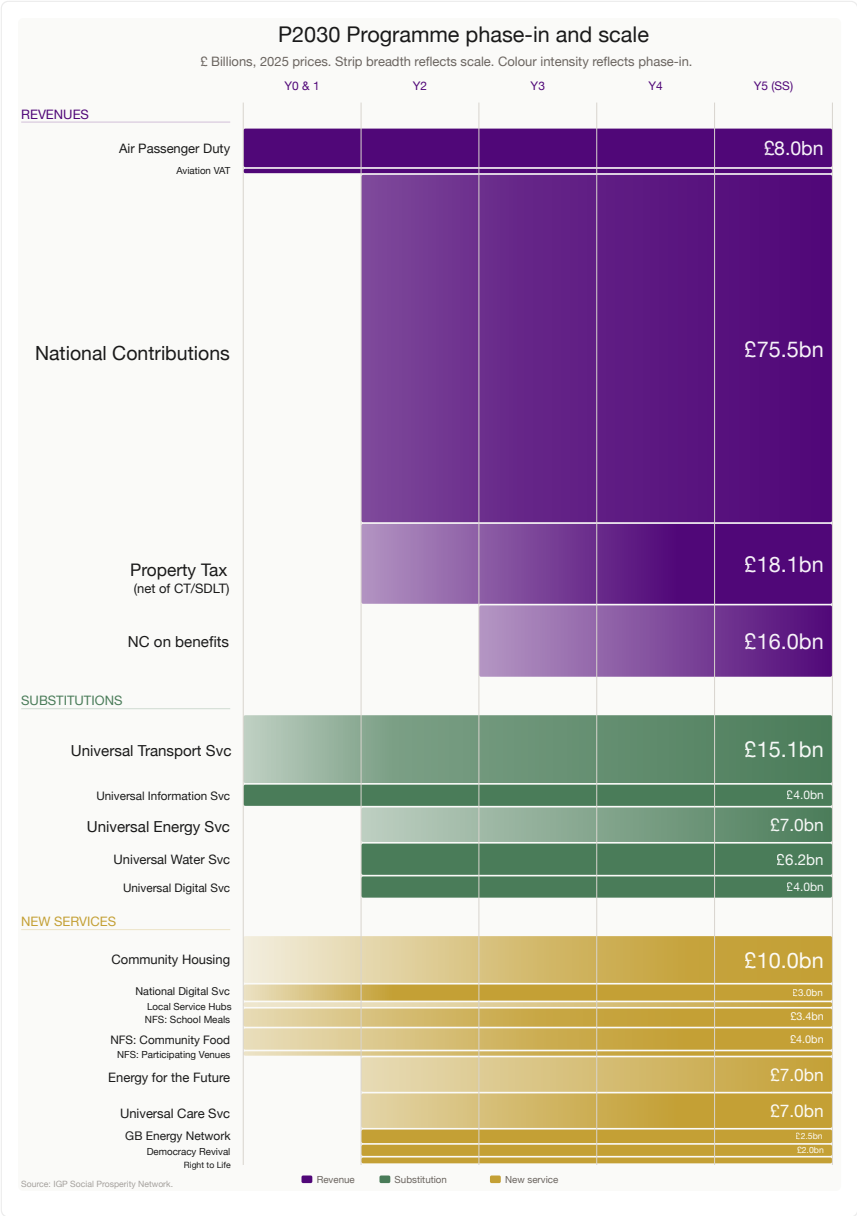
REFERENCES

1. Unger, R.M. (2014) 'Deep freedom: why the left should abandon equality', *Juncture*, 20(2). London: IPPR. Available at: <https://www.ippr.org/articles/deep-freedom-why-the-left-should-abandon-equality>
2. Henrich, J. (2015) *The Secret of Our Success: How Culture Is Driving Human Evolution, Domesticating Our Species, and Making Us Smarter*. Princeton, NJ: Princeton University Press. Available at:

- <https://press.princeton.edu/books/paperback/9780691178431/the-secret-of-our-success> ↗
3. Muthukrishna, M. (2023) *A Theory of Everyone: The New Science of Who We Are, How We Got Here, and Where We're Going*. Cambridge, MA: MIT Press. Available at: <https://mitpress.mit.edu/9780262552943/a-theory-of-everyone/> ↗
 4. Wilson, D.S. and Wilson, E.O. (2007) 'Rethinking the theoretical foundation of sociobiology', *The Quarterly Review of Biology*, 82(4), pp. 327–348. doi:10.1086/522809. Available at: <https://doi.org/10.1086/522809> ↗
 5. Ostrom, E. (1990) *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press. Available at: <https://www.cambridge.org/core/books/governing-the-commons/7AB7AE11BADA84409C34815CC288CD79> ↗
 6. Landemore, H. (2013) *Democratic Reason: Politics, Collective Intelligence, and the Rule of the Many*. Princeton, NJ: Princeton University Press. Available at: <https://press.princeton.edu/books/paperback/9780691176390/democratic-reason> ↗
 7. Flack, J.C. (2017) 'Coarse-graining as a downward causation mechanism', *Philosophical Transactions of the Royal Society A*, 375(2109), 20160338. doi:10.1098/rsta.2016.0338. Available at: <https://doi.org/10.1098/rsta.2016.0338> ↗
 8. Friston, K. (2010) 'The free-energy principle: a unified brain theory?', *Nature Reviews Neuroscience*, 11(2), pp. 127–138. doi:10.1038/nrn2787. Available at: <https://doi.org/10.1038/nrn2787> ↗
 9. Veissière, S.P.L., Constant, A., Ramstead, M.J.D., Friston, K.J. and Kirmayer, L.J. (2020) 'Thinking through other minds: a variational approach to cognition and culture', *Behavioral and Brain Sciences*, 43, e90. doi:10.1017/S0140525X19001213. Available at: <https://doi.org/10.1017/S0140525X19001213> ↗
 10. Wilson, E.O. (1998) *Consilience: The Unity of Knowledge*. New York: Alfred A. Knopf. (Book) ↗
 11. Atkins, P.W.B., Wilson, D.S. and Hayes, S.C. (2019) *Prosocial: Using Evolutionary Science to Build Productive, Equitable, and Collaborative Groups*. Oakland, CA: Context Press (New Harbinger). ↗

Structure

ARTICLE

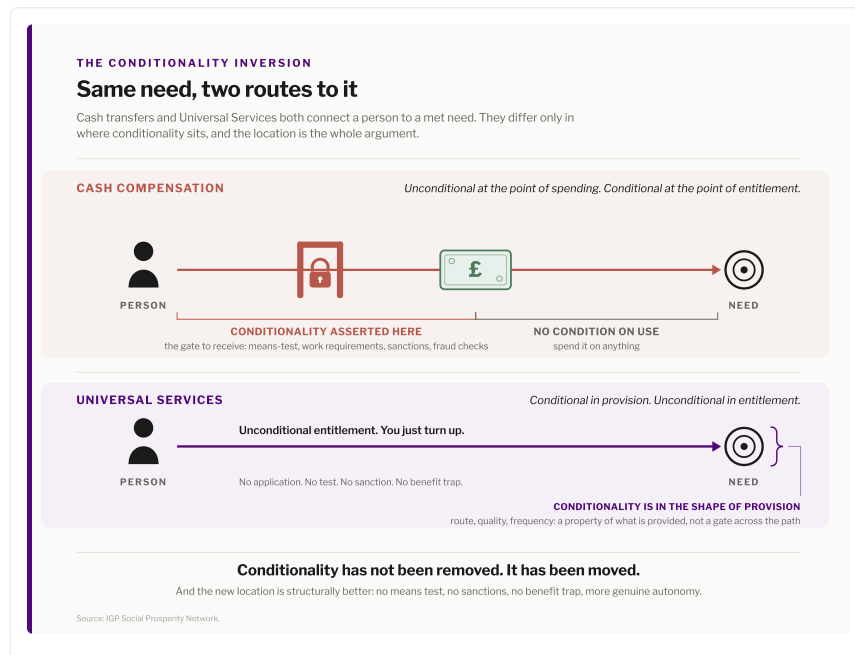


Universal Services

P2030 policies categorised as Universal Services (US) are primary designed to address insecurity, by driving down the cost of living and ensuring access to basic services, while strengthening resilience by building dependable infrastructure.

Key features of Universal Services are that they are **unconditionally accessible to all citizens or residents based on needs, and that they have no tradable value** – they are consumed at the point of need.

Universal Services are **unconditional** and unrelated to income. So changes in other aspects of life do not affect entitlements. It makes no difference if someone gets or loses a job – the services remain constant. This is possible because the content of the service is the condition, whereas cash benefits condition the person because the cash is fungible.



The policies, listed from highest expenditure to lowest, are:

- Universal Transport Service
- Universal Energy Service
- National Food Service
- Universal Digital Service
- Universal Information Service
- Universal Water Service
- Local Service Hubs

Revenue Reforms

Revenue Reforms are primarily designed to establish a clearly reciprocal social contract between citizens, which legitimises and licenses the taxation. The reforms focus on simplification and modernisation to establish a clear and self-evidently fair connection between collective support and individual contribution.

The policies, listed from highest net additional revenue raised to lowest, are:

- National Contributions incomes tax reform
- Property Tax reform replacing Council Tax
- Air Passenger Duty
- VAT on aviation

Policies included in this section to support Revenue Reforms but which do not have independent budget impact:

- Abolition of Stamp Duty Land Tax (replaced by National Contributions)
- Welfare adjustments (included with National Contributions)
- Tax year as calendar year (included with National Contributions)
- National Savings Bonds (included with National Contributions)
- Road Use Duty

Structural Reforms

Policies categorised as Structural Reforms are primarily designed to modernise and advance the efficient management of core infrastructures and resources.

The policies, listed from highest net budget impact to lowest, are:

- Energy for the Future
- GB Energy Network
- Water regulation reform (included with Universal Water Service)
- National Digital Service
- Digital Protection (ID & Privacy Security)
- Democracy Revival
- Skills Centres
- Equalised VAT on new house sales and renovations
- Healthy Food Levy

Policies included for which no budget impact is assessed:

- Employment Freedom
- International Competitiveness
 - Environmental Border Adjustments
 - Social Border Adjustments

Local priorities

Well-known deficits in local capacity are primarily addressed in P2030 by allocating national budgets, with localised implementation and decision-making.

These areas of need are addressed in the P2030 programme:

- Community Housing
- Universal Care Service
- GB Housing reforms
 - Compulsory purchase reform
 - Right to Sell

Strategic Design

ARTICLE

Constraints

Policy design that incorporates cross domain design and strategic sequencing is always desirable but becomes essential for overcoming barriers in today's constrained fiscal and political environment.

The UK, like many other developed countries, faces a combination of capacity, revenue, and debt constraints that appear to limit the options for progress in the face of an array of risks described by the OBR as “daunting”¹. Creating fiscal space to address those risks is made more difficult by cost of living pressures that constrain political options, rising debt sustainability concerns that limit additional borrowing, and tax takes that are already at peace time highs.

Recognising these constraints as real barriers requires strategic policy design to shape the sequencing and interaction of measures to open up possibilities.

Cross Domain

Set against those constraints, each of these reforms looks unachievable on its own, and the programme as a whole looks blocked.

The block dissolves under a macro view that designs and sequences the reforms together. By interleaving taxes with correlated, cost-reducing expenditure across the four domains it spans (the composition of collective support, the tax system, democratic practice, and the governance of the commons), reforms that are impossible alone become possible in combination. The signature move is to programme reductions in the cost of living that offset the impact on disposable incomes of the tax increases. This works because services displace more household cost than the same money would as cash, the efficiency set out in the Services principle above.

This inverts the conventional order, treating social investment as the foundation of economic strength rather than its consequence. That case has been made formally in the UK by the British Academy's working group with HM Treasury and the Department for Business and Trade²; Prosperity 2030 takes it as given and demonstrates the coordination that makes it actionable. Coordinated this way, the reforms open social, political, fiscal, and practical room to act, and their successful delivery would restore credibility to democratic governance at a moment of mounting geopolitical, technological, and environmental risk.

Broadening provision also builds resilience that developed economies need in any case, and building it now retires liabilities that will otherwise fall due later: the deferred costs of ageing, climate, and the next shock that hangs over every developed nation's long-term accounts. The prize at the end of it is a developed nation living within its means, monetarily and environmentally, for the first time. If the UK were to become the first developed country to get a grip on its public finances, every bond trader in the world would notice. UK debt would move from one of the highest risks in the G7 to amongst the safest assets on the planet. The interest saved could, on its own, cover the UK's NATO spending commitment – a benefit beyond the programme's core case that is not included in the fiscal accounting.

One Step at a Time

At each stage in this prototype programme, an incremental change is made that correlates reductions in the costs of living, spread as broadly as possible across the population, with matched funding aligned with the purpose of the policy. In the first year of the P2030 programme, all new revenues are used to fund new services. Spending is gradually tapered down relative to taxes as the programme progresses, which opens up fiscal space later. At steady state, half of new revenues are used to fund the services and another quarter used for capital improvements, leaving 22% of new revenues as fiscal space for unaddressed priorities for which taxation alone would be unpalatable.

Confidence Building

Policies that immediately impact citizens' lived experience, demonstrate collective capacity, and drive down the cost of basic living, are required to overcome the loss of confidence that has accumulated in recent years.

Increasing social and political confidence in the feasibility of the programme, and the capacity to deliver results, is specifically incorporated into the policy design. Many UK citizens have lost faith that the government can do anything well, according to recent polls. Failures in basic utilities like water, political scandals, and delays to reforms, have all contributed to a loss of confidence. Trust in the government's ability to improve things is low, with net scores of around minus 50 on its abilities to deliver on time and on budget³. As a result, 36 per cent of voters express a preference for cuts to tax and spending, compared with only 30 per cent wanting more spending and higher taxes. Acknowledging this starting point means purposefully sequencing policies to progressively increase public confidence.

The trust deficit is not just a UK problem. As the OECD notes: "Well-designed rules and institutions remain essential for fiscal sustainability, but they are no longer sufficient. Governments are being asked to manage long-term fiscal risks in an environment where public trust and people's willingness to tolerate trade-offs are low."⁴

The policy programme considers each of these factors at each stage in the sequence, asking, will it:

- Build sufficient social and political support for the next stage?
- Is it sufficiently practical that it can be implemented with a high degree of confidence?
- Strengthen reciprocity?
- Build physical capacity for resilience?
- Foster social structures to support cohesion and collective decision-taking?
- Have a matched funding stream?

Delivery Capability

A reform programme of this scale depends on a centre of government able to deliver in parallel across multiple domains. The British state, despite being the most centralised in Europe, has accumulated institutional habits that can defeat structural reform. A combination of market mantra and fiscal pressure has bred a **culture that seeks to achieve nothing directly, and everything without a budget**. The P2030 programme provides the opportunity to break that culture, and

reforming the structures that hold it in place, as a condition of its delivery. The specifics of that reform are properly the work of the elected government carrying the P2030 mandate; this report does not prescribe them.

DETAIL

Public service development

Today's modern states implemented legal and democratic frameworks in the late 19th century, and had implemented universal education and healthcare by the end of the 20th century. However, while most societies accepted a moral responsibility to ensure access to shelter and food, they struggled to implement that responsibility in practice.

Transport and information needs arose as structural and technological developments transformed societies and economies towards the end of the 20th century. Service delivery consolidated and digital access was used to mitigate the risks of geographic concentration. Those changes made access to the established services dependent on transport and digital information services.

In P2030 shelter as a Service extends beyond physical buildings to incorporate all the services that complete the meaning of shelter, particularly the essentials of water and energy.

Descriptive, not prescriptive

The policy choices in this report's prototype programme are conditioned by the specific circumstances of the UK at the time of writing. Things will change, and other societies will have different circumstances. The report's objective is not to prescribe a specific set of actions and policies, but to demonstrate the cascading benefits available in any circumstances.

UK as example

The UK is in the advanced stages of neglect thanks to a 50-year-old paradigm. This makes it a valuable exemplar for developed nations facing similar challenges:

- Social and democratic instability resulting from the failure of the prevailing system to address generational and geographic inequities.
- Physical infrastructure inadequacies and fragilities resulting from denying needed investments and governance reforms.
- Blocked fiscal manoeuvrability as a result of the build up of debt to passage past shocks, and the failure to rebuild fiscal capacity after them.

In sum, these conditions have left governments seemingly powerless to respond to demands for change; which has eroded the credibility of collective, democratic governance to dangerously low levels.

REFERENCES

1. OBR, Fiscal risks and sustainability – July 2025, <https://obr.uk/frs/fiscal-risks-and-sustainability-july-2025> ↗
2. Abrams, D., Moore, H.L., Digby, J. and Wright, A. (2025) The importance of social investment for UK economic strategy. British Academy Policy Programme on Economic Strategy: Sustainability and Social Value Working Group. London: The British Academy. Available at: https://www.thebritishacademy.ac.uk/documents/5761/The_importance_of_social_investment_for_UK_economic_strategy.pdf (Accessed: 23 May 2026) ↗
3. State of the State 2026, Deloitte. Feb 2026. Polling of 5,847 adults by Ipsos ↗

4. OECD (2026) *The People and the Budget: Empowering Public Understanding of Public Finances*.
Available at: https://www.oecd.org/en/publications/the-people-and-the-budget/_81674d37-en.html
(Accessed: 5 June 2026). ↗

Sequence

ARTICLE · food, transport, community, digital

This report imagines a five-year programme executed over a new Parliament, recognising that a new political mandate is required to engage in the programme.

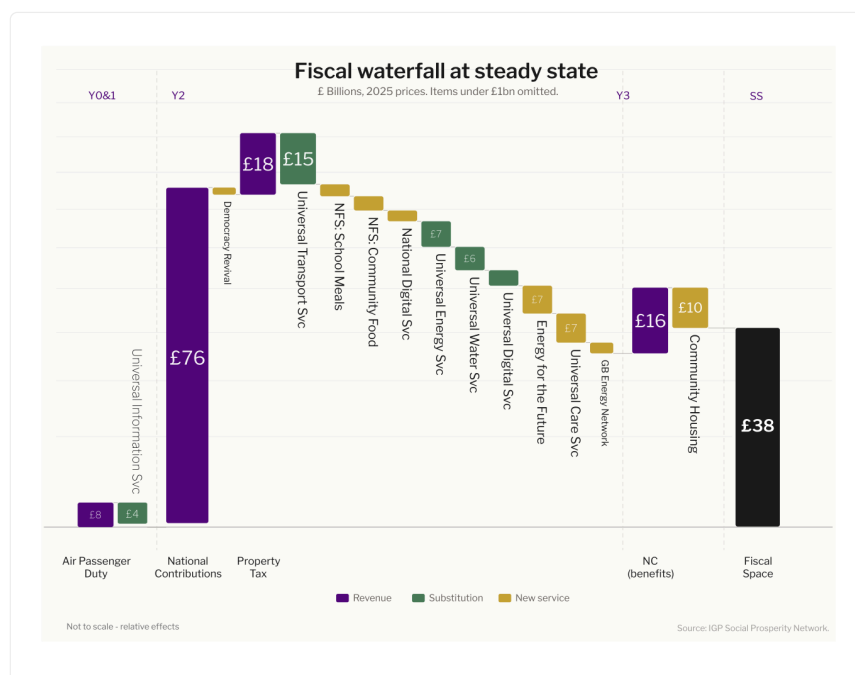
At each step new revenues will be raised, initially through duties and then from incomes and property tax reforms, to fund access to services that are widely consumed and reduce the cost of living for as many as possible.

Preparation

Much of the first year will be spent preparing legislation and systems required to enable the remainder of the reforms and establishing the foundations needed to launch new services in the following year.

Key to the programme are reforms to:

- Incomes taxation
- Local taxes
- Digital services and identification
- Utility sector governance
- Local governance



Phase1: Kick-off

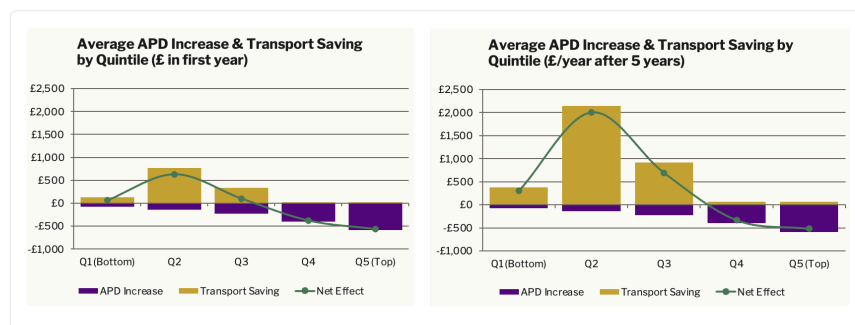
The programme starts with nationwide changes that signal a substantial commitment of the society to the support and protection of all citizens:

- Free local buses
- TV Licence fee abolished
- Service Hubs
- Universal free schools meals in primary schools

Transport

Free access to existing local bus services nationwide, will be paid for by taxing flying (tripling Air Passenger Duty, and extending VAT on aviation). This can be started almost immediately with changes to existing duty and VAT rules and will be broadly felt across the country. The effects are aggressively progressive, with frequent bus users seeing a £1,500/year reduction in transport expenses. The increased taxes are also progressive, with higher income groups taking more and longer flights, so tax rises are six times higher in the top quintile than bottom quintile. (Doubling local bus services over five years is included in the full programme.)

In any year half the country doesn't fly, and 66% of the remaining flyers are better off, so 83% of people will save in any given year.



Information

Making the BBC a specifically Universal Information Service signals a new commitment to public goods and immediately reduces the cost of living for every household with a TV. The TV Licence is abolished and BBC revenue moves to direct funding, saving households £180 a year. The TV Licence Fee reserve fund (TV Licences with less 1 year to maturity) is used to kick-start the National Food Service (NFS), including the first publicly funded and independently operated community restaurants.

Food

In Year One, the National Food Service (NFS) launches with new services in all three channels: school meals, community food centres, and participating venues.

Universal free school meals are introduced for all primary school children. Approximately 590,000 – 640,000 children in years 3–6 who currently pay for school meals become eligible for free provision. An estimated one million children are expected to switch from packed lunches to school meals, raising primary take-up from approximately 65% to 85%. (Children in reception to year 2 are already covered by Universal Infant Free School Meals, and London primary school children are covered by the Mayor's programme.)

Trials of free meals through participating venues will also begin, alongside the rollout of Digital ID with “tap-to-pay” equivalent functionality.

The cost to the National Food Service (NFS) in the first year is funded from the TV Licence Fee reserve fund created by the Universal Information Service.

Service Hubs

Also during the first year, local governments will be provided with grants to establish Service Hubs by adopting existing community food outlets and other facilities (of which there are estimated to be 500 nationwide). These will be staffed facilities using existing buildings that provide space for community gatherings,

meals, Digital ID assistance, and sign posting for local services. They will also serve to reinforce confidence that the programme is real and widespread.

Digital ID

Seamless identity verification paired with enhanced privacy protection is a core function in any modern, large-scale society. Otherwise, it would be impossible to provide the essential guarantee of security and safety that is at the heart of the social contract.

The P2030 programme includes funding to build and maintain a reliable national infrastructure that will enable citizens to identify themselves with the minimum exposure of their private information. Digital ID also provides every holder with the tools to encrypt their private information securely, and restore control of their privacy online.

The objective is to move as quickly as possible to ‘tap to identify’ functionality that works the same way, using the same terminals, as tap to pay. The UK is already launching the GOV Wallet with early access in 2026 and that initiative should have made sufficient progress by 2030 to be within touching distance of this objective.

Phase 2

As confidence, experience, and capacity builds, new services will be added to coincide with tax reforms, such that increased tax contributions are offset by reductions in the cost of living for the majority of taxpayers. The objective is to build public confidence and strengthen the social contract, so most of the new revenues from tax reforms are used to reduce the cost of living.

Because larger shares of the lowest incomes are spent on accessing basic services and utilities, the combination of expanded Universal Services for basic needs with progressive taxes will have highly progressive distributional impacts.

And because Universal Services reduce the cost of living by between 11% and 69% more than the equivalent cash distribution, the efficiency of expenditures on services will offset more of any tax increase than cash benefits would. On average across the funded Universal Services in this policy programme, the greater efficiency is 27%. The Transport and Information services introduced in the first year have 29% and 31% efficiency respectively.

Tax reform

Taxation of incomes is simplified to flatten the definition of incomes to include all received income (with allowances for tax-sheltered National Savings accounts and capital gains adjustments for inflation) replacing IT, employee and self-employment NICs, Inheritance, Dividend, and Capital Gains taxes with a new National Contributions tax. This effectively reduces tax on wages relative to unearned incomes and dramatically simplifies the system, setting up a more obvious reciprocal link between contribution and access to Universal Services. Due to lags in implementation, additional revenues from the new tax will increase over the parliament, with two-thirds of the steady state available at the start.

Universal Digital Service

As soon as the vendors can make themselves ready, a transferable digital service voucher is available for everyone school-aged or older. The voucher saves every person £132 a year on average. Citizens can choose their own vendor. Any vendor that accepts is required to deliver a perpetually persistent minimum service that

includes 30 mins talk/30 texts/30MB data daily, unlimited traffic to GOV.UK and BBC online services, plus a smart device. The programme models this as starting in Year 2, after a year of preparation to coordinate registration and billing systems.

A separate National Digital Service will build out secure, distributed communications and data centre capacity to support a digitally-enabled society. With privacy protection at its heart, this is vital, sovereign infrastructure that supports the UK economy, public services, and national security.

Universal Service Expansions

New Universal Services are added which reduce the cost of living by between £500 and £5,000 a year per household.

There are two parts to these reforms:

- Relocating core network costs from bills to central funding, and;
- Reductions in household bills tied to demand moderation.

The portion of standing charges related to core infrastructure costs for energy and water are moved to general tax revenues, opening the way for structural governance reforms of those utilities. The GB Energy policy enables the transformation of the energy grid, and the creation of a Universal Water Service opens the way for transition to Catchment Water Service Operator¹ management of water.

Households can reduce their energy bills through mandated free usage tiers, which suppliers recoup from higher use customers.

The rapid rollout of cost-effective upgrades to home heating and energy efficiency through the Energy for the Future policy will prepare the nation's housing stock for the future.

Democracy Revival

New local elections will be held to select Councillors who are well paid and supported, laying the groundwork for expanded local funding and budget responsibilities.

Community Food Centres

Grants are awarded to independent community operators to run local social restaurants. These may be standalone, or combined with Service Hubs and Skills Centres. They will have core obligations to provide nutritious meals free of charge, five days a week, and can add additional services as they see fit. The target is to recruit 1,500 CFCs in the second year of the programme.

Phase 3

Various complementary reforms can be phased in over three years to accommodate practical constraints on capacity expansion.

Transport

The national network of free bus services is doubled to provide an effective guarantee of access to all the other services, with 80,000 drivers hired to drive an additional 35,000 buses from 450 new depots. All capital is fully funded inside the programme without debt.

Food

Today's public food programmes, such as schools and the military, already provide 1.3 billion meals a year. That will be doubled over the course of P2030's rollout using different channels; the centrepiece being universal free school meals with year round coverage. Funding will be provided for 9,000 independently operated Community Food Centres, allowing to operate five days a week and serve one million meals a day. Using differential take-up rates across income distributions, we model the gradual establishment of a programme that delivers seven million meals a day: 62% as school meals, 25% meals in Community Food Centres, and 13% through participating venues, including a combination of restaurants, peer groups, charities, colleges, and other institutions. Cost of living displacement is 34% more efficient than cash on a per-meal basis.

Benefits Reallocation to Services

Two years of highly progressive distributional effects of Universal Services, amplified by efficiency, will allow for the reallocation of some cash benefits (6%) to services through the gradual application of National Contributions to benefit incomes. Phased in over three years, the loss of cash benefits is more than offset by the value of the services that the reallocation funds.

Property Tax Reforms

Council Tax and Stamp Duty are gradually replaced with a property value tax without negatively impacting disposable incomes in the large majority of property owners, and with protections for all homeowners. Reductions in the cost of living from Universal Services open the door for desperately needed reforms of property taxation, and generate sufficient revenues to fund greatly expanded local social care provision.

Social Care & Housing

The programme funds the development of more public housing, including new build, shared housing, and repurchased housing stock (see Right to Sell).

Housing with shared facilities fills in where markets fail, and is expected to deliver 100,000 units a year. This is housing designed to be suitable for many different stages in someone's life: when they are moving or relocating; entering the labour market for the first time; experiencing a family disruption; growing older or approaching the end of their life; or in need of emergency relocation.

Community social care funding is increased by £7 billion a year as a down-payment on structural reforms that will, by 2030, have been proposed by the Casey Commission.

Palliative care and hospice facilities receive an extra £1 billion a year through the Right to Life policy.

The End Result

At the end of this prototype five-year programme, life in every UK community will have been transformed. The cost of living for every citizen will have been reduced. The social contract strengthened with a visible and tangible increase in public services for everyone in return for their contribution. The physical fabric of a resilient society will be woven into every corner of the country — all with zero additional borrowing.

The model shows that revenues will exceed costs by £100 billion over the course of the roll-out. This will provide enough flexibility to adjust for any variations in implementation expenses and revenues.

Everyone in the UK will have access to online information and services, will be able to get to work locally, eat healthy meals in their community, and could have an energy bill of zero if they reduce their consumption. No conditions, no qualifications, no means testing.

In addition to every postcode having at least one new community facility, the average household in the two bottom quintiles will have reduced their cost of living by more than £1,500 a year, even with the increases in taxation.

Social care, community housing, and hospices will have £9 billion a year of additional funding. Councils will be run by newly elected, well-paid and supported councillors, with control over local budgets for Universal Services and discretion to fund additional services.

National management of energy, water, and digital reformed, and enabling the country to build the infrastructure needed for the challenges of transition and mitigation that are looming on the horizon.

A foundation of strong reciprocity will have been established, which connects the value of citizenship to contribution. Local capacity and democracy will be greatly strengthened with stable long-term funding and meaningful control over local character.

A nation transformed from scared to safe. A citizenry converted to the power of collective action. Life lived larger in every corner of the country. From this platform, it is possible to imagine a society willing and able to tackle the great challenges of the future. And P2030 creates the fiscal space to do just that.

REFERENCES

1. Helm, D. (2025) 'The water problem: how to combine public control, private finance and consumer funding', 16 June. Available at: <https://dieterhelm.co.uk/publications/> (Accessed: March 2025). ↗

Fiscal space

ARTICLE · economics

To provide an abstract starting point, this report analyses **changes** to the fiscal position. This is a relative analysis that takes a given starting set of conditions equivalent to the fiscal choices of the UK as at the time of writing.

The programme creates an arbitrary 1.4% of GDP as an example of expanded fiscal capacity that can be used to address any one or multiple priority challenges that are not currently addressed. The additional fiscal space is assigned to national priorities that will be the prerogative of the government that implements the P2030 programme to define.

The creation of fiscal space through the interaction of taxation with the recomposition of welfare services is the core finding, not the specific fiscal target chosen. (Tax modelling can always be finely tuned to produce as much fiscal space as is deemed either necessary or possible.)

RELATED

Complements: [Fiscal Highlights \(Fiscal\)](#), [Macro Economic Overview \(Fiscal\)](#), [National Fiscal Priorities \(Fiscal\)](#)

Universal Services

Driving down the cost of living, strengthening reciprocity, and building resilience

NEW UNIVERSAL SERVICES

10

Unconditional access for all citizens

NEW LOCAL SERVICES

+£33 Billion / year

Care, Housing, Transport, Food, Service Hubs

COST OF LIVING REDUCED

£51 Billion / year

Everyone saves something

Creating and delivering a platform of de-centralised, unconditional, and interconnected services that satisfy basic human needs and enable individuals to make their contributions. Universal Services are highly responsive to each particular place and community, with universal access but not provision.

Universal Services drive down the cost of living, strengthen reciprocity, and build resilient infrastructure. These objectives are deeply interwoven. Reducing the cost of living directly strengthens reciprocity. Creating the Services also builds the social, democratic, and physical structures needed for resilience.

Universal entitlement smoothes life's transitions, remaining reliably constant whatever a person's circumstances: an antidote to the "benefits trap".

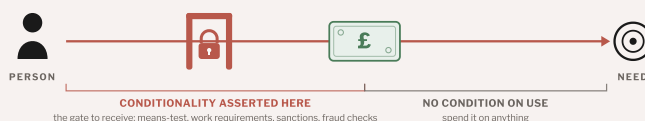
THE CONDITIONALITY INVERSION

Same need, two routes to it

Cash transfers and Universal Services both connect a person to a met need. They differ only in where conditionality sits, and the location is the whole argument.

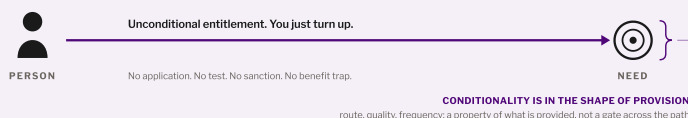
CASH COMPENSATION

Unconditional at the point of spending. Conditional at the point of entitlement.



UNIVERSAL SERVICES

Conditional in provision. Unconditional in entitlement.



Conditionality has not been removed. It has been moved.

And the new location is structurally better: no means test, no sanctions, no benefit trap, more genuine autonomy.

Source: IGP Social Prosperity Network.

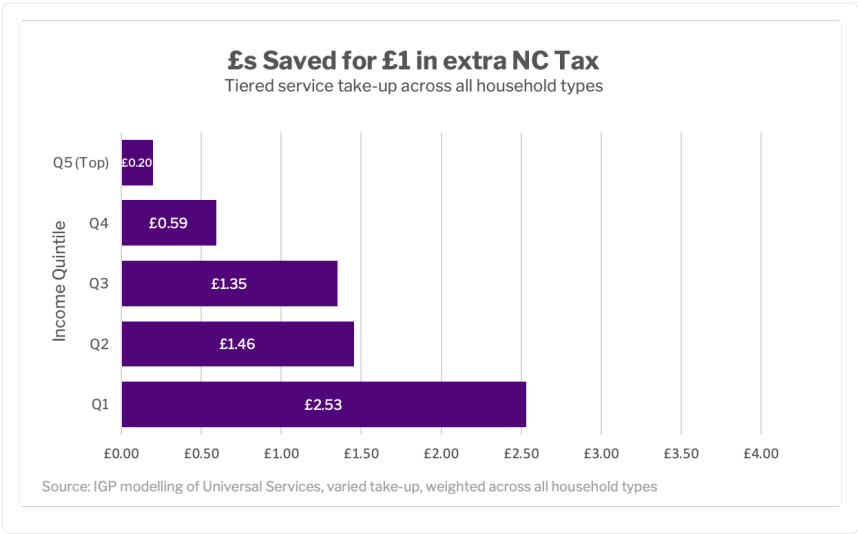
Conditionality Inversion

Cost of Living

Reducing the cost of living is the social side of the state's security responsibility because the lower the cost of life, the freer the citizen can be – free to choose their

path in life, free to care, free to participate. The Services enhance every type of income as much as if income itself were increased. But, in many aspects of life, the state is uniquely able to leverage collective provision to deliver more value than a citizen could on their own. The most effective areas for state action are the things we all need. The basic services that support us all, some every day and others at certain times in all our lives, are where we can act most effectively to free each other.

Universal Services are, by definition, accessible to all citizens; the more Services a citizen uses, the greater their cost of living savings. In this report, the take-up of services is varied by household and income level. This chart shows how much households that use the Services save more. In this report, those with the lower incomes (Q1) are modelled with a higher uptake of the Services.



While this report models higher Service uptake in lower income households, there would be nothing preventing households with higher incomes making equal savings because access is not gated by conditionality.

RELATED

Complements: [Expenditure \(Fiscal\)](#), [International Competitiveness \(Structural Measure\)](#)

Universal Transport Service

Free local buses for all citizens and residents

UNIVERSAL SERVICE · transport, community, work

FREE LOCAL TRANSPORT

21 million trips /day

Daily rate after 5 years

OPTIMISED PER PERSON SAVING

£1,560 per year

Equivalent ticket cost

COST OF LIVING REDUCTION

£12.3 Billion / year

Total household savings in Year 5

Transport is an essential service. It is also a key factor in economic productivity, and essential to the social and democratic function of a modern society.

Transport accessibility improves productivity and enables the modern economy, allowing people to reach employment and leisure opportunities. Lack of transport is the first barrier to accessing many public services: if you can't get to the school, hospital, doctor, or community centre, they are worthless to you. So ensuring the unconditional availability of transport is key to realising the value of other Services.

To ensure universal access to transport, the Prosperity 2030 programme makes using **local bus services free of charge to citizens**, with sufficient reach to access the other public services. A minimum service standard (such as enabling every resident to reach their GP, hospital, and school within one hour from 6am to 6pm) sets quality conditions that councils have to meet in order to preserve local control of funding.

In the first instance, starting with the new parliamentary term, all local buses become free to use. Operators are compensated directly and there is spare capacity in the existing bus network to absorb an increase in ridership of between 20% and 1000% depending on the route and time of day. To protect high use periods, such as commutes, local governments can restrict free access to exclude those times. First year costs are equivalent to the nationwide take from fares, which is £3.55 billion.

The policy is to double bus services over the parliament by expanding the fleet, service infrastructure and workforce. This involves recruiting and training 80,000 drivers, building 447 new depots, and adding 35,000 new buses. A range of estimated costs from 55p to 80p per trip are included in the Appendix. The modelled programme adopts a conservative cost scenario for the overall programme costs. By the end of the parliament, the bus services will have doubled and the total operating and capital costs will run at £15.5 billion a year, including replacing the current fare revenues. All capital is expensed over the course of the programme, not borrowed.

The appropriate service expansion will differ according to area, so the operating budget (£6.4 billion by Year 5) is dispensed to the newly elected Councils on a per

capita basis with sparsity weighting, for deployment in locally appropriate ways. The capital budget (£5.2 billion by year 5) is granted based on expansion plans submitted by councils and dispensed against delivery milestones. Local governments that fail to achieve required increases in capacity and reach lose control of their funding and get direct assistance from DfT.

RELATED

Complements: [Air Passenger Duty \(Revenue Instrument\)](#), [Jobs \(Household Effect\)](#), [Local Service Hubs \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Digital Service \(Universal Service\)](#)

Funded by: [Air Passenger Duty \(Revenue Instrument\)](#), [National Contributions \(Revenue Instrument\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#), [National Digital Service \(Structural Measure\)](#)

Appendices: [Free National Bus Service \(Appendix\)](#)

Universal Information Service

Information as a public service

UNIVERSAL SERVICE · digital, work

PUBLIC INFORMATION

BBC & GOV

Free access to BBC and GOV

PER HOUSEHOLD SAVING

£180 / year

Equivalent commercial cost

COST OF LIVING REDUCTION

£5.11 Billion / year

Total household savings every year

A healthy democracy requires a well-connected and informed citizenry. The Prosperity 2030 programme includes two policies that directly strengthen these capacities for all: Information and Digital Universal Services.

The BBC, the UK’s national public broadcaster, has a charter to provide unbiased news and information for everyone. It has always been funded through parliamentary appropriation, it’s just been disguised behind a regressive household licence fee, which P2030 abolishes.

Immediately upon assuming office, the new parliament **abolishes the TV Licence fee**. This saves every household £180. £4 billion a year is budgeted to replace BBC revenues (In the 2025/26 financial year, the BBC’s TV licence fee revenue was £3.9 billion¹).

The reserves held by the BBC for the remainder of Licence terms are returned to the Treasury for use in other programs, notably to kick-start the National Food Services.

Going forward, the government will then establish a per capita funding formula overseen by a Commission.

RELATED

Complements: [Democracy Revival \(Structural Measure\)](#), [Universal Digital Service \(Universal Service\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Appendices: [Universal Digital Service implementation \(Appendix\)](#)

REFERENCES

1. National Audit Office (2026) Department for Culture, Media & Sport, and the BBC 2024-25. London: National Audit Office. Available at: <https://www.nao.org.uk/wp-content/uploads/2026/01/DCMSBBC-2024-25.pdf> (Accessed: 4 June 2026). ↗

Universal Digital Service

Guaranteed connectivity and service access

UNIVERSAL SERVICE · digital, work

GUARANTEED SERVICE

30m/30txt/30MB Daily

Always available

PER PERSON SAVING

£130 per year

Equivalent commercial cost

COST OF LIVING REDUCTION

£6.7 Billion / year

Total household savings from Year 2

Everyone in the country of school age and above will be entitled to a Universal Digital Service voucher to ensure they have the tools necessary to communicate and access online services. Guardians of young people will be entitled with those young people's vouchers.

Each voucher can be assigned to one accredited provider. Citizens can choose their own provider and any accepting provider is required to deliver a persistent minimum service that includes **30 mins talk/30 texts/30MB daily, unlimited traffic to .GOV and BBC online services, plus a smart device**. Citizens can change their provider once a year.

The vouchers are worth a fixed amount to the provider, but it is likely that they will offer a range of packages because assured, regular revenues are valuable to them, and they can leverage the voucher-related services to sell upgrades.

The government will provide an online central register and complaints management service ([information.gov.uk](https://www.information.gov.uk)) to assist citizens and providers to assign and validate vouchers.

Funding

A per voucher cost of £6.50 per month, claimed by 60 million people, is £4B a year. This is budgeted in full from Year 2 of the programme. Central government will pay the providers monthly for every registered and eligible citizen.

£0.5B is budgeted in the first year to allow for systems setup and as early a start to the Service as possible.

Impacts

Universal Digital Service saves each eligible person about £130 a year, representing the value of the services provided compared to current commercial cost. Combined with the Universal Information Service, every household will save a minimum of £300 a year.

The Universal Digital Service has the highest efficiency rate of the Universal Services, returning £1.69 in savings for every £1 spent on provisioning the service. It is also the most universal of all the Services, covering everyone aged 6 and older.

RELATED

Complements: [Digital Protection \(Structural Measure\)](#), [National Food Service \(Universal Service\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Information Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Appendices: [Universal Digital Service implementation \(Appendix\)](#)

National Food Service

Good food for all

UNIVERSAL SERVICE · food, work

FREE MEALS

1.8 Billion meals

Annual rate after 5 years

AVERAGE SAVING

£800 / year

For a 3 Child family

COST OF LIVING REDUCTION

£12.3 Billion / year

Total household savings in Year 5

The National Food Service (NFS) is the largest new service in the Prosperity 2030 programme. That is because it does more than just meet food needs or addressing hunger. The NFS is the most powerful delivery vehicle across the whole programme for strengthening the social fabric and building a resilient national architecture.

Social fabric is Resilience

Coming together over a meal has been a foundation of social cohesion and strength in human societies since time immemorial. We have not escaped that ancient ancestry, and that makes the development of a nationwide network of opportunities to share a meal such as a vital part of strengthening our social fabric.

The NFS is an umbrella organisation with three delivery channels: school meals, community food facilities, and participating commercial venues. In each channel, food is the vehicle and social connection is the greater value.

The Covid pandemic demonstrated the fragility of the UK's food system. Should another such event happen, the NFS would ensure that there would be a network of diners, kitchens, restaurants, and local agricultural connections that could stand in and stand up under pressure.

Scale

Over a billion meals a year are already served in public spaces, from schools to the military. The NFS programme would double that over five years, but even then, it would only provide 4% of all meals. Four percent is a figure that carries particular significance: it closely matches the 5% of adults who received an emergency food parcel in 2025¹; the same report classifies 11% as very low food security (skipping meals or going hungry). There's no guarantee that the needs will be met exactly by provision, but the scale of the NFS programme at least measures up to the scale of the need. The programme is universal, free at point of use, for all residents and citizens with Digital ID, with no means-testing or eligibility criteria – it reaches that population without requiring anyone to identify themselves as food-insecure, eliminating stigma while ensuring coverage. The

majority of food-secure households may not opt for a NFS Meal of the Day, but the option is there if and whenever circumstances change.

Quality

To ensure the NFS meals meet the best nutritional standards the programme includes a Healthy Food Levy (taking over from the Sugary Drinks levy) to restore the Food Standards Agency (FSA) to provide a funding model equivalent to the USA, and finance the development of national nutrition standards based on Nesta's Nutrient Profiling Model (NPM).

An online NPM scoring tool, administered by the FSA, is established that allows all NFS channels, and everyone else, to assess the nutritional value of a meal.

RELATED

Complements: [Community Housing \(Structural Measure\)](#), [Healthy Food Levy \(Structural Measure\)](#), [Jobs \(Household Effect\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#), [Universal Digital Service \(Universal Service\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Required for: [NFS : Community Food Centres \(Universal Service\)](#), [NFS : Participating Venues \(Universal Service\)](#), [NFS : School Meals \(Universal Service\)](#)

Appendices: [National Food Service: Feasibility Assessment \(Appendix\)](#), [National Food Service: Supply-Side Programme Description \(Appendix\)](#)

REFERENCES

1. Food Standards Agency (2026) *Food and You 2 Annual Report: Wave 11 (2025)*. Available at: <https://www.food.gov.uk/research/food-and-you-2/food-and-you-2-wave-11-key-findings> (Accessed: 4 June 2026). ↗

NFS : School Meals

Year round universal free school meals

UNIVERSAL SERVICE · food

FREE SCHOOL MEALS

8.5 million meals

Per school day after 5 years

AVERAGE SAVING

£240 per year

Per student

COST OF LIVING REDUCTION

£2.3 Billion / year

Total household savings

Two thirds of all NFS meals will be free school meals, provided through expanding access to all with year-round coverage.

Starting with **universal free school meals** in Primary, and expanding to all schools from Year 2, a budget of £3.4 billion a year is allocated at steady state. In Year 3 the programme is expanded to provide **free meals to school-age children during holidays**, with an expected take-up rate of one quarter of the term time take up.

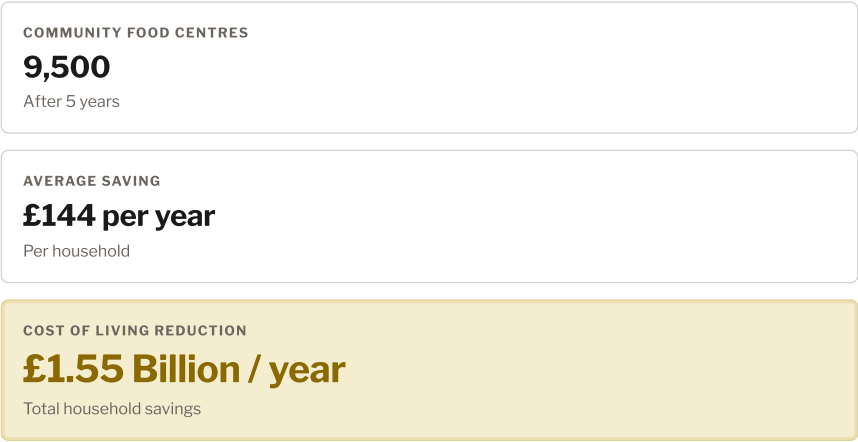
Overall the programme budgets increasing capacity by 55%, hiring 20,000 catering staff, and spending £0.45 billion on kitchen upgrades.

- RELATED
- Complements:** [Healthy Food Levy \(Structural Measure\)](#), [Skills Centres \(Structural Measure\)](#)
 - Funded by:** [National Contributions \(Revenue Instrument\)](#)
 - Depends on:** [National Food Service \(Universal Service\)](#)
 - Appendices:** [National Food Service: School Meals Reform \(Appendix\)](#)

NFS : Community Food Centres

The beating heart of every community in every postcode

UNIVERSAL SERVICE · food, community, work, care



Community Food Centres (CFC) are independently owned and run local diners and restaurants serving meals. They are funded through a central grant programme that is administered by local councils. **£330,000 a year is budgeted per CFC**, as well as **per meal compensation for £2.50 per adult meal and £2 per child’s meal**.

There is likely to be substantial overlap with Service Hubs (estimated at a third), and where it makes sense they share a single facility for a postcode. In such cases, the facility would receive both the Service Hub and the CFC annual grants, providing £605,000 a year to cover fixed costs and labour. This will be enough to ensure that even the most sparsely populated 20% of postcodes can establish a meaningful community presence. Beyond postcodes, the scaling factor for CFC grants will be three per 20,000 population, enabling a network of CFCs in densely populated areas to provide all week coverage with co-ordinated five-day opening schedules.

The CFC channel is expected to create employment for 54,000 staff and restore 2,400 closed pubs and restaurants to use per year. It is predicted that 95% of the venues will be existing commercial kitchens that can be re-opened. At steady state, the CFC network is expected to be twice the size, per capita, of the British Restaurants network started during WWII.

CFCs are targeted to provide one quarter of all the meals across all the NFS channels and consume half of the total NFS budget. The reason CFCs receive a higher share of spending is the important role they play in strengthening social fabric, and as an investment in resilience – providing a network of food facilities and local supply chains that buttress society against future shocks.

RELATED

Complements: [Community Housing \(Structural Measure\)](#), [Healthy Food Levy \(Structural Measure\)](#), [Local Service Hubs \(Universal Service\)](#), [NFS : Participating Venues \(Universal Service\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#)

Funded by: [Air Passenger Duty \(Revenue Instrument\)](#), [National Contributions \(Revenue Instrument\)](#)

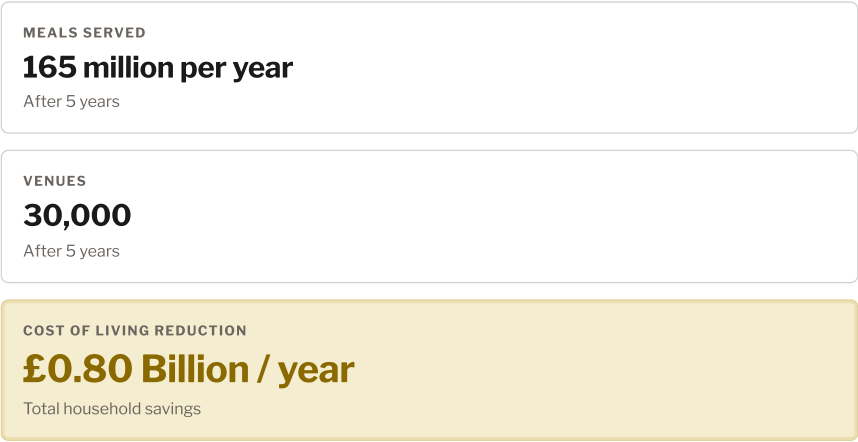
Depends on: [Democracy Revival \(Structural Measure\)](#), [Healthy Food Levy \(Structural Measure\)](#), [National Food Service \(Universal Service\)](#)

Appendices: [National Food Service: CFC Rollout Schedule \(Appendix\)](#), [National Food Service: Community Food Centres \(Appendix\)](#), [National Food Service: Supply-Side Programme Description \(Appendix\)](#)

NFS : Participating Venues

British Restaurants reborn

UNIVERSAL SERVICE · food, community, work



Providing 12% of all NFS meals and costing only 6% of the NFS budget is the Participating Venues channel. This is an initiative whereby commercial food outlets can designate a **nutritionally-qualified menu item as their NFS “Meal of the Day”** and receive the same per meal payment as the CFC channel. The programme expects this to scale up to half a million meals a day, with 30,000 outlets serving 20 meals a day. The quantity of meals available on any day will be subject to the venue’s discretion.

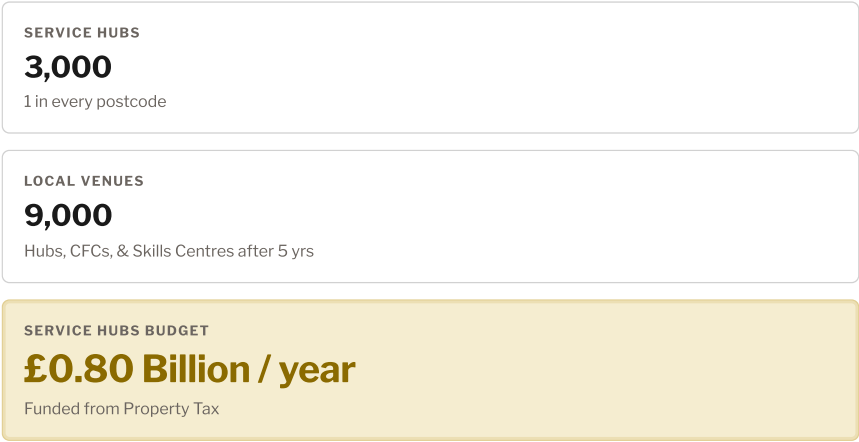
Once integrated with the Digital ID system, this allows any qualified citizen or resident to visit a participating venue, order the Meal of the Day, and “pay” with a tap of their phone, just like anyone else. The venue receives the compensation for each meal directly from the NFS at the fixed rate.

- RELATED
- Complements:** [Healthy Food Levy \(Structural Measure\)](#), [NFS : Community Food Centres \(Universal Service\)](#)
 - Funded by:** [National Contributions \(Revenue Instrument\)](#)
 - Depends on:** [Healthy Food Levy \(Structural Measure\)](#), [National Digital Service \(Structural Measure\)](#), [National Food Service \(Universal Service\)](#)
 - Appendices:** [National Food Service: Participating Venues \(Appendix\)](#)

Local Service Hubs

Local connections build communities

UNIVERSAL SERVICE · care, digital, transport, food, community, work



Physical presence is just as important as digital services in establishing the reliability and manifesting the resilience of social infrastructure. A Service Hub in every outward postcode will make this real.

Service Hubs are physical locations that are open and staffed at least during daylight hours in the week. Hopefully many will achieve much greater accessibility. They provide a place where residents can find out about the services in their area, about opportunities to participate in decision-making, get assistance with their Digital ID, and connect to social, educational, health, and care sign postings.

Ideally, Service Hubs will become a **‘one-stop shop’ for residents to find what they need to flourish in their community**. In some cases, they will be co-located with a Skills Centre and a Community Food Centre, providing a central point in every postcode that connects all aspects of local life.

Advice will be available through two channels: DWP, and a citizen support desk (staffed by CAB or other local service).

Service Hubs will take over the benefit administration and advice functions from Jobcentres as those transition into Skills Centres. Current Jobcentre advisors who choose to continue providing benefits advice will move into Service Hubs.

Starting from Year 1, grants are provided to councils to establish a Service Hub in every outward postcode. In the majority of situations, this will mean expanding the role of existing facilities to support their local community, such a library or sports centre. The budget includes funding for 3,000 Service Hubs using an annual average operating budget of £275,000 per Service Hub, reaching £0.8 billion a year at steady state. It will take time to build up the network, and so the budget assumes 300 in the first year and then up to 700 a year added until complete.

RELATED

Complements: [Community Housing](#) (Structural Measure), [Digital Protection](#) (Structural Measure), [NFS : Community Food Centres](#) (Universal Service), [Skills Centres](#) (Structural Measure), [Universal Care Service](#) (Universal Service), [Universal Transport Service](#) (Universal Service)

Funded by: [Air Passenger Duty](#) (Revenue Instrument), [Local Property Tax](#) (Revenue Instrument), [National Contributions](#) (Revenue Instrument)

Appendices: [Local Government Finance](#) (Appendix), [NDS: Digital Identity](#) (Appendix), [Service Hubs Appendix](#) (Appendix)

Universal Energy Service

Energy is life: save it for the next generation

UNIVERSAL SERVICE · energy, housing

MAX FREE ENERGY TIER PER HOME

13,800 kWh / year

E+ EPC rated homes

ANNUAL ENERGY BILL

£0

Households using below allowance

COST OF LIVING REDUCTION

£505 / year

Household average (tiered & weighted)

One of the most intractable aspects of policy in recent years has been the tension between energy costs and the need to transition to more sustainable and secure energy sources. Populist groups across Europe have zeroed in on spiralling energy costs as a way of inciting dissatisfaction with prevailing political and economic policies. This is unnecessary, and prevents progress on urgent transformations of society and economy.

The Universal Energy Service achieves three objectives in a single policy. It drives down household energy costs; rewards careful energy use; and it moves the costs of the energy transition from consumer bills to national taxation.

Free Tier

The programme **removes all standing charges from domestic energy bills** and provides a **Free Tier basic energy allowance** that insulates a third of households from consumption charges.

Every household gets 66% of a health-based comfort standard applied to a typical dwelling (13,800 kWh), plus another 15% for each child up to a maximum of two children. Usage above that level is charged at 3.37 times the current rates split between electricity and gas. Off-gas-grid homes can choose a fuel voucher or take all of their free tier as electricity.

Each element enables and depends on the others. Moving the system costs in standing charges off bills allows the suppliers to provide free tiers. The free tier stimulates energy efficiency. The efficiency saves households and the nation money. Without the design, sequencing, and taxes, the policy is impossible.

Households that keep their energy use low will make the most of their Free Tier. If they get their use below their allowance, they will not be billed for their energy use: £0 annual energy bill, worth £1544 (on average, at 2026 cap rates). Households that make no efficiency savings will still benefit from a reduction thanks to the elimination of standing charges (average £310).

D. Portion of Households with lower bills with UES scheme					
Household Type	Q1 (Bottom)	Q2	Q3	Q4	Q5 (Top)
PENSIONER HOUSEHOLDS					
Single Pensioner	92%	92%	88%	85%	80%
Partnered Pensioners	77%	77%	70%	65%	57%
WORKING-AGE – NO CHILDREN					
Single (WA)	92%	92%	88%	85%	80%
WA Couple (no children)	92%	92%	88%	85%	80%
LONE PARENT FAMILIES					
Lone Parent + 1 child (0-1)	87%	87%	82%	78%	72%
Lone Parent + 2 children (2-4, pri)	84%	84%	78%	74%	67%
Lone Parent + 3 children (2-4, pri, sec)	84%	84%	78%	74%	67%
COUPLE FAMILIES WITH CHILDREN					
Couple + 1 child (0-1)	87%	87%	82%	78%	72%
Couple + 2 children (2-4, pri)	84%	84%	78%	74%	67%
Couple + 3 children (2-4, pri, sec)	84%	84%	78%	74%	67%
Couple + 4 children (0-1, 2-4, pri, sec)	84%	84%	78%	74%	67%
MULTI-ADULT HOUSEHOLDS					
Multi-adult (3+ adults)	61%	61%	52%	47%	39%
Multi-adult + 1 child	75%	75%	67%	62%	55%

UES Effects within Typical Household Types

The Universal Energy Service could also be a contributor to overall national and planetary savings, using the model's central case for demand response results in:

- 3.7% reduction in domestic demand (15 TWh)
- 0.8% fall in territorial emissions

Progressive levies

Because policy levies are in the consumption rates, households within the Free Tier pay no network costs, no policy levies, and no wholesale energy costs. Policy levies remain in the unit rate for above-tier consumption, but their distributional impact is transformed: they operate as a **progressive charge on discretionary consumption** rather than a regressive flat tax on essential energy use.

DETAIL

Standing Charges

The universal part of the Energy Service is to remove all standing charges from domestic bills for all households. Standing charges are regressive and penalise frugality.

About 80% of standing charges are used to cover network and system costs over which households have very little influence, and which include levies to compensate for the costs of transition. These are national costs where the decisions are made through national policy. This portion of standing charge revenues are replaced with direct funding from national taxation to directly fund the network and system transitions that are decided nationally. This is budgeted at £9 billion a year from the start of the Energy Service.

The remaining 20% of standing charges cover supplier's overheads and administration, and suppliers are required to recover those costs through usage charges.

The purpose is to place the cost where the strategic decisions are taken, so that the body accountable for those decisions is also exposed to their cost and is therefore under continuous pressure to reduce it. The funding carried on the public account is not a standing subsidy. As the system is reformed, the costs of intermittency and of maintaining secure capacity should be progressively assigned to those whose choices create them, rather than held permanently on the taxpayer.

Usage and Free Tiers

A Free Tier of energy use provides the possibility of substantial reductions in the basic cost of living and incentivises reductions in energy use. Accessible to every household, the Free Tier would be set at two thirds of an “anchor” (initially set to 13,800 kWh a year, recalibrated annually), plus another 15% for each child in the home (up to a maximum of 2 children).

The introduction of the Free Tier will make no difference to the bills among households that consume energy at the average level. Progressive pricing allows energy providers to bill more for usage above the Free Tier to generate revenues equivalent to pre-UES levels. Energy suppliers will not be permitted to charge lower rates for higher use above the average.

This part of the Universal Energy Service is designed to have no fiscal impact, as the costs of the Free Tier supply are recouped by the suppliers in their charges for above Free Tier use. It is effectively an intra-household transfer between high users and low users.

Efficiency and Off Grid Fuels

Across the UK there is considerable overlap between the most inefficient housing, rural locations, and use of alternative fuels for heating due not having a gas-grid connection. To address these circumstances, the Universal Energy Service includes alternative allowances.

Poorly insulated homes

Housing with a category E+ rating for efficiency is allocated 100% of the Free Tier anchor (13,800 kWh at start). This continues until either the Energy for the Future programme can improve the rating to D or better, or the improvement offer is declined.

Off gas grid homes

Homes off the mains gas grid can elect to receive the gas component of their Free Tier as a voucher redeemable from a fuel supplier to their home, or to take the whole Free Tier in electricity.

Caps and Values to Households

The multiplier for above Free Tier use is capped at 4, above which the government would backstop the shortfall through a direct payment to suppliers for the difference between the 4.0x cap and the multiplier revenue neutrality would require.

Changes in retail prices change the value of the programme to households without increasing the Exchequer cost. Annual recalibration of the Free Tier anchor protects against demand shape changes pushing the multiplier up. See Appendix for details with analysis of elasticity effects.

Relation to Other Policies

The Universal Energy Service is the consumer part of the Prosperity 2030 programme's aim to centralise energy system costs and benefits that belong at the national level. The commercial and industrial complement to this policy is the GB Energy Network policy, which moves energy network and system costs for business to a national responsibility.

The Universal Energy Service should be viewed in partnership with the Energy for the Future policy, which is coordinated to mitigate the energy inefficiency of the UK housing stock.

RELATED

Complements: [Energy Security \(Structural Measure\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Required for: [Energy Security \(Structural Measure\)](#)

Appendices: [GB Energy Network: Methodology and Costings \(Appendix\)](#), [Universal Energy Service : Methodology \(Appendix\)](#), [Universal Energy Service : Value to Households \(Appendix\)](#)

Universal Water Service

Water is a right and a responsibility

UNIVERSAL SERVICE · water, community

NEW WATER MANAGEMENT

Catchment Operators

Reform of failed privatisation

PER HOUSEHOLD SAVING

£220 / year

Average standing charge

COST OF LIVING REDUCTION

£6.2 Billion / year

Total household savings

Water is an essential life service that has been badly managed since the 1980s privatisations. The priority for the UK must be to build a new water management structure fit for the 21st century.

To fund this transition, the P2030 programme moves ****standing charges for water out of consumer bills ****to direct funding from general taxation.

The annual savings per household are £220 on average.

This works the same way as a lump sum tax cut in £s for every household, paid for by a progressive tax on incomes. The standing charge on a water bill represents the costs of running and maintaining the pipes, reservoirs, and facilities. That infrastructure needs to be reorganised. Centralising that funding enables the government to manage an orderly transition to a more responsive and responsible stewardship of this vital natural resource.

Over the course of the five year P2030 programme, the water industry is reorganised into Catchment Water System Operator (CWSO) areas matching the natural boundaries of river systems, replacing Ofwat. Starting in the second year of the P2030 programme, £6.2 billion a year is allocated from National Contributions to make this transition. Initially, the funding will be distributed back to the water companies on a per-household basis, leaving current water company funding unchanged.

By Year 4 of the programme, the existing water companies will be competitively bidding for services from their new CWSO, which will receive the per-household distribution directly.

The CWSO will be responsible for all aspects of water provision, control, and quality. Where the costs of the water system exceed the national average, a CWSO can petition local councils to add a local precept to the local property tax to fund those extra costs – subject to the approval of the newly reformed local councils. This is a progressive distributional design that creates direct accountability between CWSOs and their residents.

RELATED

Complements: [Democracy Revival \(Structural Measure\)](#), [Skills Centres \(Structural Measure\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#), [National Digital Service \(Structural Measure\)](#)

Appendices: [Catchment Water System Operators \(Appendix\)](#), [Water : Funding Flow & CWSO Architecture \(Appendix\)](#)

Universal Care Service

Foundations for Care at all ages

UNIVERSAL SERVICE · care, community, housing

Caring for those who need help is what societies do, and the UK is long overdue a social care “moment”, to quote Baroness Casey’s update on the Casey Commission’s progress¹. As with much of the P2030, the Universal Care Service (UCS) aims to set the foundations for a new, national, universal service. It does not fix social care – it begins to build the service. The Casey Commission will have reported by 2030 and a new government will be under pressure to take action.

£2 billion is budgeted in Year 2, scaling up to **£7 billion in Year 4** funded by the new Property Tax as it is phased in. Delivered through local councils, it establishes a permanent budget line dedicated to social care. The allocation to councils uses a version of the per-capita distribution model for other locally delivered services, using a need-weighting that directs more funding to councils with more care needs. UCS is an addition, not a replacement for, existing Adult Social Care precept included in Council Tax. That precept is folded into the funding allocated to councils from Property Tax revenues.

The UCS should be seen alongside the Community Housing, Right to Life, Skills Centres, and Employment Freedom policies, which provide buildings and labour to support the care work. UCS also sits in a tapestry of newly funded local services which cascade value between them, including Community Food Centres, Service Hubs. The local Democracy Revival reform strengthens scrutiny of the kind of complex commissioning the UCS will involve.

The UCS will repair care services hollowed out since 2010 by expanding capacity to restore prevention and early-intervention measures across a range of ages. Some illustrative outcomes we can expect from £7 billion:

- 100,000 additional adult care packages, reversing the 58,000-strong decline in older people receiving state-funded care over the last decade and creating headroom for demographic growth.
- Council-set fees move toward cost of care, preserving several hundred care homes a year that would otherwise close and freeing several thousand NHS hospital beds at any given time as social-care-driven delayed discharges recede.
- Several thousand looked-after children move into placements closer to home as in-house and voluntary-sector capacity grows away from the high-margin private chains.
- Early help and family support is restored to roughly 200,000 more families a year than the post-2010 settlement reached.
- Care leavers retain continuity of social-work support across the full 17-to-25 cohort, rather than falling off the current support cliff at 21.

The actual shape of UCS will be driven by local government. Councillors, armed with more resources, should be able to use innovation and local priorities to maximise the outcomes for their communities.

RELATED

Complements: Community Housing (Structural Measure), Employment Freedom (Structural Measure), Jobs (Household Effect), Local Service Hubs (Universal Service), National Food Service (Universal Service), NFS : Community Food Centres (Universal Service), Right to Life (Structural Measure), Skills Centres (Structural Measure)

Funded by: Local Property Tax (Revenue Instrument)

Depends on: Democracy Revival (Structural Measure)

Appendices: Universal Care Service Appendix (Appendix)

REFERENCES

1. Casey, L. (2026) *Baroness Casey calls for a moment of reckoning on adult social care*. 5 March. Available at: <https://caseycommission.co.uk/baroness-casey-calls-for-a-moment-of-reckoning-on-adult-social-care/> (Accessed: 10 March 2026) →

Revenue Reforms

Generating the resources to strengthen reciprocity and build resilience.

TOTAL NEW REVENUES

£101 Billion / year

National Contributions + Property Tax + APD

FROM BENEFITS TO SERVICES

£16 Billion / year

Redirecting spending to Universal Services

TOTAL NEW REVENUES

3.8% GDP / year

National Contributions + Property Tax + APD

When policy is deliberately designed to foster the connection between contribution and benefit, the result is reciprocity. Revenues in the Prosperity 2030 programme fund the Universal Services that drive down the cost of living, and the Structural reforms improve the efficacy of collective action. As permission to collect the contributions follows the benefits, Revenues are sequenced to stand on increases in confidence as the programme advances.

The two main pillars of revenue are reforms to taxation of incomes and property, which generate 93% of all new revenues. The natural assignments of those revenues are to national and local priorities respectively. Although not specifically hypothecated that way, the overall programme assigns all Property Tax revenues to fund local services.

The programme earns the right to create fiscal space (for priorities not assigned in P2030) gradually over the course of five years, by delivering increased benefits as new revenues are raised. In the first year 97% of new revenues will be spent, tapering down to 78% by the end of the fifth year.

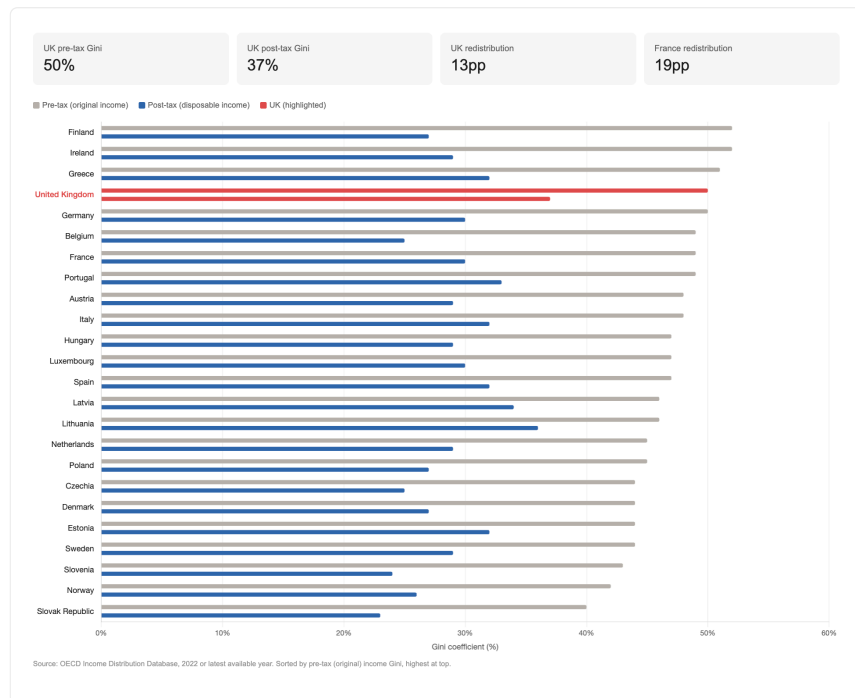
DETAIL

Tax Primer

Progressivity

The importance of progressivity in taxation rises in line with inequality, partly by actuarial necessity and partly to secure consent. This leans towards taxing incomes, as they are the most amenable to progressivity of the three major tax sources.

The UK is ranked third among European countries for pre-tax inequality and first for post-tax inequality (see GINI chart ¹). This supports making progressivity an important feature of UK tax reforms.



Flows and Stocks

There are three sources of revenue for collective action: taxing what people receive, what they spend, and what they have. The first two tax flows and the last taxes a stock.

Flows are continuous and provide reliable revenues over time without depleting future flows, and therefore future revenues. Moreover, receipts and spending involve transactions which provide a clean, crystallising event at which to apply a tax.

Progressive Taxation

Receipts can be progressively taxed easily because the income transactions that form the basis of the tax can be temporally lumped together to identify an individual within the distribution of their group at a point in time.

It is less straightforward to tax spending progressively. To do so would require one of two mechanisms: either the spender is identified by their income or wealth at the transaction (with each person paying a different price for the same item/service), or the item/service being purchased is accurately attributed to a point in the distribution. However, as both rich and poor purchase the same basic ingredients for life, attributing basic items and services to a point in a distribution is always wrong, with only limited progressive potential at the most extravagant end of spending.

Asset and Property Taxation

Taxing what people have, their stock or assets, presents a number of challenges. First, until an asset is transacted, any valuation is subjective. Second, the value can change dramatically over time. Third, the stock does not produce the liquid value required to pay a tax. Fourth, if the tax rate is higher than the rate of increase in the value, the tax base erodes as the tax is applied – resulting in ever reducing revenues (reverse compounding). Fifth, stock values can result from savings, accumulation, inheritance, windfalls, appreciation or, most likely, some combination of those. Sixth, appreciation in line with inflation is not real wealth.

These factors limit effective taxation of assets to low rates that can be reasonably considered to be within the flow of value arising from those assets – otherwise there is nothing to pay the tax with. This explains why typical property taxes are about 1% across the OECD². For all of these reasons, asset taxes (often called ‘wealth’ taxes) are not a reliable long-term source of national revenues, despite their simplistic popular appeal.

Property Tax

This report does propose a tax on property values, with a low rate (1%) and deferral provisions, to facilitate the transition from per-person Council Taxes. In the last 25 years, earnings grew 37% in 25 years, while house prices grew 150%³, and the P2030 adopts a Property Tax as a more effective method for the nation to capture this than a direct tax on wealth.

REFERENCES

1. Francis-Devine, B. (2025) *Income inequality in the UK*. Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7484/> (Accessed: 14 March 2026). ↗
2. Blöchliger, H. (2015), *Reforming the Tax on Immovable Property: Bringing the Tax on Land and Buildings into the 21st Century*, OECD Economics Department Working Papers No. 1205, OECD Publishing, Paris. https://www.oecd.org/en/publications/reforming-the-tax-on-immovable-property_5js30tw0n7kg-en.html ↗
3. Adam, S et al. (2026). *Public policy and inequalities: lessons for policymakers from the IFS Deaton Review*. London: Institute for Fiscal Studies. Available at: <https://ifs.org.uk/publications/public-policy-and-inequalities-lessons-policy-makers-ifs-deaton-review> (accessed: 29 April 2026). ↗

National Contributions

Fair taxes that treat every pound the same

REVENUE INSTRUMENT · economics

TAX CUT FOR 72% FT WAGED WORKERS

£723 / year, average

NC v Current, Wages only

NEW REVENUES

+£75 Billion / year

P2030 rates after 5 years

FISCAL SPACE CREATED

+1.4% GDP / year

P2030 rates after 5 years

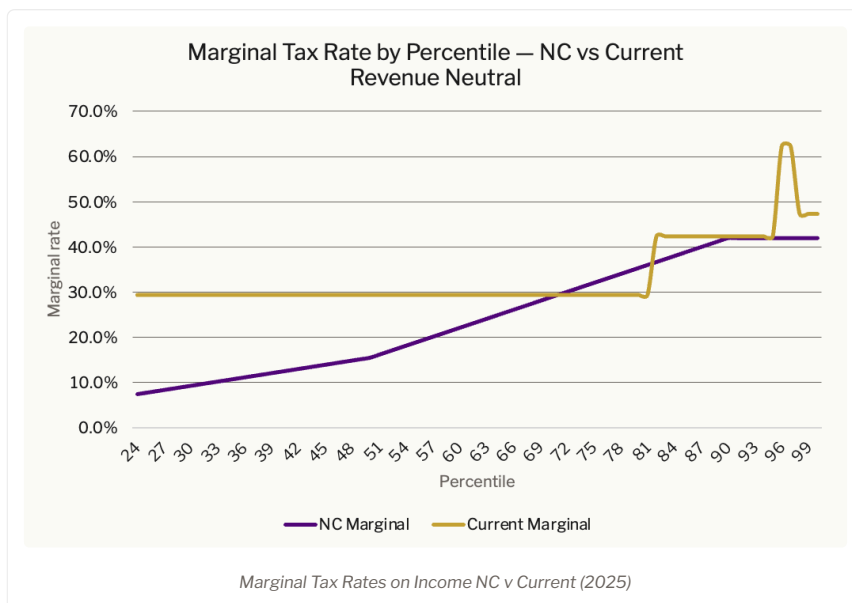
National Contributions (NC) is the flagship revenue reform policy in the Prosperity 2030 programme. NC is much more than a mechanical re-arrangement of rates and flows, it is a reform designed to embody reciprocity and cement solidarity. The primary purpose is to strengthen the connection between the benefits and obligations of citizenship by making the reciprocal link clearer.

NC is a **single tax on total personal income**, replacing six current taxes, following a **Progressive Rate On Flat Income, Linked to Everyone (PROFILE)** design. The higher a person's total income, the higher the rate of tax. The rates are anchored to the median income in the country, so rates are lower for half of all taxpayers, and higher for the other half with larger incomes. As median income changes, the system adapts automatically and mechanically.

NC is a tax on receipts. It does not differentiate between the type or source of the receipt. So long as it is a monetary value received, it is subject to NC in that year – that is what is meant by “Flat Incomes” in the PROFILE design. NC replaces Income Tax, Capital Gains Tax, Dividend Tax, Inheritance Tax, and Employee and Self-Employment National Insurance.

There are no ‘tax free’ allowances, all income received is subject to NC tax. Because everyone is a beneficiary of the country's services and structures, so everyone makes a National Contribution from their private income. There is a level below which paying NC is voluntary, but if that contribution, however small, is paid, then that year counts as a “stamp” for the individual's State Pension entitlement.

The government sets just two rates and a threshold: a Base Rate, a Top Rate, and the Voluntary threshold. The Base Rate is progressively applied up to the median income in the middle of the population. The Top Rate is then progressively applied from the median up the 90th percentile, and then flat on the top 10% of incomes. The result is a smooth, escalating rate profile from the lowest to the highest incomes, with no cliff edges and no steps.



This structure means that if your income falls relative to everyone else, your rate of tax will go down and you will pay less tax. Conversely, if your pay goes up and everyone else's does not, then you will pay a higher rate of tax on your income next year.

From one perspective: the more a company pays their workers, the lower the boss' taxes will be.

A simpler system of raising revenues has many additional advantages, including removing cliff edge disincentives and eliminating classification arbitrage. But the biggest gain from reform is breaking free from the gear-jam that prevents effective revenue policy. Governments complain that the levers of power are disconnected from the mechanics of government, but that is a feature of antiquated design, not a necessary configuration.

Revenues are needed to fund the required upgrades to social fabric, but those revenues are only available once taxation, especially personal income tax, has been simplified and restored as the principle of reciprocity on which the social contract rests.

Revenues

National Contributions raises tens of billions more than the six taxes it replaces, and the whole of that comes from taking a slightly larger share of **total income**, not from a charge on any one source. This is the point most often misread, so it is worth setting out as plain arithmetic.

	£bn	Share of income
Total personal income	1,912	
Taken by the six taxes replaced	392	20.5%
Taken by National Contributions	470	24.6%
Net additional, matured	78	+4.1%
less inheritance still phasing in (five-year window)	(3)	
Net additional, in the programme window	75	

The additional revenue is a little over four percentage points of a personal income base of about £1,900 billion. It is not a levy on capital or on wealth. The capital gains, dividend, and inheritance tax bases are too small to produce a sum of this size.

That increase has two parts. About two-thirds is the higher rate falling on income already taxed today: because the rate is set by a person's total income, every pound of earnings, dividends, savings, and gains is charged at that combined rate rather than on its own schedule. About one-third is base-broadening. NC brings roughly £185 billion a year of inheritance and other irregular receipts into the income base, flows that today raise about £8 billion of Inheritance Tax and no income tax. Taxed as income to recipients and dispersed over the withdrawal window at moderate rates, that broader base accounts for the remaining third. The contrast is between taxing £185 billion of flows as income compared to the £8 billion currently collected on those flows.

By income level the effect is unambiguous and depends on no modelling assumption: about four-fifths of the additional revenue falls above the median, three-fifths on the top quintile, and two-fifths on the top decile, with the change close to neutral below the median. Most of the extra money is higher earners paying a higher rate on their total earnings, not a tax on wealth.

The Macro Cashflow carries the conservative in-window figure of about £75 billion, some £3 billion below the matured £78 billion, because inheritance revenues phase in over ten years and only the earliest cohorts fall inside the programme's five-year frame. The Fiscal section states values as percentages of GDP because pound figures would carry real modelling uncertainty that obviates greater precision.

Rates

In the model used for this report, the Base Rate is set to 22% and the Top Rate is set to 46%. These rates *cannot be directly compared to current Income Tax rates* because the rates change as relative income changes, and NC also replaces other taxes, including employee NICs, Capital Gains Tax, and Inheritance Tax.

The rates selected for this report fund all parts of the P2030 programme, as well as creating the targeted fiscal space beyond the policies included in the programme. The main categories of expenditure funded from National Contributions are:

- Universal Services
- Stamp Duty abolition
- Structural reforms
- Fiscal space

1 for 6 : Tax Simplification

There are well documented problems with the UK's current system of taxing incomes and gains¹. Those are reasons enough to reform taxation. In addition, co-ordinating reforms of taxation with social support creates opportunities to tackle obstructions and disincentives in the wider tax system. Tax reform is needed any way, and this programme takes the opportunity to make those reforms.

National Contributions (NC) was first advanced in an IGP report² in 2021 and this report adopts the same design principles: first change what is taxed, and then

apply a simplified rate structure.

NC replaces six current taxes: Income Tax (IT), employee and self-employment NICs (NICS), Dividend Tax (DIV), Inheritance (IHT), and Capital Gains (CGT) taxes. NC eliminates these distinctions, reclassifying them all as income flows. That is the change to what is taxed.

NC applies a progressive rate structure to the flat definition that includes all income. The rates are anchored to the median income, providing stability and consistency. A Voluntary National Contributions (VNC) threshold sets the income below which remittance is voluntary, but if made, allows the year to qualify for State Pension entitlement. (The model used for P2030 does not rely on any revenues from incomes below the VNC threshold.)

DETAIL

The current system applies different rates and thresholds to different income types and earnings face both Income Tax (with a personal allowance, basic rate band, higher rate band, and additional rate band) and Employee NICs (with a primary threshold and upper earnings limit); capital gains face CGT (with an annual exempt amount and rates that differ by asset type and total income); dividends have their own rates; and inherited wealth faces IHT (with a nil-rate band and residence nil-rate band applied at the estate level). NC does away with those historic distinctions and applies a much simpler principle: anyone who receives income is taxed the same way.

Income Tax

Income Tax and Employee National Insurance Contributions are merged into NC.

All income from all sources is taxed equally progressively. Income from employment, self-employment, pensions, winnings, carried interest, and gains (with refinements of the current exemptions and allowances) are all treated equally. This removes distortions and complexity from the tax code, simplifying implementation, administration, and collection. Not only is the simplification helpful in reinforcing reciprocity, it also means that HMRC can reasonably implement NC in the PAYE system in one year.

Capital Gains Tax

Capital Gains Tax is replaced by NC, retaining current loss provisions.

Capital gains are assessed at disposal, with a deduction for inflation since the original acquisition of the asset (no uplift at death). The remaining gain is taxed, just like it would be as income.

Dividend Tax

Dividends are counted as ordinary income and included in NC, replacing the separate Dividend Tax schedule, in line with the priority to simplify tax and remove source classification arbitrage. Treating dividends identically to other income means distributed profit bears both corporation tax and NC. Relieving that double charge, so that genuine investment returns are not over-taxed relative to other income, is a design question for the implementation legislation rather than this report.

Inheritance Tax

Inheritance Tax is replaced by NC.

All inheritance is **taxed as income to the recipients, not on the estate**. Large gifts are treated the same: a gift received is taxed as income to the recipient, with the same National Savings shelter. The current gift exemptions continue, measured on the giver as now, so the annual exemption, small gifts and wedding gifts keep ordinary giving out of charge. The exemption for gifts out of surplus income is withdrawn, because it rises with the giver's income and lets the highest earners move large sums out untaxed year after year. A gift between spouses is not treated as inheritance until it is passed on, the same deferral that applies to a bequest.

The seven year rule disappears, and trusts are seen through to ensure they do not escape charge.

Tax sheltering in NS&I allows taxpayers to shelter inheritance received as cash (which is no longer taxed on the estate) until they withdraw it, at which point it is taxed at the rates that apply to any other income in that year.

Tax Shelter in National Savings

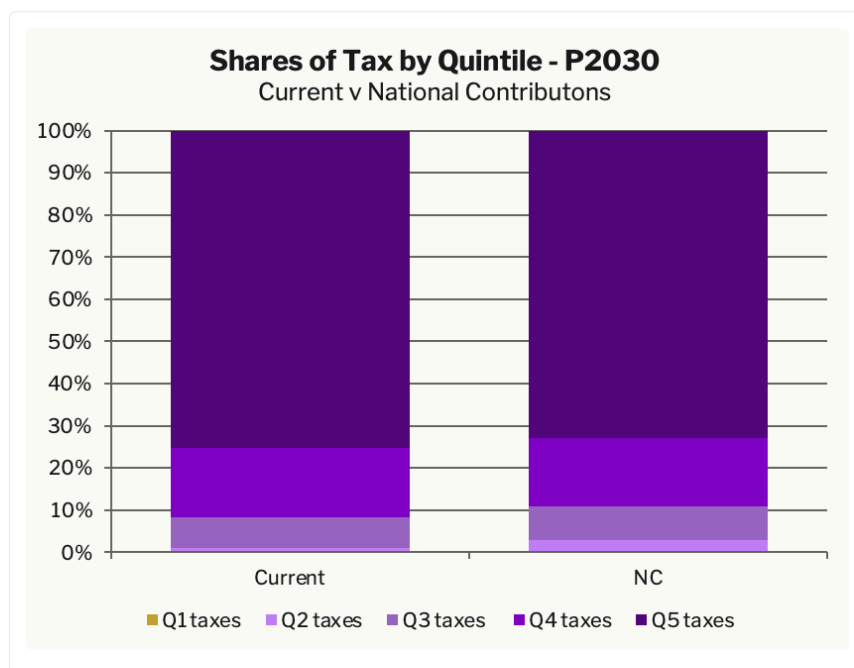
NS&I will designate various of their accounts as tax sheltered National Savings accounts. Funds in those accounts are sheltered from taxation until withdrawn, with the same dispersion window applying to sheltered balances on the same basis as inheritance, so that sheltering defers the point of charge but not the liability.

This allows taxpayers to shelter lump sums of income, such as inheritances, from single year NC rates and distribute their income over time, taxed at their NC rate for the year in which they access the funds. During this time they have in effect lent the deferred liability to the government.

NC in the P2030 Programme

NC starts in Year 2 of the programme to allow for changes in legislation and IT system updates. The Base Rate for P2030 is set at 22%, the Top Rate at 46%, and the Voluntary NC threshold is set at £12,570 — mirroring similar rates and thresholds in the current system.

Most taxes are collected from payroll via PAYE and so those revenues start immediately, adding £52 billion (1.9% of GDP) in Year 2. After four years, as various components phase in, the total additional revenue will rise to around £75B (2.8% of GDP).



The chart above shows each quintile's share of total income tax. Higher earners pay more in absolute terms than under the current system, with the top quintile alone contributing about £48 billion of the £78 billion increase. But because the base is broader and the total larger, the top quintile's share of the whole falls by about two percentage points. Higher incomes pay more, while the overall burden is spread a little more evenly.

Stamp Duty revenue replacement

National Contributions also carries the revenue lost when Stamp Duty Land Tax is abolished. The new Property Tax is collected nationally but committed in full to local government, so it does not backfill the £10 billion that Stamp Duty raises today; that gap is met from the National Contributions base instead. This is a deliberate improvement rather than an artefact of accounting. Stamp Duty is a transaction tax that penalises moving home and is widely judged one of the most economically damaging taxes in the system. National Contributions is a broad, progressive tax on all income. Replacing the first with the second removes a distortion that suppresses housing mobility and raises the same revenue from incomes, rather than a chance move. Carrying this replacement is one of the obligations the National Contributions rate is set to meet, alongside funding the Universal Services and creating fiscal space for other national priorities.

Reciprocity Hypothecation

Making a broad, public commitment of NC revenues to Universal Services creates strong reciprocity. This is a public declaration that all taxes paid by citizens on their incomes are assigned to delivering public services for citizens. Failure to make those contributions (paying those taxes) is a direct deduction from everyone's safety and security.

In the P2030 model, total revenues from NC are about £470 billion, and current expenditure on existing public services in 2024 was about the same. P2030 adds another £50Bn in Universal Services, so it would be accurate to say that 'all NC revenues are spent on public services'.

The consolidation of various income taxes into NC allows hypothecation without reducing the flexibility of general revenues. The 2021 NC report demonstrated a model assignment of revenues and spending that shows that this broad hypothecation is politically credible without changes in budget administration.

Tax Year is a Calendar Year

The introduction of NC provides an opportunity to further simplify the tax system by aligning the tax year with calendar years. Given that HMRC will be making significant changes to their systems for NC, consideration should be given to taking the chance to make this calendar change at the same time.

RELATED

Complements: [NC on Benefits \(Revenue Instrument\)](#), [P2030 Tax Effects \(Household Effect\)](#)

Funds: [Digital Protection \(Structural Measure\)](#), [Energy Security \(Structural Measure\)](#), [Local Service Hubs \(Universal Service\)](#), [National Digital Service \(Structural Measure\)](#), [National Fiscal Priorities \(Fiscal\)](#), [National Food Service \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [NFS : Participating Venues \(Universal Service\)](#), [NFS : School Meals \(Universal Service\)](#), [Revenue \(Fiscal\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Digital Service \(Universal Service\)](#), [Universal Energy Service \(Universal Service\)](#), [Universal Information Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#), [Universal Water Service \(Universal Service\)](#)

Appendices: [National Contributions Implementation \(Appendix\)](#), [National Contributions on benefit income at household-level \(Appendix\)](#), [National Contributions tax model \(Appendix\)](#)

REFERENCES

1. Adam, S. and Miller, H. (2021), Taxing work and investment across legal forms: pathways to well-designed taxes, IFS Report R184, Institute for Fiscal Studies, London.
<https://ifs.org.uk/publications/taxing-work-and-investment-across-legal-forms-pathways-well-designed-taxes> ↗
2. Percy, A. (2022) *National Contributions: Reforming tax for the 21st century*. Available at: <https://discovery.ucl.ac.uk/id/eprint/10138866/> (Accessed: 10 March 2026). ↗

NC on Benefits

The contributory principle

REVENUE INSTRUMENT · economics

There are two primary reasons to apply National Contributions (NC) to benefit incomes (excluding disability benefits):

- Everyone is a recipient of the programme's benefits, including the Universal Services, structural reforms, and the capacity to tackle currently unmet national priorities.
- Universal Services deliver greater value than cash redistribution, so the cost of living reductions are greater.

The contributory principle applies when the social contract delivers on its side of the bargain. Taxing cash benefits involves the exchange of discretionary power in return for public goods, just as it does for those paying higher taxes on their incomes. Solidarity, cohesion, and the elimination of stigma are all served when the contributions are as universal as the advantages.

Applying NC to benefits allows the contributory principle to be implemented with the same progressive rate structure, applying much lower rates for those on lower incomes.

As Services are more effective in reducing the cost of living, it makes sense to reallocate public spending from cash distribution (benefits) to Universal Services once the services are in place. This will be achieved by the gradual application of NC to benefit incomes at source.

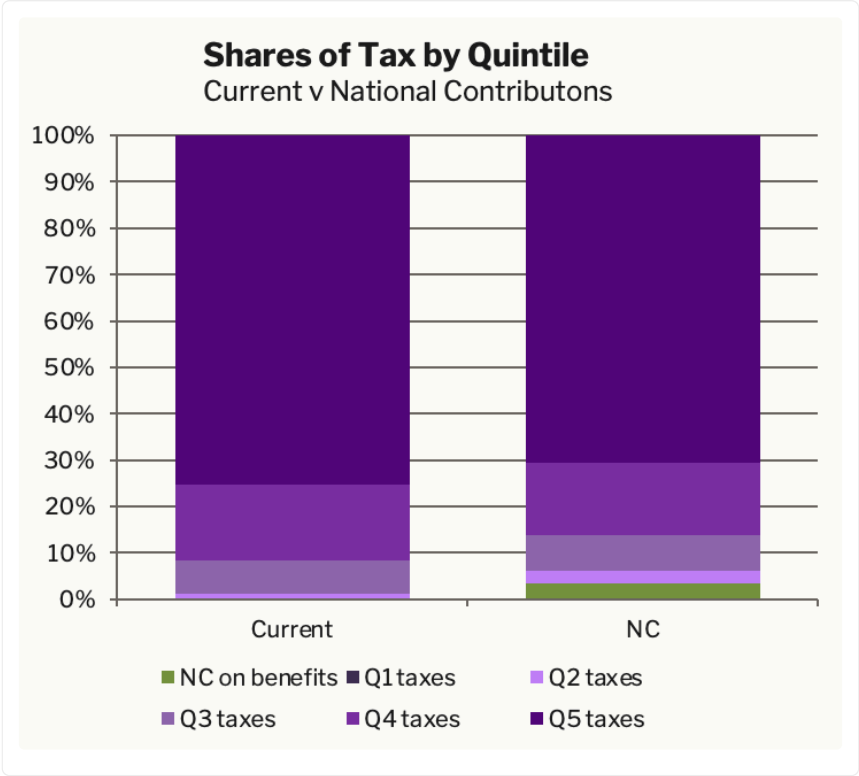
Starting one year after NC and all the Universal Services have started, **benefit incomes gradually become subject to NC tax** at source over three years, such that by Year 5 all taxable (disability excluded) benefits are subject to NC.

Family Protection

A per-child allowance is applied to benefits income, reflecting the way benefits are calculated based on household composition. The allowance is the same as the VNC threshold, and only benefits income above the combined threshold is subject to NC. So a family with two children would have to receive more than £25,140 (2 x £12,570) in benefits before any tax would be withheld at source.

DETAIL

This has the effect of redirecting about £16 billion a year from cash benefits to Universal Services. The spending is not withdrawn, but redirected to the provision of Services. And because the Services reduce the cost of living more efficiently, no one is left worse off by applying NC to cash benefits. See [Effects](#).



Taxable benefits are taxed at the person’s marginal NC rate on earned income, so those with very low earnings will also pay very low rates of tax on their benefit incomes. This table shows the effective rate of tax on benefits received by income quintile.

NC on benefits	Q1	Q2	Q3	Q4	Q5 (Top)
Effective NC rate on benefits	4.05%	7.82%	12.94%	18.71%	24.47%

The combination of allowances for dependents and low rates at low earned incomes protects the most vulnerable. The share of benefits recycled into services goes up as incomes increase.

Note: Due to interactions with NC marginal rates for individuals with very low non-benefit incomes, the effective rate for NC on benefits in Q1 has an uncertainty band +/- 1%.

Fiscal Space Alternative

A politics disinclined to this approach could allocate some of the new fiscal space created by the programme to funding Universal Services instead. However, the signal that the UK had found a politically viable avenue to restrain the growth of cash redistribution would be lost, with consequential effects on debt sustainability.

RELATED

Complements: [National Contributions \(Revenue Instrument\)](#), [National Contributions on Benefits \(Household Effect\)](#)

Appendices: [Household Effects Analysis of NC on Benefits \(Appendix\)](#), [National Contributions on benefit income at household-level \(Appendix\)](#)

Local Property Tax

Finally, reform of Council Tax and abolition of Stamp Duty!

REVENUE INSTRUMENT · community, economics, care, housing

HOMEOWNERS WHO HAVE TO MOVE

0

Deferrals available to all

PROPERTY TAX RATE

1%

Replaces Council Tax and Stamp Duty

NEW REVENUES

£18.1 Billion / year

Social Care, Housing, Service Hubs, CFCs

Reform of Council Tax and the abolition of Stamp Duty have been much talked about. Council Tax is not only disliked, it is arguably the most regressive tax in the UK. The current system where a terrace house in Burnley pays more council tax than a mansion in Kensington is indefensible. The P2030 programme of Universal Services, which drive down the cost of living, provides the perfect opportunity to actually do what everyone has been talking about for so long.

Reform of Council Tax has been blocked by the same distortions that make the tax inequitable: reform would have a disproportionate effect on a politically important interest group: homeowners. Sequencing property tax reform with services that reduce the cost of living opens up the political space to make the needed reforms without disadvantaging homeowners. Ramping up Universal Services in advance, combined with protections designed into the new Property Tax, remove the barriers to reform.

The P2030 programme phases in a new **Property Tax, at 1% of the value of the property**, over three years, while Council Tax and Stamp Duty are phased out over the same time frame. Social housing is excluded, and provisions are made that allow owners to defer their tax liability until the property transfers. No one will have to move out just to pay their Property Tax.

Owner-occupiers who have recently paid Stamp Duty pay no Property Tax at all while the new tax phases in, so no household meets both taxes at once.

National v Local

The Property Tax is a national tax, levied at a consistent rate across the country. The revenues are allocated back to local governments on a per-person basis, with weightings for rurality, age, and deprivation. While this is a change from Council Tax, which is raised and spent locally, the per-person allocation removes much of the discretionary central control that the current system incorporates in other local funding. Only about a third of local government funding today comes from Council Tax, with the rest allocated through Byzantine formulas that accumulated over decades of tinkering.

The P2030 Community Housing budget (£10 billion) is reserved from Property Tax revenues before distribution to local governments, and allocated based on

applications submitted by local governments for specific projects.

DETAIL

Moving from Council Tax to Property Tax removes 8.7 million renters from the property tax system and cuts 4.5 million bill-payers from council administration.

At the same time, Stamp Duty Land Tax (SDLT) is phased out completely. This allows people to right size their home without the punitive tax that is blocking thousands of people from moving today. The Office of Budget Responsibility (OBR) estimates are that there will be an 8% to 20% increase in transactions without Stamp Duty¹.

The average increase in annual tax for the 1% Property Tax over Council Tax is £1,200 a year. This phases in over three years and is more than offset by savings from Universal Services for any household with children, or of homes that reduce their energy consumption to qualify for free energy, or use the bus to get to work every day.

No Property Tax for Recent Buyers During the Switchover

An owner-occupier who buys shortly before the Property Tax begins pays Stamp Duty under the old rules and would otherwise meet the new annual charge almost at once. To keep the switchover fair, any owner-occupier who has paid Stamp Duty on their home within the previous two years pays no Property Tax at all while the new tax is phasing in, joining it at the full rate along with everyone else once it is fully in. A family who bought last year and paid Stamp Duty therefore pays nothing under the new tax during the transition, instead of paying twice over in the space of a year. First-time buyers who paid no Stamp Duty were never double-charged and need no exemption. The exemption belongs to the transition alone.

House Price Effects

A frequent objection is that abolishing Stamp Duty simply inflates house prices: in a market constrained by supply, the saving is captured by sellers and the cut becomes a windfall for those who already own. That holds when Stamp Duty is removed on its own. It does not hold here because Stamp Duty is not removed in isolation but replaced by a recurring annual tax on the value of the property. The present value of that future liability is capitalised into the price of the asset, exerting a steady downward pressure that works against the upward pressure from removing Stamp Duty. Measured properly, with both taxes treated as the recurring streams they are, the net effect on prices is downward rather than upward. The reform swaps a one-off tax for a recurring charge that, if anything, improves affordability for buyers, so the benefit accrues to buyers and movers rather than to existing owners. A worked example is set out in the Property Tax, Stamp Duty and house prices appendix.

RELATED

Complements: [Property Tax effects \(Household Effect\)](#)

Funds: [Community Housing \(Structural Measure\)](#), [Democracy Revival \(Structural Measure\)](#), [Local Service Hubs \(Universal Service\)](#), [Revenue \(Fiscal\)](#), [Right to Life \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#)

Appendices: [Local Government Finance \(Appendix\)](#), [Property Tax, Stamp Duty and house prices \(Appendix\)](#), [Property Tax: Deferral Provisions \(Appendix\)](#), [Property Tax: Revenue Methodology and Data Sources \(Appendix\)](#), [Property Tax: Valuation Methodology \(Appendix\)](#)

REFERENCES

1. Office for Budget Responsibility (2017) Supplementary forecast information release: SDLT elasticities.
Available at: https://obr.uk/docs/dlm_uploads/SDLTelasticities.pdf (Accessed: 18 June 2026) ↗

Air Passenger Duty

Free buses for everyone and more UK holidays

REVENUE INSTRUMENT

EXTRA TAX ON A EUROPEAN FLIGHT

£26

Air Passenger Duty x3

NEW SERVICES COVERED

Free Buses, Meals, Hubs

Startup funding for Services

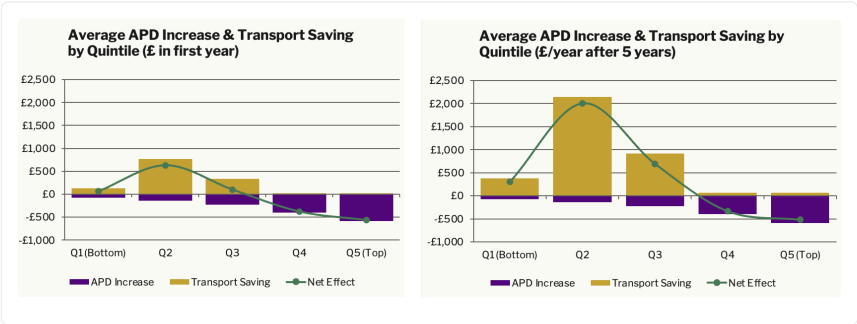
NEW REVENUES

£8 Billion / year

Starts immediately

Air Passenger Duty (APD) is charged per passenger per flight, and the programme starts by **tripling the APD rates** to fund nationwide free local bus services in the first year. The logic is that local transport is more important to society and the economy than flying, and that flying is more environmentally damaging than buses.

The increase will generate most of its revenue from APD applied to long-haul flights in upgrade classes. The additional cost per Economy seat to a European destination will be £26, and £180 on a Premium Economy seat to the USA. Most people will save more from free buses than than the premium they'll pay to fly (half the UK does not fly in any given year).



APD is easy to change and is collected by airlines when they sell tickets, so requires no additional systems to collect.

Assuming a 11% fall off in flights in the first year as a result of the increased costs, the revenue generated will be an extra £6.7 billion, supplemented by an extra £1.3 billion in VAT from extra UK holiday spending.

VAT on Private Aviation

Closing the loopholes on private jets

As a complement to the increases in APD for ordinary travel on scheduled flights, VAT will be applied to parts of private aviation that are currently excluded. This raises £0.3 billion a year and can be implemented through rule changes. See appendix in Related below.

RELATED

Complements: [Universal Transport Service \(Universal Service\)](#)

Funds: [Local Service Hubs \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#)

Appendices: [Distributional Impact of Tripling Air Passenger Duty \(Appendix\)](#), [VAT on Private Flight: Revenue Instrument and Legal Basis \(Appendix\)](#)

Structural Reforms

Structures fit for the 21st century

NATIONAL INFRASTRUCTURE

Water, Energy, Digital

Resilience in the 21st Century

CAPITAL INVESTMENTS

0.5% GDP

Funded from revenues, not debt

TOTAL ANNUAL FUNDING

1.1% GDP

All Structural Reforms

Strategic direction of core infrastructures for water, energy, and digital cannot be delayed further without endangering the basic safety and security of the nation.

Effective local democracy is central to these reforms, as it is to many other policies in the P2030 programme. Democracy Revival is a Structural Reform that transforms councils from lay oversight into effective governance. Full-time, well paid, and supported councillors provide the attention and responsiveness that validates the transfer of power from central to local government.

The first step is to relocate structural costs to same place where responsibility for decisions is effectively exercised: out of consumer bills and in to catchment-bounded authority. The Universal Services for Water, Energy, and Digital lay the foundation for the Structural Reforms in this section by moving costs from bills to national taxes. Those policies complete step one in the process.

The second step is to rearrange the decision-taking power structures to ensure national priority is asserted over commercial interest. Private providers operate within the strategic choices that countries, not consumers, make for how water, energy, and digital services are deployed. Responsiveness comes from democracy directly, mediated through taxes not wallets.

DETAIL

Much needed reforms to the country's vital infrastructure have been stuck behind policies that attempted to couple strategic decision-taking to consumer bills. This inherited construct is left over from naive market-orientated policy that **inverted governance half a century ago**. The idea was that consumer pressure would be exerted through the democratic system to keep strategic national infrastructure management aligned with national priorities. The failure of this communication channel left those infrastructures controlled by their commercial operators. Governments responded to the cost of living pressures by diverting responsibility to quangos, and devised convoluted subsidies in an attempt to impose a market philosophy where no real markets exist. Water and energy management are the poster children for this governance failure. Digital infrastructure has now joined the family.

Structural Reforms described here lean on designs developed by others with more in-depth understanding of the sectors. The policies proposed aim to give form and practice to the proposals of national experts, most prominently Professor Dieter Helm¹, who have expertise in the UK's core infrastructures. The P2030 programme does not claim to have developed the ideal operationalisation of those reforms, but instead aims to provide a vision of how solid and rapid progress could be made.

REFERENCES

1. Helm, D. (2026) Dieter Helm. Available at: <https://dieterhelm.co.uk/> (Accessed: 18 June 2026) ↗

Digital Protection

Citizen security for the digital world

STRUCTURAL MEASURE · digital

Digital protection for every citizen is a primary responsibility of government, just as much as, and as part of, physical, social, border, and military security. In the 21st century, there is no difference between the ability of a society to defend itself militarily and digitally. The basic fabric of society, from energy infrastructure to banking to supply chains, depends on the integrity of our digital communications and the data that flows across those links.

Not only are digital technologies increasingly the way that societies are organised, they are also key to achieving a balance between environmental sustainability and the benefits of modernity. Streamlining service access, maximising delivery efficiency, and enhancing the efficacy of services, are all aspects that digital technologies can improve.

Every Universal Service proposed in the Prosperity 2030 programme is enhanced by digital services and will depend on their ubiquitous availability for successful deployment. A key aspect of any service is verifying the identity of the person accessing it – to validate eligibility (e.g. for a free Meal of the Day), to surface information for a service (e.g. health records) or to evaluate usage and quality so that services can adapt to changes.

DETAIL

Digital ID - Privacy Security

Digital ID empowers every citizen with privacy and control in an AI world

Protection

A Digital ID is not just a tool that makes public services better and easier, it is also a vital tool for every citizen so that they can protect their privacy in the modern world. An official Digital ID is an encryption key. That key can be used to secure personal and private data safely and securely, on devices and online. This allows citizens to choose online services that respect their privacy and accept limited access to, and use of, personal data that may be collected as part of using their service. For instance, a social media service can use the person's Digital ID to encrypt their activity; so that the only way to access that data is with the explicit permission of the user, a permission that can be withdrawn at any time.

Portability

As AI becomes part of everyday life and every workplace, the Digital ID service will also allow citizens to keep ownership and portability of their skills and information. Everyone can store their AI history in a private digital vault that allows them to take their life's work with them, between jobs and different AI models.

Transparency

Digital IDs also allow auditing of decisions and inspections to create much deeper and broader transparency than is possible without it. Every medical or police enquiry will require an individual's Digital ID and their authorisation trail. Every access by an AI agent will require its Digital ID and accountability trail back to a

human. Without these controls, enabled by Digital ID, a fully digitally enabled world will become lawless, unaccountable, and corrosive for democracy.

A Digital ID can also address many of the online vulnerabilities with which societies currently wrestle, often ineffectively. Age verification can be reliably and unobtrusively completed without having to share deeply personal data, such as face recognition, with unknown and untrusted third parties and platforms.

Not everyone will have a Digital ID on day one, and many may still be getting on board a few years in, but once the privacy protection benefits are realised, a rapid expansion in deployment is expected. All manner of services, from banking to medical facilities, will benefit so much that they will become active champions and sponsors of a fast and broad rollout.

Digital ID Implementation

The UK is already launching the GOV.UK Wallet with early access in 2026 . That initiative should have made sufficient progress by 2030 to be within touching distance of having a ‘tap to identify’ service that works the same way, using the same terminals, as ‘tap to pay’.

P2030 assigns a £1 billion a year budget specifically to the development and rollout of Digital ID and privacy protection services. This is to cover the necessary software, systems, and services infrastructure. A secure and reliable Digital ID service will also require substantial investments in digital infrastructure for data centres and links, which is budgeted in the National Digital Service policy.

Governance

A digital privacy and security commission will be needed, tasked with maintaining the integrity, security, and day-to-day operations of the UK’s Digital ID system. This could use an existing data protection agency as a starting point, and expand into a fully independent service reporting to parliament. Its primary role will be to operate the [National Digital Service](#) (NDS) under a charter to serve and protect UK citizens. Commissioners need to pass security service vetting, be appointed by parliament, and approve or dissent to publicly published annual reports on the integrity and service quality of the NDS.

RELATED

Complements: [Local Service Hubs](#) (Universal Service), [National Digital Service](#) (Structural Measure), [Universal Digital Service](#) (Universal Service)

Funded by: [National Contributions](#) (Revenue Instrument)

Depends on: [National Digital Service](#) (Structural Measure)

Appendices: [NDS: Digital Identity](#) (Appendix)

National Digital Service

Sovereign foundation for the digital world

STRUCTURAL MEASURE · digital, business

SERVICE INFRASTRUCTURE

ID & AI Platform

Core services provided

SOVEREIGN ZONES

6+

Hardened, distributed, autonomous

NDS BUDGET

£2 Billion / year

Facilities & systems

Life and government are increasingly dependent on digital technology. Its reliable operation has become central to the basic safety and security of citizen and state. A National Digital Service (NDS) is now essential to protect and safeguard sovereignty.

A NDS is a **backbone of core digital facilities** supporting the most sensitive and important parts of our digital lives, comprising hardened facilities, secure hardware running vetted software, connected by secure communications links. The NDS is not a programme; it would be a permanent national institution, governed by an independent commission accountable to Parliament and chartered with the digital safety of the nation. It would be the NHS for our digital lives.

AI

The NDS is also the locus for sovereign AI capability and capacity. The rest of this century will be defined by which countries have their own AI function, and therefore control over the availability of the technology. This is hard power, defined by physical capacity to host AI models. The models themselves can be developed anywhere in the world, but the ability to use them will depend on hardware infrastructure capacity and technical capability. The UK has the latter in droves, but lacks the former to a critical degree. This policy sets the direction and makes a down payment on the capacity.

Economic Effects of AI

Value concentration and destruction risks proliferate with AI, with the eventual effects on the economy only vaguely discernible from here. The responsibility of government does not change: to protect and enable citizens. Exercising those responsibilities requires AI capacity over which the society has sovereign control. That capacity mutes the debate about which way AI will affect the economy because, which ever direction it takes, the fruits will be harvested by the society as a whole, and the society will have reserved the right to “violence” to its democratic control.

Proposals about the best way to capture value from non-sovereign controlled AI are pointless, especially when constrained to the framing of the current economic

and financial architecture. The current global financial system is one of the structures most likely to be impacted by AI. Using structures like company shares and wealth funds to capture value from the effects of AI are the sovereignty imperative expressed in terms that are exposed to the disruption they anticipate. Universal Basic Capital, like Universal Basic Income, suffers from the same basic flaw: it depends on a financial system that is itself subject to the risk it aims to defend against. The great advantage of Universal Services is that they actually build the supply fabric that is the real objective. Defence, energy, and technology, collapse into a single imperative: sovereignty.

Universal AI Services

Once sovereign capacity is established, there will be opportunities to extend the Universal Services with additional AI-powered education, information, and legal Services.

DETAIL

Related Projects

Privacy Protection

The NDS secure platform allows every citizen to use a cryptographic identity (based in their Digital ID) to sign documents and control who has access to their data. Subordinating commercial platforms to the rights of their users restores balance to the Internet by giving everyone the ability to control if, how, and when information about them is stored, used, and owned.

Digital Pounds

The Bank of England is working through a plan to issue digital currency, but to complete that they will need the identity services of a secure NDS.

Accountability

The NDS will store an audit trail for all access to information. So every government, police, or commercial search contains the identity of the individual performing the search, their organisation, and the identities of all authorising parties. This information will be available to citizens so that full transparency is restored to the digital world, as it is in the physical world.

Water Management

The Catchment Water System Operators need telemetry from across the nation to track and manage water. An NDS can provide the backbone for that infrastructure.

Smart Energy Grid

A responsive energy grid needs a national data platform connected into everyone's homes and businesses if it is to that make mineral ('renewable') energy sources work as well as they can. Doing that securely, while protecting everyone's privacy, requires the NDS.

Democracy

An informed and participating society relies on secure and authenticated information, voting, and communications. Sovereign control of these digital systems can only be provided by a NDS.

Universal Services

Public services of all kinds, including the new Universal Services, rely on data that has to be protected and validated. From health records in the NHS to tap-to-ID on buses and Greggs, the NDS would be the essential backbone that allows the Services to operate responsively while protecting the sovereignty of each citizen.

RELATED

Complements: [Digital Protection \(Structural Measure\)](#), [Jobs \(Household Effect\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Required for: [Digital Protection \(Structural Measure\)](#), [Energy Security \(Structural Measure\)](#), [NFS : Participating Venues \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#), [Universal Water Service \(Universal Service\)](#)

Appendices: [NDS: Core Infrastructure \(Appendix\)](#), [NDS: Digital Identity \(Appendix\)](#), [NDS: Research Briefing \(Appendix\)](#)

Democracy Revival

Local responsibility needs local capability

STRUCTURAL MEASURE

· community, water, transport, food, care

NATIONAL ANNUAL COST

0.08% GDP

Responsive Local Democracy

OFFICE SUPPORT

£25,000 / year

Per Councillor

COUNCILLOR PAY

2X

Local Median Pay

P2030 entails substantial increases in funding assigned to local authorities as well as discretion to add supplements to Property Tax. The budget allocation to local government increases by £29 billion (1.1% of GDP). Half of that is earmarked for the expansion of new Universal Services, including local Service Hubs, Community Food Centres and school kitchens, the Universal Care Service, Right to Life, and Community Housing refurbishments and new builds.

Empowering and Attracting Councillors

Increased responsibilities and budgets at local level will require better paid and supported councillors.

The Democracy Revival policy assigns £2 billion to fund 19,000 **Councillors with salaries twice the median earnings in their constituency, overheads, and £25,000 a year for office support**. HMRC will publish median earnings for each constituency at the end of each tax year, and councillor remuneration will be adjusted thereafter.

The reform only applies to principal authority seats. Parish and town councils are not in scope for local government reorganisation and will continue to operate as they do now.

After primary legislation has authorised the reforms, new local elections will be held.

DETAIL

Electoral Reform

Electoral reform, including proportional representation for local government, is a natural complement to councillor professionalisation but requires its own democratic mandate.

The legislation that enacts this policy’s upgrades to councillor remuneration should also provide for a Democracy Commission to be established within two years, with a remit to recommend reforms to local and national electoral systems. Consideration should include proportional representation using a Single Transferable Vote system with a Hare quota, and each representative voting with

the weight of their vote count (including both 1st and 2nd choice votes) in matters before their assembly.

RELATED

Complements: [Community Housing \(Structural Measure\)](#), [Universal Information Service \(Universal Service\)](#), [Universal Water Service \(Universal Service\)](#)

Funded by: [Local Property Tax \(Revenue Instrument\)](#)

Required for: [Community Housing \(Structural Measure\)](#), [GB Housing Reform \(Structural Measure\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [Right to Life \(Structural Measure\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#), [Universal Water Service \(Universal Service\)](#)

Appendices: [Catchment Water System Operators \(Appendix\)](#), [Local Democracy Upgrades \(Appendix\)](#), [Local Government Finance \(Appendix\)](#), [Water : Funding Flow & CWSO Architecture \(Appendix\)](#)

Energy Security

GB Energy Network and Energy for the Future.

STRUCTURAL MEASURE

· energy, business, community, housing

HOMES REACHED A YEAR

1.2 million

Energy for the Future by Year 5

INDUSTRY SAVINGS

£2.5 Billion

Annually, off bills to GB Energy

EXTRA ENERGY FUNDING

0.7% GDP / year

UES + GBE + EFTF

The UK is in the middle of a precipitous decline in industrial capacity that is the result of a combination of policies to embrace globalisation with an attempt to provide global leadership in controlling environmental pollution. The resulting high prices for energy, both for domestic and industrial use, are blocking reforms and weakening sovereignty.

Adherence to a market mantra has boxed the country into a corner: the UK now has the highest energy prices of any industrialised nation and dishonest pollution accounting. Energy is the master resource, domestically and commercially.

Access to reliable energy is of such importance to a country that the security of supply cannot be priced in a market. As we have found in recent crises, the government has had to step in to protect energy access when supply chains falter or market prices rise substantially. Building a national energy system to secure the livelihoods of millions of citizens requires the absorption of lumpy investment costs that distort consumption costs if applied to bills.

Consumers, be they residential or business, have no influence over national objectives funded via levies on their bills that apply irrespective of supplier choice or consumption behaviour. Attaching those costs to bills undemocratically has fuelled populist narratives. Direct democratic accountability is the antidote because decision-makers bear the consequences and costs of their choices.

Together, the Universal Energy Service, **GB Energy Network**, and **Energy for the Future** direct £18.5 billion (0.7% of GDP) of funding to the modernisation and security of the UK's energy system.

System Costs

In practice, this means paying for energy system transition costs collectively, as these need to be completed in any case, regardless of consumption choices. Upscaling the grid while maintaining backup capacity to accommodate intermittency is a collective cost that is more fairly and accurately paid for progressively as a nation. Centralising those costs allows for strategic planning. Removing them from bills allows market forces to work directly on consumption and incentivise demand response. The programme directs £18.5 billion a year towards funding the energy system transition, acknowledging that the final costs will need more investment than that.

Relocating a cost to the public account is a means, not an end. The point of relocation is to consolidate a diffuse and unaccountable cost in a single place where an accountable body is both able and motivated to drive it down, and from which the cost can be assigned to those whose choices create it.

GB Energy Network

Responsible strategy for industry

The GB Energy Network **removes transmission network charges from industrial and commercial electricity bills** while simultaneously reconstituting National Energy System Operator (NESO) as a statutory public body accountable to Parliament, rather than regulated by Ofgem.

This intervention eliminates the single largest non-wholesale fixed charge on business energy bills, so improving price responsiveness by making pricing more substantially based on the marginal generation cost. The budget for this policy is £2.5 billion a year (2025 prices).

Combined with the Universal Energy Service, the programme directs £10.2 billion to energy network operators. This covers the full cost of domestic energy networks and industrial transmission, while preserving the locational pricing signals that incentivise efficient generation siting.

The result: long-term policy set democratically, funding requirements determined by the independent regulator, and payment transmitted through taxation. Within that settlement, NESO's overriding duty is to secure firm power at least whole-system cost, and to place the costs of intermittency on those who create them rather than on every bill alike.

Intermittency costs

Moving network and system costs to national authority concentrates the decision and its cost in one accountable place. That is the precondition: only a cost that is consolidated, measured and publicly owned can be driven to best value and can be charged, in time, to those who generate it. While the cost sits diffused across millions of bills, embedded in fixed contracts, and recovered through a regulator at arm's length from democratic control, no actor has both the standing and the motive to confront it. Consolidation creates that actor. The safeguard is that consolidation creates a body now accountable for the cost, and mandated to bear down on it. New capacity needs to be contracted on a basis that the costs of intermittency and security are placed on those who cause them. The system-cost funding carried on the public account should be a declining, transitional liability. Held to those conditions, this relocation is the first move toward a system that prices its own costs honestly.

Energy for the Future

£7 billion a year for our future energy security

Using mineral energy to heat the least energy-efficient housing in western Europe is one of the greatest economic and environmental challenges the UK faces. We need heat at night during the winter which makes the challenge even greater.

Peak scarcity is the target we need to focus on: that week, or even two, in January when it's cold, cloudy, and windless. It won't happen often, but when it does, we need to be much better prepared for it than we are today. Today, we still have

fossil gas piped to 90% of homes and gas-powered plants sitting ready on the grid. But in 20 or 30 years we should aim to have phased out that infrastructure. Current government-backed schemes have ambitions to upgrade only about 10% of homes by 2030.

To tackle this the UK needs a **rapid rollout out of low cost, easy to deploy, heating and cooling solutions, coupled with the smartest grid we can build and local energy storage**. Demand management will be the key to adapting to the realities of a grid dependent mostly on wind and batteries for supply.

Energy for the Future is an ongoing programme to electrify heating in the housing stock we have, not the one we wish we had. Many British homes were not built to become hermetically sealed, heat efficient eco-homes and will not get to that standard, or be replaced, this century. A heat pump for every home to replace every ‘trusty combi’ is an aspiration, not a plan. But there are simple electric heating solutions that can make a difference in any house, and this policy funds those at scale. This is the largest element in the Energy for the Future policy, scaling up to reach 1.2 million homes per year, prioritised by vulnerability, by the end of the parliament. That’s ten times larger than the Boiler Upgrade Scheme.

Universal Energy Service

The **Universal Energy Service** is the household complement of these policies. The network portion of energy costs, estimated at £9 billion a year, is funded from general taxation. This removes standing charges and levies from household bills.

DETAIL

Peak Smart Grid

Avoiding peaks in demand when supplies are constrained will save us many billions in an energy system that will have to have capacity two or three times greater than the fossil system it replaces. Technology will have to play a pivotal role in managing demand. The really smart grid we need goes far beyond the LCD panel connected to the ‘smart’ meters of today. A truly smart grid will be able to signal to millions of appliances across the country that they need to run slowly or switch off to help us all get through the next few hours or days. That smart grid will require upgrades to the central grid, the national digital network, and to the appliances we have in our homes.

To smooth adoption and strengthen resilience, citizens will be given a direct stake in the energy system through community ownership of local generation and storage assets. Energy for the Future will help local initiatives with funding, with the aim of increasing the current base of about 300 schemes with a new community energy project a day, until there are no more applications.

Energy for the Future complements existing policies and addresses one of the great challenges facing the UK in the coming decades. It can leverage the National Data Service to build the smart grid, complement the Community Housing refurbishment programme, and is an integral partner to the Universal Energy Service.

Long-Term Infrastructure

The UK needs a nuclear plant building programme stretching over multiple decades, not a plant here and a plant there (China has 28 plants under construction). We need to keep fossil fuel plants available for periods when the weather does not allow sufficient power to be generated from non-fossil sources. We need more energy storage and frequency regulation capacity to make the new intermittent, rebuildable, mineral energy sources work. All of this requires long-term strategic planning at a national level and that means securing the funding from taxation, not from bills.

By 2030, the cumulative effect of various existing policies is expected to have substantially reduced the proportion of UK electricity priced at the gas margin. The GB Energy Network intervention supports and accelerates this trajectory: by removing transmission network charges from C&I bills, it ensures that as wholesale prices move toward the long-run marginal system cost, industrial consumers will respond to those signals. The direction of travel is toward a C&I electricity price that reflects the levelised system cost of generating and distributing power, not the cost of the fuel that a marginal, but strategic, share of generators burn.

RELATED

Complements: [International Competitiveness \(Structural Measure\)](#), [Jobs \(Household Effect\)](#), [Universal Energy Service \(Universal Service\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Depends on: [National Digital Service \(Structural Measure\)](#), [Universal Energy Service \(Universal Service\)](#)

Appendices: [Energy for the Future Appendix \(Appendix\)](#), [GB Energy Network: Methodology and Costings \(Appendix\)](#), [Universal Energy Service : Methodology \(Appendix\)](#)

Skills Centres

Lifelong connection to employment

STRUCTURAL MEASURE · business, community, work, care

The Skills Centres policy proposes to **transform the Jobcenter network into a place from which people work**, instead of a place that refers people to work. Free to join, a **Skills Centre employs people directly**. People can join as a Trainee, with no experience, and get onto a career path that will see them qualify as an Apprentice, with training coordinated with local colleges and TECs. Skills centres have open positions in jobs that match the needs of the area or region. Experienced and fully qualified workers can also associate with the Skills Centre with lower commitment and only be paid for the time they work or study. Associating and disassociating with a Skills Centre is entirely voluntary, only subject to geography and the conditions attached to the type of association.

The Centre provides a pool of **on demand, skilled and unskilled labour to local businesses**, providing a flexible workforce to local firms without the overhead of employment. Businesses offer jobs to the Centre, and attached Trainees are assigned, or other statuses opt in. Firms are billed directly by the Centre at published rates that are fully inclusive of all costs, including the Centre's overheads.

New entrants get reliable incomes wrapped with career development, businesses get flexible labour without the administrative overhead of direct employment, and the nation gets the skilled workforce pipeline it needs to be resilient and productive.

DETAIL

Objectively, there is a market failure in the private sector in maintaining the required levels of skilled personnel necessary to perform critical national and social functions such as construction and engineering. This has resulted in high levels of legal immigration and low levels of domestic capacity. The **UK has 1m NEETs** and a debilitating drought of skilled labour needed for everything from construction to nursing, social care and nuclear power plant building.

One reason for the market failure is because there is no way to own the benefits of training a person. The benefits accrue to the individual, and to the society as a whole, but not to the organisation that does the training. Firms could hold on to the benefits if they were able to generate sufficient levels of profit on a continuous basis to retain skilled individuals in a competitive market. But highly competitive markets work in the opposite direction, making jobs less constant, and further exaggerated in markets where jobs are large projects.

An alternative could be to situate skills and training in an industry specific, non-enterprise institution. There are two possible locations for this: an organised labor union, or the government. Where private enterprises have been able to adopt and succeed in this role in the past, it is because their work has been backed by government contracts that guarantee a continuous stream of income and profits, such as the defence industry.

As the costs and benefits of a skilled labour force will ultimately accrue to the society, the efficient delivery vehicle is our democratic government. Ultimately,

this is a political endeavour, and trade unions may be useful subcontractors in this framework, but it must be owned politically to escape the current failures.

Skills development involves training, but it also relies heavily on real world, practical experience and side-by-side working with those who are already experienced, a.k.a. apprenticeships. This requires that any programme is closely linked to the existing workforce and firms practising in the industry.

Skills Centre Operations

Apprentices and Trainees are full-time employees of the Skills Centre, required to show up at the Centre or at jobs for the hours they are paid. Pay is guaranteed but lower than direct private employment. Each worker in these statuses will have a skills pathway they can follow to complete certifications appropriate for their chosen career. Courses may be provided by local colleges or taught at the Centre.

Local firms, once approved, can access the workers in a Skill Centre by submitting a job request online. Centre workers would then opt in online to work in which they are skilled. Workers and firms rate each other after a job is complete, with the integrity of the relationships overseen by a board of Skills Centre managers, attached workers, and local businesses. The firms pay the Centre directly for all labour at rates fully inclusive of employment and Centre costs. Overtime, anti-social hours and other conditions result in extra charges which are passed through to the workers as higher pay.

This allows workers with the full range of skills and experience to work, learn and develop together, in classes, on jobs, and in the Centre. These Centres genuinely become a centre *of* jobs, not a benefit disqualification gateway. Assistance with welfare administration is moved from the previous Jobcentre to the new local Service Hub (see [Service Hub](#) policy).

The result for firms is flexible and reliable access to skilled labour at published rates and at short notice, without the administrative overhead of direct employment. Society benefits from having the skilled labour required for the economy's objectives and needs. The individual benefits from a secure pathway into skilled, permanent work, and a flexible source of work outside permanent employment.

RELATED

Complements: [Employment Freedom \(Structural Measure\)](#), [Employment Freedom reasoning \(Appendix\)](#), [International Competitiveness \(Structural Measure\)](#), [Local Service Hubs \(Universal Service\)](#), [National Food Service \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [NFS : School Meals \(Universal Service\)](#), [Universal Care Service \(Universal Service\)](#), [Universal Digital Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#), [Universal Water Service \(Universal Service\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#)

Required for: [Employment Freedom \(Structural Measure\)](#), [Jobs \(Household Effect\)](#)

Appendices: [Skills Centres Appendix \(Appendix\)](#), [Skills Centres: Operational Design \(Appendix\)](#), [Skills Centres: Unit Economics \(Appendix\)](#)

GB Housing Reform

Truly affordable housing

STRUCTURAL MEASURE · care, community, housing

Three structural reforms to complement the Community Housing, Property Tax, and VAT on construction reforms in the P2030 programme:

- a Right to Sell
- compulsory purchase reform
- the end of Right to Buy

The result is a larger stock of truly affordable social housing with a lower acquisition cost.

The Right to Sell allows communities to buy housing from existing homeowners as an alternative to new build social housing. Councils set the price, and homeowners who sell get a secure tenancy. Outstanding mortgages and First Time Buyer deposits on the property that are not covered by the sale price can be converted into long bonds to protect First Time Buyer (FTB) applicants and mortgage finance companies.

Compulsory purchase is reformed to allow local and national governments to purchase land and property at its use-value, pre planning approval.

Right to Buy, which has been largely curtailed in England and Northern Ireland and abolished in Scotland and Wales, is abolished completely.

RELATED

Complements: [Community Housing \(Structural Measure\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#)

Appendices: [GB Housing Reform Appendix \(Appendix\)](#), [Local Government Finance \(Appendix\)](#)

Community Housing

Shelter in a storm

STRUCTURAL MEASURE · care, community, work, housing

HOUSING

Shared Facility Units

Focused on non-market needs

HOUSEHOLD SAVINGS

£10 Billion / year

Unmodelled direct value

ANNUAL FUNDING

0.4% GDP

Community Housing at steady state

The Community Housing policy is the public provision of **shelter for people that the housing market does not serve**, and will not serve.

Britain’s social care system is collapsing in slow motion, and housing is implicated. We have built almost nothing for the life transitions that social care exists to support: moving into older age, end of life, recovering from family breakdown, leaving hospital, escaping crisis. Instead, we have pretended that the family home and the residential care home were the only two options worth funding.

Community Housing is the missing physical layer. The policy allocates £10 billion a year from Property Tax to fund an open-ended programme of community housing, designed expressly for those transitions. And a national strategy to refurbish the 300,000-plus long-term empty homes already in the stock, at 50–80% less embodied carbon than new build.

This policy connects with social care, Skills Centres, new local democracy, and Service Hubs to start building the foundations of resilient communities.

At £10.00 billion a year this policy is around two and a half times the annual funding of the government’s Social and Affordable Homes Programme. The £39 billion settlement announced in 2025, which runs across ten years, averages £3.90 billion a year, and reaches £4 billion a year only by 2029-30. And because the Community Housing policy is funded from Property Tax rather than borrowing, it is a permanent annual flow, not a fixed ten-year grant programme.

DETAIL

Various, Mixed and Shared

A stock of community housing is not a care leavers’ hostel or an extra-care facility, nor is it a refuge move-on building. It is a stock of buildings that can absorb a new care leaver this month, a second-stage domestic abuse family next month, a ninety-year-old whose home has become impossible to manage, a family burned out of their house, and an older worker between jobs and tenancies. The unit type (small private space, generous shared facilities) is designed to support that flexibility. A mix of residents

can a social good in itself: the loneliness that older people in single-occupancy housing experience and the isolation that care leavers experience are problems that mixed living arrangements partially alleviate.

The Downstream Costs

Three things are happening simultaneously and visibly in 2026. Beds are blocked at one in eight hospitals by people who are medically fit to leave but have with nowhere to go, costing the NHS around £2 billion a year in direct costs and far more in cancelled procedures and emergency department backlogs. Local authority spending on temporary accommodation has more than doubled in five years to reach £2.84 billion a year, with seven London boroughs already on Exceptional Financial Support and Birmingham among others reducing core services to fund homelessness duty. One-quarter of the adult prison population have been in care; the same proportion of homeless adults is also made up of care leavers. The over-65 population will have grown to 22% of the country by 2030 and the over-85 population will have doubled by 2045. Yet the housing stock to support them does not exist.

These are not separate problems. They are manifestations of the same problem: a country that has stopped building shelter for the people whose lives don't fit the market's product range. The cost shows up in the NHS budget, the local authority budget, the criminal justice budget, the children's social care budget, and the inadequate temporary accommodation people end up living in. Community Housing is the policy that puts shelter in the right place at the start. It does not claim a specific scale of saving against those downstream costs, but a permanent capital line dedicated to building the housing those populations need will, over time, dent those costs substantially.

The Casey Moment

The Independent Commission on Adult Social Care has called for a “creation moment” for social care, equivalent to the founding of the NHS. Whatever recommendations the Commission makes in 2026 and 2028, the housing dimension of social care reform is unavoidable. Care delivered in the home requires homes that can support it; care delivered in a community setting requires the community setting to exist. Community Housing is the physical layer of social care reform. It is funded, designed, and built to be that.

Part of a System

The system effect is what matters. The same councils that receive age-weighted Universal Care Service funding to deliver care to older people, apply to build the homes in which that care can actually happen. The new Local Service Hubs and Community Food Centres provide the connective tissue: a place to eat, a place to be known, a route into the local services people might otherwise miss. Community Housing is therefore not a housing supply policy with a social-care bonus. It is the capital programme for the care infrastructure that Baroness Casey's “creation moment” requires, financed by removing the speculative gain that has driven a wedge through the housing market over the last 40 years.

RELATED

Complements: [Democracy Revival \(Structural Measure\)](#), [Equalise VAT on new house sales and renovations \(Structural Measure\)](#), [GB Housing Reform \(Structural Measure\)](#), [Jobs \(Household Effect\)](#), [Local Service Hubs \(Universal Service\)](#), [National Food Service \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [Right to Life \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#)

Funded by: [Local Property Tax \(Revenue Instrument\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#)

Appendices: [Community Housing Appendix \(Appendix\)](#)

Right to Life

A universal right to a good life and a good death

STRUCTURAL MEASURE · care, community, housing

End of life care in the UK is widely recognised as needing substantial investment to increase the quality and quantity of counselling and hospice services, and refurbish facilities. Failure to do this has placed additional pressure on the NHS.

P2030 allocates £1 billion a year (starting in Year 2) of additional funding to directly to support **construction and refurbishment of end of life facilities and hospices, and to expand services**. These facilities will also be excluded from VAT on construction under the reformed rules.

RELATED

Complements: [Community Housing \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#)

Funded by: [Local Property Tax \(Revenue Instrument\)](#)

Depends on: [Democracy Revival \(Structural Measure\)](#)

Appendices: [Local Government Finance \(Appendix\)](#)

Road Use Duty

Plugging the fossil gap

STRUCTURAL MEASURE · business, economics, transport

COST PER MILE

7p

Cars, taxis, buses, light vans

COST PER MILE

14p

Heavy cars & vans

NET REVENUE

0% GDP

Motoring revenues stabilised

As the UK transitions away from liquid fossil fuels towards electric transport, there is a significant budget gap from falling Fuel Duty. A credible policy framework must address this in the period over which the Prosperity 2030 programme is imagined.

This is not a significant component of the Prosperity 2030 programme itself, but rather is included here in recognition of the need to interleave other fiscal recalibrations that are necessary to maintain credibility in the round.

Road Use Duty (RUD) can be phased in to replace completely the existing mix of duties.

The following charges (in 2025 £s) per mile by vehicle type would generate the equivalent revenues:

- Cars, taxis, buses, vans: 7p per mile
- Cars and vans exceeding 2,000 kg weight: 14p per mile
- Motorcycles: 3p per mile
- Lorries: 20p per mile

Fossil fuelled vehicles remain on the current system, which costs more than RUD, through the end of their lives. All new vehicles pay RUD.

DETAIL

The UK plans for Fuel Duty replacement, extended to 2030, suggest that the combination of taxes and duties will generate revenues of £34.6 billion a year.

Revenue stream	2024/25 outturn	2030/31 estimate	Change
Fuel Duty (frozen at 52.95p)	£24.40bn	~£20.50bn	~£3.90bn
VED	£8.40bn	~£11.50bn	+£3.10bn
eVED (4p BEV / 2p PHEV)	—	~£2.60bn	+£2.60bn
Total	£32.80bn	~£34.60bn	+£1.80bn

[2030 combined estimate]

After 2030 (on current policy) 10–15% of the fleet will go to battery electric vehicles (BEV) every five years, and fuel duty drops toward £12–15 billion while electric Vehicle Excise Duty (eVED) would need to scale to £6-8 billion to keep pace.

The RUD Appendix contains details of an example transition that is revenue neutral and replaces Vehicle Excise Duty (VED) and Fuel Duty for electric vehicles. The worked examples show that every EV driver still pays less in total road tax than an equivalent internal combustion engine (ICE) driver.

RELATED

Appendices: [Road Use Duty: Framework and Transition \(Appendix\)](#)

Healthy Food Levy

Healthy people eat healthy food

STRUCTURAL MEASURE · food, business

The health of the nation is substantially dependent on the availability of healthy and nutritious food. And while the National Food Service (NFS) represents a serious effort to improve food availability and quality, it still only provides for a small minority of overall food consumption.

What the Healthy Food Levy (HFL) does is fund the introduction of **UK Nutrient Profiling Model (NPM)** to set standards for the nutritional content of food available through all channels. And the levy restores the ****Food Standards Authority (FSA) **power** to ensure high UK food standards and safety, clears inspection backlogs, and completes the Brexit food inspection regime as originally intended.

The HFL enables healthy living by introducing standards that allow consumers to have useful information about their food choices, and for society to recoup some of the costs of the most unhealthy foods.

DETAIL

The HFL replaces the Soft Drinks Industry Levy (SDIL) starting in the third year of the Prosperity 2030 program because it will take a couple of years to set up the structures and systems to support it.

The Healthy Food Levy is an integral part of the National Food Service. The NFS depends on the UK Nutrient Profiling Model (NPM) to set standards for the nutritional content of food available through all of its different channels, from school meals to meals available from participating venues. So it makes sense to migrate food quality taxation from a penalty tax to a supporting framework as the food services are rolled out.

At steady state, the HFL is expected to raise £1 billion a year, after allowing time for manufacturers to complete reformulation, compared to current SDIL revenues of £0.3 billion.

RELATED

Complements: [National Food Service \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#), [NFS : Participating Venues \(Universal Service\)](#), [NFS : School Meals \(Universal Service\)](#)

Required for: [NFS : Community Food Centres \(Universal Service\)](#), [NFS : Participating Venues \(Universal Service\)](#)

Appendices: [Healthy Food Levy Appendix \(Appendix\)](#), [National Food Service: Participating Venues \(Appendix\)](#)

Equalise VAT on new house sales and renovations

Renovate, restore, and refurbish equally

STRUCTURAL MEASURE · economics, business, community, housing

HOUSEHOLD SAVINGS

£4 Billion / year

Residential renovations

UNIFORM RATE

5%

VAT on all construction, new and refurb

NET ANNUAL COST

0.1% GDP

Lower VAT + new renovations

Currently, new residential construction is zero-rated for VAT. But renovation, repair and maintenance work is charged at the standard rate of 20%. This penalises refurbishment and conversion over new build construction, which is unhelpful at a time when the UK’s housing is in urgent need of upgrades for efficiency, capacity, and quality.

The remedy in this policy is to apply a **reduced rate of VAT at 5% to both new construction and renovation**. This would reduce the cost of a typical kitchen upgrade by £2,500 and add £7,500 to the cost of a new home.

The net budget effect is a loss of £1.5 billion in revenues, made up of £2 billion less VAT collected, and offset by increased renovation and refurbishment which is estimated to generate £0.5 billion in tax revenues (primarily from formalising work currently done cash-in-hand).

- RELATED
- Complements:** [Community Housing \(Structural Measure\)](#)
 - Appendices:** [Equalisation of VAT on Residential Construction \(Appendix\)](#)

Employment Freedom

Free to do what you want, for what it's worth

STRUCTURAL MEASURE · business, work

Employment Freedom is the labour-market policy that builds on the Universal Services to connect the work people want to do and the work the country needs done. It restores the most essential choice in life: what to spend your time and effort doing.

Social benefit organisations and small businesses will be able to access low-cost labour through their Skills Centre, either hiring through the Centre, or by direct employment of Centre-registered workers. This creates a pathway to building community fabric and resilience while protecting and freeing workers to take the jobs they want without recourse to informal, unprotected jobs.

Initially set a maximum of 10 direct employees for small businesses and 20 for registered charities, Employment Freedom allows them to employ workers at 67% of the Apprentice National Minimum Wage. The relationship is entirely voluntary and covered by the full umbrella of Skill Centre protections.

The first-best option

It corrects an imbalance that has grown invisible because we have lived with it for so long: the cash-wage floor, raised steadily since 1999 to one of the highest levels in the OECD ¹, has come to do work that it was never meant to do.

When Beveridge wrote his report, he did not expect a wage floor to carry as much weight as it does today. He expected services to carry most of the burden (universal, well-funded, professionally delivered). But the UK, like most developed nations, never built the full set of services that would have created that settlement, and the wage floor became the second-best instrument of welfare because we failed to deliver the first-best solution.

Minimum wages have done that job in some ways, although they have failed to tackle poverty, but at a cost that does not appear in government statistics: the cost of work not done. Local councils that cannot maintain parks, paths, or seaside infrastructure to a decent standard, graffiti that is not removed, social care understaffed, the repair economy (shoes, clothes, bicycles, white goods, electronics, etc.) squeezed almost out of formal existence. Occasional and casual help that runs on cash, often invisibly, often by older or female workers. Community, civic, and cultural contributions that should be part of the formal economy but are not. Micro-enterprise margins eaten before the enterprise can take root, or never started because they cannot bear the costs of society that are unmet collectively. Whole layers of social fabric that the wage floor cannot support.

We have priced ourselves out of the quality of life that we want, locked ourselves into a wage economy that serves a different purpose, as a stand-in for social responsibility. The result is a decaying cultural, physical, and relational infrastructure.

P2030's **Universal Services begin to put the first-best settlement in place**. They are a down payment that reaches perhaps a quarter of what a complete Universal Services package would deliver, but they cover enough of the floor that we can open up the opportunities to contribute in equal measure.

Protected

Employment Freedom is what that change looks like in the labour market. Hours protections, overtime premia, safety law, anti-discrimination floors, and contractual rights all remain and even strengthened. The single instrument that changes is the cash-wage floor itself, reformed in step with Universal Services progression. Beginning with the smallest employers and the casual and occasional work where the floor's exclusion is most acute, it can be monitored through union and sectoral channels, with triggers if abuse patterns emerge.

The principle is straightforward: tie reductions in minimum wages to Universal Services progress. As coverage broadens, so does liberalisation. As coverage stalls, so does liberalisation. The two sides of the settlement move together.

In the first instance, Skills Centres take over the Jobcentre network, providing direct employment and replacing zero hours contracts and tenuous labour market attachment. They provide a regulated and protected channel for lower-cost labour in order to reanimate communities and foster the renovation of the public estate.

Employment Freedom is structural reform to strengthen community resilience.

DETAIL

We have developed a confused, hybrid version of “value”. That is creating enormous tension inside our societies. We have not properly surfaced the truth: that all activity has social value, not just economic. All activity has value of some kind, but that does not mean that it is limited to an arbitrary monetary compensation. Economic rewards are for added economic value contributions, where the value is determined by the person who pays. The core problem is that if we only understand “value” by recognising it in the form of money, then we have created a trap in which we can never realise the society that fits our world view. Value exists in all sorts of forms that are not represented by money. We know that and argue for it all the time; the value of self-esteem, contribution, belonging, and relationship. When we fully accept that truth, then we can build something that is balanced, productive, and sustainable. Freeing people to work for the rewards they value, social and economic, without coercion of employer or employee.

P2030 is broadly pro-enterprise: no new business taxation, no new employer payroll levy, and energy infrastructure costs taken off business bills through GB Energy. Employment Freedom is the labour-market completion of that settlement: a framework that strengthens worker autonomy with Universal Services, supports business viability at all scales through structural reform, and frees the labour market so people can do the work they want and which the country actually needs.

RELATED

Complements: [Skills Centres \(Structural Measure\)](#), [Universal Care Service \(Universal Service\)](#)

Depends on: [Skills Centres \(Structural Measure\)](#)

Appendices: [Employment Freedom reasoning \(Appendix\)](#), [Operationalisation of Employment Freedom \(Appendix\)](#)

REFERENCES

1. Read, M. and Johnson, R. (2026) *Pay Check: The minimum wage in British cities*. Available at: <https://www.centreforcities.org/publication/pay-check-the-minimum-wage-in-british-cities/> (Accessed: 14 May 2026) ↗

International Competitiveness

All is fair that ends fair.

STRUCTURAL MEASURE · business, economics

In our embrace of globalisation, we have taken advantage of lower social and environmental standards in other parts of the world to keep our consumer prices low. We have justified that on the basis that we were ‘helping’ those countries develop their economies and thereby improving the lives of their citizens. Our rewards have been to profit from the financing and to keep costs lower than they would have been if production adhered to standards we use for ourselves domestically.

The result has been the decimation of domestic production capacity, the same amount of global pollution, and a rise in economic activity, living standards and pollution in producing countries.

As global energy supply and economic growth slow, the UK’s need to secure its domestic and sovereign capacity arises in contradiction to the historical trajectory of globalisation to date. As a country, we no longer have the global clout to secure preferential trade terms for essential goods with our international trading partners. Maintaining control over our national priorities requires a rebalancing of domestic and traded production to secure our essential needs.

Two policies can help us achieve our national security in a fair and balanced way with our global trading partners. A policy that seeks to ensure equal environmental protection responsibilities, and a policy that seeks the same for social protection responsibilities.

Environmental Border Levy

To ensure that domestic production is not disadvantaged by external production that excludes costs that would have to be borne if the production occurred on shore, the UK should introduce border adjustment pricing. However, this policy needs to be closely coordinated with our trading partners, especially the EU, and so projections of effects and revenues are highly contingent. We have not included revenue estimates in this report.

See Appendix for discussion of the possibilities for the UK to introduce Environmental Border Adjustment Mechanism pricing (EBAM) in coordination with the EU over the 2030s.

Social Border Levy

Similarly, domestic production should not be disadvantaged by external production that excludes social costs the deem essential. To protect against those practices, the UK should introduce social border adjustment pricing.

The remedy would be a Social Border Adjustment Mechanism (SBAM).

This would be a revenue neutral policy instrument that encouraged all trading partners to provide the same levels of social safety and security as the UK. Levies would apply to imports of products and services where the origin country did not provide similar services, such as universal health care and education. The cost of providing those services in the country of origin would be assessed, and differential pricing applied to the imports as if those services were being

provided. The revenues would then be returned to the original country so that they could provide the services. This would largely become self-affecting, as every country would realise that they could avoid the levy by simply providing the services in the first place.

RELATED

Complements: [Energy Security \(Structural Measure\)](#), [Skills Centres \(Structural Measure\)](#), [Universal Services \(Universal Service\)](#)

Appendices: [Environmental Border Pricing \(Appendix\)](#)

Household Effects

£1.21 is saved by households for every £1 of spending

COST OF LIVING REDUCTION

£819 / year

Lower 3 quintiles, average

GROSS COST OF LIVING REDUCTION

£51 Billion / year

All households, before new taxes

NET REDUCTION IN COST OF LIVING

£27 Billion / year

All households: + Services – Taxes

To understand the effects of the P2030 programme on households with different compositions and incomes, we model 13 different household types across five income quintiles. The calculations are based on households because many of the services apply at the household level, such as the Universal Energy Service and NFS School Meals. The per person Universal Services, such as Digital and Transport, are then added to the households savings based on the number of adults and children in the household.

Turning £1 into £1.21

The efficiency by which Universal Services drive down the cost of living by more than they cost to deliver is a significant part of what makes the P2030 programme work. The six core Universal Services (Transport, Energy, Water, Information, Digital, Food) cost £42 billion to deliver and reduce the cost of living by £51 billion.

This section explores how those savings land across different households with differing incomes. The results are unambiguously progressive.

Calculator

To see how the P2030 programme might affect your household, check out the [Prosperity 2030 Calculator](#).

RELATED

Appendices: [Distributional Outcomes Headlines \(Appendix\)](#)

Overall Effects

Unambiguously and consistently progressive

HOUSEHOLD EFFECT · economics

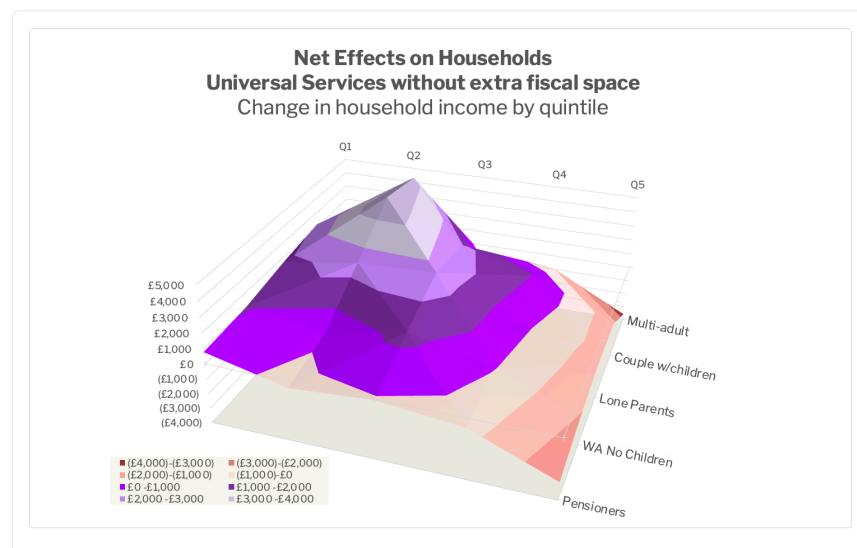
Distinguishing Programme Choices

There are two ways of looking at the programme of reforms in P2030: to fund the transformation to Universal Services and all the structural reforms, and to do all of that plus generate extra fiscal space for further national priorities.

The report includes the option to generate revenues for the extra Fiscal Space as a demonstration of what is only possible after the transformation to Universal Services. Reducing the cost of living is what provides the confidence and permission to raise more tax but moving on to generate additional revenues is an opportunity, not a requirement.

Universal Services only, without Fiscal Space

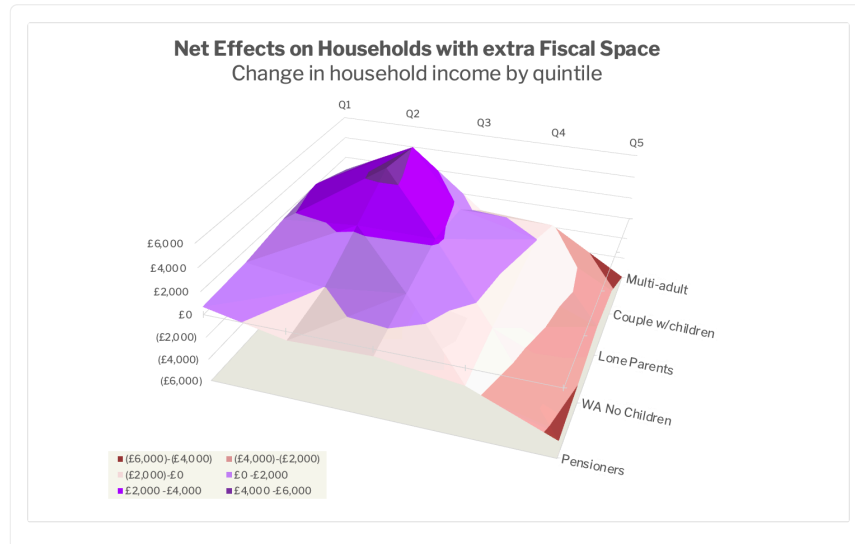
If taxes are set to just fund the reforms then 59% of households are better off, accounting for the value of the Universal Services and the increases in incomes tax.



The average additional net contribution from the top quintile is 2.7% of income, equal to £45 a week (£2,300/year) after reductions in cost of living, modelled on minimal take up of the available Universal Services. If the top quintile households make the same savings as the second quintile, they would recoup half of their extra contributions.

With Fiscal Space (P2030)

With taxes set to rates that generate extra fiscal space, as presented in the report as the base configuration of National Contributions, 44% of households are better off overall, accounting for the value of the Universal Services and the increases in incomes tax needed to generate the extra fiscal space.



The average additional net contribution from the top quintile is 4.4% of income, equivalent to £83 a week (£4,300/year), or an extra £38 a week more than needed to cover the Universal Services.

As you can see in this table, raising the extra money has the most impact on households in Q4 (average income £40,000) so that nearly all become net contributors, compared to the majority being net beneficiaries when only the Universal Services are included (US Only column in the table).

Comparing Better Off Households across scenarios

Quintile	US Only	With Fiscal Space	Change
Q1 (Bottom)	100.0%	100.0%	unchanged, fully protected
Q2	61.5%	45.5%	-16pp
Q3	77.0%	63.8%	-13pp
Q4	54.5%	5.1%	-49pp
Q5 (Top)	0.0%	0.0%	net contributors by design
All Quintiles	59.3%	44.2%	

P2030 with Fiscal Space

Winners & Losers

By household type, families will benefit most from the P2030 programme after including all Services and taxes, and applying NC to taxable cash benefits. Lone parent families stand out because three-quarters are in the lowest two income quintiles, and they are modelled with higher take up rates of the Services.

Whereas, one-third of Multi-Adult households are in the top income quintile, mostly with more than two full-time workers.

Net Effects: Winners & Losers by Household type

Household Type	% Better Off	% Worse Off	Net £/HH
Pensioner Households	28.5%	71.5%	(852)
Working-Age (No Children)	44.2%	55.8%	(873)
Lone Parent Families	89.3%	10.7%	1,249

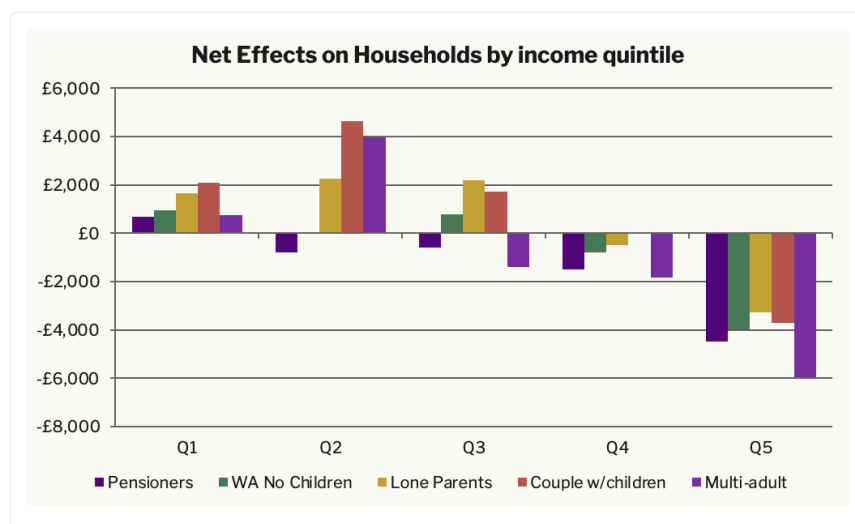
Household Type	% Better Off	% Worse Off	Net £/HH
Couple Families with Children	55.2%	44.8%	310
Multi-Adult Households	22.6%	77.4%	(2,299)
All HH Types	44.2%	55.8%	(507)

The programme's net effects are unambiguously progressive across the full range of household incomes. Q3 (full time at minimum wage) households benefit the most because wages are taxed less with NC.

Net Effects: Winners & Losers by Income quintile

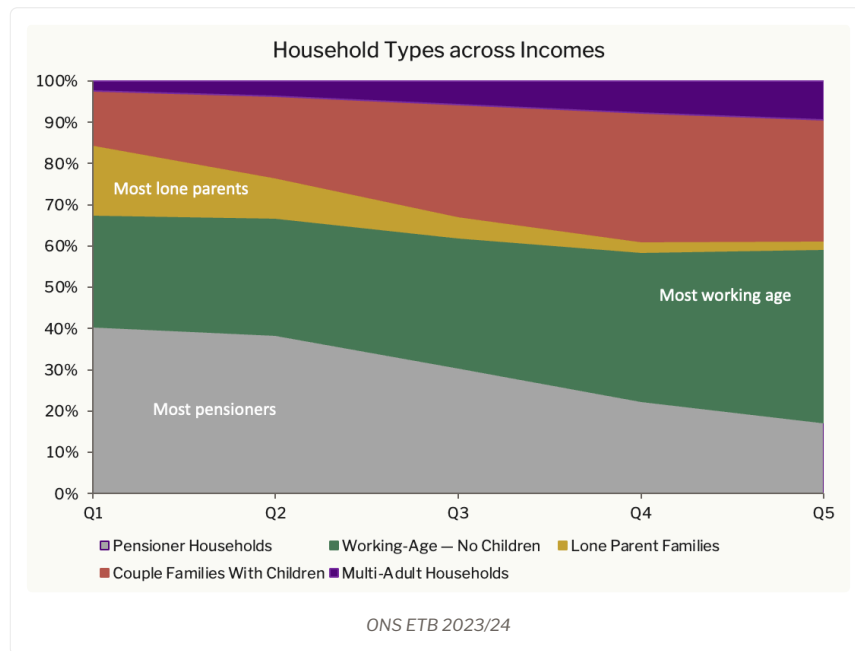
Quintile	% Better Off	% Worse Off	Net Effect (£/HH)
Q1 (Bottom)	100.0%	0.0%	1,037
Q2	45.5%	54.5%	825
Q3 (FT MW)	63.8%	36.2%	576
Q4	5.1%	94.9%	(884)
Q5 (Top)	0.0%	100.0%	(4,303)
All Quintiles	44.2%	55.8%	(507)

Overall, the households with incomes in the lower two thirds of the national range (less than £33,000) have positive net outcomes. For all households with incomes above that, the net effect is a higher contribution. This is not surprising for a policy configuration that generates a fiscal surplus of £38 billion a year. This is not so much a feature of the distributional interactions of this programme's welfare policies, as it is a consequence of increasing tax revenues by 1.4% of GDP to fund other priorities.



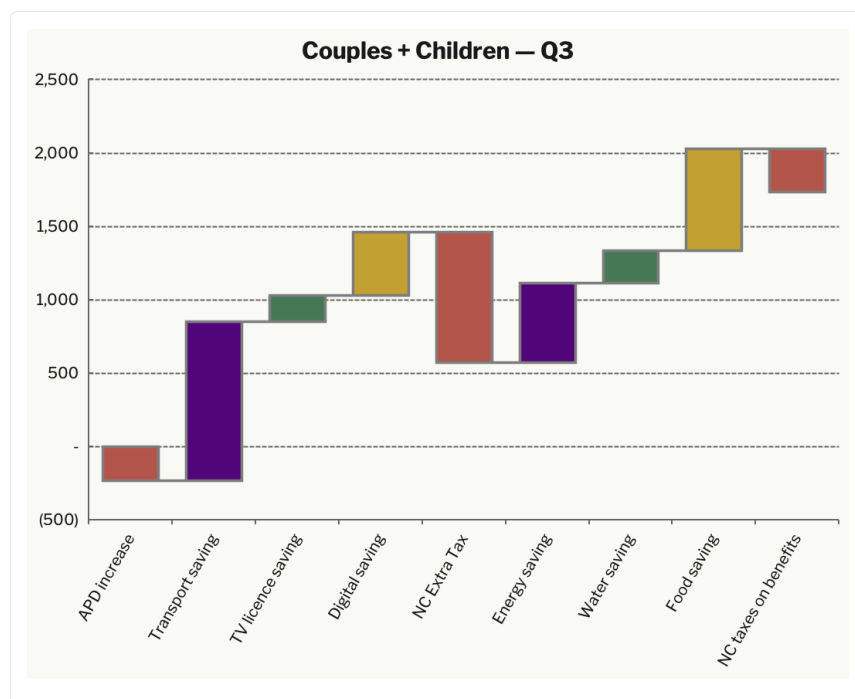
Household Distribution across Incomes

When reading across household types it is important to keep in mind that while the number of households in each income quintiles are equal, but the **type of households in each quintile vary considerably over the income range**, as shown in this diagram.



Example Family

This chart shows the progression of an average family with children and a household income of about £27,000 a year through the P2030 programme. At the end of the first year they are up about £1,030, and after the Services and NC start from Year 2 they are saving about £2,030 a year compared to the current system. By the end of the programme they have settled at around £1,735 a year better off as NC on benefits phases in.



This analysis is completed for 13 household types across all five income quintiles. The results are then consolidated by the 5 main household types for presentation in the [appendices](#).

DETAIL

What is included in the modelling

Modelling of the distributional effects of the P2030 programme focuses on the policies that directly affect all households (subject to behavioural choices to use the available services). That means the effects of National Contributions taxes are included, but not Property Tax (which only applies to homeowners). All the new Universal Services are included, but not broad local and national investments, such as new housing and social care services.

For each household, values are assigned to the following components, varied by take up rates and household composition:

- APD tax increase
- Transport saving
- Information saving (TV licence)
- NC Extra Tax (weighted from FRS)
- Digital saving
- Energy saving
- Water saving
- Food saving
- NC taxes on benefits (weighted from FRS)

By arranging them in that order we also approximate the progression of the P2030 programme, with the first year including APD, free buses, and the abolition of the TV Licence. The remaining components are staggered over the following 4 years.

RELATED

Appendices: [Distributional Outcomes : Detailed \(Appendix\)](#), [Distributional Outcomes Headlines \(Appendix\)](#), [Methodology: NC in Household Effects \(Appendix\)](#), [P2030 Wealth Effects \(Appendix\)](#)

National Contributions v. Current

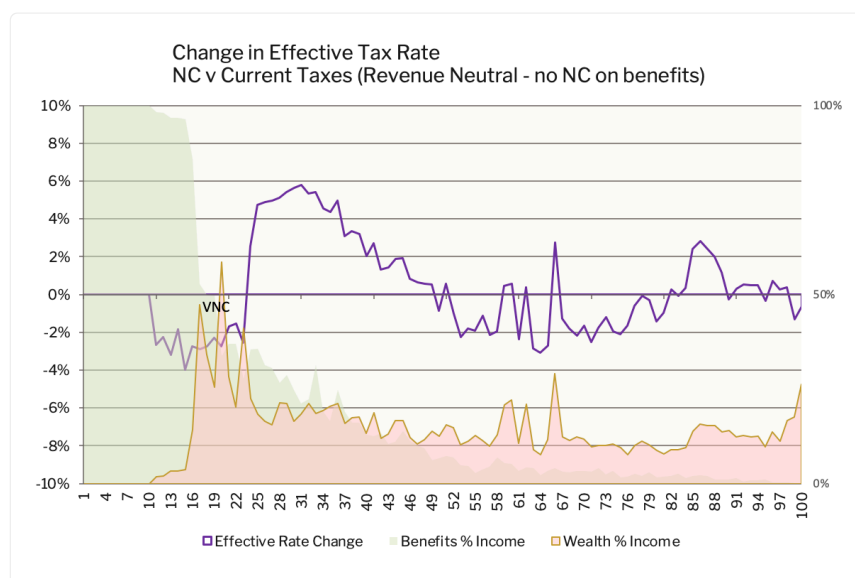
Equalising work and luck

HOUSEHOLD EFFECT · economics, work

Revenue Neutral

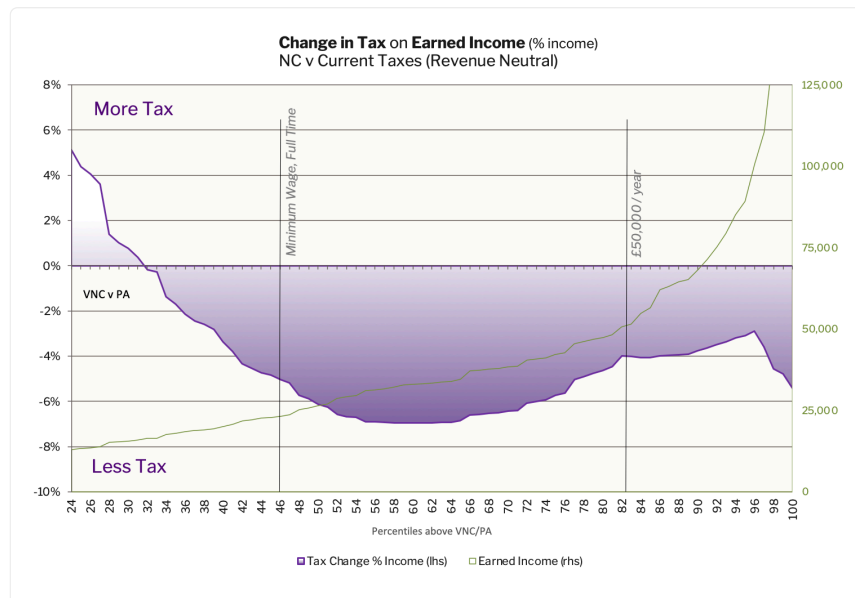
To show how National Contributions (NC) taxes differ from the current tax system, a model that generates the same revenue from both systems is used: a “revenue neutral” configuration. This version of the model assumes no revenue from NC on benefits.

Overall, including all forms of income, 45% have lower taxes, 45% higher taxes and 10% unchanged in a revenue neutral setting with NC compared to current taxes. Those who pay less are concentrated in the band between £26,000 and £46,000 a year of total income. Those who pay more are the people with larger total incomes, particularly where a large share of that income comes from sources the current system taxes more lightly than wages.



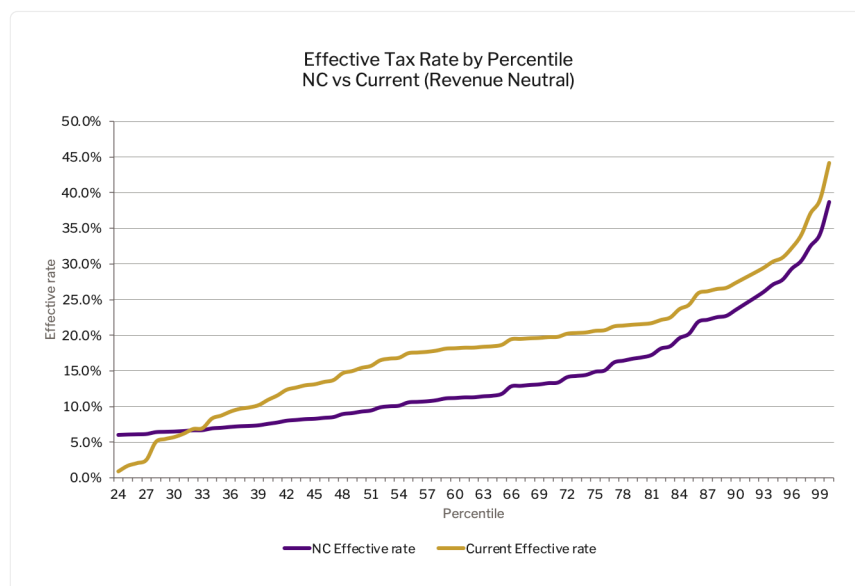
NC Lowers Taxes on Wages

In this chart, we can see that taxes for those with **earned income only** (wages and self-employment) are lower than under the current system for most workers and 100% of full time workers.



Marginal Rate on Wages

The chart below shows the effective rate of tax paid for earned incomes above full-time minimum wage, showing that NC rates of tax on earnings are consistently lower than current Income Tax plus Employee NICs once the current Personal Allowance effect has phased out at around the 32nd percentile (£16,000 income in 2025).



VNC v PA

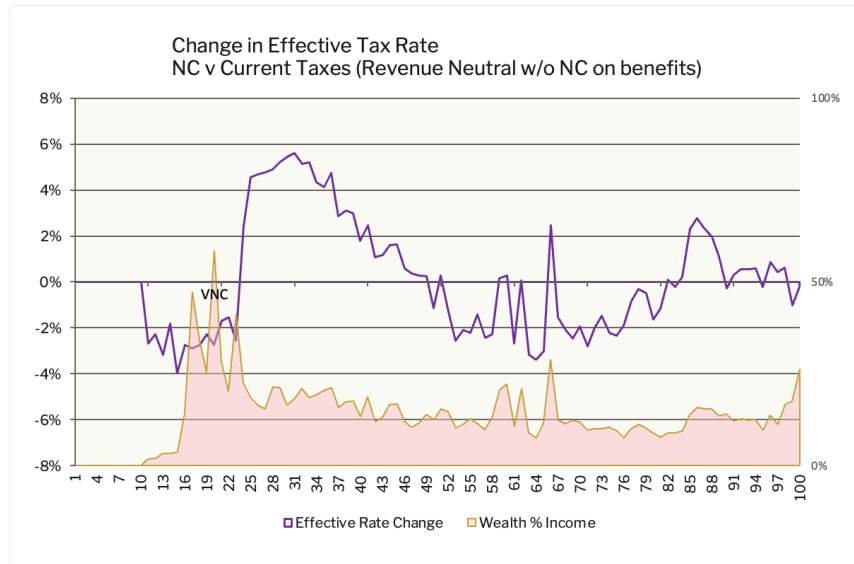
There are some incomes just above the current Personal Allowance (£12,570 a year) who would see higher taxes compared to the current system because there is no tax-free Personal Allowance, so when income exceeds the VNC threshold in NC, tax on all income is due. The marginal rate of tax on each £1 earned over the threshold is much lower with NC for this same cohort, reducing the friction for earning more than the threshold.

For everyone in a full-time job, without any other income, taxes are lower with NC than the current system.

Unearned Incomes

NC taxes all incomes equally, so incomes from unearned income are taxed at the same rates as earned income. Whereas the current tax system applies lower rates to incomes from unearned sources, like capital gains, dividends, and inheritances.

The clearest way to see this is to compare the tax each taxpayer pays with the share of their total income that comes from sources other than wages, which the current system taxes more lightly. The chart shows that the larger that share, the larger the increase under NC, because NC applies a single rate, set by total income, equally to every source.



Those with lower taxes, even counting average unearned incomes, are concentrated in the income range for service workers who are the backbone of society, including:

- NHS nurse
- Primary school teacher
- Police constable
- Firefighter
- Paramedic
- Social worker
- Prison officer
- Electrician
- HGV driver
- Bus driver

See also the P2030 Wealth Effects appendix linked in the Related section below..

Relative effects

While more people have lower taxes with NC than the current system in a revenue neutral scenario, the effects of NC differs across four groups of incomes.

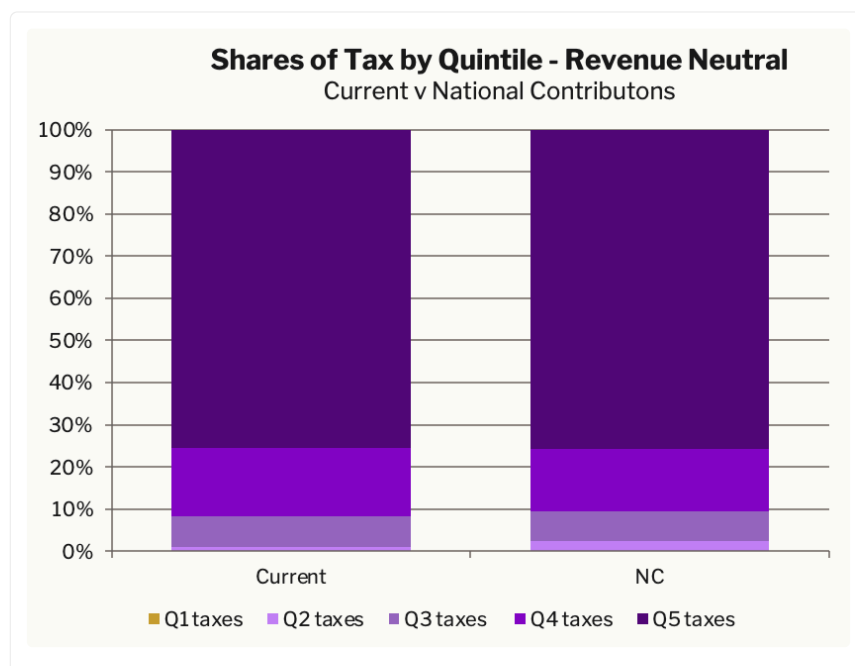
The bottom income quarter is protected under NCs, with only voluntary remittance because total incomes are below £12,570. Half of this group only have benefit income, and the other half get up to 50% of their income from wealth. The NC allowance shelters more unearned income for this lowest income group than the various allowances in the current system.

The second group, with annual income between £13,000 and £25,000, get between half and a quarter of their income from benefits and wealth. For this group, NC taxes average 3.3% more than the current system. The increase averages £600 a year.

The third group, represents everyone working full-time and earning minimum wage to double the minimum wage, comprising the majority of people working in services from nursing to retail with annual incomes from £25,000 to £50,000. For this group, taxes are reduced. They pay about 1.2% less on average, saving about £400 a year on average. For those whose income includes more from sources the current system taxes lightly, that saving is smaller, because NC applies one rate, set by total income, to every source.

Those in highest income quintile, above £50,000, contribute about the same as they do in the current system.

The result is a marginally broader tax base, with higher contribution from taxpayers in the second quintile and less from taxpayers in the third and fourth quintiles, as a portion of total revenues. (The results are sensitive to the shape of the rates selected to generate equal total revenue, with a range between 1% and 2% of total revenue.)



DETAIL

Real v Model Income Sources

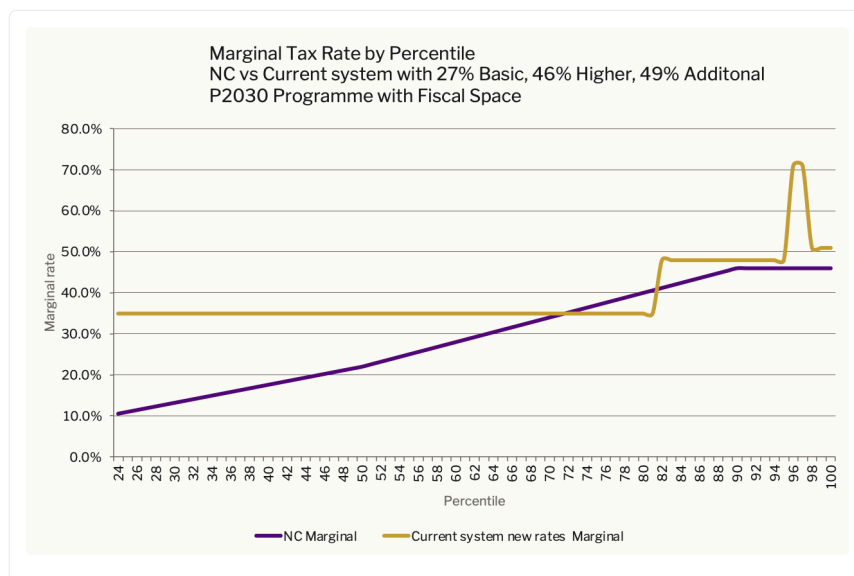
The charts shows most people having around 15% of their income from sources other than wages. This effect comes from grouping people together in percentiles which spreads everyone's incomes in the group over everyone else in the same group. So, statistically, everyone in that group has some unearned income even though in reality some do and some don't. In the underlying FRS data used to build the tax model, half of taxpayers with wage income have no other source of income.

Scaling for Revenue Neutral

Scaling up the current system to achieve the same revenues as P2030, or scaling down NC to yield the same revenue as the current system in 2025, show broadly the same relative incidence to incomes held constant at 2025 estimates. Subjective choices about the rate selections to match revenues, that keep roughly the same ratios between rates, have only marginal impact on the comparison.

- To approximate current (2025) revenues: NC uses a 16% Base rate and a 41.5% Top rate. This assumes no revenues from NC on benefits.
- To approximate P2030 steady state revenues: the current system uses a Basic Rate of 27%, a Higher Rate of 46%, and an Additional Rate of 49%, for Income Tax and Dividends.

This charts compares marginal rates in a configuration where the current tax system is scaled up to generate the same revenue as the P2030 programme.



The relative effective rate for NC is higher from around the 70th to the 80th percentile because the current-system has a cliff edge around the Higher Rate Threshold (£50,270), which starts around the NC 80th percentile for earned income. Whereas, NC uses a continually progressive rate to the 90th percentile, so incomes around the current system threshold are taxed more evenly with NC.

RELATED

Funds: [National Contributions on Benefits \(Household Effect\)](#)

Appendices: [National Contributions tax model \(Appendix\)](#)

P2030 Tax Effects

Well fair for all, paid fair by all

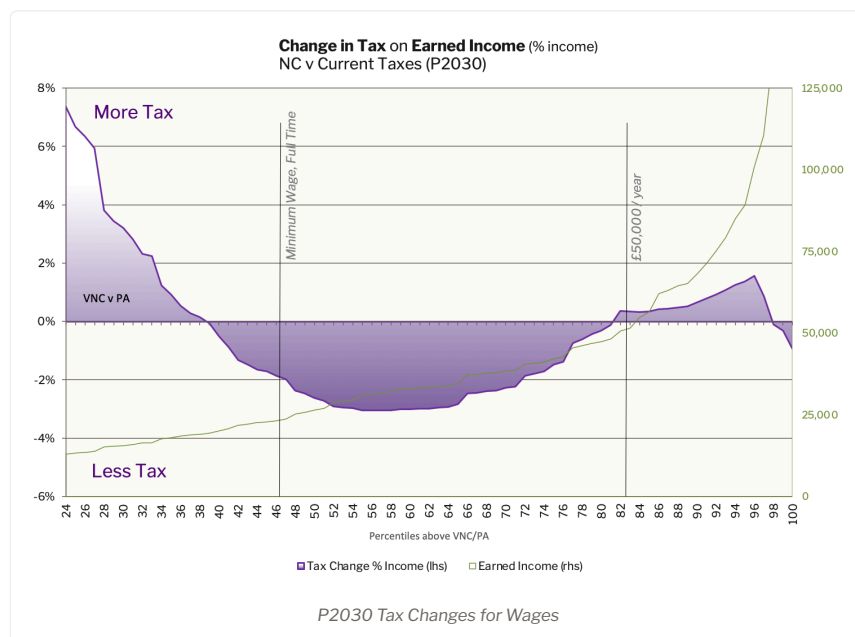
HOUSEHOLD EFFECT · economics

The effects of National Contributions (NC), as part of the P2030 programme, are best understood in the round, alongside the cost of living reductions that it enables. At least 44% of households have higher disposable incomes overall as a result of the P2030 policy programme once the value of the Services and the Taxes are taken into account.

This **includes generating the extra fiscal space**. (Analysis of a scenario that only funds the Services, and does not generate extra revenues, is lower down this article – see Universal Services scenario.)

NC Taxes Wages Less

In the P2030 model that generates the additional fiscal space, NC taxes for those with **earned income only** are lower than under the current system for **72% of full-time workers** (55% of all earners). This is because NC raises revenue from unearned incomes equally to earned incomes, so relies less on taxing wages.



NC are lower than current taxes for everyone in full-time employment earning between minimum wage and double that, with no other income.

For those who have high unearned incomes from other sources the effect is the opposite. Including all sources of income will increase the effective tax rate across all income, including wages.

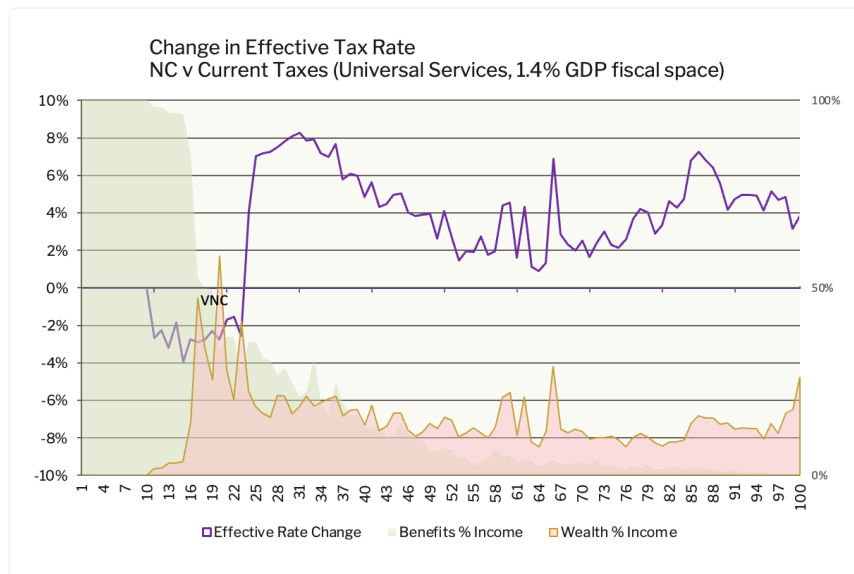
VNC v PA

There are some incomes just above the current Personal Allowance (£12,570 a year) who would see higher taxes compared to the current system because when income exceeds the VNC threshold in NC, then tax on all income is due.

Four Income Groups

Overall, including all forms of income, 13% have lower taxes, 77% higher taxes, and 10% unchanged compared to current taxes.

Taxes are higher across the board because the P2030 programme generates more revenue. This effect is a result of the decision to create spare fiscal space, not of the design of NC.

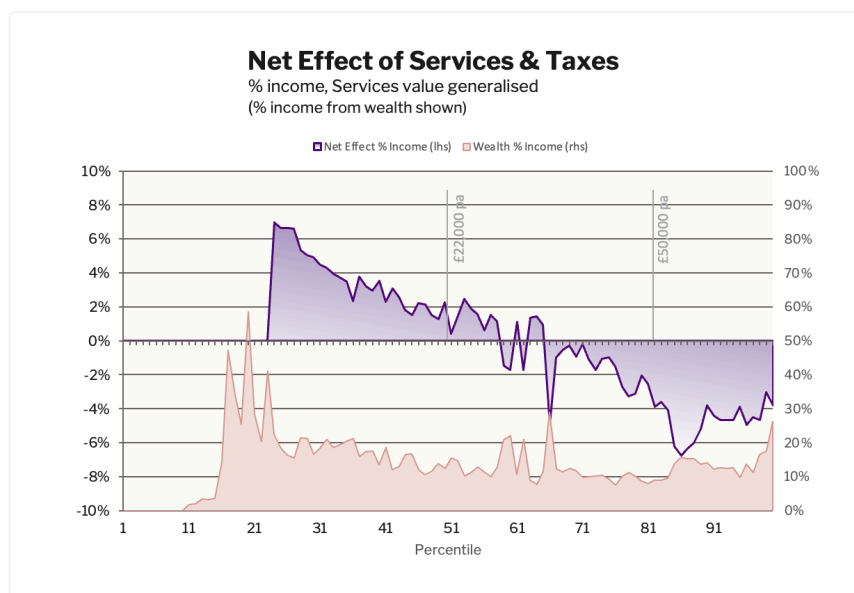


Earnings in the bottom income quintile are protected under NC because remittance is voluntary for total incomes below £12,570. Half of this group only have benefit income, and the other half get up to 50% of their income from wealth. The NC allowance shelters more unearned income for this lowest income group than the various allowances in the current system.

The second group, with annual income between £13,000 and £25,000, get between half and a quarter of their income from benefits and wealth. For this group, NC taxes average 6% more than current taxes, increasing by an average of £1,000 a year.

The third group, represents everyone working full-time and earning minimum wage to double the minimum wage, comprising the majority of people working in services from nursing to retail with annual incomes from £25,000 to £50,000. For this group, taxes increase by 2.8% (£1,000) on average.

Those earning more than £50,000 pay about 5% more than they do in the current system. Taxes rise by an average of £3,800 a year for those with incomes between £50,000 and £90,000. Those in the top 1% of total incomes pay 4% more tax than under the current system.



The larger the share of someone's income that comes from sources taxed lightly today, the larger their increase under NC, because the rate set by total income applies across all sources.

The NC revenues from benefits are reallocated to public services, so are returned in kind and most likely to benefit people with low incomes.

Hypothetical : Universal Services only

Comparing two scenarios reveals the effect of the decision to create additional fiscal space for other national priorities. Here we compare a programme that only adopts Universal Services, without creating any fiscal space, to the P2030 programme.

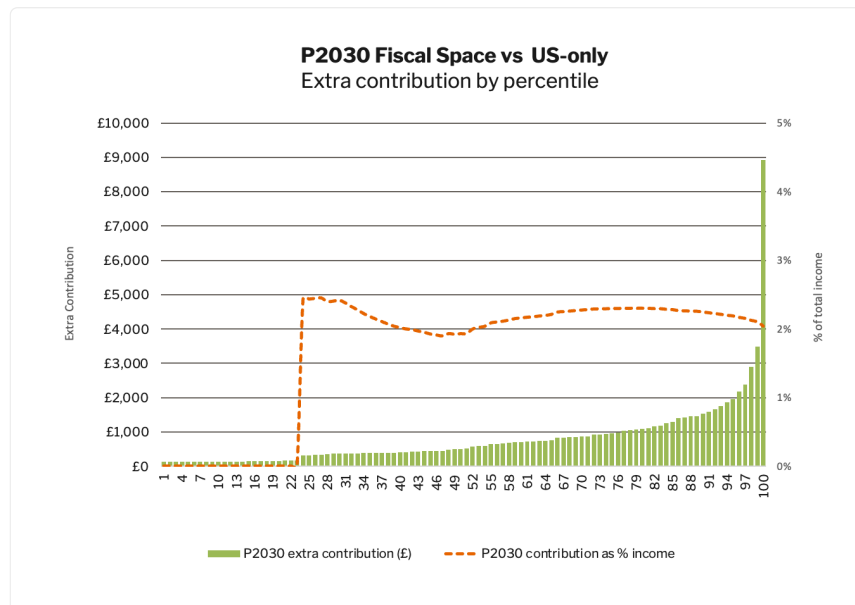
A US only programme could be funded with NC Base and Top rates set to 19% and 44%, instead of the P2030 scenario rates of 22% and 46%. This would still fund the Universal Services but would not yield any additional revenues for other national priorities.

Analysis of US only scenario v P2030

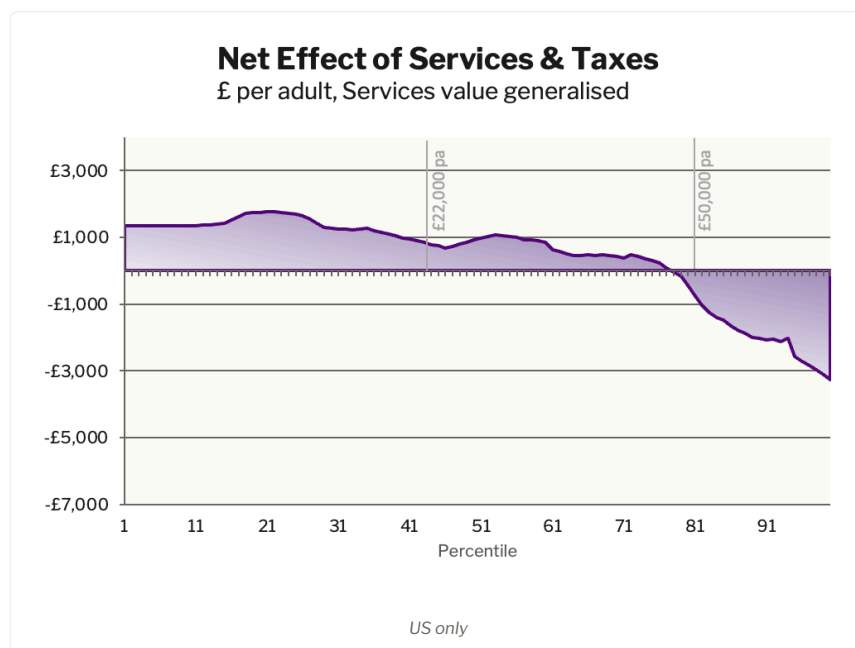
The additional contributions, compared to current taxes, made in the US only scenario are uniformly 2% less than in the P2030 scenario. This is an expected outcome where the revenues generated are smaller by 1.4% of GDP.

The extra contributions are made by everyone, as the rates of NC apply to all incomes, including taxable benefits. At the bottom of the income distribution the extra contribution is £130, and at the top it is £9,000 a year.

The uniform distribution of the additional contributions is a feature of NC's progressive rate design, so the burden of national priorities falls evenly across the population.

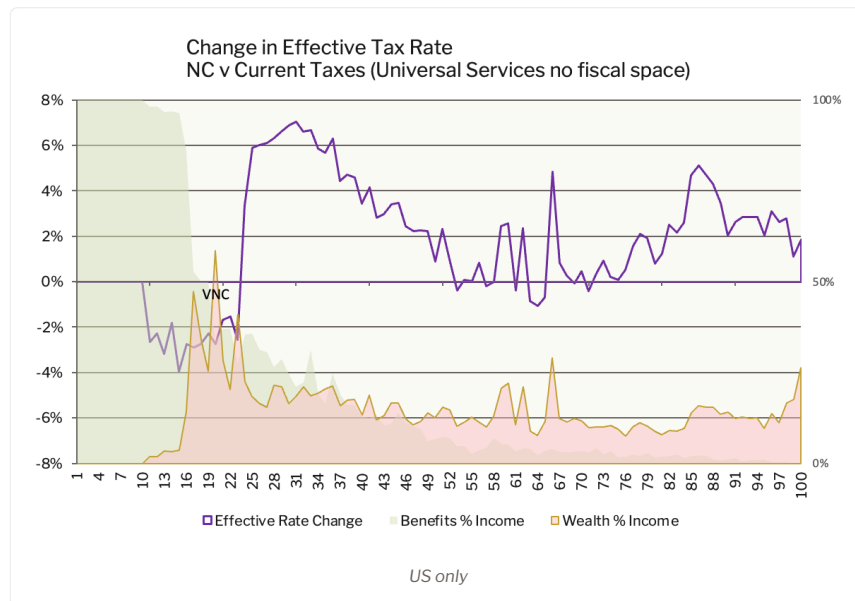


After accounting for the offsetting value of Universal Services (generalised and applied at income percentiles), the net effects of the US only programme are positive across about 60% of households, compared to 44% in the P2030 programme.



Results of US only model v Current taxes

Everyone still has higher taxes compared to current taxes, but the increases are smaller, as expected. The middle incomes (£28,000 - £40,000) have only minimal increases.

**RELATED**

Complements: [National Contributions \(Revenue Instrument\)](#), [National Contributions on Benefits \(Household Effect\)](#)

Appendices: [National Contributions Implementation \(Appendix\)](#), [National Contributions tax model \(Appendix\)](#)

National Contributions on Benefits

The universal contribution principle

HOUSEHOLD EFFECT · economics

Taxable benefits are taxed at the person's marginal NC rate on earned income, so those with very low earnings also pay very low rates of tax on their benefit incomes.

Taxable benefits are defined as excluding benefits specifically to compensate for disabilities.

A per child allowance is applied to benefits income, reflecting the way benefits are calculated based on household composition. The allowance is the same as the VNC threshold, and only benefits exceeding the combined threshold are subject to NCs. So a family with two children would have to receive more than £25,140 (2 x £12,570) in benefits before any NC contribution would be withheld at source.

Effects by Household Type

The allowances for dependents mean that the share of benefits for households with children are much lower than for those without.

Household type	NC share of benefits
Pensioners	24.24%
WA No Children	23.94%
Lone Parents	1.69%
Couple w/children	2.29%
Multi-adult	15.83%

NC on Benefits by Income Quintile

The combination of allowances for dependents, and NC's low rates at low earned incomes, protects the most vulnerable. The share of benefits recycled into services goes up as incomes increase.

NC on benefits	Q1	Q2	Q3	Q4	Q5
Average benefit income	£20,081	£8,858	£4,920	£3,087	£1,951
Average NC on benefits	£737	£792	£621	£471	£363
Effective NC rate on benefits	4.05%	7.82%	12.94%	18.71%	24.47%

Applying NC marginal rates to individuals with very low non-benefit incomes means that the effective rate for NC on benefits in Q1 has an uncertainty band of +/- 1%.

Effects on Households Receiving Benefits

National Contributions applies to benefit income alongside earned income, but with two important departures from the rest of the NC framework. This section explains what those departures are, shows the distributional shape of NC on benefits at the population level, and illustrates how the design lands on a representative gallery of households. Readers who want to look up their own situation can use the calculator linked at the end of this section; readers who want the full numerical detail are referred to the appendix.

What is — and is not — taxed as a "benefit"

The phrase "NC on benefits" in this report has a specific meaning that does not match colloquial usage. Three points of clarification matter for everything that follows.

State pension is not a benefit for NC purposes. It is taxed under the income side of NC, alongside private pensions, earnings, investment income, dividends, and self-employment profit. A pensioner's state pension is added to whatever other income they have, the total places them at an NC percentile, and the NC rate schedule applies to that total. The personal Voluntary NC (VNC) threshold protects the first slice of that income, in the same way it does for a wage earner. This treatment is the same in design and in computation across the entire NC framework.

Disability benefits are exempt from the taxable benefit base. Personal Independence Payment, Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Benefit and equivalent payments are excluded from the income against which NC on benefits is calculated. The reasoning is that these payments meet an extra-cost-of-disability test rather than substituting for earnings: a household receiving £8,000 of disability benefits typically faces £8,000 of additional unavoidable costs that other households do not. Taxing that flow would undermine its purpose. Disability benefits remain in the household's gross income and the household keeps them in full.

Everything else (Universal Credit, Pension Credit, Housing Benefit, Council Tax Support, Child Benefit, the legacy benefits still being phased out, contributory and means-tested working-age benefits) sits in the taxable benefit base. This is the income to which the NC on benefits mechanism applies.

The allowance structure

Within the taxable benefit base, two structural rules determine what is actually subject to NC.

The allowance is per dependent child only. Each dependent child in the household contributes £12,570 to a household-level allowance against benefit income. A household with no dependent children has an allowance of £0; one with two has an allowance of £25,140; one with three has an allowance of £37,710. Only the portion of taxable benefit income above this allowance is subject to NC.

There is no adult VNC against benefit income. The £12,570 personal VNC threshold that protects an adult's earnings, pensions, or investment income from compulsory NC does not extend to benefit income. An adult's earnings up to £12,570 are in voluntary contribution territory; their benefit income from £1 onwards (subject only to the per-child allowance, if they are eligible) is subject to NC.

The reasoning is that benefit income is, by design, the state's mechanism for meeting needs that earnings have not met. Applying the adult VNC to benefit income would be a double protection against the same need, once when need is identified and benefit paid, again when the benefit arrives and is exempted from contribution. The per-child allowance is justified differently: it recognises that a household with children is meeting genuinely larger need (housing more people, feeding more people, clothing more people), and so the quantum of household resource that should be free of NC scales with the number of dependent children.

How NC on benefits is collected

NC on benefits is deducted at source by the Department for Work and Pensions before the household receives the payment, in the same way that PAYE deductions are made by an employer before the household receives a wage. There is no separate bill, no Self Assessment requirement, and no quarterly payment process for benefit recipients.

A three-year phase-in applies, scheduled to fall within Years 3 to 5 of NC operation. In Year 3, one third of the steady-state NC rate is applied to benefit income above the allowance. Year 4 increases this to two thirds, and from Year 5 onwards the full rate applies, this is the steady-state position. The phase-in serves two purposes: it limits the financial impact of any early operational errors, and it gives households time to adjust to a change in the post-deduction value of their benefit income. The two-year lag before the phase-in begins (Years 1 and 2 of the programme) is to allow PAYE, Self Assessment and DWP systems integration to bed in before benefit deductions commence.

The figures in the rest of this section show the steady-state (Year 5 onwards) position. Year 3 deductions are one third of what is shown; Year 4 deductions are two thirds.

Who pays — population-level picture

At the population level, NC on benefits applies to approximately 12.7 million UK households (44 per cent of the total). The remaining 16.1 million households either have no taxable benefit income, or their taxable benefit income sits entirely below the per-child allowance.

The 12.7 million who do pay something divide into broad segments with different relationships to the design. The segmentation that matters most is by household type, not by income quintile.

Household type	Households (m)	Share of total NC-on-benefits revenue	Why
Pensioners (single and couple)	6.8	~32%	No per-child allowance; nearly universal benefit receipt above modest state pension
Working-age adults without children	11.5	~32%	No per-child allowance; UC and ESA recipients carry most of the load
Couples with children	5.4	~6%	Per-child allowance shelters most benefit income
Lone parents	1.5	~2%	Per-child allowance shelters most benefit income
Multi-adult households	3.6	~27%	Per-child allowance divided across more adults; less protective

The "share" column gives the percentage of total NC-on-benefits revenue contributed by each household type, not the percentage of households within the type who pay NC. Rows sum to 100 per cent of the steady-state aggregate.

The pattern is clear: **households without dependent children contribute the great majority of NC on benefits**. Lone parents and couples with children together account for fewer than one in ten pounds of NC on benefits, despite receiving a

substantial share of the country's benefit expenditure. This is the per-child allowance doing the work it is designed to do.

Looking at the same population through the income quintile lens shows a flatter pattern. Q1 households (the lowest-income fifth) receive most benefit income and have most taxable benefit income above the allowance — but they pay the lowest marginal rates because their position in the NC schedule is at the bottom. Q5 households (the highest-income fifth) receive very little benefit income, but the small portion they do receive is taxed at the top marginal rate. The result is that NC revenue from benefits is roughly evenly spread across Q2 through Q5, with Q1 contributing the least despite being the largest single source of benefit income.

This is the design working as intended. A progressive rate schedule applied to a child-allowance-protected base means that low-income households receive most of the protection from the allowance and pay the lowest rates on whatever remains; higher-income households pay higher rates but only on small amounts of benefit income that has not been allowance-sheltered.

DETAIL

How the design lands on representative households

The following six households are drawn from the FRS microdata used for the population-level analysis. Each is a real surveyed household whose composition and benefit income place it at the typical position for the segment described. The numbers shown assume steady-state NC at the rate schedule used in the main report's modelling. Year 3 (first phase-in year, at 33 per cent) figures are one third of those shown.

The "Keeps" line shows what the household retains: total income minus NC on benefits. It does not include any NC on the income side, which a working household with earnings would also pay, that is shown for completeness in the income-side examples elsewhere in the report.

1. Single working-age adult on Universal Credit, no children

A single adult, no other source of income, in receipt of UC plus help with housing and council tax. Sits in Q1 of the NC distribution.

Component	Value
Taxable benefit income (UC, housing, CTS, etc.)	£12,481
Disability benefit income (exempt)	£0
Other income	£0
Per-child allowance	£0 (no dependent children)
Taxable benefit income subject to NC	£12,481
NC marginal rate (at percentile 10)	4.4%
NC on benefits (steady state)	£549 per year (£10.50/week)
Household keeps	£11,932

This is the case with the highest NC-to-benefit-income ratio in the design (4.4 per cent here). Note that even though the entire £12,481 is "above the allowance", the low marginal rate at Q1 keeps the actual NC modest in absolute terms.

2. Single working-age adult with disability, no children

A single adult receiving disability benefits (PIP-equivalent) plus taxable UC and housing-related support.

Component	Value
Taxable benefit income	£18,440
Disability benefit income (exempt)	£7,557
Other income	£0
Per-child allowance	£0
Taxable benefit income subject to NC	£18,440
NC marginal rate (at percentile 9)	4.0%
NC on benefits (steady state)	£730 per year (£14/week)
Household keeps (£25,998 total – £730)	£25,267

The £7,557 of disability benefits is retained in full. NC applies only to the £18,440 of non-disability taxable benefit income, and even there at the low Q1 marginal rate. The effective rate on total benefits received is 2.8 per cent.

3. Lone parent with two children, on Universal Credit

A lone parent with two dependent children, principal income source UC plus Child Benefit. Sits at the boundary of Q1 and Q2.

Component	Value
Taxable benefit income (UC + CB + housing)	£25,196
Disability benefit income (exempt)	£0
Other income	£0
Per-child allowance (2 × £12,570)	£25,140
Taxable benefit income subject to NC	£56
NC marginal rate (at percentile 10)	4.4%
NC on benefits (steady state)	£2 per year
Household keeps	£25,194

The per-child allowance shelters almost the entire taxable benefit income. NC of £2 per year is effectively zero. This is the per-child allowance doing the work it is designed to do.

4. Couple with two children, partial earnings, Q2

A working family at lower-middle income with one full-time and one part-time earner, in receipt of Universal Credit, Child Benefit and disability assistance for one parent.

Component	Value
Taxable benefit income	£25,992
Disability benefit income (exempt)	£10,134
Earnings and other NC income	£18,907
Per-child allowance (2 × £12,570)	£25,140
Taxable benefit income subject to NC	£852

Component	Value
NC marginal rate (at percentile 32)	14.1%
NC on benefits (steady state)	£120 per year
Household keeps from benefits side (£36,126 – £120)	£36,006

The £10,134 of disability benefit is retained in full. The taxable benefit income is almost entirely allowance-sheltered, leaving only £852 subject to NC at the household's marginal rate. (This household additionally pays NC on its £18,907 of earnings — covered elsewhere in the report.)

5. Single pensioner with Pension Credit, Q2

A single pensioner with a full state pension plus Pension Credit and modest housing support.

Component	Value
Taxable benefit income (Pension Credit + housing)	£4,408
Disability benefit income (exempt)	£0
State pension and other NC income	£15,693
Per-child allowance	£0
Taxable benefit income subject to NC	£4,408
NC marginal rate (at percentile 30)	13.2%
NC on benefits (steady state)	£582 per year (£11/week)
Household keeps from benefits side	£3,826

State pension is on the income side of NC, not the benefits side; this calculation concerns only the supplementary benefit income (Pension Credit and housing-related support). NC on benefits of £582 per year represents 13 per cent of the supplementary benefit income but only 3 per cent of the household's total income.

This is the most representative single archetype in the analysis: roughly 1.8 million UK households fit this profile. Pensioners as a group are the largest cell of NC on benefits because they receive supplementary benefits, do not have dependent children, and therefore have no per-child allowance to shelter that income.

6. Multi-adult household with children, mid-quintile

A household of three or four adults sharing accommodation, with one or two dependent children, mixed benefit and earnings receipt.

Component	Value
Taxable benefit income	£31,332
Disability benefit income (exempt)	£0
Earnings and other NC income	£89,555
Per-child allowance (2 × £12,570)	£25,140
Taxable benefit income subject to NC	£6,192
NC marginal rate (at percentile 56)	25.6%
NC on benefits (steady state)	£1,585 per year (£30/week)

Component	Value
Household keeps from benefits side	£29,747

Multi-adult households are the most exposed of the family types because the per-child allowance is divided across more adults. A two-adult couple with two children and £25,140 of benefits has the entire amount sheltered; a four-adult household with two children and the same amount of benefits also has the entire amount sheltered, but at higher benefit-income levels the per-child allowance does proportionally less protective work because there is more adult presence to attract benefit income.

Where you fit in

The six households above are illustrative. They cover the largest cells of the population but not every situation. Readers who would like to see how NC on benefits applies to their own household composition and benefit income can use the calculator at [/calculator](#). The calculator uses the same household-level methodology as the analysis here, and will return the NC on benefits figure plus the wider picture of NC on income, services received, and net household position.

For readers who want the underlying methodology, the full archetype gallery, the population-level distribution tables, and the sensitivity of these figures to Base and Top rate choices, see the *Effects of NC on Benefits appendix* that accompanies this report.

RELATED

Complements: [NC on Benefits \(Revenue Instrument\)](#), [P2030 Tax Effects \(Household Effect\)](#)

Funded by: [National Contributions v. Current \(Household Effect\)](#)

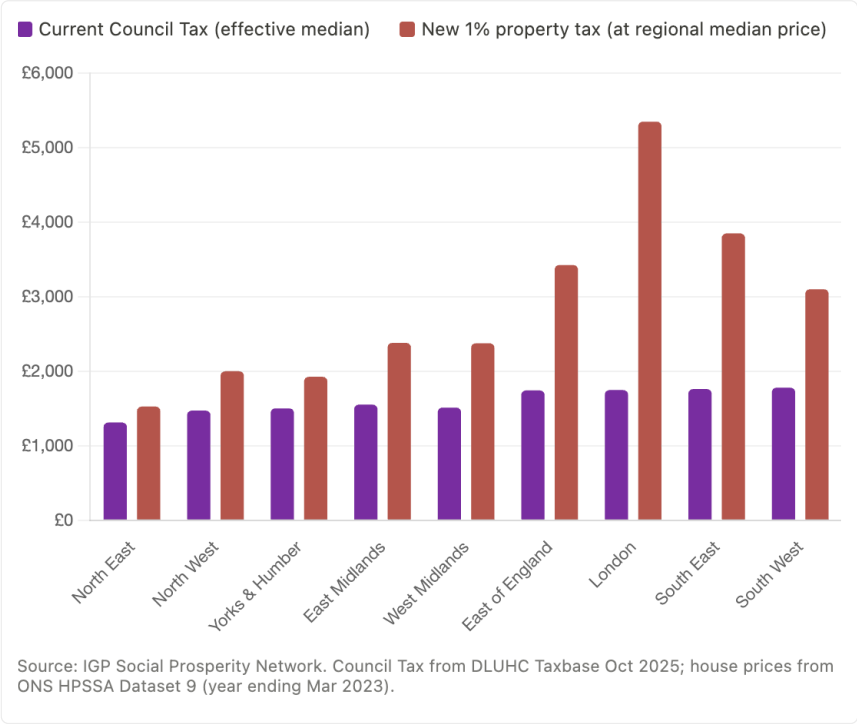
Appendices: [Distributional Outcomes : Detailed \(Appendix\)](#), [National Contributions on benefit income at household-level \(Appendix\)](#)

Property Tax effects

Protection for all

HOUSEHOLD EFFECT · economics

The increase in tax as a result of the move from Council Tax to Property Tax varies significantly across the country, with areas where property prices are low seeing small annual increases of a few hundred £s. However, in the South East of England the picture changes dramatically with much higher property values creating much larger Property Tax liabilities: averaging £3,600 a year in London and £1,800 across the South outside London. These effects are to be expected when reversing a regressive tax that varies much less across the country, despite large disparities in property values and wealth.



The distributional modelling of the Universal Services and new taxes generates a cost of living savings of £2,000 a year on average across households in the lower three quintiles of incomes. This population own about 46% of all private properties and the US savings would cover the increased Property Tax in many instances.

Households with incomes above the 60th percentile are modelled to make net additional contributions, with Universal Services only offsetting a portion of the new taxes. For these households, the increases in Property Tax will arrive as an additional burden. The Property Tax design includes provisions that allow deferral of all or part of this additional expense, and it is assumed that all owners with insufficient income will make that election. The central estimate is that approximately 2.5 million households will defer - see [Deferral appendix](#).

Conclusion

Property ownership is unevenly distributed across the income range, skewed heavily to those with the highest incomes, and property values are unevenly distributed across the country, skewed heavily toward the South and London in

particular. Even then, the ratio of values to incomes escalates steeply from North to South, so incomes do not keep up with higher property values.

The reality is the effects of the Property Tax will be diverse and particular, and that is why the deferral mechanisms incorporated into the design are important.

The distributional effects are not incorporated into this report, on the basis that those who need to, or want to, will take advantage of deferral, and others will reduce their other costs of living by using more Universal Services. So the effects cannot be usefully attributed to either household types or income quintiles.

The overall effect of all the property related reforms are more likely to exert downward pressures on house prices, see Property Tax, Stamp Duty and house prices appendix.

DETAIL

Regional Variations

Region	Median House Price	Effective Median Council Tax (£/yr)	New Property Tax at 1% (£/yr)	Annual Increase (£)	Weekly Increase (£)
North East	£152,500	£1,311	£1,525	£214	£4
North West	£200,000	£1,471	£2,000	£529	£10
Yorkshire & Humber	£192,500	£1,501	£1,925	£424	£8
East Midlands	£238,000	£1,551	£2,380	£829	£16
West Midlands	£237,500	£1,512	£2,375	£863	£17
East of England	£342,500	£1,742	£3,425	£1,683	£32
London	£535,000	£1,747	£5,350	£3,603	£69
South East	£385,000	£1,760	£3,850	£2,090	£40
South West	£310,000	£1,779	£3,100	£1,321	£25

But what are the opportunities for homeowners who do not wish to defer to make up for the extra tax? The answer is that family households can save as much as £10,000 a year with full take up of the Universal Services: reducing their energy use within the free allowance, eating a meal a week at community food centres, and using buses for transport. For individuals living on their own this falls to about £4,000 a year, but that is still enough to cover average London Property Tax increases. An additional Property Tax expense of £2,000 to £3,000 a year would require a significant change in behaviour to cover, but not implausible.

Households in the top income quintile, 84% of whom are property owners, are modelled to make an average additional contribution of £4,000 a year, including a minimal take up of Services and using NC at rates set to generate the fiscal space needed for national priorities. The Property Tax will come on top of that, but the Services that would allow these households to reduce their cost of living, if they wanted to, would not be available without the whole P2030 reform package. The

deferral provisions in the Property Tax design do not discriminate against higher incomes, they are unconditionally available to all private homeowners and provide equal protection to high-income households.

RELATED

Complements: [Local Property Tax \(Revenue Instrument\)](#)

Appendices: [P2030 Wealth Effects \(Appendix\)](#), [Property Tax, Stamp Duty and house prices \(Appendix\)](#), [Property Tax: Deferral Provisions \(Appendix\)](#)

Jobs

Half a million new jobs

HOUSEHOLD EFFECT · work, economics, care, transport

NET JOBS CREATED

547,000

Net of Skills Centres cross over

TRANSPORT JOBS

84,000

Net of Skills Centres cross over

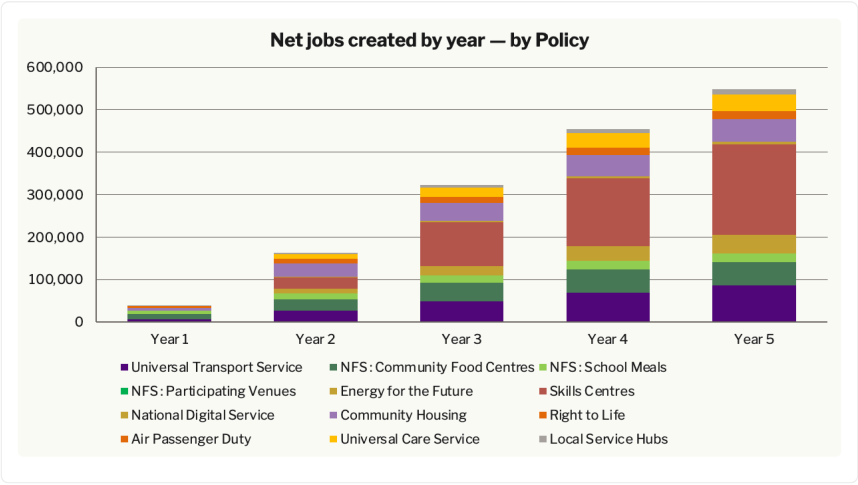
SKILLS CENTRES JOBS

300,000

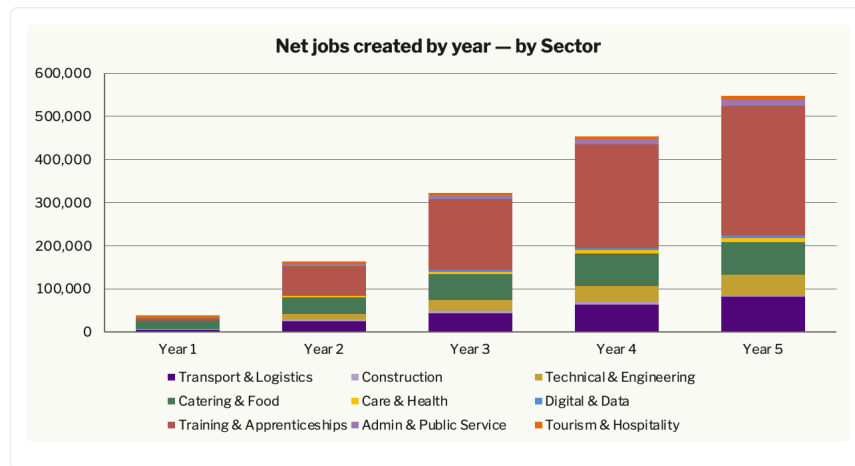
Trainees & Apprentices

The rollout of new services and the Skills Centre network are responsible for the creation of over half a million new jobs, of which more than 90% are full-time.

The largest single component, about 55% of the jobs, is the Skills Centre Apprentice and Trainee network, whose wages are met by levies and firm charges rather than the programme budget.



Apart from Skills Centres, the programme-funded work is concentrated in transport, technical, and catering, representing 200,000 jobs. These are created to deliver the Universal Transport Service, and the National Food and Digital Services.



DETAIL

Young people not in education, employment or training (NEET)

The Skills Centre pipeline creates 300,000 apprentice and trainee positions, of which the 120,000 trainee places are designed as a no-qualification entry route from age 16, the structural route for young people not in education, employment or training (NEET). Against a NEET population of one million at the start of 2026, the trainee tier alone represents about 12% of the total and about 25% of the 400,000 work-ready, job-seeking NEETs (44% of NEET young people report a work-limiting health condition¹). Not every place will be filled by a former NEET, so the pipeline represents capacity, not delivery.

Net v Gross job numbers

Skills Centres are the programme's labour pipeline for construction and care, among other sectors. Community Housing construction and the Universal Care Service capacity expansion therefore draw partly on the same Apprentices/Trainees already counted under Skills Centres. The Net numbers are net of identified overlaps, removing the two most clearly double-counted rows. Residual partial overlaps (heating installers, some other care posts) mean the true net-additional figure is likely lower again.

Jobs created in parts of the P2030 Programme

Policy (H2)	Role	Pay range (annual)	Year 1	Year 2	Year 3	Year 4	Year 5
Universal Transport Service	Bus drivers	£33,200 gross (£38,000 incl. NI + pension)		19,844	39,688	59,531	79,374
Universal Transport Service	Bus maintenance technicians (fitters, auto-electricians, HV)	£30,000-£42,000		890	1,790	2,680	3,570
Universal Transport Service	Bus manufacturing & supply chain	£28,000-£40,000	4,000	4,000	4,000	4,000	2,000
Universal Transport Service	Depot & highway construction	£30,000-£45,000	2,500	2,500	2,500	2,500	500

Policy (H2)	Role	Pay range (annual)	Year 1	Year 2	Year 3	Year 4	Year 5
NFS : Community Food Centres	CFC frontline staff (cooks, kitchen, front-of-house)	£25,000-£30,000	11,400	25,600	42,600	54,000	54,000
NFS : Community Food Centres	CFC regional & national management	~£40,000	360	810	1,340	1,700	1,700
NFS : School Meals	Catering staff (year-round extension)	£11,500 gross (~18.75 hrs/wk; ~£23,000 FTE)	8,000	13,000	17,000	20,000	20,000
NFS : Participating Venues	(no NFS-employed staff)	n/a	-	-	-	-	-
Energy for the Future	Heating electrification installers / heating engineers	£30,000-£45,000	-	7,900	15,800	23,600	31,500
Energy for the Future	Smart-grid device manufacture (controllers, comms modules, home energy hubs)	£26,000-£42,000	-	500	1,000	1,600	2,000
Energy for the Future	Smart-grid data services (DERMS, telemetry, dispatch, cybersecurity)	£45,000-£90,000	-	700	1,500	2,400	3,000
Energy for the Future	Smart-grid install assist (device deployment & commissioning)	£24,000-£35,000	-	600	1,200	2,000	2,500
Energy for the Future	Distribution-network reinforcement (substations, transformers, cable, monitoring)	£32,000-£55,000	-	800	1,800	2,800	3,500
Energy for the Future	Community energy (project development, install, O&M, technical assistance)	£24,000-£45,000	-	160	400	640	800
Energy for the Future	Community energy (project development, install, O&M, technical assistance)	£17,250 gross (~18.75 hrs/wk)	-	240	600	960	1,200

Policy (H2)	Role	Pay range (annual)	Year 1	Year 2	Year 3	Year 4	Year 5
Skills Centres	Apprentice positions (salaried)	£19,500 base (£13.54/hr availability)	3,000	40,000	99,000	144,000	180,000
Skills Centres	Trainee positions (salaried)	£7,525 base (£6.27/hr availability)	2,000	27,000	66,000	96,000	120,000
National Digital Service	Data infrastructure, engineering & security (commission workforce)	£45,000-£90,000	-	1,000	2,200	3,200	4,000
National Digital Service	Digital ID operations, service desk & inclusion	£24,000-£45,000	210	560	1,050	1,400	1,750
National Digital Service	Digital ID inclusion, outreach & assisted verification	£17,250 gross (~18.75 hrs/wk)	90	240	450	600	750
Community Housing	Construction & delivery trades (supported)	£28,000-£45,000	18,000	30,000	40,000	45,000	48,000
Community Housing	Stewardship, maintenance & lettings	£25,000-£40,000	1,000	2,000	3,000	4,000	5,000
Right to Life	Hospice & palliative service expansion (nurses, HCAs, counsellors)	£24,000-£48,000	-	1,375	2,750	4,400	5,500
Right to Life	Hospice & palliative service expansion (nurses, HCAs, counsellors)	£18,000 gross (~18.75 hrs/wk)	-	1,125	2,250	3,600	4,500
Right to Life	Facility construction & refurbishment	£28,000-£45,000	-	3,000	3,000	3,000	2,000
Air Passenger Duty	Domestic tourism & hospitality (staycation shift)	£12,500 gross (~18.75 hrs/wk; ~£25,000 FTE)	5,000	5,500	6,000	6,500	7,000
Universal Care Service	Expanded care capacity (new posts within existing eligibility)	£23,000-£30,000 (NLW+)	-	5,000	11,000	17,500	20,000
Universal Care Service	Expanded care capacity (new posts within existing eligibility)	£13,250 gross (~18.75 hrs/wk)	-	5,000	11,000	17,500	20,000

Policy (H2)	Role	Pay range (annual)	Year 1	Year 2	Year 3	Year 4	Year 5
Local Service Hubs	Hub core teams (managers, reception/triage, Digital ID/navigation)	£24,000-£42,000	540	2,040	3,600	5,280	6,900
Local Service Hubs	Hub core teams (reception/triage, Digital ID/navigation)	£16,500 gross (~18.75 hrs/wk)	360	1,360	2,400	3,520	4,600
TOTAL counted positions (gross)			56,460	202,744	384,918	533,911	635,644
less: roles overlapping Skills Centres pipeline	(Community Housing construction; UCS expanded capacity)		(18,000)	(40,000)	(62,000)	(80,000)	(88,000)
TOTAL	net of identified overlaps		38,460	162,744	322,918	453,911	547,644

[Jobs per P2030 policy from Appendices]

RELATED

Complements: [Community Housing \(Structural Measure\)](#), [Energy Security \(Structural Measure\)](#), [National Digital Service \(Structural Measure\)](#), [National Food Service \(Universal Service\)](#), [Universal Care Service \(Universal Service\)](#), [Universal Transport Service \(Universal Service\)](#)

Depends on: [Skills Centres \(Structural Measure\)](#)

REFERENCES

1. Young people and work: interim report. 1.3 Health, Milburn Review, DWP, June 2026
<https://www.gov.uk/government/publications/young-people-and-work-interim-report/young-people-and-work-interim-report#chapter-1-who-are-the-uks-neet-young-people> ↗

Universal Service Efficiency

£42B of new service spending delivers £51B of value across all households.

HOUSEHOLD EFFECT · economics, energy, transport, digital, food, community

TOTAL PROGRAMME VALUE

£59 Billion / year

From £50B of household-facing spending

NEW SERVICE SPENDING

£42 Billion / year

Household-facing Service spending

SERVICE EFFICIENCY

1 : 1.21

Cost of Service : Gross value

Every £1 of public expenditure on Universal Services results in £1.21 reduction in the cost of living for households. £42 billion of household-facing service spending generates £51 billion of gross value to households, a 1:1.21 efficiency ratio.

The extra value comes from the efficiency of delivering services at cost rather than at retail prices. Funded services generate 27% more value, on average, than they cost to provide.

Care and Right to Life services are valued at face value (£8B), so the total programme value to households is about £59 billion from approximately £50 billion of household-facing spending.

The remaining £30 billion of programme spending (infrastructure, capital, democracy) delivers genuine public value (energy transition, transport assets, digital platforms, housing stock) that is not captured in the household cost-of-living model.

Household effects modelling

P2030 Household Effects Model

HOUSEHOLD EFFECT · economics

The P2030 household data model covers the six core universal services (transport, energy, water, information and digital, food, and school meals) and produces a **gross service value of £59.0 billion** before deductions. Deducting the APD increase (£8 billion, a cost to households concentrated at higher incomes) and the NC on benefits (£16.0 billion, offset by the services received) gives the **net household value of £27 billion**.

The distributional impacts are measured across two primary axes: total income Quintiles, and Household types.

Income Quintiles

The base data set (from FRS, see [appendix](#)) is resorted to reflect total income as defined for National Contributions, which includes all incomes from earned and unearned sources. This means that the quintiles do not map onto traditional boundaries, which typically use only earned incomes.

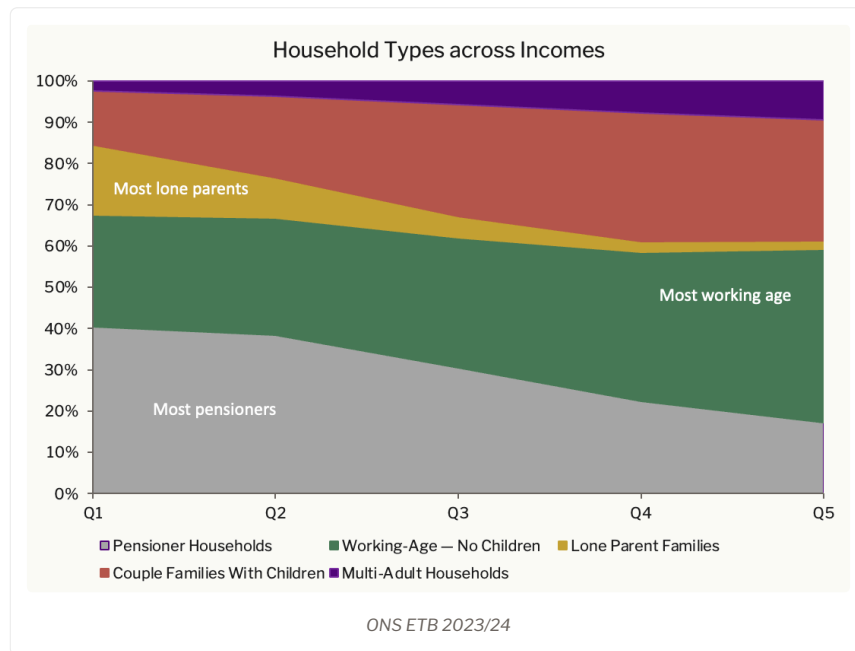
Each quintile contains about 10 million adults with average total incomes per this table.

Quintile	Average Total Income (£/year)
Q1 (P1–P20)	1,673
Q2 (P21–P40)	15,638
Q3 (P41–P60)	27,019
Q4 (P61–P80)	39,447
Q5 (P81–P100)	96,902

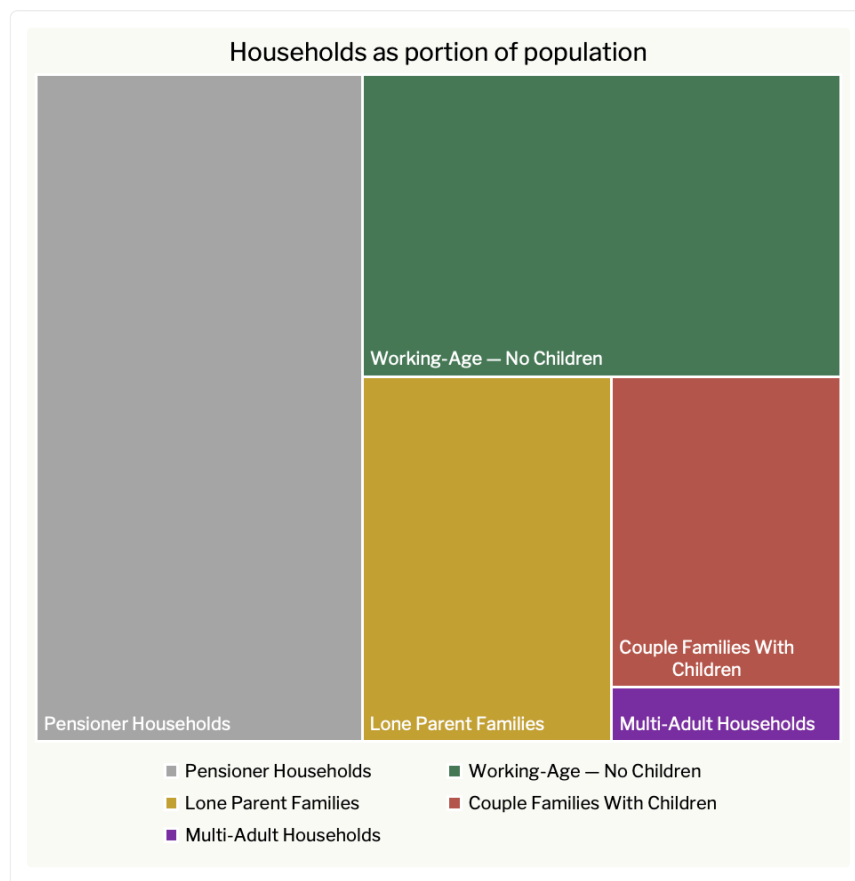
[Total NC Income Quintiles]

Household types

It is important to keep in mind that different quintiles of the income range contain different types of households. Pensioners more concentrated in Q1. Multi-adult households are a small portion overall, nearly half are in Q5.



The UK's break-down by household type is also instructive for understanding where policy lands and who is affected. Pensioners and then working-age adults without dependent children are the largest groups.



At the most granular level, the model uses these household types:

- PENSIONER HOUSEHOLDS
 - Single Pensioner
 - Partnered Pensioners

- **WORKING-AGE — NO CHILDREN**
 - Single (WA)
 - WA Couple (no children)
- **LONE PARENT FAMILIES**
 - Lone Parent + 1 child (0-1)
 - Lone Parent + 2 children (2-4, pri)
 - Lone Parent + 3 children (2-4, pri, sec)
- **COUPLE FAMILIES WITH CHILDREN**
 - Couple + 1 child (0-1)
 - Couple + 2 children (2-4, pri)
 - Couple + 3 children (2-4, pri, sec)
 - Couple + 4 children (0-1, 2-4, pri, sec)
- **MULTI-ADULT HOUSEHOLDS**
 - Multi-adult (3+ adults)
 - Multi-adult + 1 child

For the presentation of distributional analysis overlaid with per quintile total incomes, the household types are distilled to the first tier of types to keep the content more easily digestible. When calculating aggregate savings, the values are weighted by national household composition.

Service Take Up

Universal Services are, by definition, unconditionally accessible and free at the point of use. In some cases, such as the Universal Digital Service, the model assumes universal take up. Others, such as free school meals, are prescribed in their take-up by the audience they serve, in this case only school age children. And other services are behaviourally dependent, meaning that people make a choice whether to take up the service or not. For instance, some will use buses for all their transport, some will reduce their energy use to eliminate their energy bill. But others won't because they don't want to, or consider the extra cost of the alternative to be worth it for themselves.

A matrix of Service uptake is applied across both primary axes, household type by quintile, for each Service. This table provides a guide across income quintiles for the take-up rates used in the modelling (% of maximum use).

Service	Q1	Q2	Q3	Q4	Q5
Energy: standing charge abolition	Universal	Universal	Universal	Universal	Universal
Energy: lower bills	83%	83%	77%	73%	67%
Water: bills abolished	Universal	Universal	Universal	Universal	Universal
TV licence: abolished	Universal	Universal	Universal	Universal	Universal
Universal Transport	15% §	72%	47%	4%	4%
Universal Digital	Universal	Universal	Universal	Universal	Universal
Universal Food - School Meals - Term time	Students	Students	Students	Students	Students
Universal Food - School Meals - Year round	40%	35%	20%	10%	0%

Universal Food - CFC	35%	24%	17%	10%	5%
Universal Food - Participating Venues	12%	10%	8%	6%	4%

[Take up rates across incomes]

\$ Q1 has many pensioners, who already get free bus use

Timing

A fourth dimension is the schedule of tax reforms and Service availability, which affect the distributional impacts over the period of the programme. Given the limitations of presentation in two dimensions, the report models the effects at steady state (the final year of the P2030 programme) unless otherwise specified.

RELATED

Appendices: [Distributional Outcomes : Detailed \(Appendix\)](#), [Distributional Outcomes Headlines \(Appendix\)](#), [National Contributions tax model \(Appendix\)](#)

Fiscal

Eyes on the prize

Strategic policy design and sequencing, that combines welfare reforms with tax reforms, opens policy options otherwise blocked by politically painful distributional disparities.

P2030 not only restores fiscal balance, it creates fiscal space – on which the future sovereignty of the nation depends. Seen in the light of the challenges over the next decade, the fiscal goals of the P2030 programme are not optional, they are existentially necessary.

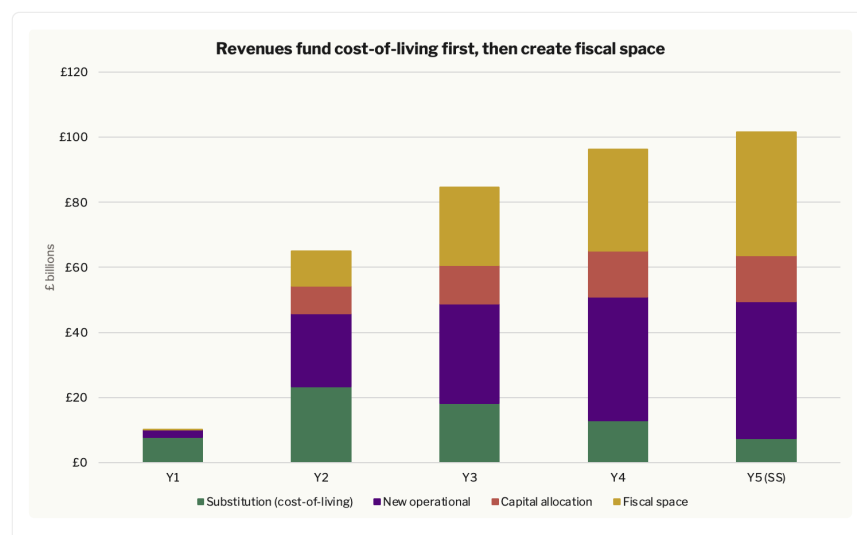
Fiscal achievements in P2030:

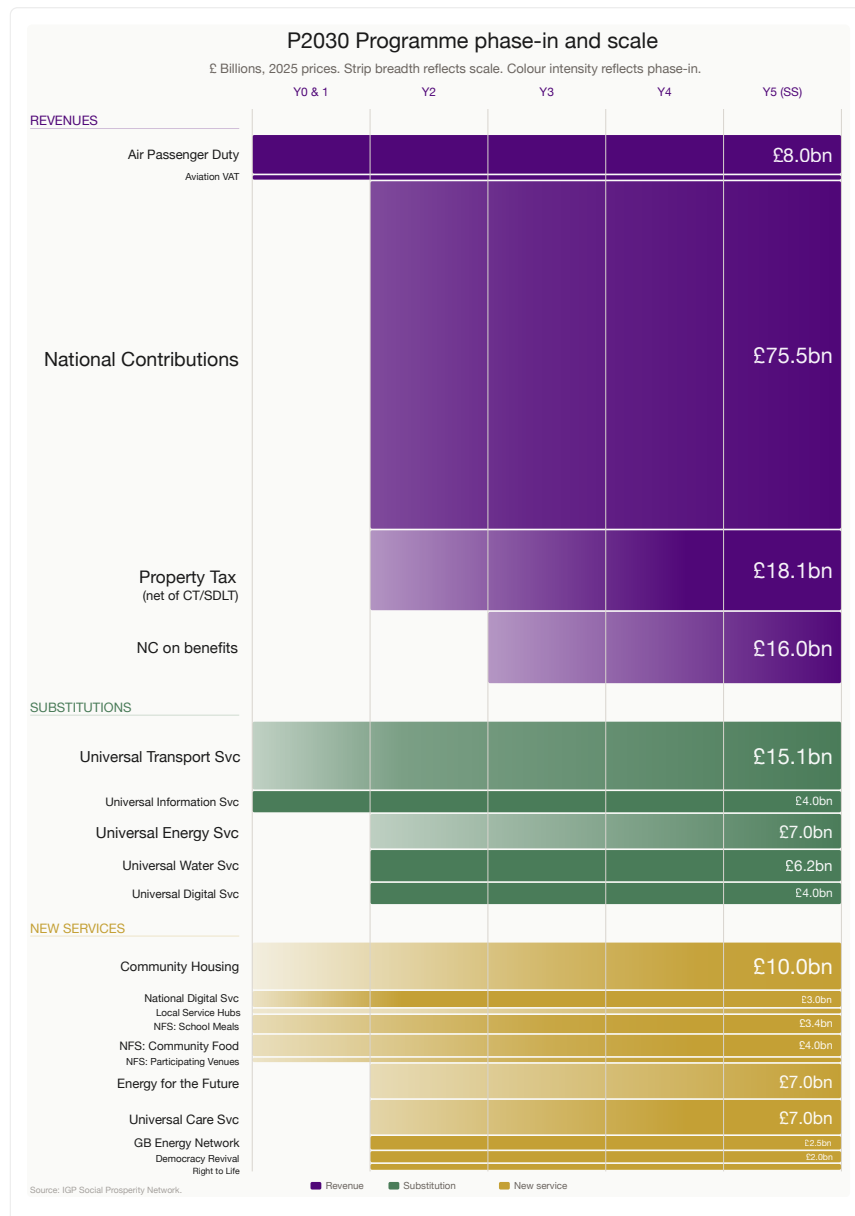
- no new borrowing
- capital funded from revenues
- new taxes offset by reduced living costs for 44% of households
- 2.9% GDP invested in public services
- 1.4% GDP in new fiscal space

Service then Tax

Creating fiscal space first needs permission from taxpayers to do so. That requires determined fixation on offsetting the impact on households, before the taxes are imposed. Services designed to reduce costs of living are kick-started, and the taxes they justify are phased in. Careful sequencing and design keep the cashflow positive.

The P2030 programme allocates all new revenues to spending on services that save people money at the start of the period, and only opens up fiscal space once credibility and permission have been earned.

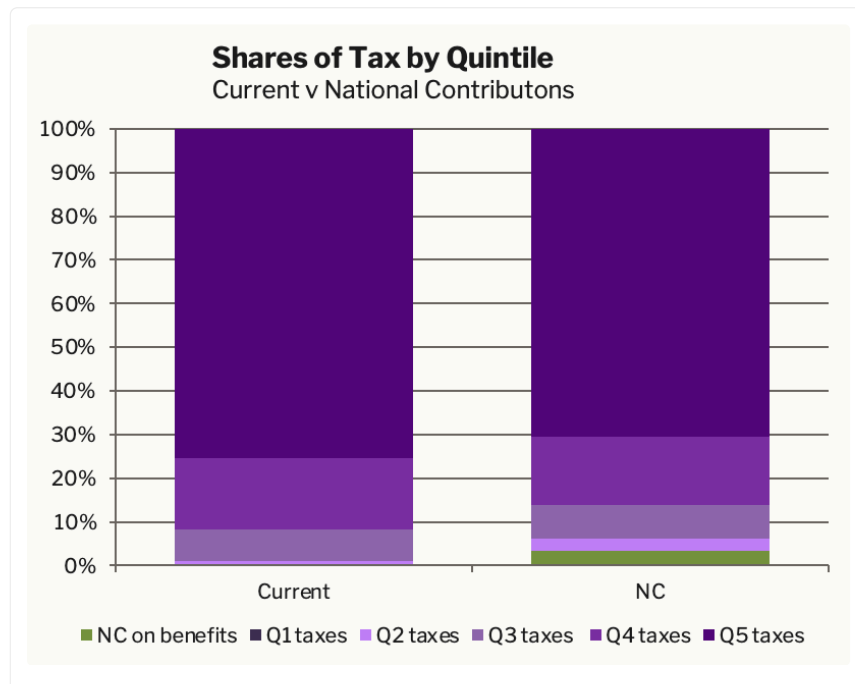




Stabilise the base

The UK has become increasingly reliant on tax revenues from a smaller and smaller section of its society at the same time that it has remained attached to revenues from taxes on things that are disappearing (e.g. fuel) or distortionary (e.g. Stamp Duty).

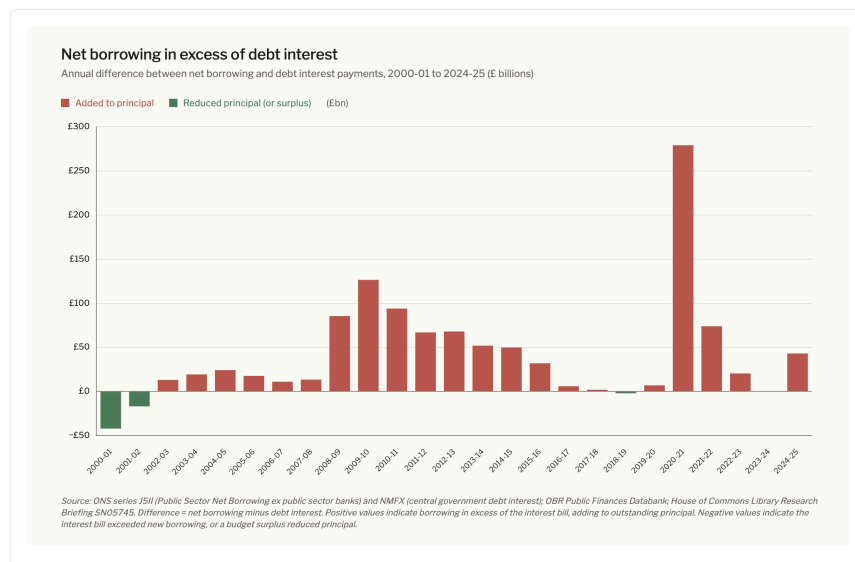
The P2030 reforms are designed to broaden the tax base, simplify the structures and establish long term revenue sources. The need to reform taxes is taken as an opportunity to simplify them as well.



Debt rehab

The UK carries an enormous debt burden that has restricted and threatened national fiscal sustainability in recent years. The “fiscal rules” are bumpers on a bowling lane whose effectiveness have been continually tested. Much better would be to learn to bowl properly.

Escaping from the strictures of elevated national public debt requires first that the government has a programme to stop borrowing more than it pays in interest every year. Something that the UK has failed to do in any year since 2002 except one (it’s 2018, in case you can’t see it on the chart).



Once the government can credibly eliminate its current deficit then its debt can be rehabilitated as a long term safe asset. That is the only way to control the threat of interest consuming national sovereignty.

Borrowing is for emergencies, and emergencies are less expensive when fiscal resilience has been established.

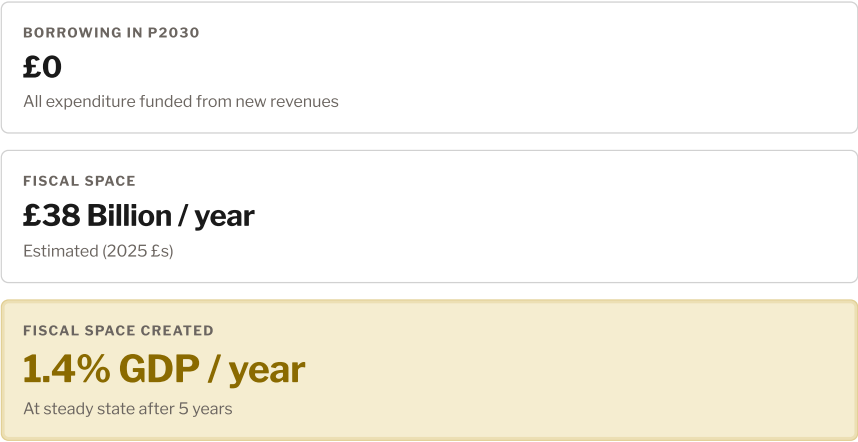
RELATED

Appendices: [The Fiscal Architecture \(Appendix\)](#)

Fiscal Highlights

Key fiscal metrics

FISCAL · economics



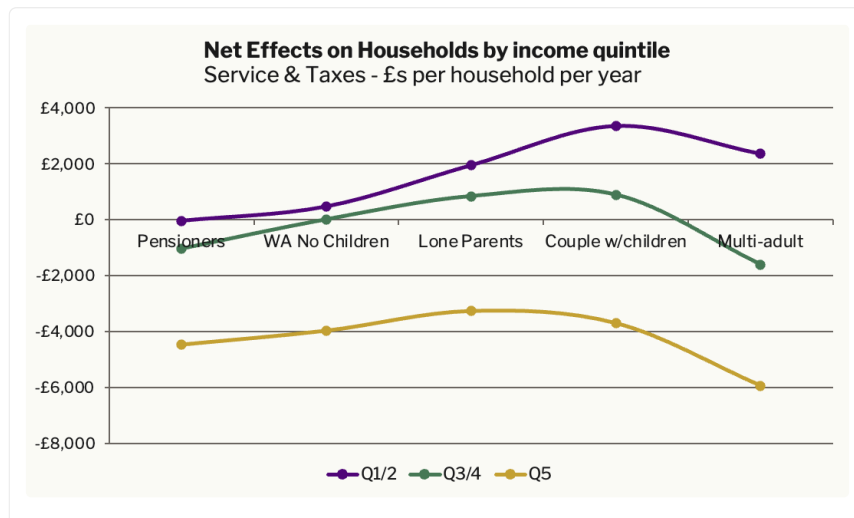
Figures are quoted at reconciliation precision; see [Uncertainty and Precision in the FAQ](#) for how they should be read.

Prosperity 2030 creates £3 of value to households and £2 of fiscal space for every £2 of net contribution.

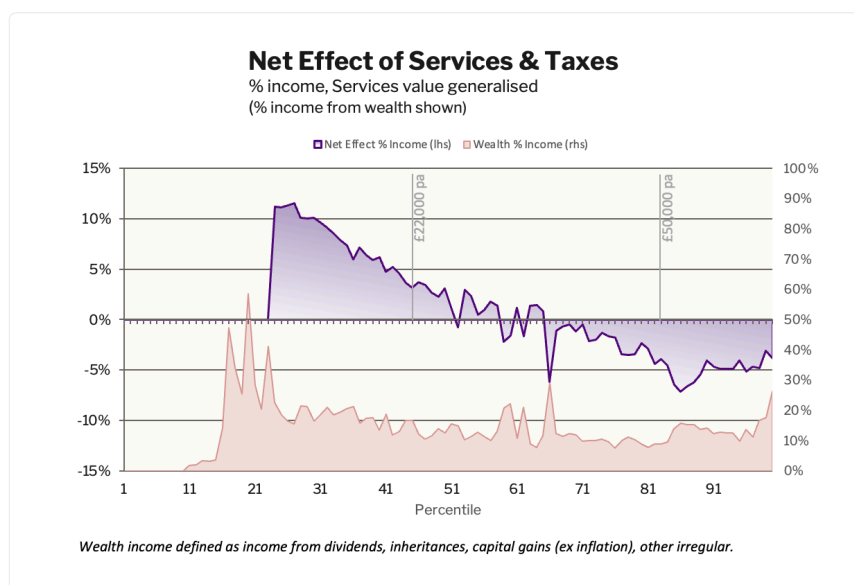
This is not fiscal alchemy. It is the result of interlocking policies to drive down the cost of living with Universal Services, reform taxation, and build social infrastructure. **The political permission for tax rises does not exist without the services. The revenue for social infrastructure does not exist without the taxes. And the fiscal space can only be created through the combination of services and taxes.**

Services Make Space

The P2030 programme shows that strategic policy sequencing can create 1.4% GDP of fiscal space *and* reduce the cost of living by an average of £800 a year for households in the lower three quartiles. The cost of living is reduced by £4,600 a year for families with high service uptake. The fiscal space is created because the tax revenues are spent on services that displace more costs for households than they cost to deliver. That efficiency creates confidence and permission in the social contract to assign further resources to currently unfunded national priorities.

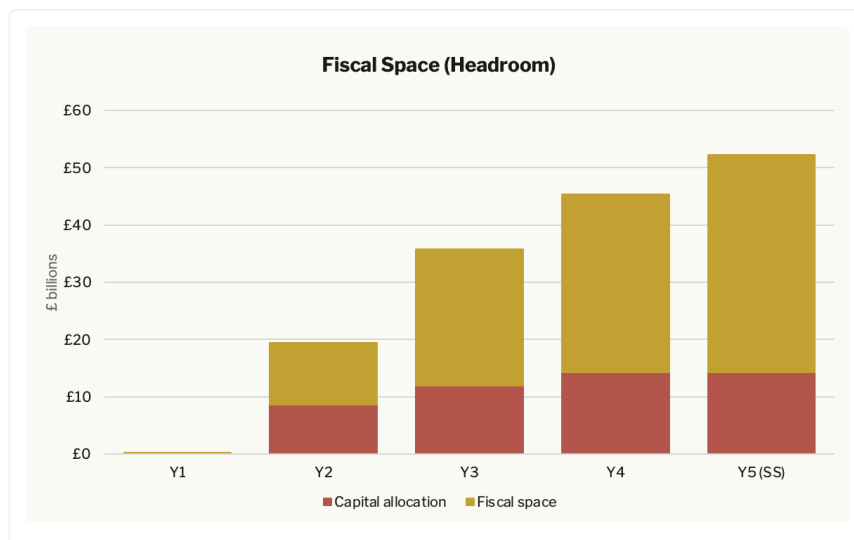


NC incomes tax reform broadens the revenue base and increases revenues by 2.8% of GDP, which is completely offset by falls in the cost of living for 44% of households.



Headroom within Programme

Over four years, there is £100 billion of fiscal slack to accommodate adaptations to the implementation of new taxes and new services. At no point is the margin between revenues and expenditures so narrow that additional borrowing would be needed.



The chart shows capital allocation, to indicate an additional buffer available for short-term cashflow in the event it was needed.

Highlights

Highlights of the programme outcomes, that are blocked in the current policy environment, include:

- National priorities funded with 1.4% GDP additional fiscal space (enough to cover NATO 2035 obligations)
- Local priorities for housing and social care funded with 0.7% GDP
- Social resilience strengthened with the broadest expansion of universal provision since the Attlee settlement in 1945, including new community facilities and service hubs in every outward postcode in the country
- Incomes tax reform that increases work incentives, removes distortions, and creates a stable, broader revenue base for the future
- Property tax reform to increase local capacity, stabilise local government finances, and remove regressive tax distortions
- Essential restructuring to enable transitions in the energy, water, and digital utility sectors to meet new economy and environmental challenges

DETAIL

Tax & Service value modelling

Modelling of Universal Service household savings does not map directly on to the NC tax model, so generalised per-adult cost of living reductions are applied in each percentile used for the Net effect of Services & Taxes chart. Those values are taken from average per income quintile savings calculated using the household-level distributional model. Between the 60th and 81st percentiles in the model, even small behavioural changes in transport or energy use would offset the average £488 in calculated net additional contributions. Which is why 44% is proposed as a minimum portion of households with completely offset taxes.

RELATED

Complements: [Fiscal space \(Article\)](#), [Macro Cashflow \(Fiscal\)](#)

Appendices: [P2030 Inflation Effects \(Appendix\)](#), [The Fiscal Architecture \(Appendix\)](#)

Revenue

FISCAL · economics

NATIONAL CONTRIBUTIONS

2.8% GDP / year
At Steady State

PROPERTY TAXES

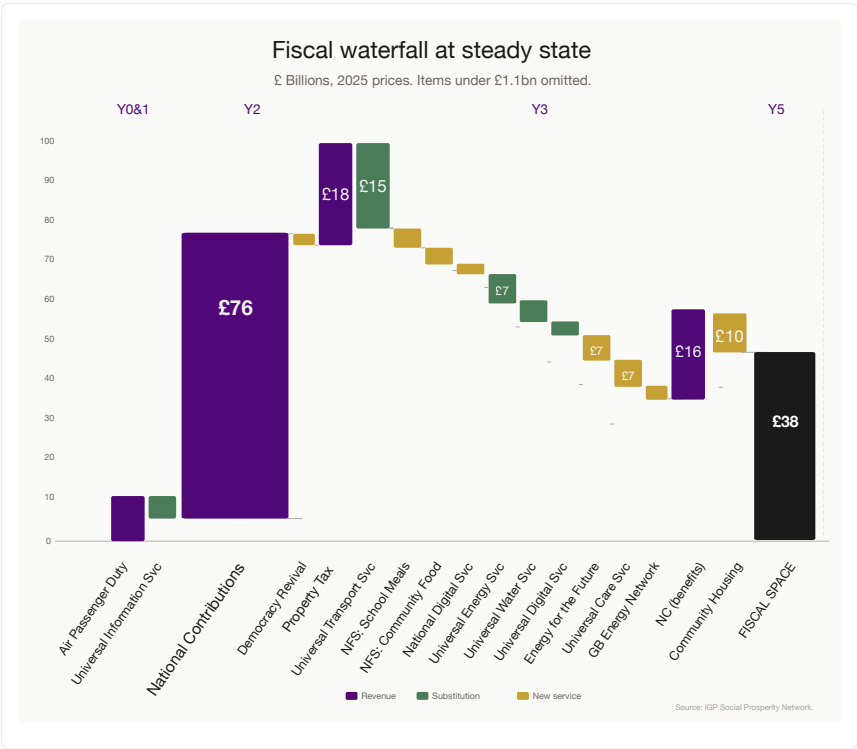
1.1% GDP / year
Post CT/SDLT abolition

FISCAL SPACE CREATED

1.4% GDP / year
At steady state after 5 years

Revenues are increased immediately by tripling Air Passenger Duty and changes to the VAT rules for aviation, neither of which require primary legislation.

In Years 2 through 4, revenues from National Contributions (NC) and Property Tax phase in as revenues from Council Tax and SDLT are phased out. The gradual increase in NC is a result of the lags between PAYE updates (immediate) and revenues from personal tax returns (on submission). Property Tax is programmed to phase in over 3 years.



REVENUES	Y0 & 1	Y2	Y3	Y4	Y5 (SS)	SS £bn
NC (incomes)	0%	69%	86%	93%	100%	£75.5bn
Property Tax (net)	0%	34%	67%	100%	100%	£18.1bn
Air Passenger Duty	100%	100%	100%	100%	100%	£8.0bn
Aviation VAT	100%	100%	100%	100%	100%	£0.3bn

Benefits reallocation to Services

Starting in Year 3, NC is gradually applied to taxable (non disability) benefits, starting at one third of total liability and increasing by one third per year, reaching full implementation in the final year of the programme. The deductions are applied at source by DWP, remitted to Treasury, and re-assigned to the Services as part of the general fund.

By the time this policy starts in Year 3, 83% of all new services are in place. In Year 4, two thirds of the liability will be deducted and services will have reached 95%, and both reaching 100% implementing in Year 5. At which point, reallocated spending from benefits to services will account for 20% (£16 billion) of total new service expenditures (£80 billion).

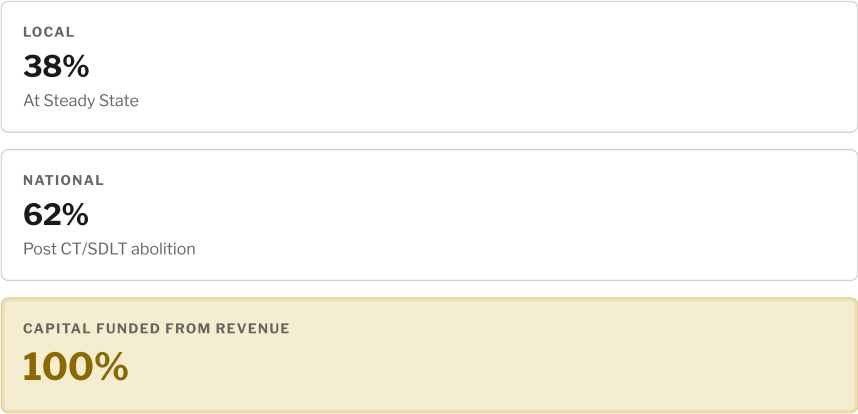
RELATED

Complements: [Macro Cashflow \(Fiscal\)](#)

Funded by: [Local Property Tax \(Revenue Instrument\)](#), [National Contributions \(Revenue Instrument\)](#)

Expenditure

FISCAL · economics



Expenditures are phased in to match revenues, with initial spending to match revenues from the higher APD. The table below provides an overview of the phasing by Service.

The P2030 cashflow uses annual budgets, which assume scheduling in Year 2 to match new expenditures with new revenues as they phase in. This may affect timing, so the exact start dates of the new services is not specified to allow for cashflow to be managed to keep expenditure in line with revenue.

Substitutions

Substitutions are a category of Universal Services where costs are transferred from individual bills to direct payment from Treasury. There are four payment channels, three of which are annual budgets, plus the digital service vendors, who are paid monthly for each registered user.

- The Information service is a direct payment to the BBC to replace TV Licence fee revenues.
- The first year of the Transport service requires local bus operators to submit passenger numbers for reimbursement (up to a maximum of prior year fare revenue). Thereafter, payment is dispersed through local Councils for their local service contracts.
- Starting in Year 2, NESO receives direct funding for energy network system costs.
- Water companies are paid directly, replacing their revenues from standing charges. Once CWSOs are established, the water expenditure will flow to the CWSO on a per household basis, for onward disbursement.
- The Digital service reimburses service providers directly each month based on the number of registered eligible individuals who have selected them as their provider. The voucher value is fixed per person. Provider assignments are tracked in the information.gov.uk system (built on existing Government Digital Service infrastructure concurrent with the service).

** P2030 Phasing**

SUBSTITUTIONS	Y0 & 1	Y2	Y3	Y4	Y5 (SS)	SS £bn
Universal Transport	23%	68%	78%	89%	100%	£15.1bn
Universal Digital	0%	100%	100%	100%	100%	£4.0bn

SUBSTITUTIONS	Y0 & 1	Y2	Y3	Y4	Y5 (SS)	SS £bn
Universal Energy	0%	100%	100%	100%	100%	£9.0bn
Universal Water	0%	100%	100%	100%	100%	£6.2bn
Universal Information	100%	100%	100%	100%	100%	£4.0bn

New Services

Expenditure on new services is low in the first year, due to legislative, practical administrative, revenue, and local government capacity constraints.

Most of the new service expenditures (64%) are funded through local government, and 85% of that depends on Councils processing or submitting applications.

Which is why the new services require reforms to local democracy to strengthen their capacity for commissioning and associated budget responsibilities. The funding for the Democracy Revival reforms (£2B from year 2) will require short-term reallocations from existing budgets before local elections.

One third of expenditure is direct from Treasury, mostly following the same channels as the substitute services. The new National Digital Service will be directly funded once its governing Commission is set up. Until then, related digital infrastructure funding can flow into the budgets of existing departments for functions that will become part of the NDS, such as digital ID.

** P2030 Phasing**

NEW SERVICES	Y0 & 1	Y2	Y3	Y4	Y5 (SS)	SS £bn
Local Service Hubs	10%	25%	50%	75%	100%	£0.8bn
NFS: School Meals	25%	63%	91%	100%	100%	£3.4bn
NFS: Community Food Centres	21%	51%	83%	100%	100%	£4.0bn
NFS: Participating Venues	15%	55%	85%	100%	100%	£0.5bn
National Digital Service	17%	100%	100%	100%	100%	£3.0bn
Energy for the Future	0%	25%	50%	75%	100%	£7.0bn
GB Energy Network	0%	100%	100%	100%	100%	£2.5bn
Democracy Revival	0%	100%	100%	100%	100%	£2.0bn
Community Housing	1%	35%	70%	96%	100%	£10.0bn
Universal Care Service	0%	33%	67%	100%	100%	£7.0bn
Right to Life	0%	100%	100%	100%	100%	£1.0bn
% of steady state	8%	63%	81%	95%	100%	

RELATED

Complements: [Macro Cashflow \(Fiscal\)](#), [Universal Services \(Universal Service\)](#)

Macro Cashflow

Annual cashflow projection for the P2030 programme

FISCAL · economics

Year by year cashflow for the policies in the P2030 programme, £ billions.

The % of GDP values in the final column refer to the steady state reached in year 5 of the programme.

	Y0/1	Y2	Y3	Y4	Y5 (SS)	% GDP
REVENUES						
National Contributions (incomes)		51.79	64.74	70.14	75.53	2.8%
Property Tax (net of CT replaced)		9.50	19.00	28.50	28.50	1.1%
SDLT replaced		(3.43)	(6.86)	(10.40)	(10.40)	-0.4%
Air Passenger Duty (tripled + UK holiday VAT)	8.00	8.00	8.00	8.00	8.00	0.3%
Aviation VAT (private travel)	0.30	0.30	0.30	0.30	0.30	0.0%
Construction VAT equalisation (mechanical)		(2.00)	(2.00)	(2.00)	(2.00)	-0.1%
Behavioural offset (informal recapture + demand)		0.50	0.50	0.50	0.50	0.0%
TV License Fee Reserve	1.95					-
Community Housing repayments (from LG)		0.44	0.88	1.19	1.19	0.0%
REVENUE TOTAL	10.25	65.10	84.56	96.22	101.62	3.8%
OPERATING EXPENDITURE						
Substitution (govt absorbs existing HH bills)						
Transport fares (existing farebox)	3.55	3.55	3.55	3.55	3.55	0.1%
Universal Energy Service		9.00	9.00	9.00	9.00	0.3%
Universal Water Service		6.20	6.20	6.20	6.20	0.2%
Universal Information Service	4.00	4.00	4.00	4.00	4.00	0.1%
School Meals (parent-paid conversion)	0.18	0.55	0.65	0.71	0.71	0.0%
<i>National Contributions (benefits at source)</i>	--	--	(5.28)	(10.56)	(16.00)	-0.6%
Substitution subtotal	7.73	23.30	18.12	12.90	7.46	0.3%
New operational (genuinely new service provision)						
Universal Transport Service		1.48	3.06	4.68	6.38	0.2%
Universal Digital Service		4.00	4.00	4.00	4.00	0.1%
Local Service Hubs	0.08	0.20	0.40	0.60	0.80	0.0%
NFS: Community Food Centres	0.55	1.55	2.75	3.65	4.03	0.1%

	Y0/1	Y2	Y3	Y4	Y5 (SS)	% GDP
NFS: CFC fit-out	0.30	0.50	0.60	0.40		0.0%
NFS: School Meals Reform (new provision)	0.51	1.45	2.35	2.70	2.70	0.1%
NFS: School kitchen upgrades	0.15	0.15	0.10	0.05		0.0%
NFS: Participating Venues	0.07	0.26	0.40	0.47	0.47	0.0%
National Digital Service	0.50	3.00	3.00	3.00	3.00	0.1%
Energy for the Future		1.75	3.50	5.25	7.00	0.3%
GB Energy Network		2.50	2.50	2.50	2.50	0.1%
Democracy Revival		2.04	2.04	2.04	2.04	0.1%
Community Housing (refurbishment)	0.10	0.20	0.30	0.60	1.00	0.0%
Universal Care Service		2.33	4.67	7.00	7.00	0.3%
Right to Life		1.00	1.00	1.00	1.00	0.0%
New operational subtotal	2.26	22.41	30.67	37.94	41.92	1.6%
NEW OPERATING EXPENDITURE TOTAL	9.99	45.71	48.79	50.84	49.38	1.8%
<i>As % of revenues</i>	97%	70%	58%	53%	49%	
TOTAL OPERATING EXPENDITURE excl. NC tax	9.99	45.71	54.07	61.40	65.38	2.4%
LOCAL	1.76	9.68	14.61	18.51	19.04	0.7%
<i>Local as percentage of all expenditure</i>	17.6%	21.2%	29.9%	36.4%	38.6%	
CAPITAL ALLOCATION						
Transport build programme		5.21	5.21	5.21	5.21	0.2%
Community Housing (New)		3.33	6.67	9.00	9.00	0.3%
CAPITAL ALLOCATION TOTAL		8.54	11.88	14.21	14.21	0.5%
<i>Total expenditure + capital as % of revenues</i>	97%	83%	78%	79%	78%	
Total Local including Transport and Housing	1.76	18.22	26.49	32.72	33.25	1.2%
FISCAL SPACE (NATIONAL PRIORITY)	0.26	10.85	23.89	31.17	38.03	1.4%
<i>As % of revenues</i>	3%	17%	28%	32%	37%	
-						
ALT : CAPITAL DEBT SERVICE @ 6%/30yrs, shown for reference only						
Transport build programme		0.69	0.69	0.69	0.69	0.0%
Community Housing		0.44	0.88	1.19	1.19	0.0%
CAPITAL SERVICING TOTAL		1.13	1.57	1.88	1.88	0.1%

	Y0/1	Y2	Y3	Y4	Y5 (SS)	% GDP
FISCAL SPACE (FINANCED)	0.26	18.26	34.20	43.51	50.36	1.9%

RELATED

Complements: [Expenditure \(Fiscal\)](#), [Fiscal Highlights \(Fiscal\)](#), [Revenue \(Fiscal\)](#)

Appendices: [The Fiscal Architecture \(Appendix\)](#)

Macro Economic Overview

FISCAL · economics

TAX TAKE

3.7% GDP / year

All expenditure funded from new revenues

NET HOUSEHOLD BURDEN

2.1% GDP / year

Tax offset with Service value

GROSS VALUE

4.3% GDP / year

Services, Capital, & Fiscal Space

Summary

The P2030 programme increases taxes and uses them to pay for new public services that are more efficient at reducing the cost of living than equivalent cash benefits. Some cash distribution is recycled into service provision. The combination of the service efficiency and the cash reallocation allows the programme to offset the additional tax burden for 44% of households, while generating excess revenues of 1.4% of GDP.

The scale and inherent uncertainties in modelling national accounts 5 years out means that the key numbers are presented in percentages of GDP. Components may not sum to totals due to independent rounding.

At steady state, the Prosperity 2030 programme changes the UK's public finances as follows:

- Additional revenues from the private economy: **3.7% GDP (£100 billion)**
- Restructured benefit expenditure: **0.6% GDP (£16 billion)**
- New public service and infrastructure operating costs: **2.4% GDP (£65 billion)**
- Capital allocation (transport and housing construction): **0.5% GDP (£14 billion)**
- Discretionary fiscal space for national priorities: **1.4% GDP (£38 billion)**

The programme creates 4.3% GDP of total public value from a net household burden of 2.1% GDP

The 4.3% GDP of public value comes from:

- 2.4% GDP in new services
- 0.5% GDP in capital investment (not borrowed)
- 1.4% new fiscal space at steady state

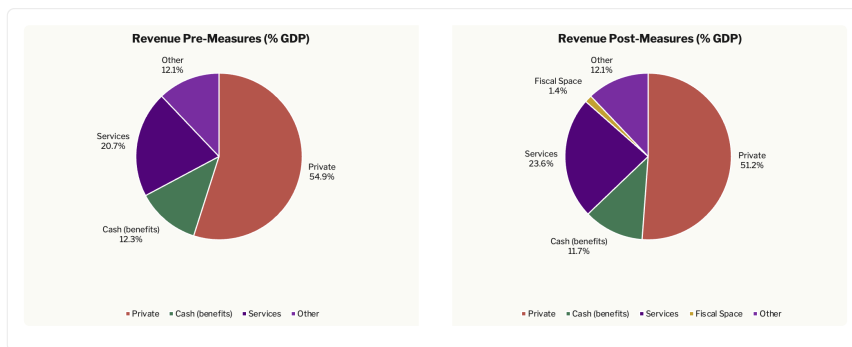
The “net household burden” starts with 4.3% GDP in taxes, which is offset by 2.2% GDP in service value, leaving a net household burden of 2.1% GDP.

Tax take

The public sector share of GDP (tax take) increases by 3.7% GDP:

- 2.8% GDP from reformed incomes taxes

- 0.7% GDP from property tax reforms
- 0.2% GDP from other duties and tax reforms



Public spending increases by 3.0% GDP, of which:

- 0.9% GDP is services that transfer household bills to central funding
- 1.6% GDP is new services
- 0.5% GDP is new capital infrastructure (transport & housing)

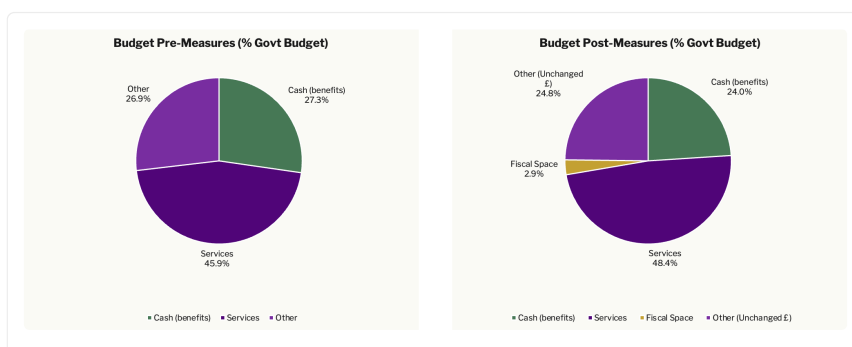
Budget Allocation

Change in budget allocations as a share of GDP:

- Services: +2.9%
- Cash benefits: -0.6%
- Other: No change (assumed continued)
- New fiscal space: +1.4%

Change in budget allocations as shares of government budget:

- Services: +2.5% (+£80B)
- Cash: -3.3% (-£16B)
- Other: -2.1% (£s unchanged)
- New fiscal space: 2.9% (+£38B)



Economic transfers

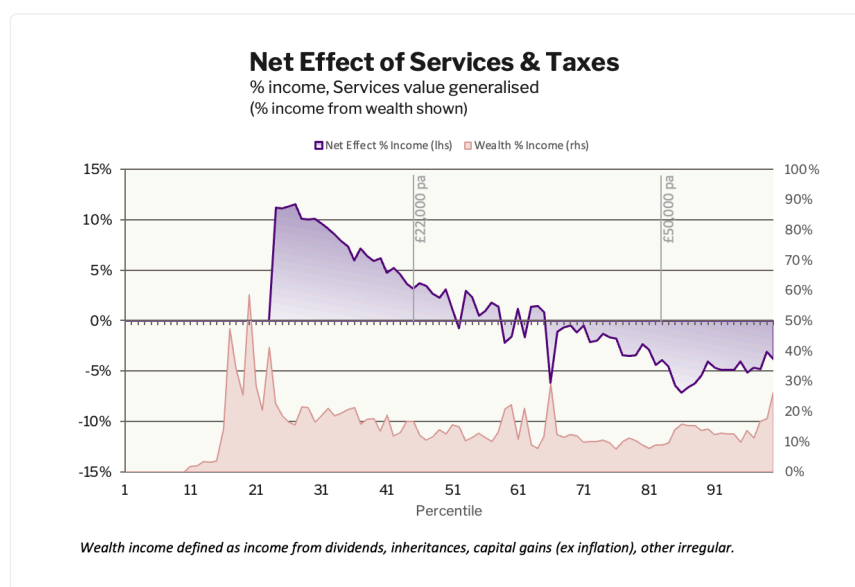
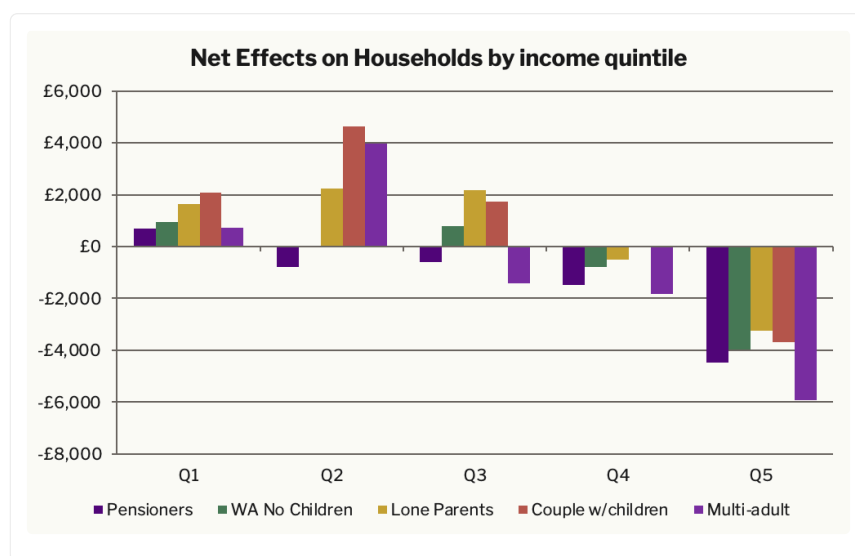
Transfers between household and state budgets as % of GDP.

- Private to public, increase in tax from private sector: -3.7%
- Intra-public reallocation: -0.6%
- Public to private, decrease in cost of living: +2.2%
- Net transfer private to public: -2.1%

_ The budget allocates 2.9% GDP to services and capital, but the value experienced by households is 2.2% GDP. The 0.7% difference has two components: 0.5% is infrastructure spending (energy transition, digital platforms, network investment) that benefits the economy broadly but does not directly reduce household bills; the remaining 0.2% reflects democracy and housing maintenance spending that similarly falls outside the household cost-of-living model._

Distributional Effects

For 44% of the population, the net effect is to increase disposable incomes by an average of 5%. For the remainder, the average net effect is a 3.3% reduction in disposable income. A full analysis of the distributional effects is available in the Household Effects section of this report.



RELATED

Complements: [Fiscal space \(Article\)](#)

Appendices: [P2030 Inflation Effects \(Appendix\)](#), [P2030 Wealth Effects \(Appendix\)](#), [The Fiscal Architecture \(Appendix\)](#), [UK Public Spending Baseline 2023-24 \(Appendix\)](#)

National Fiscal Priorities

Fiscal space for national priorities

FISCAL · economics

BORROWING IN P2030

£0

All expenditure funded from new revenues

FISCAL SPACE

£38 Billion / year

Estimated

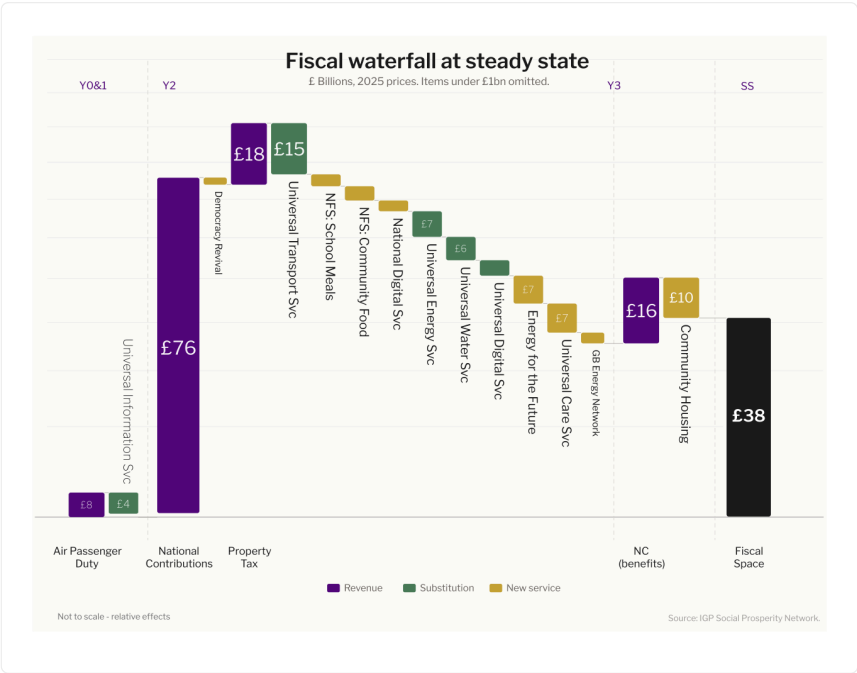
FISCAL SPACE CREATED

1.4% GDP / year

At Steady State

The P2030 programme is designed to create fiscal space for some of the national priorities that are otherwise unreachable in the current system. With taxes configured per this report, an additional £38B of revenues are generated that have not been allocated to any other policy in the programme.

The P2030 does not require any new borrowing and covers capital improvements to transport, housing, food, energy, and water out of revenues. So the 1.4% of GDP additional fiscal space is real.



DETAIL

The fiscal space would be enough to meet the UK’s NATO 2035 defence commitments, but what it is actually assigned to will be the privilege of the government that enacts the P2030 programme.

RELATED

Complements: [Fiscal space \(Article\)](#)

Funded by: [National Contributions \(Revenue Instrument\)](#)

FAQ

Abstract

ARTICLE

Prosperity 2030 addresses the gridlock facing developed nations, caught between debt, environmental limits, and rising insecurity. A coherent reform programme grounded in universal provision and planetary limits, it coordinates universal services, revenue reforms, and structural reforms to build the social contract, reduce the cost of living, and create fiscal space.

Policies designed to reduce general costs of living, sequenced with tax reforms, create political permission to generate fiscal space to fund priority obligations that are not otherwise accessible in developed nations.

A coordinated recomposition of collectively-provided social support towards unconditionally accessible Universal Services, that leverage greater efficiency in reducing the costs of living, offsets unavoidable distributional losers of higher taxes while strengthening reciprocity.

This report uses a prototype policy programme to demonstrate a design and sequencing implementation in the UK, as an example for a developed nation.

The current situation is gridlock.

- Citizens, who cannot tolerate further cost increases, have lost confidence in the efficacy of collective action
- States cannot raise the needed revenues for vital collective priorities
- Social, physical, and democratic structures that are decaying, despite their foundational importance

Refocusing fiscal structures away from individualised, market choices to collective responsibilities creates agency for citizen and state alike.

- Citizens currently constrained by costs of basic living, retreating social support, and weakened infrastructure, are liberated to make their contributions
- States constrained by debts and reliance on revenues from poorly designed tax systems that mechanistically, adversely impact citizens' costs of living, are enabled to address their priorities
- Foundational infrastructures of these societies, that currently languish under the dual constraints on citizen and state, are strengthened to build resilience

Modelling

ARTICLE · economics

To demonstrate the effects of policies, it is necessary to gauge how they change the situation. That means having a starting point and then evaluating the differences. This presents a problem when the situation is not fixed and the data to describe any point in time is inevitably lagging. So any model of policy changes must grapple with using historical data to describe a point in time and interpolate into the data gaps to compile a defined situation that can be used as the basis for the evaluation. So it is with this report and its models.

The model in this report uses base survey data from 2022 and 2023, combined with more recent data points, to construct a base configuration of UK society that approximates the situation in 2025. Policy effects are mapped onto that base, measuring **relative changes** in 2025 terms and values.

The Prosperity 2030 programme cannot start until after a General Election to gain the democratic mandate required to engage in the degree of reform proposed, hence the 2030 proposed starting date.

Unavoidably, the report presents results in 2025 terms for changes that will happen in 2030 through 2035. So it is the relative effects, which can be expected to remain constant, that are the key outputs of the modelling.

Econometrics

ARTICLE · economics

Analysis in this report leads with quantitative analysis using fiscal and economic metrics. This choice reflects an observation that fiscal constraints present the first barrier to action, and recognition that fiscal discipline is a valuable reflection of underlying biophysical constraints.

This limits the report to focussing on substantiating the effects on social and physical resilience using economic values. Analysis of the strengthened social cohesion and elevated efficacy of collective decision-taking would require post-factum qualitative analysis beyond the scope of this report, and so are speculative outcomes of the programme.

The British Academy's Sustainability and Social Value Working Group¹ (reporting jointly with HM Treasury and the Department for Business and Trade) concluded that GDP should be complemented by a wider set of comprehensive economic, social and environmental indicators. Prosperity 2030 takes that recommendation as starting position and proposes **Citizen Science** led Prosperity Indices as the operational companion measure.

GDP

The report uses GDP as a metric for fiscal space without endorsing GDP's credibility for anything except measuring debt sustainability.

REFERENCES

1. Abrams, D., Moore, H.L., Digby, J. and Wright, A. (2025) The importance of social investment for UK economic strategy. British Academy Policy Programme on Economic Strategy: Sustainability and Social Value Working Group. London: The British Academy. Available at: https://www.thebritishacademy.ac.uk/documents/5761/The_importance_of_social_investment_for_UK_economic_strategy.pdf (Accessed: 23 May 2026) ➔

Public v Private

ARTICLE · economics

A policy programme like that proposed in this report requires initiative to start in the public sector to set the objectives. But implementation through a dynamic and localised mixture of public and private delivery channels is both practically necessary and desirable.

Prosperity 2030 holds no creed about public versus private. Ownership is not one of its commitments. What it requires of any provider, public or private, is that they drive down the cost of basic living until cost is no longer a barrier to the society's long-term resilience. A British Academy working group¹ called for social and environmental value to be embedded in investment decision-making and policy development. Prosperity 2030 carries that further by specifying co-location of funding and responsibility where decision-taking power exists across local government and utility infrastructures.

Less than 20% of all the expenditure in the programme is specifically assigned to inescapably public responsibilities, such as digital and utility infrastructure and democratic upgrades, and some of those elements will include substantial private sector participation.

REFERENCES

1. Abrams, D., Moore, H.L., Digby, J. and Wright, A. (2025) The importance of social investment for UK economic strategy. British Academy Policy Programme on Economic Strategy: Sustainability and Social Value Working Group. London: The British Academy. Available at: https://www.thebritishacademy.ac.uk/documents/5761/The_importance_of_social_investment_for_UK_economic_strategy.pdf (Accessed: 23 May 2026) ↗

Uncertainty & Precision

ARTICLE

As current needs present an omni-faceted challenge to the current structures and priorities of societies, so a multi-faceted and holistic policy programme is needed to address them. This presents a substantial problem within the paradigm of academic work, which rightly tends towards the breakdown of complex systems into components that can be analysed more rigorously in isolation. The radical uncertainties introduced by the presentation of a programme that includes many discreet changes, many of which interact, leans against confidence that any specific finding, or even the entire edifice, withstands critique. Inevitably, inherent radical uncertainties pervade the exercise. Yet, it is precisely the responsibility to meet our inescapable obligation to address our long-term challenges that the academy is purposed for, so it is in alignment with *that* responsibility that this report is published.

Uncertainty is recognised throughout and, where the public data allows, mitigated by grounding each policy in it. Radical uncertainty, by contrast, is not something this report claims to remove.

Precision

Figures in this report are quoted to a consistent apparent precision, typically two decimal places of a billion, so that every table reconciles and every calculation can be reproduced and audited. That precision is a property of the arithmetic, not a claim about the world. Each model carries documented uncertainty: survey undercoverage and uprating assumptions in the tax models, behavioural ranges in the revenue estimates, demand and unit-cost assumptions in the service costings. These are stated in the relevant appendices, and in most cases the documented sensitivity band is wider than several units of the final printed digit. The meaningful outputs are therefore shape and ordering: which flows are large and which are small, the direction of distributional effects, and the existence of fiscal space at a scale that matters, not its second decimal. Where source ranges exist, the conservative end is selected. Published figures are not revised for movements smaller than their documented sensitivity bands; such movements are absorbed into the scheduled update cycle of this living document.

AI Usage

ARTICLE

The Prosperity 2030 programme in this report is the original product of the author. The ideas, structures, interdependencies, and designs are the product solely of the author.

Individual texts are marked as follows:

- **Author:** written by the author
 - Unmarked text is written by the author
- **Assisted:** written in collaboration with AI

If text is not marked, is written by the author.

The Appendices are substantially outputs at the conclusion of research activities with AI support. The Claude Opus (4.6-4.8) AI models have been used to research background data and develop models to support budgets and distributional impacts of individual policies using directions, instructions, and prompts from the author. All AI inputs, models, and outputs have been reviewed by the author.

The prosperity2030.uk website is built in collaboration with Claude and uses the Astro framework.

The website includes an [Ask](#) page that allows natural language query of only the report's contents, results generated using the Anthropic API, Sonnet model.

prosperity2030.uk site

ARTICLE

The Prosperity 2030 report is hosted on the website at prosperity2030.uk.

The site is built and maintained by the IGP, hosted on AWS London, and uses the free, open-source [Astro](#) publishing framework.

The site is continually updated by the IGP and the contents may change at any time as the report is updated. The timestamp of the version is in the footer text.

No tracking data is collected on this site, so you do not get a data sharing warning when you visit.

Acknowledgements

ARTICLE

Colleagues at the IGP have provided invaluable support, insights, and research, without which the Prosperity 2030 report would not exist. Especially Prof Henrietta Moore, who has been the Social Prosperity Network's determined and consistent sponsor over the last decade.

The P2030 reviewers who provided indispensable feedback that has strengthened the report. Especially Dr Nikolaos Tzivanakis, Senior Research Fellow - Head of Data, IGP, for review of the National Contributions tax modelling.

Also with thanks to:

- Anna Coote, New Economics Foundation (NEF), The Social Guarantee, and the Fairness Foundation for their work on Universal Basic Services
- Autonomy for their work on expanding the scope of Universal Basic Services and convening the [UBS Hub](#)
- All the [Flourish Forum 2025](#) participants for their courage in the face of the challenges addressed in P2030; for rooting the potential responses in lived experience; and for their hope and optimism for a better future
- Pistoletto Foundation & Cittadellarte, Biella, Italy for the inspiration of the Demopraxy model for the Flourish Forums
- Mater Foundation, Geneva, Switzerland
- Bel Crewe & my family for scepticism with love
- Jo Higgins for kind and patient editing

Appendices

Distributional Outcomes Headlines

APPENDIX · economics

Net effects of the Prosperity 2030 programme on household income, by household type and income quintile. This headlines view summarises the main distributional findings; a [companion appendix](#) carries the full grid of waterfalls for all household types at each quintile.

Net effect of the P2030 services and contributions architecture on five household types across five income quintiles. Steady-state figures, in £ per household per year.

Scope and method

The figures include: NC on earned income; NC on benefits (the parallel charge on working-age benefits); APD increases; and household-level savings from six universal services (Transport, Information, Digital, Energy, Water, Food). They exclude: Property Tax (homeowners only, scoped separately); housing investment, social care, and the hospice/Right to Life programme.

Household groups consolidate thirteen disaggregated sub-types (Single Pensioner, Partnered Pensioners, Single WA, WA Couple, Lone Parent + 1/2/3 children, Couple + 1/2/3/4 children, Multi-adult, Multi-adult + 1 child) into five categories by simple arithmetic mean. Quintiles are based on the household's position in the relevant income distribution for its type.

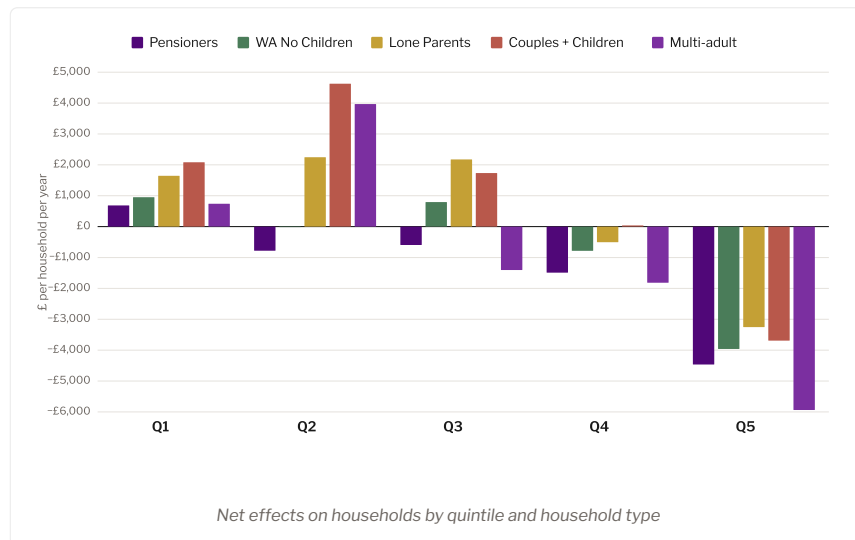
Phase-in: Transport and Information in Year 1; NC, Digital and Food in Year 2; Energy and Water in later phases. The Benefits NC component is tapered over three years. Figures here show the steady-state position once all components are bedded in.

Take Up

The effects depend substantially on modelling decisions about the take up of the Universal Services. In practice, behaviour will vary between households with the same profile and income depending on their decisions about how often to use the Services, how some of the Services are deployed locally, and over time as the Services scale up.

The results presented here can only be indicative as they are based on subjective assignments of behaviour to cohorts that will contain large variations in practice.

Net effect across all twenty-five cells



The chart reads as a progressive distributional architecture. The bottom 60% of households (Q1 to Q3) are mostly net beneficiaries. The top 40% (Q4 to Q5) are mostly net contributors. The crossover happens between Q3 and Q4 for most household types, and earlier (Q1 to Q2) for pensioners.

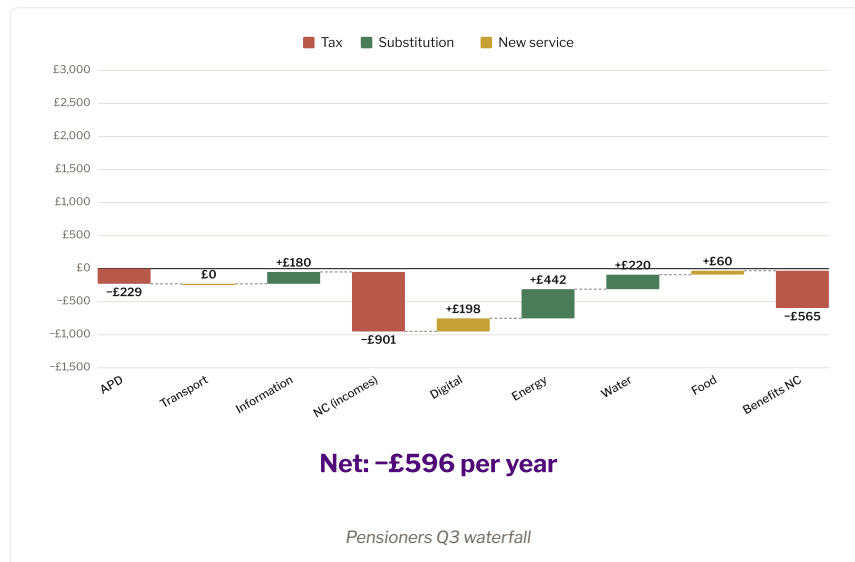
Two patterns deserve naming. First, pensioner households are the least-favoured group at every quintile. They receive zero Transport saving (already on free buses), their Energy savings shrink faster as incomes rise (Partnered Pensioners at Q5 are net contributors to Energy at –£241), and NC applies to pension income exactly as it does to wages. They are the only household type net negative at Q2.

Second, multi-adult households have the steepest gradient from gain to loss. The biggest single gain in the matrix is Couples + Children at Q2 (+£4,627), but Multi-adult at Q2 is close behind (+£3,969), and Multi-adult at Q5 is the deepest single loss (–£5,940). The reason is structural: the savings stack scales sub-linearly with adults (Water is universal per household, Energy is largely per household with variation between sub-types), while NC scales with each adult's income.

Median household (Q3) waterfalls

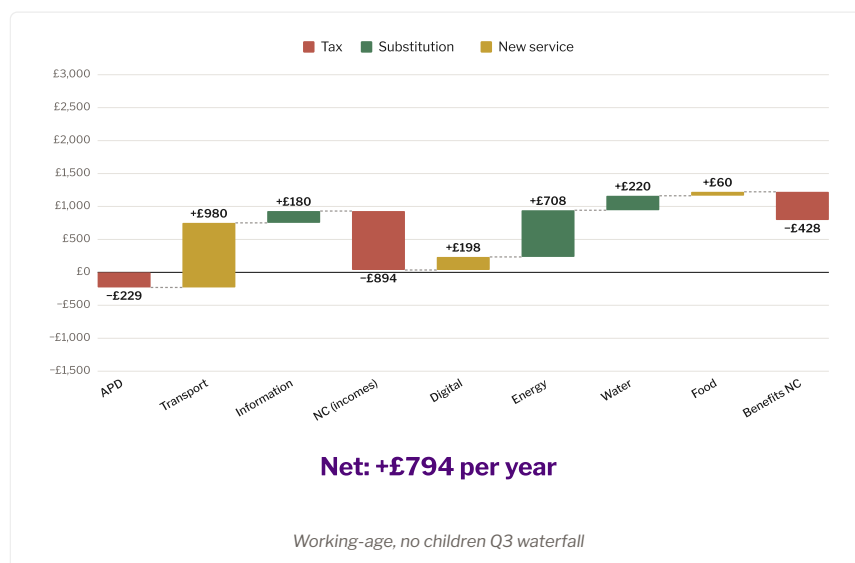
The five charts below show the line-item composition of the Q3 result for each household type. Q3 is the median household in its category. Colours reflect programme category: coral for taxes, sage for substitutions of existing private spend by universal services, gold for new services, indigo for the Net total.

Pensioners (Q3): –£596



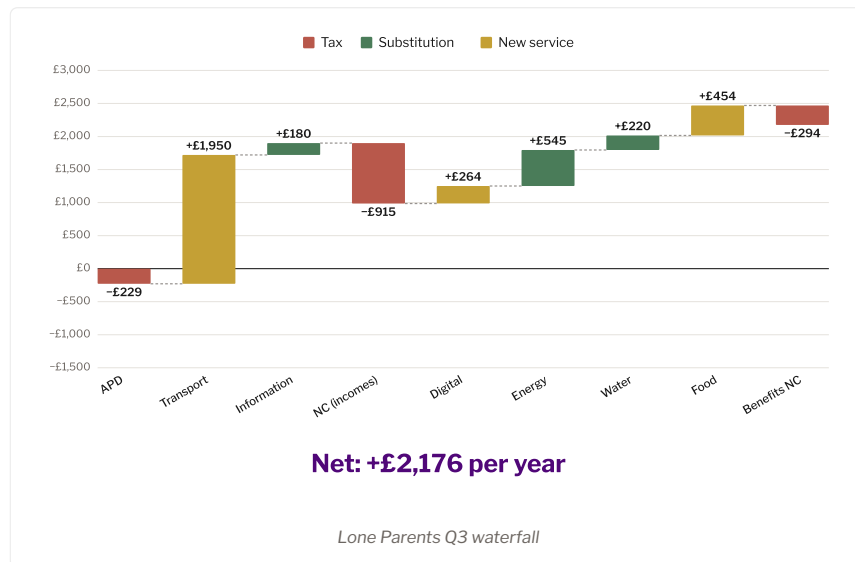
The clearest negative in the median row. The household pays a real earned-income contribution on pension income (–£901), a Benefits NC bite (–£565), and APD. The savings stack is dominated by Energy (£442), Water (£220), Digital (£198), and Information (£180). The crucial missing line is Transport, which is zero for pensioner households because they already receive free local bus travel.

WA No Children (Q3): +£794



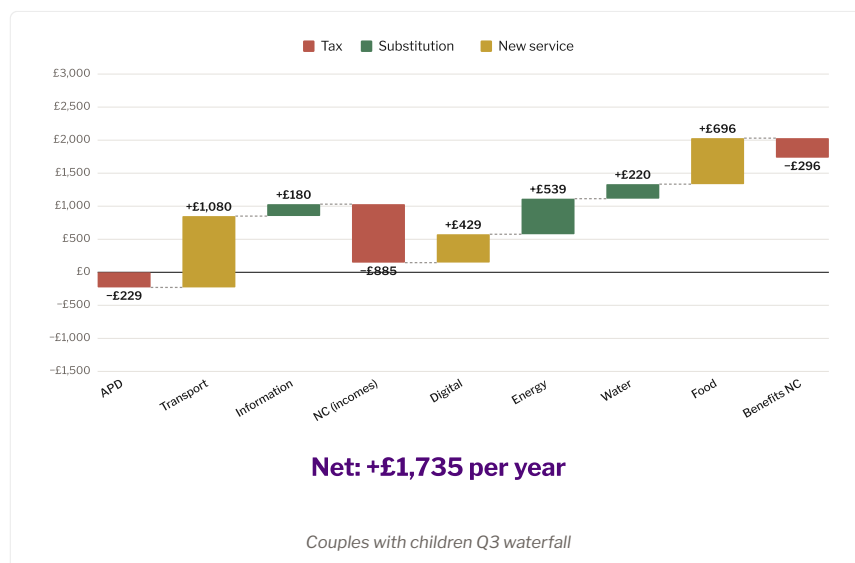
Net positive, driven by Transport (£980 on average across single WA and WA couples, with the single WA at this quintile capturing the premium commuting subsidy of £1,560). The earned-income NC is the single largest cost; the savings stack covers it.

Lone Parents (Q3): +£2,176



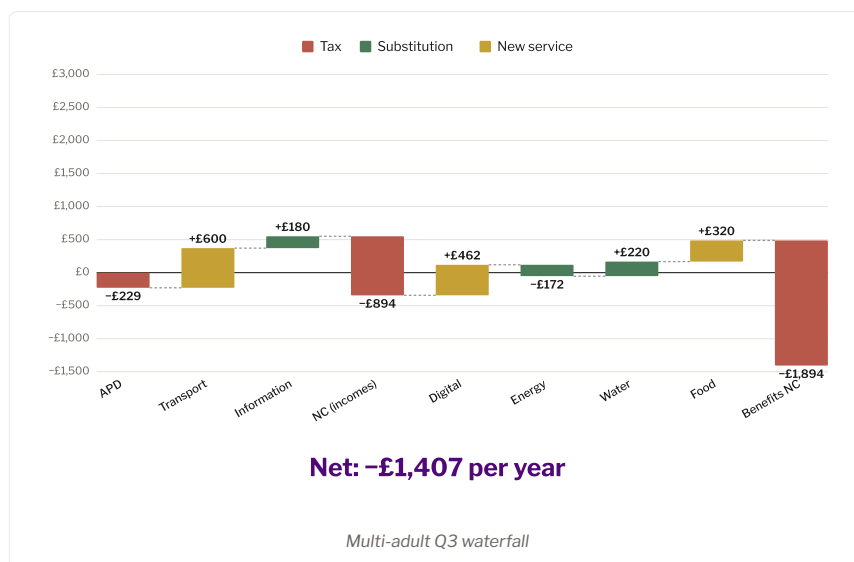
The largest net positive at Q3. Transport (£1,950, scaled by family size), Food (£454, community food centre access for school-age children), and Energy (£545) all contribute. The Benefits NC line stays small (-£294), much smaller than the equivalent line for pensioner or single working-age households at this quintile.

Couples + Children (Q3): +£1,735



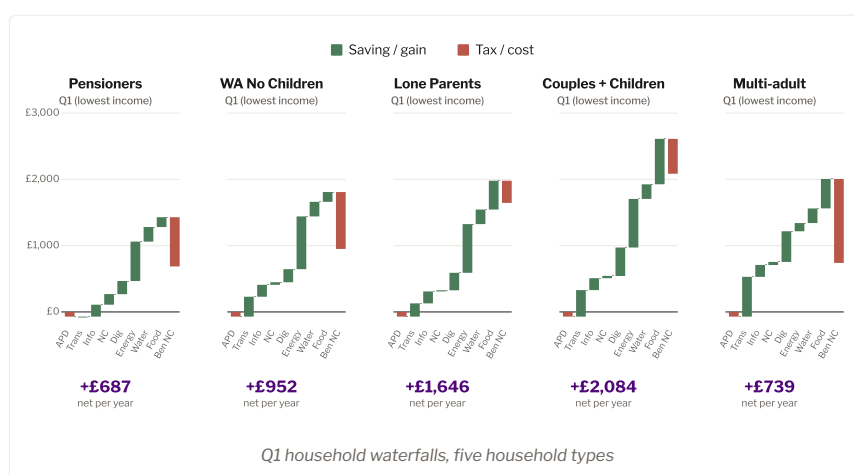
A meaningful positive, though smaller than at Q2. Transport at Q3 (£1,080) averages across one sub-type (Couple + 1 child) still showing a Transport saving of £3,120 and three larger sub-types dropping to £400. From Q4 onwards the household shifts predominantly to private transport. The savings stack (Food, Energy, Digital, Information, Water) is still substantial relative to the NC line.

Multi-adult (Q3): -£1,407



The other clearly negative Q3 result. The Benefits NC line at this cell (−£1,894) is the largest single Benefits NC bite anywhere in the matrix, with three working-age adults' benefits each taxed without children to mitigate. The household also pays earned-income NC on each adult, and the Energy line at this household type is now negative (−£172).

Q1 households (bottom quintile)



Every Q1 household type is net positive, ranging from +£687 (Pensioners) to +£2,084 (Couples + Children). The pattern is consistent: at Q1, the earned-income NC component is essentially zero or slightly positive (incomes below the contribution threshold), the Benefits NC bite is the dominant cost line, and the savings stack delivers most of its full value. The gradient through the five household types reflects household size, since Energy, Food and Digital savings all scale with size while the tax burden does not.

Pensioners gain least at Q1 because they receive no Transport saving. Couples + Children and Multi-adult gain most in absolute terms because their savings stack scales with both children and adults.

Q4 and Q5 households

By Q4, four of five household types are net negative. The exception is Couples + Children, which sits essentially at zero (+£38). By Q5, every household type is net

negative, ranging from –£3,255 (Lone Parents) to –£5,940 (Multi-adult).

The full quintile-by-quintile detail for each household type, including line-item data tables, is in the companion *Distributional Outcomes (Detail)* appendix (see Related section below).

Source: IGP Social Prosperity Network. Steady-state programme assumptions, household-level model based on FRS microdata aggregated across thirteen disaggregated household sub-types.

RELATED

Complements: [Distributional Outcomes : Detailed \(Appendix\)](#)

Referenced by: [Distributional Outcomes : Detailed \(Appendix\)](#), [Household Effects \(Household Effect\)](#), [Household effects modelling \(Household Effect\)](#), [Overall Effects \(Household Effect\)](#)

Distributional Outcomes : Detailed

APPENDIX · economics

Full distributional view: every cell of the household-by-quintile model, with line-item waterfalls and underlying data tables. Companion to the *Distributional Outcomes (Headlines)* appendix, which carries the methodology, scope, and headline summary.

Each section covers one household type with a row of five waterfalls showing the gradient through the income quintiles from Q1 (lowest fifth) to Q5 (top fifth). Line items appear in a fixed order in every chart: APD, Transport, Information, NC (incomes), Digital, Energy, Water, Food, Benefits NC, Net. The y-axis range is set per household type so that quintiles within a section can be compared directly. Cross-household comparison is what the column chart in the Headlines appendix is for.

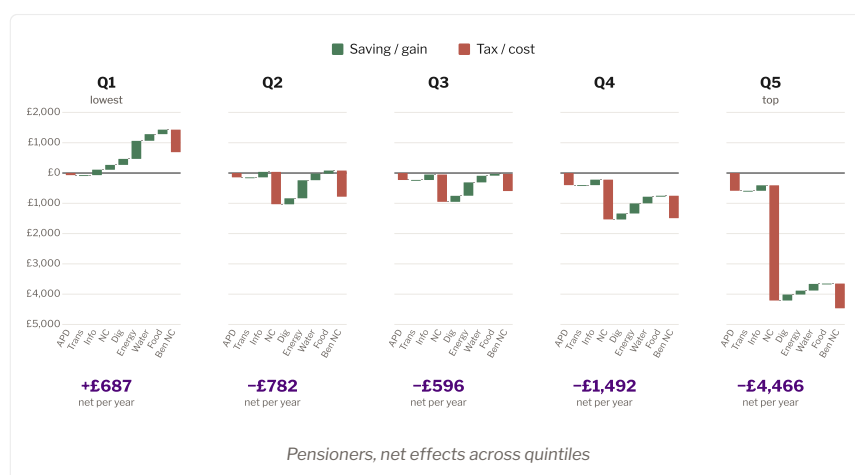
Charts use semantic two-colour shading: sage for any saving or gain, coral for any tax or cost. The Net total for each quintile appears as a large indigo figure below the chart. Numbers in the data tables are in £ per household per year at programme steady state.

Take Up

The effects depend substantially on modelling decisions about the take up of the Universal Services. In practice, behaviour will vary between households with the same profile and income depending on their decisions about how often to use the Services, how some of the Services are deployed locally, and over time as the Services scale up.

The results presented here can only be indicative as they are based on subjective assignments of behaviour to cohorts that will contain large variations in practice.

Pensioners

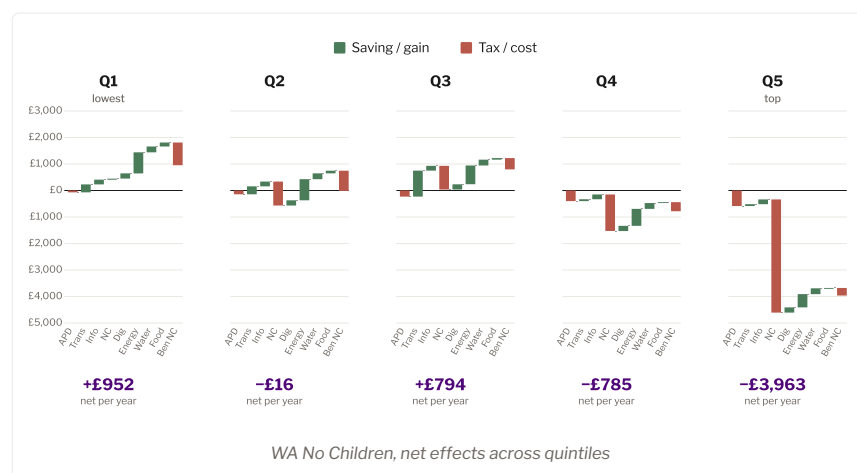


The pensioner gradient turns negative at Q2 and stays there. The structural reasons are three. First, Transport saving is zero in every quintile because pensioners already receive free local bus travel; the universal entitlement adds no new household value. Second, Energy saving scales out faster than for other household types: it falls from £594 at Q1 to £129 at Q5 (where Partnered Pensioners reach a small Energy cost). Third, NC on incomes applies to pension income exactly as to wages, growing continuously through the quintiles from a

small positive at Q1 (+£160) to a substantial cost at Q5 (–£3,803). The gains that hold across all quintiles are Information (£180), Digital (£198), and Water (£220); Energy is larger at Q1 to Q3 but tapers.

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
APD	–£71	–£143	–£229	–£400	–£586
Transport	£0	£0	£0	£0	£0
Information	£180	£180	£180	£180	£180
NC (incomes)	£160	–£1,069	–£901	–£1,314	–£3,803
Digital	£198	£198	£198	£198	£198
Energy	£594	£594	£442	£333	£129
Water	£220	£220	£220	£220	£220
Food	£148	£102	£60	£33	£14
Benefits NC	–£743	–£864	–£565	–£742	–£818
Net total	£687	–£782	–£596	–£1,492	–£4,466

WA No Children

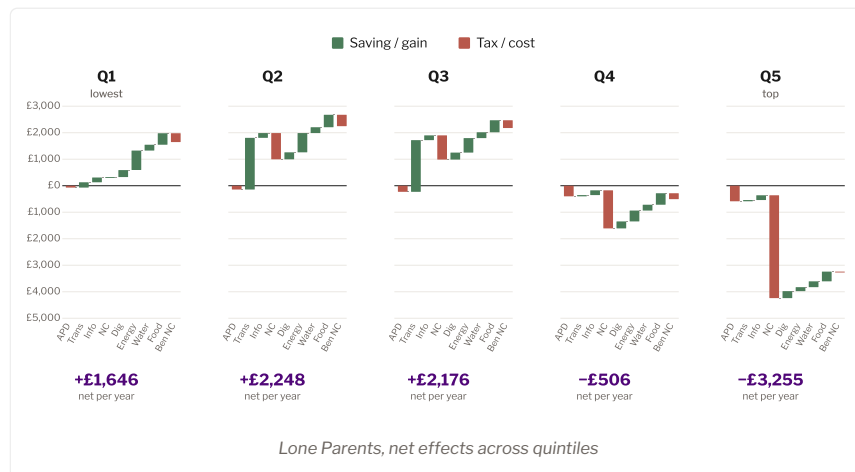


Working-age households without children show a non-monotonic gradient: Q3 is more positive than Q2. The Q2 Transport saving averages £300; Q3 single WA workers (likely to be in full time employment) access the full Transport savings of £1,560, lifting the aggregate Transport line at Q3 to £980. From Q4 onwards, the earned-income NC dominates, taking the household clearly negative.

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
APD	–£71	–£143	–£229	–£400	–£586
Transport	£300	£300	£980	£68	£68
Information	£180	£180	£180	£180	£180
NC (incomes)	£38	–£905	–£894	–£1,378	–£4,269
Digital	£198	£198	£198	£198	£198
Energy	£796	£796	£708	£639	£499
Water	£220	£220	£220	£220	£220
Food	£148	£102	£60	£33	£14

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
Benefits NC	-£858	-£764	-£428	-£345	-£287
Net total	£952	-£16	£794	-£785	-£3,963

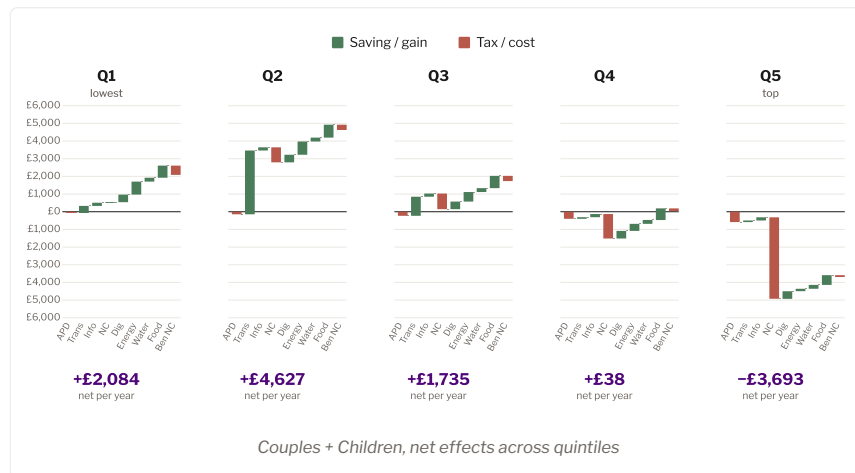
Lone Parents



Lone parents are the household type that benefits most consistently across quintiles. Net effect is positive through Q3 and only modestly negative at Q4 (–£506). The pattern reflects two features of the underlying data. The Benefits NC bite stays small throughout (from –£334 at Q1 to –£14 at Q5), much smaller than the equivalent line for pensioner or single working-age households at the same quintile. And Food saving scales with the number of school-age children, holding up across quintiles from £434 at Q1 to £366 at Q5. The Q5 Lone Parents loss (–£3,255) is the smallest absolute Q5 loss across all five household types.

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
APD	-£71	-£143	-£229	-£400	-£586
Transport	£200	£1,950	£1,950	£46	£46
Information	£180	£180	£180	£180	£180
NC (incomes)	£18	-£990	-£915	-£1,436	-£3,882
Digital	£264	£264	£264	£264	£264
Energy	£735	£727	£545	£409	£151
Water	£220	£220	£220	£220	£220
Food	£434	£470	£454	£433	£366
Benefits NC	-£334	-£430	-£294	-£222	-£14
Net total	£1,646	£2,248	£2,176	-£506	-£3,255

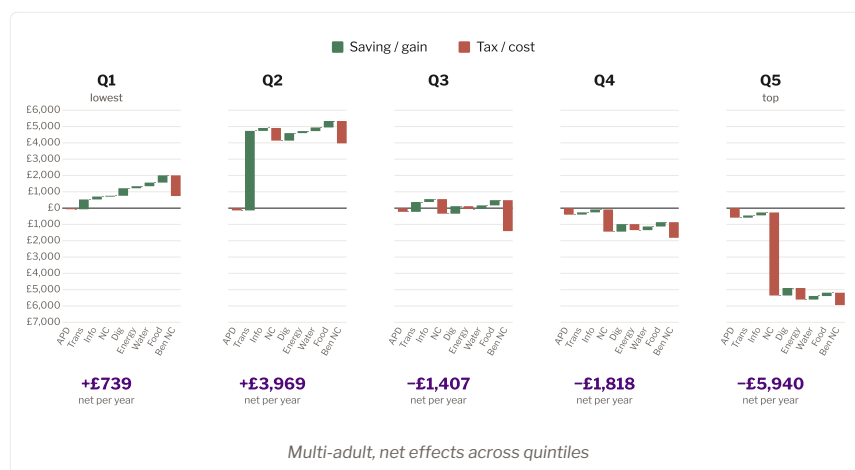
Couples + Children



Couples with children show the largest single net gain anywhere in the matrix: +£4,627 at Q2. The driver is Transport. At Q2 a two-adult-commuter household shows an aggregate Transport saving of £3,608, the biggest of any cell. Energy savings also peak slightly at Q2 (£751 versus £733 at Q1). From Q3 onwards, Transport falls sharply as larger households shift to private transport, while the earned-income NC grows. By Q4 the household is roughly at break-even (£38); by Q5 it is clearly negative (-£3,693).

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
APD	-£71	-£143	-£229	-£400	-£586
Transport	£400	£3,608	£1,080	£91	£91
Information	£180	£180	£180	£180	£180
NC (incomes)	£34	-£850	-£885	-£1,386	-£4,612
Digital	£429	£429	£429	£429	£429
Energy	£733	£751	£539	£400	£136
Water	£220	£220	£220	£220	£220
Food	£686	£730	£696	£658	£552
Benefits NC	-£527	-£298	-£296	-£153	-£103
Net total	£2,084	£4,627	£1,735	£38	-£3,693

Multi-adult



Multi-adult households have the steepest gradient in the matrix. Q2 is strongly positive (+£3,969), driven by a large aggregate Transport saving (£4,875, three commuting adults averaged across the two sub-types). By Q3 the household is already clearly negative (–£1,407), and the loss deepens through Q4 and Q5. Two structural features drive this. The household-level savings (Water is universal at £220; Energy is largely per household; Food and Digital scale by household structure rather than by adult count) do not grow proportionally with the number of adults. The earned-income NC, by contrast, scales with each adult's income. And the Benefits NC line at Q3 (–£1,894) is the largest single Benefits NC bite in the entire matrix, with three working-age adults' benefits each taxed without children to mitigate. By Q5 the household contributes –£5,940, the deepest single loss across any household type.

Line item (£/yr)	Q1	Q2	Q3	Q4	Q5
APD	–£71	–£143	–£229	–£400	–£586
Transport	£600	£4,875	£600	£137	£137
Information	£180	£180	£180	£180	£180
NC (incomes)	£46	–£775	–£894	–£1,362	–£5,090
Digital	£462	£462	£462	£462	£462
Energy	£124	£124	–£172	–£366	–£710
Water	£220	£220	£220	£220	£220
Food	£444	£394	£320	£268	£205
Benefits NC	–£1,267	–£1,368	–£1,894	–£957	–£757
Net total	£739	£3,969	–£1,407	–£1,818	–£5,940

Source: IGP Social Prosperity Network. Refer to *Distributional Outcomes (Headlines)* for methodology, scope, and phase-in notes.

RELATED

Complements: [Distributional Outcomes Headlines \(Appendix\)](#)

Appendices: [Distributional Outcomes Headlines \(Appendix\)](#), [Methodology: NC in Household Effects \(Appendix\)](#)

Referenced by: [Household effects modelling \(Household Effect\)](#), [National Contributions on Benefits \(Household Effect\)](#), [Overall Effects \(Household Effect\)](#)

Methodology: NC in Household Effects

APPENDIX

A substantial portion of the proposed Universal Services relate to reductions in the cost of living per household, rather than per person. To estimate the effects on households we take the MIS household types as a base as this allows looking across various configurations of adults and children.

The analysis can only approximate effects because different household configurations can and do have mixed incomes across the adults in a household. So while the value of the Universal Services is relatively easy to assign, the increases in taxation as a result of National Contributions, applied to benefit income or other income, has been simplified into quintiles.

Methodology: Household Liability on Benefits

To arrive at the distributional effects of National Contributions in combination with Universal Services we model additional taxes due under NC versus the current tax system and include that in the calculations of overall disposable income effects on each household type in each quintile of the income range.

For households in Q1 we assume, reasonably, that the Voluntary National Contributions threshold exceeds total income. The uprated 2025 income lower bound for the 20th percentile is £12,869 and the VNC threshold is set at £12,570. Any income, from benefits or other sources, would fall substantially within the VNC threshold and we have assumed that 0% of VNC contributions are paid.

For benefit incomes in Q2 through Q5 we have scaled the benefit income to percentages of the calculated benefit entitlements 44%, 18%, 10%, 6%. FRS data shows that cash benefit income extends throughout the income range and these percentages were selected to match the proportionality between quintiles observed in the FRS data.

In order to estimate the net effects on different household types, we use the following logic:

- Benefit Income for HH type from FRS data
- Primary income for HH type from FRS data
- Applied NC tax effective rate at Primary NC income percentile to the Primary income
- Applied NC tax marginal rate at Primary NC income percentile to the Benefit income with allowances for each dependent child

This results in 2 values: NC liability on Primary Income, and NC due on Benefits income. As NC on Benefits phases in over three years, delayed by one year from the introduction of NC, the values can be applied separately to waterfalls of the effects on household disposable income.

IGP P2030 Model ref: HH13 × Quintile NC Tax Tables

RELATED

Appendices: [National Contributions on benefit income at household-level \(Appendix\)](#)

Referenced by: [Distributional Outcomes : Detailed \(Appendix\)](#) [Overall Effects \(Household Effect\)](#)

Free National Bus Service

APPENDIX · transport, community

Capacity, Costings, and Cross-Country Comparisons

1. Summary of Proposal

This appendix sets out the evidence base for a national programme to double local bus passenger journeys across Great Britain, from approximately 4.0 billion to 8.0 billion trips per year, phased over four years. The service would be entirely free at the point of use for all passengers on local bus routes. This entails both the provision of 4.0 billion additional trips per year on expanded services and the replacement of approximately £3.55 billion per year in existing fare revenue currently collected from passengers on the pre-existing network.

The target of 4.0 billion additional trips per year is not arbitrary. It is the point at which three independently defensible benchmarks converge: matching Germany’s per-capita public transport usage, extending to the rest of England approximately half the bus service intensity that London already enjoys, and restoring national per-capita bus use to levels last seen before deregulation in 1986. When three different methodologies produce the same answer, that answer merits serious consideration.

2. Historical Context: UK Bus Capacity and Decline

2.1 The Scale of Loss

The United Kingdom was once among the most intensive users of bus transport in the developed world. In 1950, London alone recorded 4.5 billion bus passenger journeys — more than the entirety of Great Britain manages today. Nationally, total bus passenger journeys exceeded 16 billion per year in the early 1950s, serving a population of approximately 50 million. By the time of deregulation under the Transport Act 1985, annual journeys across Great Britain had fallen to approximately 5.7 billion, and the decline accelerated thereafter outside London. The most recent official data (DfT BUS01, year ending March 2025) records 4.0 billion local bus passenger journeys across Great Britain, serving a population of 67 million.

This represents a collapse from roughly 320 bus trips per capita in 1950 to approximately 60 per capita today. The decline was not uniform. London, which retained a franchised, publicly planned bus network under Transport for London, experienced a 69 per cent increase in ridership between 2000 and 2010 following sustained investment in frequency, bus priority, and fare integration. The rest of England, subject to the deregulated market created by the 1985 Act, saw continuous decline, with passenger journeys outside London falling by more than a third since 1985–86.

2.2 Key Historical Milestones

Year	Event	Impact on Bus Use
1950	Post-war peak	~16bn trips/yr nationally; London alone 4.5bn
1962	Mass car ownership accelerates	London bus trips fall to 3.1bn
1968	Transport Act	Framework for subsidy of socially necessary services

Year	Event	Impact on Bus Use
1985	Transport Act (deregulation)	Bus use outside London begins sustained decline
1986	Deregulation takes effect	GB total ~5.7bn trips
2000–10	London bus renaissance	Ridership +69% through franchising, frequency, priority
2008–09	English National Concessionary Scheme	Brief national uplift; England peaks at ~4.7bn trips
2020–21	COVID-19 pandemic	Collapse to 1.57bn England trips (–61%)
2024–25	£2/£3 bus fare cap; partial recovery	3.7bn England trips; 4.0bn GB (90% of pre-pandemic)

2.3 The London Counter-Factual

London's experience between 2000 and 2014 demonstrates that bus ridership decline is a policy choice, not an inevitability. Under TfL's franchised model, bus journeys in London grew from approximately 1.3 billion in 1999–2000 to a peak of 2.4 billion by 2013–14. This was achieved through route planning, frequency guarantees, bus priority lanes, integrated ticketing (Oyster), and the congestion charge. The bus fleet grew from around 5,500 to over 8,000 vehicles. By 2024–25, Londoners were making approximately 200 bus trips per capita per year, compared with just 37 per capita in the rest of England. The gap between London and the rest of England — 200 versus 37 trips per capita — is not a demand gap. It is a policy gap.

3. Target Derivation: Why 4 Billion Additional Trips

3.1 Benchmark 1: Matching Germany

Germany recorded 9.86 billion public transport passenger trips in 2025, serving a population of 84 million, equating to approximately 117 trips per capita. The United Kingdom, with 67 million people, currently achieves roughly 85 public transport trips per capita across all modes. Doubling bus trips alone would bring the UK to approximately 145 combined public transport trips per capita — modestly above Germany, but Germany benefits from extensive tram and regional rail networks that the UK lacks, making higher per-capita bus use a structural necessity in the British context.

3.2 Benchmark 2: Extending London-Level Service

London achieves approximately 200 bus trips per capita. England outside London manages 37. The non-London population of England is approximately 47 million. Raising non-London England from 37 to 100 trips per capita would generate approximately 2.96 billion additional trips from England alone. Adding proportionate uplifts for Scotland and Wales, plus moderate further growth within London, produces a national target of approximately 4.0 billion additional trips.

3.3 Benchmark 3: Restoring Pre-Deregulation Per-Capita Usage

In 1985–86, the year before deregulation, Great Britain recorded approximately 5.7 billion bus trips on a population of 56 million — roughly 102 trips per capita. Applying 102 trips per capita to today's population of 67 million yields 6.8 billion trips. The target of 8.0 billion total trips is modestly above this, accounting for increased spatial dispersion of population, growth of edge-of-town employment and retail, and the healthcare, education and welfare journeys that did not exist at their current scale in 1986.

3.4 Demand Elasticity Evidence

The academic literature on bus demand supports the feasibility of a doubling under the proposed policy mix. Balcombe *et al.* (2004) report bus service elasticities of 0.4–0.7 in the medium term: doubling frequency generates 40–70 per cent more trips. Fare elasticities are typically estimated at –0.3 to –0.5, implying that halving fares generates 30–50 per cent more trips. The elimination of fares entirely represents a more powerful intervention than any reduction modelled in the standard elasticity literature, because it removes not only the financial cost but the transactional friction of fare payment, ticket purchase, and fare uncertainty. International evidence from fare-free transit systems (Tallinn, Luxembourg, Kansas City) suggests ridership increases of 10–40 per cent from fare abolition alone, even without service expansion.

Germany's Deutschlandticket provides further corroboration. The introduction of a flat-rate €49/month public transport pass in May 2023 generated a 6 per cent increase in local transport use within a year, with approximately 21 per cent of trips made with the ticket being journeys that would not otherwise have occurred on public transport. Germany achieved this through fare simplification alone, without corresponding service expansion. The UK proposal combines complete fare abolition with simultaneous frequency doubling — a considerably more powerful dual intervention than anything yet attempted in a major European economy.

4. Ridership Projections

The following projections model ridership growth over the four-year phase-in period. They assume a linear ramp in service provision (25% / 50% / 75% / 100% of target capacity) and apply a demand response function in which ridership slightly lags service expansion in early years due to behavioural adjustment, then converges by Year 4. It should be noted that fare abolition is likely to produce a stronger initial demand response than modelled here; the conservative demand response factors below are anchored to service deployment capacity rather than demand appetite.

Metric	Baseline	Year 1	Year 2	Year 3	Year 4 (Steady State)
Service capacity deployed (% of target)	—	25%	50%	75%	100%
Demand response factor	—	0.80	0.90	0.95	1.00
Additional trips (bn)	0	0.80	1.80	2.85	4.00
Total GB trips (bn)	4.00	4.80	5.80	6.85	8.00
GB trips per capita	60	72	87	102	119
England outside London trips per capita	37	48	62	80	~100
London trips per capita	~200	~208	~215	~222	~230

The demand response factors are deliberately conservative. In Year 1, new routes are assumed to attract only 80 per cent of their eventual steady-state ridership as residents discover services and adjust travel patterns. This is consistent with TfL's operational experience, where new route introductions typically achieve 80–85 per cent of forecast ridership in their first year. By Year 4, the full demand response is realised. In practice, the elimination of fares may accelerate the

demand response curve, particularly for lower-income households for whom fare cost is the binding constraint.

5. Existing Fleet Capacity and Initial Ridership Absorption

A common objection to programmes of this kind is that ridership cannot grow until new infrastructure is in place — that buses must be procured, depots built, and drivers trained before any increase in passenger numbers can be realised. The evidence does not support this. The existing UK bus fleet operates with very substantial spare capacity, and the initial ridership response to fare abolition can be largely absorbed by the network already in service.

5.1 Current Occupancy Rates

DfT data (BUS03, derived from passenger-miles divided by vehicle-miles) report average bus occupancy across Great Britain at approximately 11.8 passengers per bus at any given point in time (2019–20, the most recent pre-pandemic year). This figure varies significantly by area:

Area	Average Occupancy (passengers per bus)
London	18.7
English metropolitan areas	10.8
English non-metropolitan areas	10.6
Scotland	7.6
Wales	8.8
Great Britain	11.8

A typical UK double-decker bus seats approximately 65–80 passengers; a single-decker seats 40–54. With the national fleet split roughly evenly between the two types (more heavily double-decker in London), a reasonable weighted average seating capacity is approximately 60 seats. Average occupancy of 11.8 passengers on a bus with 60 seats implies a national average load factor of approximately **20 per cent**. Even London, with the most intensively used bus network in the country, operates at only around 27 per cent average seat occupancy.

The existing Great Britain bus fleet of approximately 36,000 vehicles is, in aggregate, running at roughly 80 per cent spare capacity.

5.2 Implications for the Transition Period

This spare capacity has a direct bearing on the feasibility of the programme's early years. Fare abolition is an instantaneous policy intervention: it takes effect on day one, before any new bus has been procured or any new driver recruited. The demand response to free fares — which international evidence suggests could generate a 10–40 per cent ridership increase from fare removal alone, even without service expansion — would fall initially on the existing fleet.

If average occupancy across Great Britain rose from 11.8 to approximately 17–18 passengers per bus (still only 28–30 per cent of seating capacity, and below London's current average), that increase alone would represent approximately 1.5–2.0 billion additional trips per year absorbed entirely within the existing network. No new buses, no new depots, no new drivers. The existing infrastructure can accommodate a very large initial ridership surge.

This does not mean that investment in new fleet and expanded services is unnecessary. The spare capacity is not uniformly distributed: peak-hour services in London and major cities already operate at significantly higher occupancy, and some routes are genuinely capacity-constrained. Rural and off-peak services, by contrast, may carry only 3–5 passengers per bus. Fare abolition is likely to generate its strongest initial demand on already-busy urban corridors, precisely where spare capacity is thinnest. Network expansion — new routes, higher frequencies, extended operating hours, and service to areas currently without buses — remains essential to realising the full 4.0 billion additional trips.

The point is one of sequencing, not substitution. The existing spare capacity provides a buffer that allows ridership growth to begin immediately upon fare abolition, while the four-year programme of fleet procurement, depot construction, and driver recruitment proceeds in parallel. The critique that infrastructure must precede growth is contradicted by the data: the infrastructure for an initial doubling of average load factor is already in place.

6. Resource Allocation: Four-Year Programme

6.1 Assumptions and Cost Structure

All costings are derived from a single master input (4.00 billion additional trips at steady state). Operating cost assumptions separate driver labour costs from non-driver operating costs to ensure transparent accounting with no double-counting.

DfT BUS04 reports average total operating expenditure of approximately £1.67 per trip across Great Britain. Industry data indicate that driver wages account for 40–45 per cent of this total (£0.67–£0.75 per trip), with the remaining 55–60 per cent (£0.92–£1.00 per trip) covering fuel and energy, vehicle maintenance, insurance and licensing, and management overheads. For new marginal services, non-driver operating costs are modelled at 60–80 per cent of the average non-driver rate, reflecting that some overhead costs (management, administration, back-office) do not scale linearly with service expansion while variable costs (fuel, maintenance, parts) do.

Parameter	Value	Source / Basis
<i>Capital costs:</i>		
Blended bus unit cost (70% EV / 30% diesel)	£350,000	BYD eBus ~£400k; diesel ~£200k; 2024 pricing
Depot electrification cost per bus	£50,000	Chargers, grid upgrades, smart charging
Bus stop / shelter infrastructure per bus	£15,000	Stops, shelters, real-time passenger information
Road infrastructure per year (during build)	£1.00bn	Bus lanes, priority signals, junction treatments
IT systems per year (during build)	£0.50bn	Real-time information, operations management
<i>Operating costs — driver labour:</i>		
Bus driver salary (inc. NI, pension)	£38,000/yr	Median + employer on-costs
Driver training cost per recruit	£3,500	PCV licence + Driver CPC

Parameter	Value	Source / Basis
<i>Operating costs — non-driver (per trip):</i>		
Marginal non-driver cost (LOW)	£0.55	60% of avg non-driver cost £0.92
Marginal non-driver cost (HIGH)	£0.80	80% of avg non-driver cost £1.00
<i>Covers: fuel/energy, vehicle maintenance & parts, insurance, licensing, management overheads</i>		
<i>Other operating costs:</i>		
Depot running cost per bus per year	£2,500	Electricity, maintenance, cleaning
<i>Revenue replacement:</i>		
Existing annual fare revenue to replace	£3.55bn	DfT BUS04; operator farebox 2023–24

6.2 Physical Resource Requirements

Resource	Year 1	Year 2	Year 3	Year 4	Total
Additional buses procured	8,930	8,930	8,930	8,930	35,722
Cumulative fleet addition	8,930	17,861	26,792	35,722	—
Drivers recruited	19,844	19,844	19,844	19,844	79,374
Cumulative driver workforce addition	19,844	39,688	59,531	79,374	—
New depots built	112	112	112	112	447
Cumulative depots	112	223	335	447	—

6.3 Capital Expenditure (£ Billions)

Capital Item	Year 1	Year 2	Year 3	Year 4	4-Yr Total
Bus procurement	3.13	3.13	3.13	3.13	12.50
Depot construction & electrification	0.45	0.45	0.45	0.45	1.79
Bus stops, shelters & passenger info	0.13	0.13	0.13	0.13	0.54
Road infrastructure (bus lanes, priority)	1.00	1.00	1.00	1.00	4.00
IT systems & real-time information	0.50	0.50	0.50	0.50	2.00
Total CAPEX	5.21	5.21	5.21	5.21	20.84

6.4 Operating Expenditure (£ Billions)

Under a fully free service, there is no fare revenue to offset operating costs. Additionally, the existing fare revenue of £3.55 billion per year currently collected from passengers on the pre-existing network must be replaced by public funding from Year 1. Operating costs are decomposed into non-driver variable costs (fuel, maintenance, insurance, overheads) and driver labour (wages, recruitment, training), with no overlap between the two categories.

Operating Item	Year 1	Year 2	Year 3	Year 4	4-Yr Total
<i>New service — non-driver costs:</i>					

Operating Item	Year 1	Year 2	Year 3	Year 4	4-Yr Total
Non-driver operating cost (LOW, £0.55/trip)	0.44	0.99	1.57	2.20	5.20
Non-driver operating cost (HIGH, £0.80/trip)	0.64	1.44	2.28	3.20	7.56
<i>New service — driver labour:</i>					
Driver wage bill (cumulative workforce)	0.75	1.51	2.26	3.02	7.54
Driver recruitment & training	0.07	0.07	0.07	0.07	0.28
<i>New service — depot operations:</i>					
Depot running costs	0.02	0.04	0.07	0.09	0.22
Subtotal: new service OPEX (LOW)	1.28	2.61	3.97	5.38	13.24
Subtotal: new service OPEX (HIGH)	1.48	3.06	4.68	6.38	15.60
<i>Existing fare revenue replacement:</i>					
Farebox replacement (existing network)	3.55	3.55	3.55	3.55	14.20
Total OPEX (LOW)	4.83	6.16	7.52	8.93	27.44
Total OPEX (HIGH)	5.03	6.61	8.23	9.93	29.80

6.5 Combined Fiscal Envelope (£ Billions)

Total Programme Cost	Year 1	Year 2	Year 3	Year 4	4-Yr Total
Capital expenditure	5.21	5.21	5.21	5.21	20.84
Operating expenditure (LOW)	4.83	6.16	7.52	8.93	27.44
Programme total (LOW)	10.04	11.37	12.73	14.14	48.28
Operating expenditure (HIGH)	5.03	6.61	8.23	9.93	29.80
Programme total (HIGH)	10.24	11.82	13.44	15.14	50.64
Existing government bus support (baseline)	3.15	3.15	3.15	3.15	12.60
Grand total incl. baseline (LOW)	13.19	14.52	15.88	17.29	60.88
Grand total incl. baseline (HIGH)	13.39	14.97	16.59	18.29	63.24

6.6 Steady-State Annual Costs (Year 4 Onwards)

Once the four-year build phase is complete, capital expenditure falls to replacement levels (fleet renewal, depot maintenance) and operating costs stabilise. The annual cost of maintaining the doubled, free national bus service at steady state is:

Steady-State Component	Annual Cost (£bn)
New service non-driver operating costs (LOW-HIGH)	2.20 – 3.20
New service driver wage bill	3.02
New service training & depot running	0.16
Subtotal: new service (LOW-HIGH)	5.38 – 6.38

Steady-State Component	Annual Cost (£bn)
Existing fare revenue replacement	3.55
Existing government bus support (baseline)	3.15
Total annual bus funding (LOW–HIGH)	12.08 – 13.08
Fleet replacement CAPEX (15-yr cycle)	~1.67
Total annual cost incl. replacement (LOW–HIGH)	~13.75 – 14.75

For context, total identifiable UK public expenditure in 2023–24 was approximately £1,189 billion. A steady-state annual bus programme of £13.8–14.8 billion would represent 1.2 per cent of total public spending, or approximately 0.5 per cent of GDP.

7. Feasibility Assessment: Supply-Side Constraints

7.1 Fleet Manufacturing

The programme requires approximately 8,930 buses per year over four years, representing 2.4 times the current domestic and import supply of roughly 3,700 per year. This is achievable for several reasons. First, the current supply level is demand-constrained, not capacity-constrained: manufacturers have scaled production up and down rapidly in response to orders. Wrightbus expanded from 49 employees to over 2,000 within five years of its 2019 rescue. Second, the requirement represents approximately 3 per cent of global bus production, which exceeds 300,000 units per year. BYD alone manufactures over 70,000 buses annually. Third, a committed four-year order book of 35,722 buses would be transformative for UK domestic manufacturing, justifying investment in expanded production lines at Wrightbus (Ballymena) and Alexander Dennis (Falkirk/Scarborough), with significant implications for regional employment and industrial strategy.

7.2 Driver Workforce

The programme requires approximately 19,850 additional drivers per year. The current training pipeline is estimated at 10,000 per year, so a doubling of throughput is needed. PCV licence training takes 6–12 weeks, meaning there is no multi-year lead time comparable to other skilled trades. The binding constraint is attractiveness: the bus driving workforce is ageing (over 50 per cent aged 50+), predominantly male (90 per cent), and competes with HGV and delivery driving for recruits. The proposed salary of £38,000 including on-costs is competitive but may need to be supplemented with a national recruitment campaign, improved working conditions, and a pathway to career progression in transport operations.

7.3 Depot and Grid Infrastructure

The programme requires approximately 112 new depots per year, equivalent to roughly 2.3 per county per year across England, Scotland, and Wales. This is within normal commercial construction capacity. The principal constraint is electricity grid connection: DNO upgrade timescales of 12–18 months create a lead-time issue that must be managed by beginning depot planning in advance of fleet delivery. Battery storage on-site can mitigate grid connection delays. Total overnight charging load for the expanded fleet at steady state is estimated at approximately 625 MW — roughly 1.4 per cent of UK peak grid capacity and easily manageable with smart overnight charging.

7.4 Summary Assessment

Constraint	Annual Requirement	Current Capacity	Multiple	Feasibility
Bus procurement	~8,930/yr	~3,700/yr	2.4x	Feasible — 3% of global output
Driver recruitment	~19,850/yr	~10,000/yr	2.0x	Feasible — 6–12 week training
Depot construction	~112/yr	~30–50/yr	2.3x	Feasible — 2.3 per county/yr
Grid capacity (peak)	625 MW	~45,000 MW	1.4%	Easily manageable
Annual CAPEX	£5.21bn	—	0.19% GDP	Within precedent

8. Cross-Country Comparison

The following table compares bus and public transport usage across selected countries and sub-national units. It demonstrates that the proposed UK target of approximately 119 trips per capita would place the UK within the normal range for comparable European economies, and well below the levels achieved by the best-performing systems.

Country / Region	Pop. (m)	Bus Trips (bn/yr)	Bus Trips per Capita	All PT Trips per Capita	Key Features
UK — Current (2024–25)	67	~4.0	~60	~85	Deregulated outside London; declining
UK — Proposed (Year 4)	67	~8.0	~119	~145	Free national bus service
London (current)	9	~1.8	~200	~440	Franchised; Oyster/contactless; bus priority
England outside London	47	~1.9	~37	~55	Deregulated; declining; fare cap
Germany	84	~5.0	~60	~117	Deutschlandticket (€49→€69/mo); tram & rail
France	68	~5.5	~81	~140	Île-de-France dominates; <i>versement transport</i>
Netherlands	18	~0.8	~44	~90	Dense rail/tram; bus secondary; OV-chipkaart
Ireland	5.2	~0.28	~54	~80	BusConnects reform underway; 20% fare cut
Switzerland	8.9	~0.6	~67	~250	Fully integrated timetable; bus feeds rail
Luxembourg	0.66	~0.12	~182	~280	Free public transport since March 2020
Singapore	5.9	~2.0	~339	~470	Full public planning; high frequency; low fares
London (2013–14 peak)	8.6	~2.4	~280	~460	Peak of TfL bus renaissance

8.1 Observations

Germany is the most instructive comparator for the UK. It has a comparable population, a significant rural hinterland, and has recently demonstrated that fare simplification alone can generate meaningful ridership growth. Germany's Deutschlandticket generated a 6 per cent increase in local transport use within its first year, and approximately 14.6 million active subscriptions by end-2025 — roughly one in six of the adult population. However, Germany has not undertaken the kind of simultaneous service expansion proposed here. The UK proposal goes further in two critical respects: complete elimination of fares (not merely simplification), and a concurrent doubling of service provision.

France achieves roughly 140 public transport trips per capita, significantly above the UK, driven primarily by Île-de-France (the Paris region). Provincial French cities have invested heavily in tram and bus rapid transit systems since the 1990s, supported by the *versement transport* employer levy. Several French cities (Dunkirk, Montpellier, Aubagne) have already implemented fare-free bus services with ridership increases of 60–100 per cent in the first two years of operation. The French municipal evidence base directly supports the ridership projections in this appendix.

Luxembourg became the first country in the world to make all public transport free in March 2020. While the pandemic confounds clean measurement of the fare-free effect, the policy has been maintained and is politically popular. Luxembourg's experience demonstrates that fare-free public transport is operationally manageable at a national scale, albeit in a small country.

The Netherlands demonstrates that even in a country with excellent cycling infrastructure and dense rail, bus plays a supporting role at roughly 44 trips per capita. This underlines a structural reality: the UK has less rail and tram coverage per capita than the Netherlands, France, or Germany, and therefore needs bus to carry more of the transport burden.

London remains the most powerful piece of evidence that the proposed national target is achievable. If one city of 9 million people within the UK already achieves 200 bus trips per capita under a franchised, publicly planned model, there is no physical or economic law preventing the rest of the country from achieving half that rate.

Singapore demonstrates the upper bound of what is achievable with full public planning, high frequency, and affordable fares. At 339 bus trips per capita, it shows that bus systems can serve as primary urban transport modes when properly resourced and integrated.

9. References

- Balcombe, R. *et al.* (2004) *The Demand for Public Transport: A Practical Guide*. TRL Report TRL593. Transport Research Laboratory.
- Cats, O., Susilo, Y.O. and Reimal, T. (2017) 'The prospects of fare-free public transport: evidence from Tallinn.' *Transportation*, 44(5), pp. 1083–1104.
- Confederation of Passenger Transport (2023) *Bus and Coach Industry: Key Facts*. CPT UK.
- Department for Transport (2024) *Annual Bus Statistics: Year Ending March 2024 (Revised)*. DfT Statistical Release.

Department for Transport (2025) *Annual Bus Statistics: Year Ending March 2025*. DfT Statistical Release.

Department for Transport (2025) *Transport Statistics Great Britain: 2024 Domestic Travel*. DfT.

Department for Transport (2024) *National Travel Survey: England 2023*. DfT Statistical Release.

Dellheim, J. and Prince, J. (eds.) (2018) *Free Public Transit: And Why We Don't Pay to Ride Elevators*. Black Rose Books.

HM Treasury (2024) *Public Expenditure Statistical Analyses 2024*. CP 1131.

Loder, A. *et al.* (2024) 'Germany's Newest Fare: The Deutschlandticket — First Insights on Funding and Travel Behavior.' *Transportation Research Record*.

Office for Budget Responsibility (2024) *Economic and Fiscal Outlook: October 2024*. OBR.

Transport for London (2024) *Travel in London Report 16*. TfL.

Verband Deutscher Verkehrsunternehmen (2026) *VDV Jahresbilanz 2025*. VDV.

RELATED

Referenced by: [Universal Transport Service](#) (Universal Service)

Distributional Impact of Tripling Air Passenger Duty

APPENDIX · transport

1 Policy Proposal

This appendix sets out the distributional calculations underpinning the proposal to triple Air Passenger Duty (APD), raising an additional £8 billion per annum to fund universal free local bus travel across the United Kingdom. Current APD revenue stands at approximately £4 billion (OBR, 2023/24: £3.8B actual; 2025/26 forecast: £4.6B), implying a target yield of approximately £12 billion under the tripled regime.

2 Current APD Rate Structure

APD is levied per passenger per flight, with rates varying by distance band and cabin class. The rates relevant to this analysis (2024/25 reduced, economy class) are:

Band	Distance threshold	Economy rate	Tripled rate	Additional cost per flight
A (short-haul)	0–2,000 miles	£13	£39	£26
B (long-haul)	2,001–5,500 miles	£88	£264	£176
C (ultra long-haul)	>5,500 miles	£92	£276	£184

Premium economy and business/first class rates are higher; these are excluded from the central estimates but would further concentrate the burden on higher-income passengers.

3 Distribution of Flights by Income Quintile

Estimates of the share of total flights attributable to each income quintile are drawn from Büchs and Mattioli (2021), who report the distribution using both the Living Costs and Food Survey (LCF, 2006–2017/18) and the National Travel Survey (NTS, 2006–2017) for England. The LCF analysis assigns 6% of all flights to the bottom income quintile (Q1) and 42% to the top quintile (Q5); the NTS yields 10% and 40% respectively. We adopt a central estimate blending both sources, slightly weighted towards the NTS given its inclusion of business flights and individual-level data:

Income quintile	Share of total flights (central estimate)
Q1 (lowest)	8%
Q2	13%
Q3	18%
Q4	25%
Q5 (highest)	36%

These shares are consistent with the broader finding that approximately 50% of the UK adult population does not fly in any given year, and that 15% of the population accounts for 70% of all flights (Hopkinson and Cairns, 2021).

4 Flight Distance by Income: The Short-Haul/Long-Haul Gradient

A flat per-flight APD increase would distribute the burden in proportion to flight counts. However, APD is banded by distance, with long-haul rates approximately 7× the short-haul rate. The distribution of flight distances across income groups is therefore critical to the distributional assessment.

Büchs and Mattioli (2022) estimate flight-level CO₂ emissions using destination-country data from the UK Household Longitudinal Study (Understanding Society), applying UK Government conversion factors differentiated by domestic, short-haul and long-haul categories. They find that inequality of air travel *emissions* exceeds inequality of flight *counts*, because higher-income households not only fly more frequently but fly further on average. Their central result is that a distance-based "frequent air miles tax" is the most progressive of all air travel tax options modelled.

Banister (2018) reports that among UK adults who fly, approximately 37% take short-haul international flights and 18% take long-haul international flights, with the remainder domestic. The Civil Aviation Authority's aggregate departure data indicate that roughly 80% of UK air departures are short-haul (Band A) and 20% long-haul (Bands B and C).

Combining these sources, we estimate the following band distribution by quintile:

Quintile	Band A (short-haul)	Band B (long-haul)	Band C (ultra long-haul)	Weighted avg. extra APD per flight
Q1	~95%	~4%	~1%	~£33
Q2	~90%	~8%	~2%	~£40
Q3	~82%	~13%	~5%	~£50
Q4	~73%	~20%	~7%	~£63
Q5	~65%	~25%	~10%	~£78

These estimates are necessarily approximate. Q1 flyers are disproportionately taking budget short-haul flights (Ryanair, easyJet) to European leisure and VFR (visiting friends and relatives) destinations; this is consistent with the expansion of low-cost carriers driving increased Q1 participation identified by Büchs and Mattioli (2021). Q5 flyers take a substantially higher proportion of long-haul leisure and business flights, and are more likely to fly in premium cabins attracting higher APD rates (NEF, 2025).

5 Distributional Burden Estimates

Combining flight shares (3) with distance-weighted per-flight costs (4), we estimate the distribution of the additional £8 billion APD revenue across income quintiles. Per-household estimates assume approximately 28 million UK households; see 8 for discussion of the household-count-per-quintile assumption.

Quintile	Flight share	Weighted avg. extra APD/flight	Est. share of extra revenue	Revenue (£B)	Per household (£)
Q1	8%	£33	5%	£0.40	£71
Q2	13%	£40	10%	£0.80	£143
Q3	18%	£50	16%	£1.28	£229

Quintile	Flight share	Weighted avg. extra APD/flight	Est. share of extra revenue	Revenue (£B)	Per household (£)
Q4	25%	£63	28%	£2.24	£400
Q5	36%	£78	41%	£3.28	£586

The weighted average across all households is approximately £286, consistent with a cross-check against OBR aggregate data (current APD ~£160 per household; tripling implies ~£320 per household additional, with the small discrepancy reflecting rounding and the non-linear band structure). In absolute terms, Q5 households pay approximately 8× the Q1 household burden. Burden as a share of disposable income is calculated separately using household-recomposed income data (see main text).

6 Comparison: Flat Per-Flight vs. Distance-Weighted Estimates

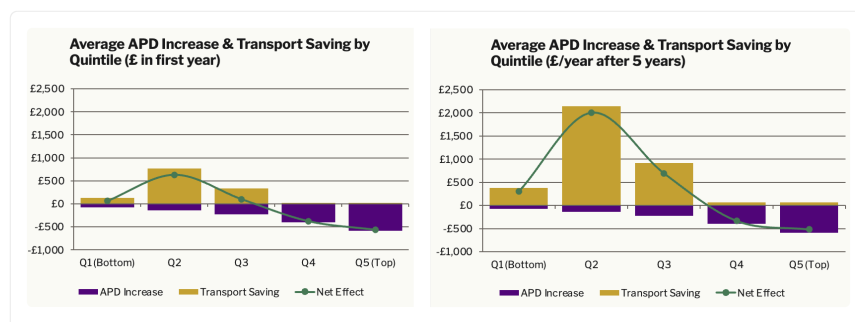
A naïve model assuming uniform APD per flight (i.e., distributing the £8B purely by flight share) yields a substantially different – and less progressive – distributional pattern:

Quintile	Distance-weighted per HH (£)	Flat per-flight per HH (£)	Difference
Q1	£71	£114	-38%
Q2	£143	£186	-23%
Q3	£229	£257	-11%
Q4	£400	£357	+12%
Q5	£586	£514	+14%

Incorporating flight distance reduces Q1's estimated burden by approximately 38% relative to the flat model, while increasing Q5's burden by approximately 14%. This reflects the concentration of short-haul, low-APD flights among lower-income flyers and of long-haul, high-APD flights among higher-income flyers.

7 Net Distributional Impact Including Bus Benefit

The additional £8 billion in APD revenue funds universal free local bus travel. The benefit of this provision flows disproportionately to lower-income quintiles, where bus dependency is highest. MIS 2025 data value a free bus pass at approximately £130 per month for an average adult bus user, or roughly £1,560 per annum for bus-dependent households. Even at a conservative population-average valuation, the bus benefit substantially offsets the APD burden for Q1 and Q2 households while representing a modest offset for Q4 and Q5. The net effect is strongly redistributive.



8 Caveats

Several limitations apply to these estimates. Where the direction of resulting bias can be assessed, it is noted below; in each case the bias is conservative (i.e., the true distributional pattern is likely more progressive than estimated here).

Individual-ranked versus household-counted quintiles. The flight-share data from Büchs and Mattioli (2021) and the ONS Effects of Taxes and Benefits series both rank *individuals* by equivalised household disposable income and divide them into quintiles of equal numbers of *people*. However, the per-household burden estimates in 5 assume an equal number of households per quintile (~5.6 million). This is unlikely to hold. Q1 is disproportionately composed of single-person and small households (pensioners living alone, single working-age adults), while Q5 is disproportionately composed of couples and multi-adult households. Quintiles of individuals therefore contain *more* households in Q1 than in Q5. The effect of this is to reduce Q1's per-household burden (dividing across more households) and increase Q5's per-household burden (dividing across fewer), making the tax more progressive than the equal-household-count assumption implies. Precise household counts per quintile require recomposition from individual-level survey data and are not reported here.

Passenger-flights versus trip-events. APD is levied per departing *passenger*. When a couple flies together, two APD charges arise. The LCF survey item asks about "the number of flights made by members of the household in the last 12 months," which is ambiguous between counting trip-events and passenger-flights. If respondents report trip-events (one holiday = one flight, regardless of how many household members travelled), then the flight-share estimates undercount passenger-flights for larger households. Since household size is positively correlated with income — Q5 households contain more adults on average than Q1 households — this would understate Q5's share of APD-liable departures and overstate Q1's share. The NTS data, being individual-level, avoids this ambiguity; the central estimates in 3 are weighted towards the NTS partly for this reason. To the extent any residual bias remains, its direction is conservative.

Pre-pandemic flight data The flight-share data are drawn from surveys conducted between 2006 and 2018, predating both the COVID-19 pandemic and subsequent recovery. Post-pandemic inequality in air travel may differ from these patterns; early evidence suggests that recovery in flying has been faster among higher-income groups (Büchs and Mattioli, 2021), which would if anything strengthen the progressive pattern.

Distance band estimates. The per-quintile band distributions in 4 are inferred from aggregate and emissions-based evidence rather than direct observation of per-quintile destination data, which is not publicly available at the required granularity. The CAA Passenger Survey collects both income and route data at the individual level, but the micro-data are not in the public domain. The key qualitative finding — that inequality of air travel emissions exceeds inequality of flight counts, implying higher-income flyers travel further on average — is established directly by Büchs and Mattioli (2022), but the precise band shares by quintile should be treated as illustrative.

Behavioural responses. Demand elasticity effects are not modelled. Tripled APD would reduce demand for air travel, and price responsiveness is higher among lower-income households. This would likely reduce Q1 participation disproportionately, further concentrating the residual burden on higher quintiles

(NEF, 2021). The revenue estimate of £8 billion therefore assumes relatively low price elasticity of aggregate demand, consistent with the short-run evidence base.

Premium cabin surcharges. Higher and business/first class APD rates are excluded from the central estimates. Since premium cabin travel is heavily concentrated among higher-income passengers, including these would further strengthen the progressive pattern.

References

Banister, D. (2018) *Inequality in Transport*. Alexandrine Press, Abingdon.

Büchs, M. and Mattioli, G. (2021) 'Trends in air travel inequality in the UK: From the few to the many?', *Travel Behaviour and Society*, 25, pp. 92–101.
doi:10.1016/j.tbs.2021.05.008.

Büchs, M. and Mattioli, G. (2022) 'How socially just are taxes on air travel and "frequent flyer levies"?', *Journal of Sustainable Tourism*, 32(1), pp. 62–84.
doi:10.1080/09669582.2022.2115050.

Hopkinson, L. and Cairns, S. (2021) *Elite Status: Global Inequalities in Flying*. Report for Possible, London.

New Economics Foundation (2021) *A Frequent Flyer Levy*. London: NEF.
<https://neweconomics.org/2021/07/a-frequent-flyer-levy>

New Economics Foundation (2025) *Introducing: The Ultra-Frequent Flyer*. London: NEF.

Office for Budget Responsibility (2024) *Economic and Fiscal Outlook*, various editions. London: OBR.

Office for National Statistics (2024) *Effects of Taxes and Benefits on Household Income*, Financial Year Ending 2024. London: ONS.

RELATED

Referenced by: [Air Passenger Duty](#) (Revenue Instrument)

VAT on Private Flight: Revenue Instrument and Legal Basis

APPENDIX · transport

This appendix sets out the case for applying standard-rate VAT (20%) to private aviation — private jets, charter flights, and helicopters — as a component of the programme's consumption and border tax package. It covers the current VAT treatment of private aviation in the UK, the legal basis for reform following Brexit, the legislative mechanism required, international precedents, and the expected revenue yield.

The current regime and its anomalies

UK aviation VAT is governed by VATA 1994, Schedule 8, Group 8, which distinguishes between “qualifying” and “non-qualifying” aircraft. A qualifying aircraft is one used by an airline operating for reward chiefly on international routes — defined as more than 50% of flights by number. All supplies to qualifying aircraft — sales, leasing, maintenance, parts, handling, and navigation services — are zero-rated. Supplies to non-qualifying aircraft attract the standard 20% rate.

In isolation, this framework would subject most private aviation to VAT. A corporate jet operated by a non-AOC-holding company is, by this definition, non-qualifying. The difficulty lies in two parallel provisions that create substantial zero-rating loopholes.

The first is the passenger transport rule under HMRC Notice 744A. Passenger transport by air is zero-rated if the aircraft is designed or adapted to carry 10 or more passengers, or the service constitutes a scheduled flight. Only non-scheduled transport in aircraft carrying fewer than 10 passengers attracts the standard rate. This means that most large-cabin private jets — the Gulfstream G650, Bombardier Global 7500, Dassault Falcon 8X — qualify for zero-rating on the basis of cabin configuration alone, because they can seat 10 or more when configured with crew rest positions or divan berths. The aircraft most commonly associated with private wealth are precisely those that escape VAT.

The second is the qualifying aircraft gateway available to charter operators. A charter company holding an Air Operator's Certificate and flying more than 50% of its routes internationally can claim qualifying status for its entire fleet, zero-rating fuel, maintenance, handling, and parts across all operations — including domestic positioning flights and flights that, individually, have nothing to do with international air transport. The 50% threshold, assessed across the operator's total route portfolio, allows a substantial volume of purely domestic private flying to benefit from zero-rating.

The combined effect is that the majority of private jet flights departing from UK airports attract no VAT whatsoever on the flight itself or on the associated supply chain. This is confirmed by HMRC's own guidance in Notice 744C, which acknowledges the qualifying aircraft provisions while noting that absence of an AOC is “an indicator” that an operator is unlikely to qualify — an indicator, not a definitive exclusion.

Aviation fuel follows a similarly favourable regime. Under the Hydrocarbon Oil Duties Act 1979, aviation turbine fuel (Jet-A1) benefits from a full excise duty rebate for all non-pleasure commercial and business aviation, reducing the

effective duty to nil. Only fuel used for “private pleasure flying” — a narrow category that explicitly excludes business use — attracts the full kerosene duty of approximately 52.95 pence per litre. VAT on fuel is standard-rated for domestic flights but falls outside the scope for international departures. The practical result is that a corporation flying executives by private jet pays neither duty nor VAT on the fuel consumed.

Helicopters occupy a structurally different position. Because the UK private helicopter charter fleet consists almost entirely of aircraft carrying fewer than 10 passengers — the AW109 (6 passengers), H145 (9 passengers), and AW139 (9 passengers) are the most commonly chartered types — helicopter passenger transport is already standard-rated for non-scheduled domestic flights. The 10-seat zero-rating loophole that shelters large jets does not apply. Helicopter operators could in principle claim qualifying aircraft status through the AOC and international routes threshold, but in practice the overwhelming majority of UK helicopter charter is domestic, making this route unavailable. The UK helicopter charter fleet numbers approximately 100 aircraft, of which roughly 40 operate regularly from London Heliport and surrounding facilities; their exposure to VAT under the existing framework is already substantially higher than that of the private jet sector.

The legal basis for reform

The legal landscape for aviation taxation changed materially on 31 January 2020. Three constraints historically limited UK action on aviation VAT and fuel duty: the EU Energy Taxation Directive, the Chicago Convention on International Civil Aviation, and bilateral Air Services Agreements. Only the first has been removed, but the remaining two are considerably narrower in scope than the aviation industry typically claims.

The EU Energy Taxation Directive (2003/96/EC) mandated that Member States exempt aviation fuel used for commercial purposes from excise duty. This directive no longer applies to the UK. Its removal is the single most significant change in the UK’s legal freedom to tax aviation, and it is the change that makes a targeted VAT measure on private flight possible without the constraint of EU-wide unanimity that blocked reform for decades.

Article 24 of the Chicago Convention — the provision most frequently cited as prohibiting aviation fuel taxation — has remarkably narrow scope. It exempts only fuel already on board an aircraft on arrival in the territory of another contracting state, retained on board on leaving. It does not prevent countries from taxing fuel purchased domestically for domestic flights. It says nothing about VAT on aviation services. Legal analyses conducted by CE Delft, Transport & Environment, and the UK Parliament (Research Briefing SN00523) all confirm that Article 24 does not prohibit domestic fuel taxation or VAT on flight services. The ICAO Council’s 1996 and 1999 resolutions recommending broader fuel tax exemptions are guidance documents without binding legal force; multiple ICAO signatory states — including the United States, Norway, the Netherlands, Australia, Canada, Japan, and Brazil — impose excise duties on aviation fuel in apparent contradiction of these recommendations without legal consequence.

Bilateral Air Services Agreements remain the most meaningful constraint. The UK’s 100+ BASAs typically include fuel tax exemption clauses for international routes, and these continue to bind the UK post-Brexit. However, most BASAs are

drafted with scheduled commercial air services in mind and may not extend to non-commercial private flight. Crucially, BASAs impose no constraint on purely domestic flights or on VAT applied to aviation services (as distinct from fuel duty). A VAT measure targeting private flight services — charter fees, handling charges, maintenance — operates entirely outside the BASA framework.

The government's own recent actions confirm its comfort with differential taxation of private aviation. From April 2025, higher APD rates apply specifically to private jets. From April 2026, the higher rate rises by 50%. From April 2027, the higher rate band extends to all fixed-wing aircraft above 5.7 tonnes maximum take-off weight — a threshold that captures virtually all business jets while exempting light aircraft and most turboprops.

The legislative mechanism

Implementing comprehensive VAT on private aviation would not require creating a new VAT category or passing primary legislation. The standard 20% rate already applies in principle to non-qualifying, non-scheduled aviation; what is needed is the removal of specific zero-rating provisions that currently shelter private aviation from that rate. Three targeted amendments to VATA 1994, Schedule 8, Group 8 would achieve this.

First, the passenger transport zero-rating (Item 4) would be conditioned on the service being held out to the general public or operated under an AOC for scheduled services only, excluding ad hoc private charter regardless of aircraft size. This closes the 10-seat loophole that currently zero-rates large-cabin private jets.

Second, the “qualifying aircraft” definition would be tightened to require mandatory AOC holder status and a higher threshold for “chiefly international” operations — 75% rather than 50% — preventing charter companies with mixed route portfolios from qualifying their entire fleet for zero-rating.

Third, the handling and navigation services zero-rating (Item 6(a)), which already applies only to qualifying aircraft, would automatically follow the tightened definition without requiring separate amendment.

These amendments are achievable through a Treasury Order under Section 30(4) VATA 1994 — the same mechanism used for SI 1995/3039 (the Value Added Tax (Ships and Aircraft) Order 1995) — without primary legislation. The existing regulatory framework provides clear definitional boundaries: Part-CAT operations (requiring an AOC, covering commercial air transport) versus Part-NCC operations (non-commercial operations with complex motor-powered aircraft, requiring only a declaration) under the UK's retained EU Air Operations Regulation. HMRC guidance already distinguishes between these categories. No new institutional infrastructure is required.

Scope and exclusions: scheduled and lifeline services are unaffected

The proposed amendments target two specific zero-rating gateways: the non-scheduled passenger transport provision (the 10-seat threshold in Item 4) and the qualifying aircraft definition for charter operators. They do not touch the separate and independent zero-rating for scheduled passenger transport by air, which is preserved in full under Item 4 of Schedule 8, Group 8.

This distinction is structurally important. Scheduled air services to remote and island communities — Loganair's routes to Shetland, Orkney, and the Hebrides; the inter-island services within Orkney operated by Britten-Norman Islanders seating eight passengers; Eastern Airways services to the Channel Islands — are zero-rated because they are scheduled services operated under an AOC on published timetables. They pass through none of the gateways being closed. A Saab 340 flying the Aberdeen–Sumburgh route on a published schedule is a scheduled service; a Gulfstream G650 chartered for a single party flying London–Nice is not. The VAT treatment of the former is unchanged; only the latter is affected.

Public Service Obligation routes are doubly insulated. PSO routes — including the Scottish Government's supported services to the Highlands and Islands — are by definition scheduled services, and their subsidised status further distinguishes them from the private charter market. The Highlands and Islands Airports network, which handles approximately 1.5 million passengers annually across 11 airports, operates entirely within the scheduled service framework.

The same applies to air ambulance and search-and-rescue operations, which are not passenger transport for reward and fall outside the scope of the passenger transport provisions entirely.

In summary: the measure applies to non-scheduled private charter in non-qualifying aircraft. Scheduled commercial aviation, lifeline island services, PSO routes, and emergency operations are excluded by the structure of the existing legislation, not by a carve-out that could be removed. No exemption needs to be created because no new liability arises.

International precedents

The UK would not be acting in isolation. Five jurisdictions demonstrate that differential taxation of private aviation is both legally feasible and administratively workable.

The United States operates the longest-standing two-tier system. Federal excise tax on aviation fuel is 21.9 cents per gallon for non-commercial and private operators, compared with 4.4 cents for commercial carriers — a five-fold differential that has been in place for decades. A 7.5% federal excise tax applies to the cost of domestic commercial air transport tickets; charter flights that are not “transportation by air” under IRS definitions face different treatment. The US system demonstrates that differential taxation by flight purpose — commercial versus private — is administratively sustainable at scale.

France introduced a solidarity tax on private jet departures from March 2025, levied per passenger at rates between €420 (flights under 1,000km) and €2,100 (flights over 5,500km). Domestic flights additionally attract 10% VAT on the transport service. Early data from Avinode Group, the charter pricing platform, indicates that charter demand in France has remained essentially stable following the introduction of the tax, consistent with the low price elasticity characteristic of private aviation.

India applies the widest differential globally. Goods and Services Tax on private aircraft purchases is 40%, compared with 5% for commercial aircraft. Helicopter charter services attract 18% GST. The rationale is explicitly distributional: luxury air travel bears a higher consumption tax burden than mass-market aviation.

The Netherlands pioneered kerosene taxation for private and non-commercial business aviation within the EU, levying €0.48 per litre on fuel used by non-commercial operators while exempting commercial aviation fuel under the ETD. This demonstrated that differential fuel duty by operator category is workable within the existing international legal framework and within Europe's bilateral agreement network.

Norway imposes CO₂ tax (NOK 1.30 per litre, approximately £0.09) and sulphur tax on domestic aviation fuel while zero-rating aircraft supplies for commercial operators — a structure that directly parallels the commercial/private distinction proposed here.

Revenue estimate

The UK private aviation market generates an estimated £2.0–2.5 billion in annual expenditure on services currently sheltered from VAT by the zero-rating provisions described above. This figure encompasses charter and on-demand jet services (the largest component), fractional ownership and jet card programmes, FBO and ground handling services, MRO for privately operated aircraft, aviation fuel sales to non-commercial operators, and aircraft management fees. It excludes segments already effectively standard-rated, including most helicopter charter.

Gross VAT at 20% on this base would yield £400–500 million. Three factors reduce the net yield.

First, input VAT recovery by VAT-registered business users. Under HMRC rules, businesses can reclaim input VAT on private aviation only if the expenditure is wholly and exclusively for business purposes. Critically, business entertainment — including use of aircraft for hospitality purposes — is explicitly blocked from VAT recovery under HMRC Notice 700/65. Industry data suggests that leisure use now accounts for 50–60% of private jet flights, with a further 15–20% constituting business entertainment rather than employee transport. Approximately 35–40% of the spending base represents genuinely recoverable business transport.

Second, behavioural response. Private aviation demand is highly price-inelastic, with estimated elasticity of –0.3 to –0.7. A 20% VAT adds materially to the cost of a flight — approximately £1,500–3,000 on a typical short-haul charter — but the time cost of repositioning departures to continental European airports to avoid the charge substantially undermines the appeal, particularly for domestic UK flights where no international alternative exists. France's March 2025 per-passenger tax of up to €2,100 provides a natural experiment: early charter booking data through mid-2025 showed demand remained essentially stable. A 10% demand reduction is assumed as a conservative upper bound.

Third, HMRC administrative costs. The measure operates within the existing VAT framework and imposes no new reporting obligations beyond those already required for standard-rated supplies. Incremental compliance costs are minimal.

The net revenue estimate is as follows:

Component	£ billion
Gross VAT at 20% on £2.0–2.5B taxable base	0.40–0.50
Less: input VAT recovery (~35–40% of base)	(0.14–0.20)
Less: behavioural response (~10% demand reduction)	(0.03–0.04)

Component	£ billion
Less: HMRC administrative costs	(0.01)
Net annual yield	0.25–0.35

The central estimate is approximately **£0.3 billion per year**. This is consistent with the VAT component implied in analyses by Oxfam (which estimated up to £1.2 billion from combined VAT, fuel duty, and slot charges on private aviation) and Green Alliance, after extracting the fuel duty and slot-charge elements that are not proposed here.

Helicopters contribute marginally to this figure — an estimated £10–30 million — because the UK helicopter charter market is small (approximately £100–200 million in annual revenue across roughly 100 charter aircraft) and already substantially exposed to standard-rate VAT under the existing framework. Including helicopters in the measure is important for coherence and signalling but does not materially alter the revenue projection.

Interaction with Air Passenger Duty

The programme proposes tripling APD rates across all bands, generating approximately £8 billion in additional revenue. APD is a per-passenger duty; VAT on private flight is a percentage tax on the service cost. The two instruments are complementary rather than overlapping; APD captures the carbon externality and scales with distance; VAT captures the consumption value and scales with the cost of the service.

For commercial aviation, the programme does not propose extending VAT beyond the existing zero-rating. The APD trebling is the sole additional instrument applied to scheduled and charter commercial flights. For private aviation — non-scheduled flight in non-qualifying aircraft — both instruments apply: the trebled APD per passenger and the new 20% VAT on the service cost. This double application to private flight is a deliberate design choice. Private aviation generates 5–14 times the carbon emissions per passenger of commercial flight and is consumed almost exclusively by the top income decile. The combined incidence of trebled APD and 20% VAT is distributionally progressive and environmentally coherent.

Summary

VAT on private flight is a legally available, administratively straightforward revenue instrument that the UK can now deploy following its exit from the EU. It requires no primary legislation — a Treasury Order amending Schedule 8, Group 8 of VATA 1994 is sufficient. The measure closes zero-rating loopholes that currently shelter the most expensive form of air travel from the consumption tax that applies to virtually every other private service. The net yield of approximately £0.3 billion per year is modest in the context of the programme’s total revenue architecture, but the measure’s significance lies primarily in its signalling function: the principle that luxury consumption of high-carbon transport should not receive more favourable tax treatment than a restaurant meal or a taxi ride.

Sources and references

HMRC, *Ships, Trains, Aircraft and Associated Services* (VAT Notice 744C), updated 2024. Available at: [gov.uk/guidance/ships-aircraft-and-associated-services-notice-](https://gov.uk/guidance/ships-aircraft-and-associated-services-notice-744c)

744c

HMRC, *Aviation Turbine Fuel* (Excise Notice 179a). Available at: gov.uk/guidance/aviation-turbine-fuel-excise-notice-179a

HMRC, *Business Entertainment* (VAT Notice 700/65).

Value Added Tax Act 1994, Schedule 8, Group 8.

The Value Added Tax (Ships and Aircraft) Order 1995, SI 1995/3039. Available at: legislation.gov.uk/uksi/1995/3039/made

HM Government, *Reform of Air Passenger Duty for Private Jets: Consultation Response*, 2024. Available at: gov.uk/government/consultations/reform-of-air-passenger-duty-for-private-jets

UK Parliament, *Taxing Aviation Fuel*, Research Briefing SN00523.

CE Delft and Transport & Environment, *Legal Obstacles No Barrier to Introducing Aviation Fuel Tax in Europe*, 2019.

Chicago Convention on International Civil Aviation (1944), Article 24.

ICAO Council Resolutions on Taxation (1996, 1999).

EU Energy Taxation Directive 2003/96/EC.

PwC, *Air Transport Excise Tax Rates for 2025*, Aircraft Club, November 2024.

Oxfam GB, *We Need Higher Taxes on Private Jets and Superyachts*, 2024.

Possible (formerly 10:10 Climate Action), *Reforming the UK's Approach to Private Jet Taxation*, 2024.

Carbon Market Watch, *Limousines of the Sky: EU Must Make Private Jet Travellers Pay for Their Pollution*, February 2026.

Avinode Group, *What France's Solidarity Tax Reveals About Charter Pricing*, July 2025.

Fortune Business Insights, *Business Jet Market Size, Share, Trends: Growth Report 2034*.

Air Charter Service, Annual Report 2024/25 (global turnover \$1.34 billion).

Plimsoll Publishing, *Helicopter Charter (UK) Industry Analysis* (69 companies surveyed).

CAA, *UK Airport Data Notes and FAQs*: classification of helicopter movements as air taxi operations. Available at: caa.co.uk/data-and-analysis

Helicopter Investor, *UK Charter Enters 'Crazy Period' of Special Events*, June 2025.

All figures in 2025 prices unless otherwise stated.

RELATED

Referenced by: [Air Passenger Duty \(Revenue Instrument\)](#)

Universal Digital Service implementation

APPENDIX · digital

The Universal Digital Service (UDS) guarantees every person in the United Kingdom aged six and over access to mobile voice, text, and data services, funded by a transferable government voucher redeemable with any accredited communications vendor. The programme eliminates the possibility of digital disconnection by establishing a minimum service floor that persists regardless of a person's financial circumstances, employment status, or ability to maintain a commercial account.

Entitlement and eligibility

Every citizen and resident of the United Kingdom aged six and over is entitled to a single Universal Digital Service voucher. Entitlement is individual and non-means-tested. For children aged six to fifteen, the voucher is inherited by the child's legal guardian, who may assign it to the vendor of their choice — typically the same vendor serving the guardian's own account, enabling family plans. From age sixteen, the individual assumes direct control of their voucher.

Entitlement is established automatically through pre-population from existing government records. HMRC PAYE and Self Assessment records cover virtually all working-age adults. DWP benefit records cover those not in PAYE — recipients of Universal Credit, JSA, ESA, PIP, Carer's Allowance, and State Pension. HMRC Child Benefit records, which cover approximately 97% of children, identify eligible children and their legal guardians. Between these three datasets, the entitled population is very nearly complete without requiring any citizen action.

The voucher

The government pays accredited vendors £6.50 per month per registered entitled person. This is a flat-rate payment with no tiers, supplements, or means-testing. The voucher is not paid to the individual — it flows directly from government to the vendor serving that person.

The £6.50 represents the government's cost of securing the minimum service floor. It does not represent the full value of the service received. Competitive dynamics among vendors — who must offer at least the minimum floor but may offer substantially more to attract and retain voucher-holders — are expected to deliver an average consumer value of approximately £11 per month. This ratio (1.69:1) reflects the structural economics of the UK mobile market: the wholesale cost of delivering voice, text, and modest data over existing network infrastructure is well below the retail price of equivalent commercial plans. SIM-only plans meeting the minimum floor are available from multiple UK providers at £2.85–5.00 per month; a vendor receiving £6.50 in guaranteed government revenue retains a healthy margin even while offering a plan with a retail-equivalent value of £10–12. At 51 million entitled persons, the programme represents approximately £3.95 billion in annual vendor revenue — creating a powerful competitive incentive for aggressive offers.

The voucher is transferable. An entitled person may assign their voucher to any accredited vendor and may reassign it to a different vendor subject to the switching rules described below. Vendors cannot refuse to accept a voucher from any entitled person within their coverage area.

Minimum service floor

Every accredited vendor must provide the following minimum service to each person whose voucher they hold, without interruption and irrespective of any other commercial relationship between the vendor and the person:

- **Voice:** 30 minutes of outgoing calls per day to UK numbers
- **Text:** 30 SMS messages per day to UK numbers
- **Data:** 30 MB of mobile data per day

This is a floor, not a ceiling. Vendors may and will offer substantially more. The floor exists to guarantee that no person falls below a defined threshold of digital connectivity.

The minimum service is **uncancellable and persistent**. If a person also subscribes to premium services from the same vendor — unlimited data, international calling, a handset contract — and subsequently defaults on payment for those premium services, the vendor may suspend or terminate the premium services under normal commercial terms. The minimum UDS service continues. There is no circumstance under which a vendor may disconnect, suspend, or degrade a person's UDS minimum service while the vendor holds that person's voucher and receives the £6.50 monthly payment.

This means there is no such thing as a fully disconnected customer under the Universal Digital Service. A person in financial crisis, experiencing homelessness, or fleeing domestic violence retains the ability to make calls, send texts, and access basic online services. The safety net is unconditional.

Device provision

Every entitled person aged six and over may request a mobile device from the vendor currently holding their voucher. The vendor must provide a device capable of delivering the minimum service floor within 14 days of the request. The device must be capable of voice calls, SMS, and mobile data access. The vendor may choose the specific device — a budget smartphone (such as a Motorola Moto e15 or Samsung Galaxy A06) or a quality-assured refurbished handset — provided it meets these functional requirements.

The device becomes the person's property upon receipt. There is no loan, lease, or return obligation. The vendor's cost of providing the device is absorbed within the ongoing £6.50 monthly voucher revenue. Budget smartphone wholesale costs of £25–47 amortise to £1.04–1.97 per month over a standard 24-month cycle, leaving the vendor with positive margin in all scenarios tested.

Device claims are limited to **one per entitled person per 24-month period**, tracked through the central information.gov.uk registry. This prevents accumulation of devices through repeated claims. A vendor can verify a person's device claim eligibility via the registry API before fulfilling a request.

Upgrades are a commercial matter between vendor and customer. A customer who wants a better device than the minimum-specification handset may arrange an upgrade with their vendor on whatever commercial terms the vendor offers — typically a monthly add-on charge amortising the price difference, exactly as the market operates today. If the customer defaults on the upgrade payment and the vendor repossesses the upgraded device, the vendor must provide a replacement

device meeting the minimum specification within 14 days. The UDS device floor sits beneath whatever commercial arrangement the customer chooses to make.

Vendor accreditation and obligations

Any holder of an Ofcom mobile licence — whether a Mobile Network Operator or a Mobile Virtual Network Operator — may apply for accreditation under the UDS. Accreditation requires the vendor to demonstrate: active UK subscriber base above a defined minimum threshold; billing system capability to apply, track, and report on voucher credits; integration with the information.gov.uk registry API for entitlement verification, vendor assignment, switching, and device claim tracking; acceptance of trust account obligations for government funds; acceptance of Ofcom monitoring and audit requirements; and commitment to the uncancellable minimum service obligation and device provision requirements.

Accredited vendors receive the £6.50 monthly payment for each entitled person assigned to them. In return they accept the full package of obligations: minimum service delivery, uncancellable service persistence, device provision on request, and compliance with switching and complaints processes.

The UK mobile market currently comprises three major MNOs (EE, Virgin Media O2, and the merged Vodafone-Three) and approximately 20–25 active consumer-facing MVNOs. The three MNOs collectively serve approximately 77% of UK mobile subscribers. Onboarding the MNOs first delivers majority population coverage from launch, with progressive MVNO integration expanding vendor choice over the following months.

The information.gov.uk platform

The central digital platform for the UDS is information.gov.uk — a GOV.UK service built on existing Government Digital Service infrastructure. It serves four functions: registration and enrollment, vendor assignment and switching, complaints and arbitration, and programme transparency.

Registration and enrollment

The registration model is **pre-populated opt-out** rather than application-based. Government creates a voucher entitlement record for every person identified in HMRC, DWP, and Child Benefit datasets. Each entitled person receives a letter — and, where email or mobile number is known, a GOV.UK Notify digital notification — informing them of their entitlement and their provisional vendor assignment. To confirm, they do nothing. To choose a different vendor, they visit information.gov.uk, call the service helpline, or attend a Post Office counter.

This design transforms enrollment from an application (which requires awareness, motivation, and digital capability) into an opt-out (which requires only inaction). Every comparable UK programme confirms that automatic enrollment achieves near-universal coverage while application-based schemes plateau at single-digit to low-double-digit uptake.

Provisional vendor assignment for existing mobile users is determined by matching the person's record to their current mobile provider. The person's National Insurance number — held by virtually all UK adults and used as the unique identifier across HMRC and DWP records — serves as the linkage key. For new registrants without an existing mobile account, the system assigns the

vendor with the best coverage at the person's registered address and the person may reassign at any time.

Identity verification for adults uses the NDS identity platform (currently GOV.UK One Login), the government's single sign-on service. Children's entitlements are managed through their guardian's account, with the guardian's identity verification extending to their dependants.

Vendor assignment and switching

Each entitled person is assigned to exactly one accredited vendor at any time. The vendor assignment is recorded in the information.gov.uk registry, which serves as the single source of truth. Vendors query the registry to verify that a person is assigned to them before delivering service and claiming payment.

Switching rules:

- **Standard switching period:** 12 months from the date of vendor assignment. After 12 months, the person may reassign their voucher to any other accredited vendor through information.gov.uk. The switch takes effect on the first day of the following calendar month.
- **Complaint-based early release:** If a service or device performance complaint is filed through information.gov.uk and upheld against the current vendor, the person may switch immediately regardless of how long they have been with that vendor. This is the sole exception to the 12-month minimum.
- **Vendor failure:** If a vendor loses accreditation or ceases trading, all persons assigned to that vendor are automatically reassigned by information.gov.uk to an alternative vendor, following the same coverage-based allocation logic used for initial assignment. The person may then reassign freely.

The 12-month switching period balances two objectives. It gives vendors sufficient revenue certainty to recover device costs and invest in service quality for UDS customers. It also ensures that competitive pressure remains meaningful — a vendor that delivers poor service faces complaint-based departures at any time, and even a vendor that meets the minimum floor faces competitive loss at the 12-month mark if rivals offer better value.

Complaints and arbitration

The complaints function at information.gov.uk is the enforcement mechanism for the entire programme. An upheld complaint triggers immediate switching rights, creating a direct financial consequence for vendors that fail to deliver.

Complaints are filed through a structured online form on information.gov.uk, by telephone, or at a Post Office counter. The system categorises complaints into three tiers with distinct resolution paths:

Tier 1 — Service availability below minimum floor. If the vendor's network cannot deliver the 30/30/30 minimum to the person's location for more than 72 cumulative hours in any calendar month, the complaint is upheld. Evidence is network coverage and service availability data, which the vendor is required to provide via the registry API within 5 working days. If the vendor fails to provide evidence within this period, the complaint is upheld by default. Resolution is largely automated: the system compares reported service availability against the defined floor and issues a determination without human intervention.

Tier 2 — Device failure or non-provision. The person requested a device and did not receive one within 14 days, or the device provided is defective (will not charge,

will not make calls, screen failure rendering it unusable). The vendor receives 5 working days to remedy — replace or repair the device. If the vendor fails to remedy within the 5-day window, the complaint is upheld. Again, largely automated: the system tracks device request dates, delivery confirmation, and remedy timelines against defined thresholds.

Tier 3 — Persistent quality degradation. The person's service technically meets the 30/30/30 floor but is materially degraded — calls drop frequently, data speeds are unusable for basic web access despite technically exceeding the megabyte threshold, vendor customer service is unreachable. These cases require human judgment or more sophisticated automated assessment. If upheld, the vendor receives 30 days to remedy the identified issues before the person's switching rights are activated. This gives the vendor a fair opportunity to address systemic problems before losing the customer.

The automated pattern recognition layer tracks complaint density by vendor, by geography, and by time period. Isolated complaints are normal operational noise. Clusters of complaints — fifty service outage reports from the same postcode in the same week, or a vendor's complaint rate exceeding 5% of its UDS subscriber base in any rolling 12-month period — are escalated to Ofcom for regulatory investigation. This transforms [information.gov.uk](https://www.information.gov.uk) from a case management system into a real-time service quality monitoring platform across the mobile market.

Zero-rating of public service content

All traffic to GOV.UK (*.gov.uk*) and BBC (*.bbc.co.uk*, **.bbci.co.uk*) is excluded from data metering on all accredited mobile networks, for all customers, on all plans. This applies universally — to UDS-minimum-only customers, to customers with paid commercial plans, and to customers on any tariff offered by an accredited vendor. BBC and GOV.UK data usage is never counted against any allowance, whether the 30 MB/day UDS floor or a purchased data package. A reasonable-use policy applies to prevent abuse such as tunnelling non-BBC traffic through BBC domains, but normal browsing, streaming, and use of BBC and government services is uncapped.

This universal zero-rating is enabled by and contingent upon the companion legislation abolishing the TV licence fee and replacing it with direct government funding of the BBC. Once the BBC is funded from general revenue rather than a hypothecated consumer charge, it is publicly funded content in exactly the same sense as GOV.UK. The competitive distortion argument that might apply to a commercially funded streaming service does not apply to a public service broadcaster funded by the state. Both the BBC and GOV.UK fall squarely within Type One of Ofcom's October 2023 Net Neutrality Review framework — public interest content where zero-rating is unlikely to raise concerns.

The bandwidth cost to mobile operators is modest. The vast majority of BBC video consumption occurs over home WiFi and fixed broadband, not cellular networks. Ofcom data consistently shows approximately 80% of UK video streaming happens over fixed connections. Zero-rating BBC on mobile does not materially shift this ratio, because the constraints on mobile video consumption — screen size, battery life, viewing context — are physical rather than economic. The incremental mobile BBC traffic attributable to zero-rating is estimated at a low single-digit percentage increase in total network traffic, well within normal

annual capacity growth planning. For GOV.UK, the bandwidth impact is negligible — text-heavy government pages generate trivial data volumes even at universal scale.

To further manage bandwidth costs, vendors may limit BBC iPlayer streaming resolution to standard definition (480p) for accounts receiving only the UDS minimum service. This restriction does not apply to customers with any paid commercial plan — they receive BBC streaming at whatever resolution their plan and device support. The restriction applies to streaming video only; BBC News, BBC Sounds, and all text-based BBC content are delivered without resolution or bandwidth constraints on all account types. On the budget smartphones typically provided under the UDS device obligation, the visual difference between 480p and higher resolutions is negligible at normal viewing distance on a 6-inch screen. The restriction eliminates the tail risk of heavy HD video streaming eroding voucher margins while preserving the full value of BBC access for the UDS-only population.

The technical implementation uses SNI-based domain matching in the TLS handshake to identify traffic destined for BBC and GOV.UK domains, exempting matched traffic from the data meter. This is proven technology: Three's Go Binge, Vodafone's Passes, and EE's music streaming exemptions all used equivalent mechanisms at scale, discontinued for commercial rather than technical or regulatory reasons. GOV.UK's Fastly CDN and the BBC's content delivery domains (*.bbci.co.uk) are identifiable through standard network inspection. The zero-rating obligation is a condition of vendor accreditation under the UDS, monitored by Ofcom as part of its broader programme oversight.

Government-to-vendor payment architecture

The payment mechanism follows the model established by the Energy Bills Support Scheme. Government pre-funds accredited vendors with estimated monthly allocations based on registered entitled persons, calculated from the information.gov.uk registry. Vendors hold government funds in bare trust accounts, ring-fenced from their own finances. Monthly reporting through the registry confirms the number of persons served, and reconciliation occurs through quarterly audit. Underspends are returned; overspends are reimbursed. Ofcom monitors compliance with financial obligations as part of its broader UDS oversight role.

The vendor receives £6.50 on the first working day of each month for each person assigned to them as of the final day of the preceding month. The payment is unconditional on the person's usage — a person who makes no calls and sends no texts still generates the full £6.50 payment to their vendor, because the vendor's obligation is to maintain availability, not to guarantee consumption. This aligns vendor incentives with service readiness rather than usage stimulation.

Fiscal parameters

At steady state with full enrollment, the programme serves approximately 57.7 million entitled persons (citizens and residents aged six and over) at a government cost of approximately £3.95 billion per year. The average household saving — reflecting the competitive value delivered by vendors above the government payment — is estimated at £11 per person per month, or £132 per entitled person per year. Aggregate household value across all quintiles is

approximately £6.7 billion per year, reflecting the 1.69:1 ratio between consumer value received and government expenditure.

The programme is distributionally neutral at the per-person level — every entitled person receives the same £132 annual value regardless of income quintile. In proportional terms, the value is progressive: £132 represents a larger share of income for lower-quintile households. Pensioner households and lone-parent families with multiple children receive the highest absolute household-level value, driven by household size.

Rollout schedule

Year 1 (preparation):

Months 1–3: Primary legislation enacted under fast-track procedure, granting broad powers to the Secretary of State. Ofcom Direction issued in parallel, establishing the regulatory framework for vendor accreditation and UDS obligations. GDS begins building information.gov.uk on existing GOV.UK infrastructure.

Months 3–6: Vendor accreditation framework published. MNO integration begins, covering the three major network operators that collectively serve approximately 77% of UK mobile subscribers. HMRC and DWP data matching produces the pre-populated registry of entitled persons. information.gov.uk enters alpha and beta testing.

Months 6–9: information.gov.uk goes live for early registration. Letters sent to all entitled persons with provisional vendor assignments. Pilot phase with major MNOs in selected geographies to stress-test billing, switching, device provision, and complaint resolution.

Months 9–12: Full vendor enrollment opens to MVNOs. System load-tested at scale. Zero-rating of GOV.UK and BBC content implemented across accredited networks.

Year 2 (rollout):

Month 13 onward: Vouchers begin flowing to all confirmed registrations. Pre-populated opt-out design delivers an estimated 60–70% coverage from day one — persons who confirmed their assignment or did not opt out of default assignment.

Months 13–16: MVNO integration completes, expanding vendor choice. National awareness campaign drives additional registrations. Coverage reaches 80–85%.

Months 16–20: Targeted outreach to non-registered populations — elderly persons without internet access, persons experiencing homelessness, recent immigrants not yet in HMRC or DWP systems. Post Office counter registration service fully operational. Coverage reaches 88–92%.

Months 20–24: Residual uptake from ongoing registration and word-of-mouth. Coverage reaches 90–95%.

The gap between 95% and true universality is structural: persons without any form of government record, recent arrivals, those in institutional settings, and those who actively decline. Closing this gap is a multi-year effort paralleling the trajectory of other near-universal UK systems.

Supporting precedents

The operational design of the UDS draws on demonstrated UK government capability across six programmes, each of which validates a specific element of the proposed architecture.

Energy Bills Support Scheme (2022–23) — universal automatic delivery

The EBSS delivered a £400 credit to 29 million domestic electricity accounts across Great Britain, achieving a 98.7% delivery rate with 0.7% fraud. The programme moved from initial announcement to first payments in approximately eight months, and from final policy decisions to operational delivery in ten weeks. The mechanism — government pre-funding suppliers into ring-fenced trust accounts, with suppliers applying credits through existing billing infrastructure — is the direct model for the UDS's vendor payment architecture. The EBSS demonstrated that universal entitlements delivered automatically through existing commercial intermediaries achieve near-total coverage, while the parallel application-based Alternative Funding scheme for off-grid households reached only approximately one-fifth of its target population. The contrast between automatic and application-based delivery is the single most important design lesson for the UDS.

Warm Home Discount (2011–present) — targeted data matching

The Warm Home Discount's Core Group pathway uses DWP data matching to automatically identify eligible pensioners and apply a £150 credit to their energy bills without any application. The scheme achieves approximately 96% delivery to its targeted population. This validates the HMRC/DWP data matching approach proposed for pre-populating the UDS registry.

Coronavirus Job Retention Scheme (2020–21) — rapid government IT build

HMRC built the furlough payment portal in 31 days, processing claims for 11.7 million jobs and disbursing approximately £70 billion over the life of the scheme. The Eat Out to Help Out registration and reimbursement system was built in 26 days. The shielded vulnerable people service launched in six days. These demonstrate that government digital infrastructure — when built on existing platforms such as HMRC PAYE systems and GOV.UK — can be delivered at emergency pace. The information.gov.uk platform is a substantially simpler technical challenge than any of these systems.

Energy Prices Act (2022) — fast-track legislation

The Energy Prices Act received Royal Assent 13 days after introduction, granting broad Henry VIII powers to the Secretary of State to establish the EBSS and Energy Price Guarantee through secondary legislation. This is the legislative model for the UDS: primary legislation establishes the entitlement, the minimum service floor, and the Secretary of State's power to set detailed implementation rules by statutory instrument. The EU Future Relationship Act (2020) passed in a single day; the Steel Industry Act (2025) passed in three days. When political will and cross-party support exist, the legislative timetable is not a binding constraint.

Ofcom net neutrality framework (2023) — zero-rating permissibility

Ofcom's October 2023 Net Neutrality Review Statement replaced the EU's effective prohibition on zero-rating with a permissive three-tier framework. Type One practices — including zero-rating of public interest content such as government websites and publicly funded services — are deemed unlikely to raise concerns.

UK mobile operators have previously offered zero-rated services (Three's Go Binge, Vodafone Passes, EE's music streaming exemptions), discontinued for commercial rather than regulatory reasons. The framework provides clear regulatory headroom for the UDS's universal zero-rating of GOV.UK and BBC content — both of which are publicly funded services following the companion legislation abolishing the TV licence and establishing direct BBC funding.

Broadband social tariffs (2020–present) — the counter-example

Ofcom's voluntary broadband social tariff programme, despite sustained promotional effort, has achieved only 9.6% uptake among eligible households (506,000 of approximately 5.3 million). The programme requires customers to discover the tariff exists, verify their eligibility through a DWP data-sharing process, and actively switch or sign up. This trajectory — consistent with international evidence on application-based benefit programmes — demonstrates precisely what the UDS needs to avoid. The pre-populated opt-out registration design is a direct response to this evidence: any scheme that requires citizens to find and complete an application process will fail to achieve near-universal coverage, regardless of promotional spending or political commitment.

All figures in 2025 prices. Service description current as at April 2026. Detailed household-level savings analysis, vendor margin modelling, and quintile-level distributional breakdowns available in companion technical appendix.

RELATED

Referenced by: [Universal Digital Service \(Universal Service\)](#), [Universal Information Service \(Universal Service\)](#)

NDS: Core Infrastructure

Technical Appendix — Prosperity 2030

APPENDIX · digital, business

Structural Reform

The National Health Service was built on the principle that healthcare should be available to every citizen regardless of means. The National Digital Service (NDS) applies the same principle to the digital foundations of twenty-first century life: that every citizen should be able to prove who they are, access public services, communicate securely, and control their own data — and that the state has a duty to provide the infrastructure that makes this possible.

The NDS is not a programme. It is a permanent national institution comprising two operational arms — a universal digital identity system and a sovereign data infrastructure — governed by an independent commission accountable to Parliament. It is classified as a structural reform because it changes how the state operates rather than what it delivers to households. The services that the NDS enables — free bus travel, community food, school meals, energy and water USOs — are described in their respective service appendices. The Universal Digital Service, which guarantees every person aged 6 and over connectivity and a device, is a universal service that depends on the NDS for identity verification and entitlement management, but belongs under Universal Information Services rather than here.

This appendix describes the NDS's institutional design, governance, citizen rights regime, and physical infrastructure. The companion appendix — *NDS: Digital Identity* — describes the citizen-facing identity system, the five-year plan for near-universal coverage, and the tap-to-ID protocol through which citizens access universal services.

Duty

Digital security is as much a part of a state's basic responsibilities as policing the streets and defending the borders. This has been increasingly clear for many decades, but a lack of expertise and a reluctance to interfere in what appeared to be simply commercial technology has prevented states from assuming their responsibilities. The result is a world littered with digital harms — from cyber theft to cyber bullying to pervasive mental health conditions driven by unregulated platforms. Ensuring digital security involves the same trade-offs and reserved powers that societies have managed in the physical world, and covers the same level of risk to the safety of all citizens as kinetic military attack.

Prosperity 2030 assumes that this duty of care has not been fully acknowledged or actioned by 2030, and so includes policies toward assuming the responsibility and accountability that twenty-first century societies will need their governments to accept. The National Digital Service is the institutional expression of that commitment.

The urgency of sovereign digital infrastructure has been sharpened by geopolitical events. Approximately 95% of UK card transactions are processed through Visa and Mastercard — networks owned and controlled in the United States. The weaponisation of payment infrastructure is no longer hypothetical: SWIFT disconnections of Iranian and Russian banks, Visa and Mastercard's

simultaneous suspension of Russian operations in 2022, and the broader pattern of US-led financial sanctions demonstrate that any nation dependent on foreign-owned payment rails faces an existential vulnerability. The Trump administration's second term — with its anti-CBDC executive orders, pro-dollar-stablecoin strategy, tariff threats, and territorial rhetoric toward allies — has converted this from a theoretical risk to a live policy emergency. Europe has responded with the European Payments Initiative (Wero, now reaching 50 million users), the digital euro (preparation phase complete, pilot scheduled 2027), and explicit statements from ECB officials that payment sovereignty is a strategic necessity. UK banks have begun developing a domestic alternative (internally codenamed DeliveryCo) targeted for launch around 2030. The NDS's tap-to-ID infrastructure provides the sovereign identity layer that any domestic payment alternative will require — ensuring that the UK has its own identity-verified transaction capability that does not depend on Visa, Mastercard, Apple Pay, or Google Pay.

The Bank of England's digital pound programme — currently in its design phase, with launch contingent on primary legislation — requires identity verification for all users. The BoE has been explicit that the digital pound would not be anonymous, though it would be private, with KYC obligations handled by regulated Payment Interface Providers. A functioning national digital identity system is therefore a precondition for a UK central bank digital currency. The NDS does not build or operate the digital pound, but it provides the identity infrastructure on which the digital pound depends. Designing the two systems in parallel — rather than discovering their interdependence after the fact — is a basic requirement of institutional competence.

Governance

A digital privacy and security commission will be established by the National Digital Service Act, tasked with maintaining the integrity, security, and day-to-day operations of both the digital identity system and the data infrastructure that supports it. This could use an existing data protection agency as a starting point and expand into a fully independent service reporting to Parliament. Its primary role will be to operate the National Digital Service under a charter to serve and protect UK citizens. Commissioners will need to pass security service vetting, be appointed by Parliament, and approve or dissent to annual reports on the integrity and service quality of the NDS.

The commission has three operational responsibilities. First, it operates the National Data Infrastructure — the sovereign facilities, networks, and systems described later in this appendix. Second, it safeguards the digital identity ecosystem — setting verification standards, managing the trust framework, overseeing tap-to-ID protocols, and ensuring that no citizen is excluded from digital public services. Third, it administers the citizen rights regime described below — the audit trail, the cryptographic entitlement, and the organisational identity register.

The commission will employ a dedicated data security force responsible for the physical and cyber protection of NDS facilities, the monitoring of access and threat patterns, and the investigation of security incidents. This is a civilian body with powers analogous to those of the NCSC but with direct operational responsibility for the NDS estate — a distinction comparable to the difference between a defence ministry (which sets policy) and a military service (which

operates). At steady state, the commission's operational workforce is estimated at 3,000–5,000 personnel across facility operations, security, software engineering, and oversight functions.

The commission's charter must include explicit scope control. The NDS serves the programme's security-critical and cross-departmental workloads — identity verification, service transaction processing, inter-departmental data reconciliation, cryptographic key management, and secure communications. It does not absorb departmental IT operations. HMRC, DWP, NHS Digital, and other departments continue to operate their own processing systems on their own infrastructure. The NDS provides the sovereign-grade joins between departments, not a centralised replacement for them.

Citizen cryptographic rights

The NDS issues every registered citizen a cryptographic identity — a key pair bound to their device or NFC card's secure element — as the foundation of tap-to-ID verification. Following the Estonian model, which has provided every citizen with two key pairs (authentication/decryption and digital signature) since 2002, the NDS extends this cryptographic capability beyond service access to general-purpose use. Every NDS credential holder can encrypt personal data so that only they can read it, digitally sign documents with legal force equivalent to a handwritten signature, encrypt communications end-to-end with any other NDS credential holder, and grant and revoke time-limited, field-level access to their personal data — a doctor sees health records, an employer sees qualifications, neither sees the other.

This is not an optional feature. It is the digital equivalent of the right to seal a letter — the ability to communicate and store information in a form that cannot be read by anyone, including the state, without the citizen's explicit consent. The commission's charter prohibits the NDS from holding or escrowing citizens' private keys. Key generation occurs inside the secure element on the citizen's device or NFC card; the private key never leaves that element.

The National Digital Service Act will need to address the tension with existing law. Section 49 of the Regulation of Investigatory Powers Act 2000 gives the state power to compel disclosure of encryption keys, with penalties of up to two years' imprisonment for non-compliance (five years in national security cases). The programme's position is that NDS-issued keys should receive stronger statutory protection than general-purpose encryption — precisely because they are the foundation of the citizen's relationship with public services and the mechanism through which the state's own audit trail operates. Primary legislation should limit compulsion of NDS keys to cases authorised by judicial warrant, with the audit trail recording the warrant, the authorising court, and the investigating officer's identity, and with the citizen notified after a delay governed by the commission (see below). This represents a rebalancing, not an abolition, of the state's investigatory powers — one designed to ensure that the digital identity system commands the public trust on which its adoption depends.

Audit trail

Every query against a citizen's identity record through the NDS gateway is logged in an immutable, citizen-visible audit trail. The citizen can see, through their wallet or NDS portal, every instance in which their identity was accessed: who queried it (the individual officer's NDS identity), which organisation they

represent (the organisation's NDS credential), and — where applicable — the authorising authority (the court, judge, or senior officer who approved the access). Estonia's Data Tracker, operational since 2017, demonstrates that this model works at national scale: Estonian citizens can see which of the 479 institutions connected to the X-Road data exchange layer have accessed their records, and unauthorised access by public servants has been detected and prosecuted through the audit log.

The audit trail applies at the NDS gateway level — that is, the citizen sees that a query was made against their NDS identity, by whom, and under what authority, but not necessarily which downstream departmental databases were subsequently consulted. Extending the audit trail into departmental systems is a longer-term ambition that requires compatible logging across all connected departments; the NDS gateway audit is the achievable first commitment.

For law enforcement and national security access, the audit trail still records every query, but disclosure to the citizen is delayed. The commission governs delay periods under the following indicative framework:

- **Routine queries** (e.g., identity verification for regulatory compliance): no delay; visible to the citizen immediately.
- **Active criminal investigations**: disclosure delayed by a default period — perhaps 90 days — after which the citizen is automatically notified unless the investigating authority applies to the commission for an extension.
- **Serious and organised crime**: longer default delay — perhaps 12 months — with extensions requiring application to the commission supported by a statement from a senior officer.
- **National security**: delay governed by the commission in consultation with the Investigatory Powers Commissioner, with a statutory maximum that prevents indefinite suppression. Even in national security cases, the audit record exists; the question is only when the citizen sees it.

Every application for delay or extension must itself carry the NDS identities of the applying officer, their organisation, and the authorising authority. There is no anonymous access to citizen records. The commission publishes aggregate annual statistics on the volume of delayed disclosures by category, the average delay period, and the number of extensions granted — providing parliamentary oversight without compromising individual investigations.

Organisational identity

The NDS issues digital identities to organisations as well as citizens. Every organisation that interacts with the NDS — whether as a service provider (bus operators, food venues, schools, energy suppliers), an employer conducting right-to-work checks, a public authority accessing citizen records, or a commercial entity verifying customer identity — must hold an NDS organisational credential.

Organisational credentials are anchored to sponsoring natural persons. An organisation cannot hold an NDS identity in the abstract; at least one named, NDS-verified individual must be registered as its responsible officer. This follows the principle embedded in Estonian law — "only real persons can give signatures" — and aligns with the UK's own direction of travel under the Economic Crime and Corporate Transparency Act 2023, which from November 2025 requires identity verification of all company directors and persons with significant control.

The organisational identity register builds on existing infrastructure. Companies House, already implementing mandatory identity verification for approximately 7 million individuals associated with UK companies, provides the registry backbone for corporate entities. The NDS extends this by issuing cryptographic organisational credentials — following the verifiable Legal Entity Identifier (vLEI) model developed by the Global Legal Entity Identifier Foundation — that bind the organisation's verified identity, its responsible officers, and their roles into a single, machine-readable, tamper-evident credential. For public-sector bodies, the NDS issues organisational credentials directly.

Private organisations must have at least one sponsoring citizen — an NDS-verified individual who accepts accountability for the organisation's use of NDS services. For companies, this is typically a director already verified through Companies House. For sole traders, charities, and unincorporated organisations, registration through the NDS organisational register links the entity to its responsible person. The register is designed to become self-sustaining through registration fees at scale, following the LEI model (currently approximately £60–80 per entity per year globally).

In practice, organisational identity means that when a participating food venue processes a tap-to-ID service claim, the terminal identifies itself — cryptographically, not just by network address — as belonging to a specific registered entity, operated by a named responsible person. When a police officer queries a citizen's NDS record, the query carries not just the officer's personal NDS identity but the organisational credential of their force and the credential of the authorising authority. This creates accountability at every level: individual, organisational, and institutional.

National Data Infrastructure

Purpose

The safety of the state, democracy, and every citizen depends on the implementation of protocols and systems that allow data to be stored and transmitted without interruption, corruption, or unauthorised exposure. The National Data Infrastructure (NDI) — the operational backbone of the NDS — ensures this. It comprises the data centres, networks, and systems that the commission operates under its charter, designed with security as the highest priority — comparable in design philosophy to the protection of critical national infrastructure in energy and defence.

Services the NDI supports

Almost every service in Prosperity 2030 depends on this infrastructure. The following programme services are listed in approximate order of data throughput and processing intensity at steady state:

- **Digital identity verification and tap-to-ID transaction processing.** The programme's universal services generate approximately 50–100 million tap events per day across transport, food, and other access points — volumes comparable to a major payments network. Identity resolution requires sub-second database queries across multiple government systems for every event.
- **Audit trail and access logging.** Every NDS gateway query generates an immutable audit record. At 50–100 million tap events per day plus law enforcement and administrative queries, the audit system processes and stores

billions of records annually, each cryptographically signed and linked to the querying individual's and organisation's NDS credentials.

- **National Contributions identity verification and cross-departmental reconciliation.** HMRC's bulk payroll processing — approximately 30 million PAYE submissions — remains on HMRC's own infrastructure, which is already designed for that task. The NDI hosts the secure API gateways that connect HMRC's Real Time Information system, DWP benefit deduction feeds, and the identity resolution service for P800 year-end reconciliation across all income sources. It also holds the cryptographic key management for NC-related identity verification. The NDI provides the joins between departmental systems, not a replacement hosting platform for them.
- **Energy USO smart metering and grid management.** Smart meter data from 28 million households, transmitted at 30-minute intervals, generates approximately 1.3 billion data points per day. Grid balancing and standing charge absorption require real-time data flows between the NDI, GB Energy Network, and distribution network operators.
- **Water catchment monitoring.** Catchment Water System Operator (CWSO) telemetry from sensor networks across England and Wales, supporting real-time water quality monitoring, flood risk management, and infrastructure maintenance scheduling.
- **NHS and care service records.** Patient records, care quality monitoring, and the universal care service's scheduling and allocation systems. Health data carries the highest sensitivity classification and the strictest access control requirements.
- **Food distribution and venue reimbursement.** Community Food Centre supply chain management, school meal allocation, and participating venue transaction processing and reimbursement — approximately 4–5 million food service transactions per day at steady state.
- **Transport usage monitoring.** Boarding data from the universal bus service, supporting operator reimbursement, route optimisation, and capacity planning — approximately 15–20 million boarding events per day.
- **Organisational identity register.** The cryptographic credential infrastructure for all NDS-registered organisations, including certificate authority functions, credential lifecycle management, and the sponsoring-person verification system.
- **Local democracy and public communications.** Secure infrastructure for electoral administration, council communications, and the programme's citizen notification systems.

In aggregate, the programme's services will generate approximately 3–5 billion data transactions per year requiring sovereign-grade security, with secure storage requirements growing to an estimated 50–100 petabytes within five years and backbone capacity requirements of multiple terabits per second across the core network.

Existing baseline and the case for sovereign capacity

The UK government currently operates approximately 150 data centres through Crown Hosting and departmental facilities, alongside extensive use of commercial cloud services (primarily AWS, Microsoft Azure, and Google Cloud). Total government IT spending is approximately £4–5 billion per year across departments, of which roughly £1.50–2.00 billion is infrastructure. The National Cyber Security Centre (NCSC) operates on a budget of approximately £0.25 billion per year.

The NDI does not replace commercial cloud for general government computing, nor does it absorb departmental IT operations. Departments — including HMRC, DWP, and NHS Digital — continue to operate their own processing systems on their own infrastructure or commercial platforms. What the NDI provides is the sovereign-grade layer for workloads that span departments and cannot be entrusted to foreign-owned infrastructure: identity verification, cross-departmental data reconciliation (such as P800 matching across HMRC, DWP, and the identity system), service reimbursement transaction processing, health record interoperability, security-critical communications, and the cryptographic key management systems that underpin the entire digital identity ecosystem. These workloads require guaranteed UK jurisdiction, UK-vetted personnel, and physical security beyond what commercial cloud providers offer or contractually guarantee.

The NDI therefore represents an approximately 40% increase in dedicated government digital infrastructure spend, concentrated on the security-critical workloads that the programme's universal services create. It consolidates and security-hardens the existing Crown Hosting estate while adding the capacity required by the programme's new services — replacing aging facilities with purpose-built sovereign infrastructure rather than perpetually extending commercial cloud contracts for workloads that belong under direct government control.

Physical facilities

Multiple redundant physical facilities will house the core computing hardware. These will be security-hardened facilities — including underground installations where terrain and existing infrastructure permit — designed to maintain operations for up to a week without external power, with hibernation capabilities for extended periods of disconnection. Distributed across the country in a minimum of six geographic zones, each facility will be able to assume the functions of two peer facilities in the event of disconnection or compromise. Site selection will prioritise proximity to renewable energy sources, existing fibre trunk routes, and geological stability.

The UK has existing hardened facility capacity — former MOD installations, nuclear-rated bunker infrastructure, and Crown Hosting sites with partial resilience — that can serve as the starting estate, reducing early capital requirements and accelerating initial operational capability.

Core network

A secure core network will connect the primary data stores, physically separated from the public internet and employing quantum-resistant encryption on all inter-facility links. Gateways with layered intrusion detection and traffic inspection will connect the core network to the internet, over which most citizen-facing services will be delivered. The core network's design must assume that any single link or node can be compromised without exposing the system's integrity — the same redundancy philosophy that governs the physical facilities.

Systems and software

Systems designed to sovereign specifications will provide the highest levels of data security within NDI facilities. This means security-hardened deployments of open-source platforms — hardened Linux kernels, formally verified cryptographic libraries, and custom firmware for storage and networking hardware — rather

than dependence on proprietary commercial operating systems whose source code cannot be fully audited. Focused design on core data storage and communications allows for the development of modular, low-energy systems deployed across the infrastructure, supporting standardisation and redundancy. Hardware supply chain integrity — verifying that computing equipment has not been compromised before installation — requires dedicated testing facilities and vetted procurement channels.

A sovereign software capability will be maintained as a permanent function of the commission: a security-cleared engineering workforce that can audit, harden, patch, and extend open-source platforms to sovereign specifications, with a long-term support commitment independent of any single commercial vendor. This is the software equivalent of the UK's defence procurement function — specifying, assuring, and maintaining critical systems rather than manufacturing every component.

Budget

The NDS budget totals £12.50 billion over five years: £0.50 billion in Year 1 (digital identity foundation only, before the NDI build begins) and £3.00 billion per year in Years 2–5. The citizen cryptographic rights, audit trail system, and organisational identity register are accommodated within the existing envelope, drawing on the service integration, software development, and contingency lines in both the digital identity and NDI budgets. The organisational identity register is designed to become self-sustaining through registration fees at full scale.

Combined budget by year

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Digital Identity	0.50	1.00	1.00	1.00	1.00	4.50
National Data Infrastructure	—	2.00	2.00	2.00	2.00	8.00
NDS Total	0.50	3.00	3.00	3.00	3.00	12.50

All figures in £ billions, 2025 prices.

NDI budget detail

Component	Year 2	Year 3	Year 4	Year 5	Total
Facility construction and fit-out	0.80	0.60	0.30	0.15	1.85
Core network build	0.30	0.25	0.10	0.05	0.70
Systems and hardware procurement	0.35	0.35	0.25	0.20	1.15
Software development and hardening	0.20	0.25	0.30	0.30	1.05
Commission staffing and operations	0.15	0.25	0.40	0.50	1.30
Service integration and migration	0.10	0.20	0.35	0.40	1.05
Security, testing, and contingency	0.10	0.10	0.30	0.40	0.90
NDI total	2.00	2.00	2.00	2.00	8.00

Capital and operational trajectory

The NDS's spending profile shifts substantially over the five-year period. In Year 2, approximately 60% of the NDI budget is capital expenditure (facility construction, network build, hardware procurement); by Year 5, approximately 80% is operational (staffing, software maintenance, service integration, security). The

digital identity budget follows a different curve: Year 1 is predominantly capital (terminal deployment, infrastructure setup), while Years 4–5 are predominantly operational (card refresh, running costs, ongoing inclusion). The Digital Identity budget detail is provided in the companion appendix.

The new commitments — citizen cryptographic capability on NFC cards (approximately £1–2 additional per card, absorbed within the £1.00 billion card line), the audit trail system (approximately £0.10–0.20 billion build and £0.03–0.05 billion per year operating, absorbed within the NDI's service integration and software lines), and the organisational identity register (approximately £0.15–0.25 billion build, absorbed within service integration, with ongoing costs designed to be fee-funded) — consume roughly half of the programme's contingency reserve. The budget moves from comfortable to disciplined: it works if the commission manages scope tightly, but there is limited room for overruns.

At steady state beyond Year 5, the NDS requires approximately £3.00 billion per year — £1.00 billion for digital identity operations and £2.00 billion for NDI operations — funded from the programme's fiscal space. The £2.00 billion NDI steady-state cost covers facility operations, hardware refresh (replacing approximately 20% of the computing estate annually on a five-year cycle), the commission's permanent workforce, software maintenance, and continuous security improvement. This is sufficient and defensible provided the commission maintains scope discipline — serving the programme's defined security-critical workloads rather than absorbing every departmental IT project that would prefer sovereign hosting.

Benchmarks

The NDS's combined spend of £12.50 billion over five years is large by international standards but proportionate to the services it enables. India's Aadhaar system — covering 1.4 billion people, underpinning direct benefit transfer, financial inclusion, and tax administration — cost an estimated £4–7 billion all-in. Estonia's entire public digital infrastructure operates on approximately £0.15 billion per year for 1.3 million people. The UK's defence digital infrastructure (Defence Digital) operates on approximately £2.00 billion per year. The NHS digital transformation programme has consumed approximately £4.00 billion since 2019. The private sector invests approximately £4–5 billion per year in UK data centre capacity. The NDS budget sits within this landscape as a permanent institutional commitment comparable in scale to a major defence capability.

The critical efficiency metric is not the cost of the NDS itself but the administrative savings it generates. Manual eligibility verification, paper-based registration, and fraud investigation for a programme delivering £49 billion in annual services would cost substantially more than the digital system that automates these functions. A conservative estimate of 2–3% administrative cost saving on programme service delivery implies £1.00–1.50 billion per year in avoided costs — a payback period under ten years on the full NDS investment, and a permanent efficiency gain thereafter.

All figures in 2025 prices. The NDS provides identity infrastructure for but does not itself build or operate the digital pound, DeliveryCo, or the skills credentialing system; these are parallel programmes that benefit from and depend on the NDS identity layer. Technical specifications, facility locations, and network

architecture are subject to detailed design following the establishment of the commission. This appendix establishes the scale of institutional commitment and the rationale for sovereign digital infrastructure; it is not a technical specification.

Source: IGP Social Prosperity Network.

RELATED

Complements: [NDS: Research Briefing \(Appendix\)](#)

Referenced by: [National Digital Service \(Structural Measure\)](#)

NDS: Digital Identity

Technical Appendix — Prosperity 2030

APPENDIX · digital, business

Structural Reform

This appendix describes the citizen-facing digital identity system operated by the National Digital Service (NDS). It should be read alongside the companion appendix — *NDS: Core Infrastructure* — which describes the NDS's institutional design, governance, citizen rights regime (including cryptographic rights, audit trail, and organisational identity), physical infrastructure, and combined budget.

The NDS is a permanent national institution established by the National Digital Service Act, governed by an independent commission accountable to Parliament. The identity system described here is one of its two operational arms; the other is the National Data Infrastructure on which the identity system runs. The governance framework, the citizen's cryptographic entitlement, the audit trail that makes all access visible, and the organisational identity register that ensures two-sided accountability at every tap — these are set out in the Core Infrastructure appendix and apply to everything described below.

Assumed state: January 2030

The programme assumes that by the start of 2030, the UK government's existing digital identity programme will have achieved the following baseline — consistent with current trajectories and announced plans.

GOV.UK One Login will have reached approximately 30–35 million verified accounts, covering roughly 55–65% of UK adults. The GOV.UK Wallet will be operational with digital driving licences and a small number of other government-issued credentials. The UK Digital Identity and Attributes Trust Framework (DIATF), placed on statutory footing by the Data (Use and Access) Act 2025, will have 50+ certified private-sector identity verification providers operating commercially. The NFC contactless payment terminal network — approximately 1.3 million devices across the UK, already handling over 85% of in-store transactions — will provide the physical infrastructure upon which tap-to-ID functionality can be built.

The programme further assumes that the national digital ID scheme announced in 2025 and consulted upon in 2026 will have been legislated on a voluntary basis, with the core identity verification architecture operational but adoption still patchy — particularly among older adults, digitally excluded populations, and those without existing photo identification. Approximately 3–4 million adults will still lack any form of verified digital identity, concentrated among the over-75s, people with disabilities, the homeless, care home residents, and undocumented migrants.

The critical gap at the start of 2030 is not technology but coverage and utility. The infrastructure exists; what it lacks is the combination of universal reach and compelling everyday use cases that drives adoption from 60% to 95%. The Prosperity 2030 programme provides both: a political mandate to accelerate inclusion and a suite of universal services that give every resident a concrete reason to hold a digital identity.

The five-year plan: 2030–2035

The programme targets 95% verified digital identity coverage among UK adults by Year 5 (2035), with 85% coverage by Year 2 (2031) sufficient to support the initial rollout of universal services.

Year 1 (2030): Foundation. The first year focuses on three workstreams. First, accelerating One Login enrolment toward 40 million accounts through integration with the programme's universal service registrations — every household that registers for the energy USO, water USO, or Universal Digital Service simultaneously creates or links a verified digital identity. Second, deploying the tap-to-ID protocol on the existing contactless payment terminal network, beginning with public transport operators and school meal systems where the infrastructure is already NFC-enabled. Third, establishing assisted digital identity verification at every Post Office, Citizens Advice location, and Jobcentre Plus site — approximately 15,000 locations nationally — to provide in-person enrolment for the 8–10 million adults who cannot or will not complete online verification.

Year 2 (2031): Service launch. The second year coincides with the launch of the first universal services and is the critical adoption milestone. The tap-to-ID system goes live across all universal bus services, Community Food Centres, school meal systems, and participating food venues. Every person aged 6 and over — the Universal Digital Service eligibility threshold — receives a digital identity token, either as a smartphone wallet credential or as a physical NFC card for those without compatible devices. The physical card programme is essential: approximately 5–7 million adults and a significant proportion of children will require a contactless card rather than a smartphone credential, at an estimated cost of £8–12 per card including personalisation, encoding, and logistics. NFC cards carry two key pairs following the Estonian model — one for authentication and one for digital signature — with keys generated inside the card's secure element.

Year 3 (2032): Deepening. Coverage reaches approximately 90% of adults. The remaining unenrolled population is disproportionately hard-to-reach: care home residents, rough sleepers, people with severe cognitive impairments, and undocumented migrants. Year 3 focuses on proxy and delegated identity — allowing carers, social workers, and family members to manage digital identity credentials on behalf of those who cannot manage their own. The participating venue network expands, and the tap-to-ID credential becomes accepted for age verification, library access, NHS appointment check-in, and local authority service access. The organisational identity register reaches full coverage of programme-participating entities and opens to the wider private sector.

Year 4 (2033): Maturity. Coverage reaches approximately 93–94%. The focus shifts to operational efficiency and cost reduction. The identity verification process becomes increasingly automated as the biometric database matures; re-verification costs fall. The physical NFC card refresh cycle begins for Year 2 cards approaching expiry. Private-sector acceptance expands — DIATF-certified providers integrate tap-to-ID verification into commercial services, reducing government subsidy requirements.

Year 5 (2034–35): Near-universal. The target of 95% coverage is reached — approximately 51 million adults with verified digital identities, plus age-appropriate credentials for the approximately 10 million children aged 6–17. The remaining 5% comprises individuals who actively decline (voluntary system),

those in transient circumstances, and a small residual of people whom the system has been unable to reach.

Tap-to-ID: how it works

The NDS's tap-to-ID system repurposes the UK's existing contactless payment infrastructure — the same NFC terminals, readers, and protocols that currently process approximately 20 billion contactless transactions per year — for identity verification and service access.

The user holds a digital identity credential, stored either in the GOV.UK Wallet app on a smartphone (using the device's NFC capability, identical to Apple Pay or Google Pay) or on a physical NFC card issued by the NDS. On tapping, the terminal reads a cryptographically signed identity token that confirms one or more of: the holder's verified identity, their age band (for age-gated services), their household registration (for household-linked entitlements), and their service eligibility (for means-tested or category-specific services). No biometric data is transmitted at the point of tap. The transaction is logged against the service provider's allocation system, enabling real-time usage tracking for programme monitoring without requiring the user to present documents, complete forms, or authenticate beyond the physical tap.

The protocol operates at three assurance levels. Level 1 (presence only) confirms that the holder has a valid NDS credential — sufficient for universal bus boarding, library access, and community space entry. Level 2 (identity confirmed) additionally verifies the holder's name and age band — sufficient for school meal check-in, participating venue meals, and age-restricted service access. Level 3 (full identity with household) links the holder to their registered household and service entitlements — required for energy and water USO registration, Universal Digital Service device and voucher claims, and any means-tested service top-ups.

Every tap-to-ID transaction is a two-sided credential exchange. The citizen's wallet presents their identity credential; the terminal presents the service provider's organisational credential. Both sides are cryptographically verified. The citizen's wallet can log which organisations have verified their identity, and the NDS gateway records the organisational credential alongside the access event in the audit trail. This means a citizen reviewing their audit log sees not just "accessed by Greggs" but "accessed by Greggs plc (Company No. 00502851), terminal ID 4471, responsible officer J. Smith."

How universal services use tap-to-ID

Public transport. The tap replaces both fare payment and eligibility verification in a single gesture. The bus operator's existing electronic ticket machine — already NFC-enabled for contactless payment — reads the NDS credential at Level 1 and registers a boarding event. No fare is charged. The operator claims reimbursement from the programme based on verified boarding counts.

Community Food Centres and school meals. A tap at the serving point confirms identity (Level 2) and logs the meal. For school meals, the child's credential — linked to a parent or guardian's verified identity, carrying the child's age band and school enrolment status — provides automatic check-in. No child needs to be identified as receiving a free meal; every child taps the same way.

Participating food venues. The example of Greggs illustrates the model. The venue's existing point-of-sale terminal is updated with the tap-to-ID protocol via a

software update to its payment processing system. A customer taps their card or phone; the terminal confirms eligibility (Level 2: verified identity, eligible age/category); the meal is served; the venue submits a reimbursement claim against the programme's participating venue allocation. The customer experience is identical to a contactless payment — tap, confirmation beep, done. No cash changes hands, no voucher is presented, no visible distinction exists between a programme-funded meal and a paid one. This is a deliberate design choice: the system must not stigmatise users.

Energy and water USOs. Registration for standing-charge-free energy and water requires a Level 3 tap or online verification linking the credential to the household's meter point. Once registered, the household's standing charges are absorbed by the programme without further interaction.

Universal Digital Service. Each eligible person receives a voucher code linked to their digital identity. The voucher is redeemed with any participating mobile operator; the operator verifies eligibility via the NDS and applies the credit. Device provision follows the same identity-linked process: eligibility is confirmed, and a device is dispatched or collected from a distribution point.

Children's credentials. For children aged 6–17, a simplified digital identity is issued — linked to a parent or guardian's verified identity — that carries the child's age band and school enrolment status. This enables school meal check-in, age-appropriate transport access, and Universal Digital Service device/voucher claims without requiring the child to complete adult-level identity verification. The child's credential is managed through the parent's GOV.UK Wallet until the child reaches 16, at which point they transition to an independent adult credential.

The citizen's wallet as a lifetime credential store

The NDS wallet is designed to hold more than identity and service entitlements. The same cryptographic architecture — W3C Verifiable Credentials, citizen-controlled keys, selective disclosure — supports a broader set of credentials that accumulate over a citizen's lifetime.

Skills and qualifications. The GOV.UK Wallet already uses the W3C Verifiable Credentials Data Model 2.0. The EU's European Digital Credentials for Learning initiative has demonstrated that educational qualifications, professional certifications, and micro-credentials can be issued as verifiable credentials and stored in citizen wallets. The UK Badging Commission's 2025 report recommended a national skills wallet linked to GOV.UK One Login, populated initially with school-leaving qualifications and available for lifelong use. The NDS provides the infrastructure for this: a citizen's GCSE results, university degree, professional registrations, and employer-issued skill badges can sit alongside their driving licence and NDS identity credential in a single wallet, presented selectively to employers, training providers, or public services as the citizen chooses.

Personal data and AI portability. As AI systems increasingly personalise services — from NHS triage bots to career guidance to energy usage recommendations — they build profiles of individual preferences, behaviour patterns, and expressed values. Without sovereign infrastructure, these profiles are owned by whichever AI provider built them, locked inside proprietary systems, and unavailable to the citizen who generated them. The NDS wallet, combined with the citizen's cryptographic keys, provides the mechanism for portable, citizen-controlled personal data. A citizen can encrypt their AI interaction history, preference

vectors, and derived personality profiles to their own keys, store them in their wallet or a linked personal data store, and grant time-limited access to any service provider — carrying their digital context between services rather than starting from scratch with each new provider. This is not a speculative ambition; the technical standards exist (W3C Verifiable Credentials, Solid data pods, the Data Transfer Initiative's portability framework), and the EU's eIDAS 2.0 regulation mandates wallet-based selective disclosure. What is missing is the sovereign infrastructure to host and protect it. The NDS provides that infrastructure.

Budget

The Digital Identity budget totals £4.50 billion over five years: £0.50 billion in Year 1 and £1.00 billion per year in Years 2–5. The combined NDS budget (Digital Identity plus National Data Infrastructure) is £12.50 billion, presented in the companion Core Infrastructure appendix.

Digital Identity budget detail

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Terminal protocol and tap-to-ID deployment	0.20	0.25	—	—	—	0.45
Assisted verification infrastructure	0.15	—	—	—	—	0.15
NFC card production, distribution, and refresh	—	0.35	0.05	0.35	0.25	1.00
Enrolment acceleration and service integration	0.10	—	0.25	0.20	—	0.55
Backend identity resolution and fraud prevention	—	0.20	0.25	0.15	0.20	0.80
Inclusion outreach and proxy identity systems	—	0.10	0.30	—	0.15	0.55
Operational running costs and service desk	—	0.10	0.15	0.30	0.40	0.95
Security, testing, and contingency	0.05	—	—	—	—	0.05
Digital Identity total	0.50	1.00	1.00	1.00	1.00	4.50

All figures in £ billions, 2025 prices.

The Digital Identity budget follows a capital-to-operational curve: Year 1 is predominantly capital (terminal deployment, assisted verification infrastructure setup), while Years 4–5 are predominantly operational (card refresh, running costs, ongoing inclusion). NFC cards carrying two key pairs (following the Estonian model) cost approximately £1–2 more per card than single-key cards; this is absorbed within the £1.00 billion card production line. At steady state beyond Year 5, digital identity operations require approximately £1.00 billion per year, funded from the programme's fiscal space.

International benchmarks support the budget's scale. The total Digital Identity spend of £4.50 billion across five years is approximately £83 per UK adult — substantially above India's Aadhaar cost of £1–5 per person but consistent with the UK's higher labour costs, privacy-by-design architecture, physical NFC card programme, and the inclusion infrastructure required to reach the 8–10 million adults who cannot complete online verification. It is roughly 2.5 times the OBR's 2025 estimate of £1.80 billion for the government's own national digital ID

scheme, reflecting the programme's more ambitious 95% coverage target, the tap-to-ID terminal deployment across approximately 1.3 million NFC terminals, and the physical card programme for digitally excluded populations.

All figures in 2025 prices. Coverage targets assume a voluntary identity system; mandatory enrolment would accelerate adoption but is not proposed. The 95% target excludes individuals who actively decline participation and those in circumstances that prevent identity verification under current law. The citizen's cryptographic rights, the audit trail, and the organisational identity register – which govern all interactions described in this appendix – are established in the companion NDS: Core Infrastructure appendix.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [Digital Protection \(Structural Measure\)](#), [Local Service Hubs \(Universal Service\)](#), [National Digital Service \(Structural Measure\)](#)

NDS: Research Briefing

APPENDIX · digital, business

Executive Summary

This briefing supports a UK policy document on a National Digital Service that would issue digital identities to both citizens and organisations. It collates evidence across three interlocking topics: (1) audit trail systems that make government data access visible to citizens, drawing on Estonia's Data Tracker and comparator regimes; (2) organisational digital identity systems including Estonia's e-Business Register, the EU's eIDAS 2.0 framework, the Global Legal Entity Identifier (LEI) and verifiable LEI (vLEI), and the UK's reformed Companies House regime under the Economic Crime and Corporate Transparency Act 2023 (ECCTA); and (3) the cryptographic rights and key management arrangements that determine whether citizens, in practice, control their own keys. Specific findings, with statistics where available, are set out below.

TOPIC 1 — Audit Trail Systems for Government Access to Citizen Data

1.1 Estonia's Data Tracker (*Andmejälgija*)

The Data Tracker was launched by Estonia's Information System Authority (RIA) in 2017 and sits inside the state portal *eesti.ee*. Its purpose, as RIA describes it, is to give “the citizen ... a clear overview of the operations performed with their data” — both internal database operations and inter-agency data exchanges across the X-Road interoperability layer. RIA publishes a protocol that database owners must implement as an X-Road service so that their access logs feed into a single, citizen-facing view; the tool was funded in part by the European Regional Development Fund.

How it works in practice. A citizen authenticates to *eesti.ee* using their ID-card, Mobile-ID, Smart-ID or, since July 2025, the new state Eesti.ee mobile app, and can see logged events showing who queried data about them, when, and for what purpose. From 7 July 2025 the Eesti.ee app added in-person identity verification via QR code, and on 4 June 2025 the Riigikogu amended the Identity Documents Act to give app-based digital identification the same legal standing as a physical ID. By early July 2025 the app had been downloaded by more than 54,000 users following a pilot involving 2,300 volunteers; user satisfaction averaged 4 out of 5.

Coverage and statistics. Estonia's e-Estonia briefing (which is the publicly available baseline) notes that “479 institutions and enterprises rely on the national data exchange layer X-Road – and over a million Estonian citizens and residents,” and that the Data Tracker initially covered four core databases. X-Road has been live since 2001; “as of the beginning of [the relevant] month, over 5 billion queries have been exchanged on the X-Road ... Almost 986 million requests took place in 2018.” Among the heaviest service providers, the Estonian Health Insurance Fund alone handled 7,182,244 X-Road queries in the month referenced. There is, however, no comprehensive published dataset breaking down access events by purpose.

Enforcement effects. Unauthorised access by a public servant is a criminal offence in Estonia, and visibility through the Data Tracker has produced concrete sanctions — for example, an Estonian police officer who looked up his future

wife's record, and a paramedic who checked an ambulance call-out at a neighbour's request, both admitted wrongdoing and paid fines after their access was logged. The Data Protection Inspectorate (DPI) reports receiving “over 3,000 inquiries per year,” with questions outnumbering complaints since GDPR came into force in 2018, according to Maarja Kirss, the DPI's Head of Cooperation.

Important limits. The Data Tracker covers only government-held data flowing through X-Road; private-company access (e.g., Meta, Google) is not visible unless the company is participating in delivering a specific public service.

1.2 Comparator regimes

No other EU member state has yet replicated the Data Tracker as a single, universal, citizen-facing audit interface across all government databases. The eIDAS 2.0 European Digital Identity Wallet Architecture and Reference Framework (ARF v1.4, May 2024) requires wallets to log attribute attestations issued and shared so that users can see, and where appropriate withdraw, what has been transferred — but this is a wallet-level audit log of credential presentation, not a logging requirement for every government-held database query. Estonia is described by international observers (LOTI, Microsoft, the e-Governance Academy) as having the most mature operational model anywhere.

1.3 UK existing mechanisms

The UK does not provide an automatic, citizen-visible audit feed of government access to citizen data. It instead relies on:

- **Subject Access Requests (SARs)** under Articles 15 and 23 of the UK GDPR, which require a citizen to actively request a copy of their data and information about its disclosures.
- **Investigatory Powers Commissioner's Office (IPCO)** oversight of investigatory powers under the Investigatory Powers Act 2016 (IPA). IPCO oversees the use of investigatory powers by **over 600 public authorities**, including the intelligence agencies and law enforcement. The 2023 Annual Report (HC 603) recorded **just under 360,000 authorisations** across all powers in 2023, with year-on-year growth of “between 9–10%,” and **386 inspections** carried out by IPCO Inspectors. The 2024 Annual Report (HC 1277), laid before Parliament on 16 December 2025 by the Investigatory Powers Commissioner Sir Brian Leveson, notes the merger on 1 March 2024 of IPCO with the Office for Communications Data Authorisations (OCDA), and an approximate 4% reduction in IPCO funding for 2025/26.
- **Notification regimes under RIPA / IPA:** subjects of intercept warrants are not routinely notified; the Investigatory Powers Tribunal hears complaints, and the IPC can notify a “serious error” to an affected person under section 231 IPA where it is in the public interest. Annex C of the 2024 Annual Report (titled “Serious errors”) describes the framework but not large numbers of citizen notifications.
- **Data breach notification** under UK GDPR Article 34 (high risk to individuals' rights) and the ICO's threshold regime — reactive, not preventative.

1.4 Delayed notification in law-enforcement contexts

Comparators on the secrecy/notice tension are well established:

- **United States – “sneak and peek” warrants under §213 USA PATRIOT Act 2001** (codified at 18 U.S.C. §3103a). Notice of execution can be delayed where the magistrate finds reasonable cause that immediate notice would have an “adverse result” (endangerment, flight, destruction of evidence, witness

intimidation, or jeopardising the investigation). The 2005 Reauthorization Act set a guideline of notice within 30 days of execution, with extensions of up to 90 days for good cause. Volume is substantial: in **FY2020 courts issued close to 20,000 thirty-day delayed-notice search warrants and approved extended delayed notice in more than 10,000 cases**. Drug cases accounted for **more than 70%** of issuances; **fewer than 250** were terrorism investigations — illustrating the well-documented “mission creep” of delayed-notice powers.

- **United Kingdom – RIPA Part III §49 notices:** a person served with a notice can be barred from telling anyone except their lawyer that they have received it, with criminal penalties for “tipping off” (see Topic 3 below).
- The general policy tension — between investigative secrecy and a citizen’s right to know — is addressed in academic and Congressional Research Service literature (e.g., CRS LSB10652) but has not been resolved with a uniform “tell-after-X-days” mechanism in the UK.

1.5 Academic/think-tank work on automatic audit trails

Privacy International’s analysis of e-Estonia describes the Data Tracker as a leading example of “privacy by design” combined with detective controls, while flagging that key generation flaws (the 2017 ROCA vulnerability affecting around **750,000 ID cards**, and the 2011 distribution of around **120,000 faulty cards**) underline the importance of where private keys are generated. The e-Governance Academy’s December 2025 podcast and blog with the Estonian DPI argue that visibility-by-default deters misuse and that “transparency becomes a working system of accountability.” The OECD Working Party of Senior Digital Government Officials (chaired by Siim Sikkut, Estonia’s former Government CIO) has highlighted the Estonian model in its peer reviews as a benchmark for trust architecture.

TOPIC 2 — Organisational Digital Identity Systems

2.1 Estonia’s e-Business Register

Estonia’s e-Business Register, operated by the Centre of Registers and Information Systems (RIK) under the Tartu County Court Registration Department, is the foundational organisational identity layer. Since 2011 most companies have been incorporated online via the e-Business Register; registration has fallen “from 5 days to a couple of hours.” Authentication and digital signature for filings require an Estonian ID-card, Mobile-ID, Smart-ID, or e-Residency digital ID. The portal lets users register companies, sole traders, non-profits and state agencies; submit annual reports; manage members lists; check beneficial owners and tax-arrears information; and (crucially) see all the legal persons connected to them. Each legal entity has an 8-digit Registry Code (*Registrikood*).

A core architectural feature is that, under Estonian law, “**only real persons can give signatures**.” Organisational e-seals (digital seals) exist for institutional authentication of documents but legally function as additional authenticity tools accompanied by the digital signature of a natural person acting for the organisation — i.e., the **sponsoring natural person** model is built into Estonian PKI from the outset.

2.2 EU eIDAS 2.0 — organisational dimension

Regulation (EU) 2024/1183, which amends the 2014 eIDAS Regulation, was published in the Official Journal on 30 April 2024 and entered into force on 20 May 2024. It establishes the European Digital Identity (EUDI) Wallet framework. Five

Implementing Regulations adopted on 28 November 2024 (published 4 December 2024) specify wallet integrity, Person Identification Data (PID) and Electronic Attestations of Attributes (EAAs), interoperability protocols, certification, and notifications. **By late December 2026 every Member State must make at least one EUDI Wallet available**; from late December 2027 a wide range of public bodies and regulated private-sector relying parties (financial services, telecoms, transport, very large online platforms) must accept it.

The organisational dimension comprises three building blocks:

- **Legal Person Identification Data (LPID).** The wallet framework allows issuance of credentials representing a business's identity (name, registration number, VAT number, authorised representative status). LPIDs would typically be issued by a national business registry or chamber of commerce.
- **Qualified Electronic Attestations of Attributes (QEAA) and Public EAAs (PubEAA).** Qualified Trust Service Providers (QTSPs) issue QEAA that carry legal trust across the EU; PubEAAs are issued by public authorities.
- **Qualified Electronic Signatures and Seals (QES / QESeal).** The wallet must, by default and free of charge to natural persons, support QES creation. For organisations, qualified electronic seals provide entity-level signatures.

Article 5a of the regulation requires the Commission to set reference standards and procedures by 21 November 2024; under the EU's "Digital Decade" target, 80% of citizens are intended to use a digital ID by 2030.

2.3 The Global Legal Entity Identifier (LEI) and vLEI

The **LEI** is a 20-character alphanumeric ISO 17442 code identifying a legal entity uniquely worldwide. It is governed by the Financial Stability Board (FSB)–created Global Legal Entity Identifier Foundation (GLEIF), a supra-national not-for-profit established in 2014 and headquartered in Basel. GLEIF reports the Global LEI System as having **2.93 million active LEIs** at end-2025, after issuance of more than **355,000 new LEIs** during 2025 — an annual growth rate of **13.5%**, up from **11.5%** in 2024. About **89,000 LEIs** were issued in Q4 2025 alone (3.1% quarterly growth). India retained the second-largest active LEI population, growing 49.2% in 2025; growth was driven elsewhere by EU rules including the Digital Operational Resilience Act (DORA), which from January 2025 mandated the LEI as the sole identifier for non-EU ICT service providers used by EU financial institutions. GLEIF also reports **over 6,600 government entities** and **81 international organisations** with LEIs at end-2025, and a 2025 LEI renewal rate of 57.1%. GLEIF coordinates a network of **23 Validation Agents** across Africa, Australasia, China, Europe, India, the Middle East and North America.

The **verifiable LEI (vLEI)** is GLEIF's W3C/Trust over IP verifiable-credential implementation, standardised in **ISO 17442-3 (2024)**. The vLEI Ecosystem Governance Framework defines four credential types: a Legal Entity vLEI Credential (issued by Qualified vLEI Issuers — QVIs — to a legal entity); a QVI Authorisation vLEI Credential; a Legal Entity Official Organisational Role (OOR) vLEI Credential (using ISO 5009 role codes — for example, "director" or "CFO"); and a Legal Entity Engagement Context Role (ECR) vLEI Credential. GLEIF's Root Autonomic Identifier (AID) provides the cryptographic root of trust; credentials use the Authentic Chained Data Container (ACDC) specification on top of Key Event Receipt Infrastructure (KERI). Crucially, the vLEI explicitly combines three concepts — the organisation's identity (LEI), a person's legal name, and the role that person plays for the legal entity — and so directly embodies the **sponsoring**

natural person principle. vLEIs are designed to be issued into organisational wallets and to interoperate with the EUDI Wallet ecosystem.

2.4 UK Companies House digital identity (ECCTA 2023)

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) is reshaping UK organisational identity. Mandatory identity verification for individuals associated with UK companies came into force on **18 November 2025**, after a voluntary phase from **8 April 2025**. By the start of the mandatory period, **more than 300,000 individuals** had verified during the voluntary window.

The scheme covers all directors, persons with significant control (PSCs), members of LLPs, and individuals who file at Companies House. Verification can be performed:

- Directly via the **GOV.UK One Login ID Check app** (using a UK biometric passport, photocard driving licence, biometric residence permit, or frontier worker permit) — **average completion time 2.4 minutes** (18 March – 30 June 2025); or
- Indirectly via an **Authorised Corporate Service Provider (ACSP)** — a UK-AML-supervised firm (typically a solicitor, accountant or company-secretarial provider) authorised by Companies House. ACSP registration opened on 18 March 2025.

Once verified, an individual receives a **Companies House personal code** that they re-use across all their roles and across companies, demonstrating “verify once, use many.” Existing directors must verify by reference to their next confirmation statement during the **12-month transition period** ending in November 2026; existing PSCs must verify within 14 days of the first day of their birth month following commencement. Filings submitted by unverified individuals will be rejected unless routed through an ACSP. Directors of overseas companies with a UK establishment, and individual LLP members and PSCs, are also brought in from 18 November 2025; rules for corporate directors, corporate LLP members, officers of corporate PSCs and limited partnerships are due in 2026–2027. From 1 April 2027 Companies House plans software-only iXBRL-tagged accounts filing and the abolition of abridged accounts. **Around 7 million individuals** are in scope. The YouGov Business Omnibus survey of 1,007 senior decision-makers (16–25 June 2025) found 81% support for the new identity verification process and 73% agreement that directors and PSCs would find it easy to verify.

The **failure-to-prevent-fraud** offence under ECCTA came into force on 1 September 2025, materially increasing organisational accountability.

2.5 UK Register of Overseas Entities (ROE)

The ROE was created by the Economic Crime (Transparency and Enforcement) Act 2022 and opened on 1 August 2022. Any overseas entity holding a “qualifying estate” — a freehold or a leasehold of more than seven years in UK land — must register with Companies House and disclose registrable beneficial owners (RBOs) or, if none, managing officers. Critically, **all information must be independently verified by a UK-regulated agent** holding a Companies House agent assurance code (typically an AML-supervised solicitor, accountant or trust/corporate service provider); self-certification is not permitted. Each entity receives an **Overseas Entity ID** that must be presented to HM Land Registry or the Registers of Scotland before any property transaction. Penalties for non-compliance include daily fines of up to **£2,500** and up to five years’ imprisonment. ECCTA 2023 strengthened the

regime with title-number disclosure, the requirement to provide a “principal office” address in addition to a registered office, designated contact persons for under-16 managing officers, and trust-related disclosure obligations. The Register of Overseas Entities (Protection and Trusts) (Amendment) Regulations 2025 enable certain trust-related information to be accessed by the public on application from 31 August 2025, where a legitimate interest is demonstrated. OpenOwnership has noted that the UK-regulated agent structure creates domestic liability for verification but does not yet require agents to disclose what specific documents they used to verify – a noted weakness compared with full disclosure-based verification systems.

2.6 Tap-to-ID and organisational presentation

The combination of the LEI (for stable, globally unique identification of the entity), the vLEI (for cryptographic, role-bound presentation), and an EUDI-compatible organisational wallet provides the building blocks for a “Greggs-terminal-identifies-itself-as-Greggs-plc” tap-to-ID flow. In this model, a point-of-service device would hold an organisational vLEI credential cryptographically chained back to GLEIF’s root of trust and ISO 17442-3, plus an OOR credential for the human officer or ECR credential for the engagement context (e.g., the cashier acting on behalf of Greggs plc to verify a service claim). The relying party’s wallet would receive a verifiable presentation that includes the organisation’s verified identity, the role of the presenting principal, and (optionally) selectively disclosed attributes such as the entity’s UK Companies House registered number. For UK use, integration with Companies House’s verification regime (personal codes for officers; ACSP-vouched filings) and with the ROE (Overseas Entity ID) would supply the underlying registry truth.

TOPIC 3 – Citizen Cryptographic Rights and Key Management

3.1 Estonia’s PKI infrastructure

Since 2002, Estonian eID documents have provided **two asymmetric key pairs** with corresponding X.509 certificates on every ID-card chip:

- **Authentication key** – used for TLS client authentication into e-services; can also be used for **decrypting** documents encrypted to the cardholder. Operations are authorised by the 4-digit PIN1 code.
- **Digital signature key** – used to give legally binding digital signatures that under eIDAS qualify as **Qualified Electronic Signatures (QES)**, authorised by PIN2.

Citizens can use the *DigiDoc4* client to encrypt and decrypt documents, sign documents (in BDOC/ASiC-E containers using the ETSI XAdES standard), and authenticate. Estonia’s PKI is overseen by RIA, with certificates issued by SK ID Solutions; the Digital Signature Act 2000 gives digital signatures equivalence to handwritten signatures. The same key infrastructure underpins Mobile-ID, Smart-ID, the e-Resident’s digital ID, and digital seals issued for institutions. Under the Identity Documents Act, only real persons can give signatures; institutional “signatures” are e-seals.

Modern Estonian ID-card chips use **384-bit elliptic curve cryptography (ECC)** following the 2017 ROCA vulnerability that affected RSA-keyed cards. Key generation now occurs inside the chip, ensuring the private key never leaves the

secure element — a fix to the architectural concern earlier flagged by Privacy International.

Estonia's e-Estonia and RIA materials describe an emerging “next-generation” model based on **split-key technology** for mobile wallet implementations, particularly where European certification (CC EAL, FIPS 140) is required and a physical secure element is unavailable.

3.2 EU eIDAS 2.0 and citizen cryptography

eIDAS 2.0 elevates the citizen's cryptographic rights to a default. Article 5a of Regulation (EU) 2024/1183 mandates **Qualified Electronic Signatures by default and free of charge** for natural persons using the EUDI Wallet. The wallet must rely on Qualified Signature/Seal Creation Devices (QSCDs), and citizens must be able to apply QES and QESeals using keys stored in or accessible via the wallet. Implementing Regulation (EU) 2025/1944 (29 September 2025) addresses qualified electronic registered delivery services, while the seven implementing regulations published on 30 July 2025 cover the broader trust services package. The Wallet's Architecture and Reference Framework (ARF) requires logging of attribute attestation events, providing the user with a withdrawal mechanism aligned to GDPR's right to erasure. In short: the EUDI Wallet is, by design, a citizen-controlled signing and decryption instrument as well as an identity instrument.

3.3 UK Investigatory Powers Act 2016 / RIPA Part III §49

Section 49 of the Regulation of Investigatory Powers Act 2000, the operative power to compel disclosure of “protected information,” came into force on 1 October 2007 and remains UK law, sitting alongside the Investigatory Powers Act 2016 framework. Key features:

- A **section 49 notice** can require a person to either hand over a key (defined broadly as “any key, code, password, algorithm or other data”) or produce the protected information in intelligible form.
- Disclosure may be compelled where it is **necessary in the interests of national security, for the prevention or detection of crime, or for the economic well-being of the UK**, and is **proportionate**, with no other reasonably practicable means of obtaining the information (s.49(2)–(3)).
- Failure to comply is an offence under section 53 punishable by **up to two years' imprisonment, or up to five years in cases involving national security or child indecency** (Coroners and Justice Act 2009 amendment).
- A **“tipping-off” prohibition** can be imposed: a recipient of a notice can be barred from telling anyone except their lawyer that they have received it (s.54).
- Section 49(9) **excludes keys used solely for generating electronic signatures** — preserving authentication-only keys from compulsion (a narrow but important right).
- Notices must be authorised by a circuit judge or, in a magistrates' court, a district judge, and oversight is provided by the Investigatory Powers Commissioner under the Revised Code of Practice (2018).

The Investigatory Powers Act 2016 did not modify s.49 but extended the broader landscape: under section 253 IPA 2016, the Secretary of State can issue **Technical Capability Notices (TCNs)** to “relevant operators” requiring them, on an ongoing basis, to maintain the capability to remove encryption applied by the operator. UK CSPs are required to maintain such capability; foreign companies are not formally required to remove encryption. Reports in February 2025 indicated that **Apple**

Inc. had received a TCN ordering it to break the encryption on iCloud backups worldwide — a development that has triggered a transparency and proportionality controversy and a US Congressional response. The Investigatory Powers (Amendment) Act 2024 received Royal Assent on 25 April 2024 following Lord Anderson of Ipswich's review; it makes targeted reforms but does not amend s.49 itself.

Hansard records that “up to the end of 2007 there have been no persons reported to the Ministry of Justice as being cautioned, prosecuted or convicted under section 53”; an April 2008 Hansard answer recorded eight section 49 notices served and two persons charged with non-compliance. There are no comprehensive published statistics on the contemporary use of s.49, although the Investigatory Powers Commissioner's Annual Reports (2022, 2023 and 2024) provide aggregate oversight figures.

The widely cited Trinity College Law Review article (“The Right to Encryption?”) and Open Rights Group's analysis frame s.49 as a substantial intrusion on cryptographic self-determination, particularly in light of forgotten-password risks and the privilege against self-incrimination (note Article 8 ECHR proportionality requirements and the European Court of Human Rights' jurisprudence in *John Murray v United Kingdom* (1996)).

3.4 GOV.UK Wallet's cryptographic architecture

The GOV.UK Wallet, being built by the Government Digital Service (GDS), uses a deliberately simple and standards-based cryptographic stack:

- The wallet generates a key pair on the user's device (with the private key bound to the device's secure element where available).
- Identification of the wallet's public key uses the **did:key** method, conveyed in the JWT header **kid** parameter.
- Proofs of possession at the credential endpoint follow OpenID for Verifiable Credential Issuance (OID4VCI), with the JWS algorithm fixed as ES256 (ECDSA over P-256 with SHA-256).
- Issued credentials use the **W3C Verifiable Credentials Data Model v2.0**, signed by the issuer's private key in JWT form (**typ: vc+jwt**), with the wallet's **did:key** as the subject identifier.
- Authentication and account state come from **GOV.UK One Login**, with credential issuers verifying access tokens (**typ: at+jwt**) against One Login's published JWKS and the **iss** value **https://token.account.gov.uk** .
- The programme adheres to NCSC advice and operates a “three lines of defence” assurance model.

Government policy commits to require services to “issue a digital verified credential alongside any paper or card-based credential or proof of entitlement eligibility by the end of 2027.” There will be **no central record of where the documents in the GOV.UK Wallet have been used** (per the GOV.UK guidance on the digital identity sector, last updated 17 October 2025). On 1 January 2026 the government confirmed that the new digital ID for Right-to-Work checks (announced September 2025) will be **optional, not mandatory**.

Crucially for the policy question, current GOV.UK Wallet documentation indicates that the wallet's cryptographic capabilities are oriented to **proof of possession and credential signing on behalf of the user** rather than to general-purpose user-controlled encryption (e.g., the wallet does not, today, give a citizen a personal

encryption key with which to seal arbitrary correspondence to themselves). This is a substantive gap relative to the Estonian model.

3.5 Policy proposals and the “right to seal a letter”

The “right to seal a letter” analogy — that a citizen should be entitled, by virtue of citizenship, to a state-recognised cryptographic identity that lets them digitally seal and sign communications — is most fully realised in the Estonian eID and emerging EUDI Wallet models, where citizen-controlled QES keys and authentication/decryption keys are part of the core entitlement. The European Digital Rights (EDRi) network and the Open Rights Group have argued that any UK National Digital Service must, at minimum, give citizens the ability to digitally sign with QES-equivalent assurance and to encrypt documents to themselves, mirroring the postal-letter-sealing analogy.

Specific policy proposals that surface across the literature surveyed (Privacy International on e-Estonia; the Trinity College Law Review article on cryptography law; e-Governance Academy podcast with the Estonian DPI; Ascertia’s UK digital ID briefing) cluster around four ideas:

- **Constitutional or statutory recognition of a citizen’s right to use strong cryptography**, with the s.49 power preserved only for narrowly drawn, judicially supervised circumstances and statutory time limits on tipping-off prohibitions.
- **An automatic audit trail (Estonia-style)** in which every government query against a citizen-record is logged into a citizen-visible feed inside the wallet, with non-repudiable hashes and a residual delayed-notification regime modelled on US §3103a but with statutory caps on extension.
- **A right to sponsor natural persons**, building Companies House personal codes and ACSP verification together with vLEI OOR/ECR credentials, so that each organisational presentation cryptographically names the human acting on behalf of the entity — preserving accountability even as institutions act digitally.
- **Citizen-controlled keys for encryption, not only signing**, so that the GOV.UK Wallet provides at least the encryption/decryption pair that the Estonian ID-card has provided since 2002.

Synthesis for the Policy Document

For a UK National Digital Service issuing identities to both citizens and organisations, the evidence base supports a design grounded in three commitments:

1. **Visibility-by-default for state access**, modelled on Estonia’s Data Tracker — a single citizen-facing audit feed of every query against citizen records, with statutorily defined and judicially supervised delayed-notification windows (drawing on US §3103a guideline of 30 days extendable to 90 days for good cause) rather than indefinite secrecy, and with criminal sanctions for unauthorised access, as Estonia has demonstrated to operate in practice.
2. **A two-layer organisational identity stack**, combining (a) the Companies House personal code regime under ECCTA (mandatory from 18 November 2025, ~7 million people in scope) and ROE-style independently verified registration for foreign entities, with (b) LEI/vLEI plus EUDI-compatible organisational wallets, so that any UK organisation can present itself in tap-to-ID contexts

with cryptographic, role-bound credentials traceable to a registry source of truth and a sponsoring natural person.

3. **Citizen cryptographic rights as a foundational entitlement**, including state-recognised QES, encryption to self, key generation inside a secure element on the user's device (avoiding the architectural concerns that plagued the early Estonian ID), and a statutory rebalancing of RIPA Part III §49 to ensure judicial supervision, proportionality, time-limited tipping-off prohibitions, and clear protection for keys used solely for authentication or signing.

Key Quantitative Reference Points

- Estonia X-Road monthly Health Insurance Fund queries: **7,182,244**.
- Estonia X-Road cumulative queries: **>5 billion**; 2018 annual queries: **~986 million** (i.e., about **0.99 billion**).
- IPCO oversight scope: **>600** UK public authorities; **~360,000** investigatory-power authorisations in 2023; **386** inspections in 2023.
- US §213 PATRIOT Act delayed-notice warrants in FY2020: **~20,000** (30-day) plus **>10,000** extensions; **>70%** drug cases; **<250** terrorism cases.
- GLEIF active LEIs at end-2025: **~2.93 million**, with **~355,000** new LEIs in 2025 (annual growth 13.5%); Q4 2025 issuance **~89,000**; **23** Validation Agents globally; **>6,600** government entities and **81** international organisations identified.
- UK Companies House mandatory IDV from **18 November 2025**, individuals in scope: **~7 million**; voluntary verifiers by 18 November 2025: **>300,000**; ID Check app average completion time: **2.4 minutes**; ECCTA support among UK senior decision-makers (n=1,007): **81%**.
- EUDI Wallet availability deadline: **late December 2026**; mandatory acceptance by relying parties: **late December 2027**; EU “Digital Decade” target: **80%** of citizens to use a digital ID by 2030.
- RIPA §49 penalties: up to **2 years'** imprisonment for non-compliance, up to **5 years** for national-security or child-indecency cases.
- Estonian ID-card cryptography: **384-bit ECC** (post-2018 cards), with **two** key pairs per card (authentication/decryption + signing).

These figures, and the architectural choices behind them, provide a defensible evidence base for proposing that a UK National Digital Service deliver, by design, citizen-visible audit trails, verified organisational identities tied to sponsoring natural persons, and a citizen-cryptographic entitlement at parity with leading European peers.

RELATED

Complements: [NDS: Core Infrastructure \(Appendix\)](#)

Referenced by: [National Digital Service \(Structural Measure\)](#)

National Food Service: Supply-Side Programme Description

APPENDIX · food

Three delivery channels providing ~1.5 billion additional meals per year

Additional annual cost at steady state: ~£8.0 billion

Phased rollout over 4 years

Summary

Across the public estate the government already provides approximately 1.3 billion meals a year in a variety of contexts from schools to the military. The NFS expands provision with a universal healthy food programme for the general public and year-round for school-age children. Once at its steady state after the proposed 4-year rollout the NFS will be providing an additional 1.5 billion meals a year, a 113% increase on current provision. In total, government-funded meals will reach approximately 7.6 million meals a day, representing approximately 4% of all meals consumed in the UK.

That 4% figure carries particular significance. It closely matches the proportion of the population reliant on emergency food provision. In 2023/24, 4% of people in the UK lived in a household that had used a food bank or other emergency food provider in the previous 12 months (DWP Family Resources Survey), and the FSA's Food and You 2 survey puts the equivalent figure at 5% in 2025 (Wave 11, England, Wales, and Northern Ireland). This is the core that the current system has most acutely failed, and even it understates the problem, since most people in the most severe food insecurity never approach a food bank. The broader food-insecure population is far larger: 7.5 million people, around 11% of the UK, were in food-insecure households in 2023/24 (DWP Family Resources Survey), and higher still on the FSA's twelve-month measure, which classed 21% of adults in England, Wales, and Northern Ireland as food insecure in 2025, of whom 11% fell in the most severe, very low category.

The NFS at steady state is therefore scaled to the food insecurity problem. But because the programme is universal (free at point of use for all residents and citizens via Digital ID, with no means-testing or eligibility criteria) it reaches that 4% without requiring anyone to identify themselves as food-insecure. The universality is the mechanism that eliminates stigma while ensuring coverage. Take-up will be concentrated among lower-income households as a function of self-selection, not rationing. The majority of food-secure households will mostly choose not to eat the NFS Meal of the Day — but the option is there if circumstances change, and no one has to prove they qualify.

Programme Structure

The NFS delivers additional meals through three operationally distinct channels, each with its own infrastructure, cost structure, and rollout timeline. Existing government-funded institutional catering (hospitals, prisons, military, care homes) is referenced as a future consolidation opportunity but does not represent additional NFS spending.

NFS Channels (Steady State)

Channel	Additional Meals/Year	Avg Additional Meals/Day	Additional Cost/Year	Delivery Model
Community Food Centres	372m	~1.02m	£4.03bn	9,500 dedicated public facilities
School Meals Reform	920m	~3.5m (term), ~2.0m (holiday)	£3.50bn	Universal free + year-round via existing school kitchens
Participating Venues	180m	~0.6m	£0.47bn	NFS Meal of the Day at restaurants/café
Total	1,472m		£8.00bn	

The programme is designed to grow into demand — actual take-up in the early years is expected to be below steady-state capacity as awareness builds, CFCs ramp up, and venue participation expands.

Existing Institutional Provision (Not Additional NFS Cost)

In addition to the three NFS channels, millions of meals are already served daily through government-funded institutions and private workplaces. These are not additional NFS costs but represent existing infrastructure that can be progressively absorbed into the NFS framework over time.

Sector	Estimated Meals/Day	Current Funder	NFS Relationship
NHS hospital patient meals	~300,000	DHSC (~£0.5bn/year)	Future consolidation; NFS standards adoption
Prison meals	~261,000	MoJ (~£0.09bn/year)	Future consolidation; quality improvement
Military (barracks)	~240,000	MoD (~£0.15bn/year)	Future consolidation
Care homes (publicly funded)	~660,000	DHSC/LA social care (~£0.5bn/year)	Future consolidation
Private workplace canteens	~2.5m	Employers/employees	No NFS cost; potential future NFS standards partnership

Consolidation of government-funded institutional catering into the NFS would bring ~1.5 million meals/day under NFS nutritional standards and procurement frameworks. It displaces approximately £1.2–1.5bn of existing departmental spending (which those departments would surrender), making it broadly cost-neutral to the Exchequer. This is a medium-term reform opportunity (Years 3–7) rather than a launch priority.

Community Food Centres

Full rollout schedule, recruitment programme, and unit economics are detailed in the companion CFC Rollout Schedule document.

Overview

9,500 CFCs rolled out over 4 years, providing 372 million meals per year at steady state. CFCs are dedicated public food facilities — the backbone of the NFS providing guaranteed geographic access, nutritional standards, and a visible public presence in every postcode area.

Operating Model

Parameter	Value
Total CFCs at steady state	9,500
Allocation method	Per-capita: ~3 CFCs per 20,000 population, with minimum 1 per outward postcode
Service Hub co-location	~3,500 Local Service Hubs, typically co-located with the first CFC in each area
Average meals per CFC per day	~150
Operating days per CFC per year	261 (5-day week)
Annual meals per CFC	~39,150
Staff per CFC	5–6 (manager at £40k, cooks/servers/cleaners at £25–30k)

CFC Funding Model

All NFS providers are compensated at the same meal rates: £2.50 per adult meal, £2.00 per child meal. CFCs additionally receive a core operating budget covering fixed costs. Food ingredient costs are met from the meal compensation revenue.

Component	Per CFC	Estate-wide (9,500)
Core operating budget	£330,000	£3.14bn
Meal compensation (39,150 meals × £2.40 blended)	~£94,000	~£0.89bn
Total CFC revenue	~£424,000	~£4.03bn

The £330,000 core budget covers fixed costs only:

Cost Component	Estimated Annual Cost
Staff (5–6 workers)	£150,000–£200,000
Premises (rent, rates, utilities)	£40,000–£80,000
Fit-out amortisation (10-year)	£15,000–£25,000
Equipment replacement/maintenance	£10,000–£15,000
Insurance, admin, compliance	£10,000–£15,000
Total fixed costs	£225,000–£335,000

Meal compensation revenue (£94k) covers food ingredients (£59k at ~£1.50/meal) and provides £30–140k headroom per site depending on location. This is a well-funded model with distributed contingency.

CFC Rollout Schedule

Period	New CFCs	Cumulative	Annual CFC Meals	Annual Cost
Pre-Launch (9 months)	500 (adopted)	500	4.9m	~£0.18bn
Year 1	1,500	2,000	43.1m	~£0.75bn
Year 2	2,500	4,500	121.4m	~£1.55bn
Year 3	3,000	7,500	227.1m	~£2.75bn
Year 4	2,000	9,500	326.9m	~£3.65bn
Steady state	—	9,500	372.0m	£4.03bn

The 500 adopted sites at pre-launch are existing community food operations (FoodCycle locations, independent community kitchens like Squash Liverpool, faith-based community meals, FareShare-supplied kitchens) brought onto the NFS operating model. The programme recruits approximately 54,000 staff over 4 years, primarily from the hospitality sector where ongoing closures (4,000+ venues/year) release experienced food service workers. Total capital programme: ~£1.8bn over 4.5 years for site fit-out.

CFCs will overwhelmingly occupy existing buildings — repurposed closed pubs and restaurants (the primary pipeline), vacant commercial premises, community buildings, school kitchens for evening/weekend use, and local authority properties. The declining hospitality estate provides a pipeline of kitchen-equipped premises that exceeds the rollout rate. A small number of sites (~5%) may require modular or new-build solutions for coverage gaps.

CFC Capacity Note

150 meals/day is a conservative national average. A team of 5–6 staff doing batch canteen-style cooking can serve 75 covers per sitting across two services (lunch and evening), or 50 per sitting across three (breakfast, lunch, evening). Inner-city sites may do 250–350; rural market towns 60–100. New CFCs take 2–3 months to reach steady throughput as community awareness builds.

School Meals Reform

Policy: Universal Free School Meals + Year-Round Extension

All school meals become free at point of use for every child in UK state education, regardless of household income. The school meals programme extends beyond the 190-day school year to operate year-round, with school kitchens functioning as NFS community meal hubs during holidays.

Current State

	Value	Source
UK state school pupils	~10.0m	DfE, devolved equivalents
School meals produced/day (term-time)	~5.5m	~55% take-up
Government-funded free meals/day	~4.0m	FSM + UIFSM + devolved
Parent-paid meals/day	~1.5m	~£2.40–2.50/meal
School days/year	190	
Government spend on school meals	~£1.9bn/year	DfE, FSM/UIFSM at £2.53
Parent spend on school meals	~£0.7bn/year	1.5m × 190 × ~£2.45

Step 1: Universal Free (Term-Time)

Making all school meals free — replacing means-tested eligibility with universal entitlement — raises take-up from ~55% to an estimated 85% (Finland achieves ~90%). This means:

	Current	Universal	Increment
Meals produced/school day	5.5m	8.5m	+3m
Government-funded meals/day	4.0m	8.5m	+4.5m

The 3 million additional meals/day are genuinely new production — children switching from packed lunches. The other 1.5 million are existing meals where government replaces parent payment.

Cost of universal term-time:

Component	Annual Cost
Compensation for 4.5m additional government-funded meals/day × 190 days × £2.50	£2.14bn
Additional catering staff (~15,000–25,000 part-time)	£0.30–0.40bn
Total additional annual cost	~£2.5bn

School kitchen capacity needs to increase 55% from current output. Most kitchens have some headroom, some need additional equipment, staffing, and serving space. One-off kitchen capacity investment: £0.3–0.5bn, amortised over 10 years (£0.05bn/year).

Step 2: Year-Round Extension (175 Non-School Days)

During school holidays, approximately 5,000–8,000 school kitchens in populated areas remain open as NFS community meal hubs. Meals are prepared in the school kitchen and can be served on-site, in local parks, community centres, or other accessible locations (drawing on the Helsinki model of free children's meals in parks during summer).

Take-up is substantially lower than term-time — no captive audience, families on holiday, etc. Realistic estimate: ~2.0 million children/day during holidays (~24% of the term-time universal take-up).

Component	Value
Holiday meals/day	~2.0m
Holiday days/year	175
Additional annual meals	350m
Meal compensation (all children, £2.00)	£0.70bn
Operational cost (6,000 kitchens × £35k for 175 days)	£0.21bn
Total year-round extension cost	~£0.91bn

School Meals Reform Summary

Component	Additional Meals/Year	Additional Cost/Year
Universal free (term-time)	570m	£2.50bn
Year-round extension	350m	£0.91bn
Kitchen capital (amortised)	—	£0.05bn
Total school meals reform	920m	£3.46bn

Existing government spend on school meals (~£1.9bn/year) continues. The total school meals programme at steady state costs approximately £5.4bn/year, of which £3.5bn is additional NFS spending.

Infrastructure Considerations

The school meals reform uses **existing infrastructure** — 25,000+ school kitchens across the UK. The capacity challenge is scaling output by ~55%, which requires:

- Additional catering staff (15,000–25,000 part-time roles)
- Kitchen equipment upgrades in capacity-constrained schools
- Additional serving space or staggered lunch sittings in some schools
- Holiday operating procedures (staffing, access, safeguarding)

London's universal primary free school meals programme (287,000 meals/day from 2023) demonstrated that rapid scaling of school meal provision is operationally feasible. The NFS school reform applies the same model nationally and extends it across all year groups and into holidays.

Participating Venues: NFS Meal of the Day

Design

Participating restaurants, cafés, and fast-food outlets offer a single designated NFS meal each operating day. The meal is free to any resident or citizen presenting their Digital ID (universal from Year 2). Venues are compensated at £2.50 per adult meal and £2.00 per child meal.

Design Principles

Principle	Detail
Single dish	One designated NFS meal per venue per day. Venue chooses the dish within NFS nutritional guidelines. Not the full menu — a specific meal of the day.
Venue-set cap	Each venue sets its own daily NFS meal limit (e.g. 20 today). Once the allocation is served, no more NFS meals that day. Venue controls its own exposure.
Off-peak hours	NFS meals available during venue-determined off-peak windows (e.g. 11:30–14:00, 17:00–18:30). Protects premium service periods.
Digital ID entitlement	One NFS meal per person per day across all NFS channels (CFC + school + participating venues), tracked via Digital ID. Prevents multi-venue use.
Voluntary participation	No venue is compelled to participate. Registration with NFS, agreement to nutritional standards, and periodic compliance checks.
Universal access	Free at point of use for all residents and citizens. No means-testing, no eligibility criteria beyond Digital ID.

Why Venues Participate

The economics work because NFS meals fill off-peak capacity at positive margin:

Venue Type	Typical NFS Meals/Day	Ingredient Cost	NFS Compensation	Margin per Meal	Annual NFS Income
Independent café	10–15	~£1.25	£2.50	~£1.25	£3,750–5,625
QSR chain outlet (Greggs, etc.)	30–50	~£0.80	£2.50	~£1.70	£18,600–31,000
Pub food (lunch)	15–25	~£1.50	£2.50	~£1.00	£4,500–7,500
Wetherspoons	20–40	~£1.25	£2.50	~£1.25	£9,125–18,250

NFS meals are served during periods when venues typically run at 30–40% capacity. Empty seats generate zero revenue; £2.50 per NFS cover with near-zero marginal overhead is pure contribution. For QSR operators like Greggs, whose existing product range already sits at or below the £2.50 price point, the NFS meal is essentially their standard offering with government picking up the tab.

Demand Control

The combination of single-dish, venue-cap, off-peak, and one-per-day-per-person controls prevents unlimited free demand overwhelming venues:

- **Single dish** self-selects: people wanting a restaurant experience use the regular menu. The NFS meal is a nutritious, no-choice option — closer to a canteen than a dining experience.
- **Venue cap** means total NFS exposure on any day is fixed by the venue. A café that sets a cap of 15 will never serve more than 15 NFS meals regardless of demand.
- **Off-peak only** keeps NFS diners away from the revenue-generating evening rush.
- **Daily entitlement** via Digital ID prevents anyone claiming multiple NFS meals at different venues.
- **One NFS meal across all channels** means someone who ate at a CFC or school that day cannot also claim a Participating Venue meal.

Venue Participation and Meal Volumes

Year	Participating Venues	Avg NFS Meals/Venue/Day	Annual Meals	Annual Cost	Notes
Year 1	~6,000	~15	23m	£0.06bn	Pilot; paper voucher or early-adopter digital
Year 2	~18,000	~18	97m	£0.24bn	Digital ID live; rapid venue onboarding
Year 3	~25,000	~20	150m	£0.37bn	Broad participation established
Year 4	~30,000	~20	180m	£0.44bn	Steady state

Programme administration (venue registration, compliance, payment processing): ~£0.03bn/year at steady state. Digital ID infrastructure is assumed to be a shared government cost, not NFS-specific.

Participating Venues steady state: 180 million meals/year, ~£0.47bn/year.

30,000 participating venues represents roughly 30% of the UK's licensed hospitality sector. The Eat Out to Help Out scheme in 2020 onboarded 85,000 restaurants within weeks, demonstrating the feasibility of rapid venue registration. NFS requires ongoing nutritional compliance rather than just registration, so the sustained participation base will be smaller but more committed.

Phasing and Digital ID Dependency

The Participating Venues channel operates in two phases:

Year 1 (pre-Digital ID): Pilot programme with ~6,000 venues. Access via paper NFS voucher (distributed through CFCs, council offices, GP surgeries) or early-adopter NFS app. Limited scale – primarily QSR chains and willing independents in pilot areas. This phase tests venue operations, payment processing, and nutritional compliance before full launch.

Years 2–4 (Digital ID live): Universal access via Digital ID tap at point of sale. Rapid venue onboarding as the payment and tracking infrastructure is proven. The one-meal-per-day entitlement is enforced digitally across all NFS channels.

Combined Programme: Rollout and Costs

Annual Spend by Channel

Year	Community Food Centres	School Reform	Participating Venues	Admin/Contingency	Total Additional
Year 1	£0.75bn	£1.00bn	£0.06bn	£0.10bn	£1.91bn
Year 2	£1.55bn	£2.00bn	£0.24bn	£0.15bn	£3.94bn
Year 3	£2.75bn	£3.00bn	£0.37bn	£0.20bn	£6.32bn
Year 4	£3.65bn	£3.46bn	£0.44bn	£0.20bn	£7.75bn
Steady state	£4.03bn	£3.50bn	£0.47bn	£0.20bn	£8.20bn

School reform spend ramps as universality and year-round extension are phased in: Year 1 begins with universal primary + UC-eligible secondary; Year 2 extends to all secondary; Year 3 adds year-round provision; Year 4 reaches steady state.

The Admin/Contingency allocation covers programme administration costs across all three channels: NFS accreditation teams for CFCs (~100–120 staff across 12 regions), compliance auditors, central programme office, Participating Venues registration and payment processing, digital systems, and the NFS contribution to the Food Standards Agency's NPM classification infrastructure (product database, scoring tools, help desk, classification appeals). Total administration costs are estimated at £30–40m/year for CFCs plus ~£30m/year for Participating Venues, with the remainder providing contingency.

Additional Meals by Channel

Year	Community Food Centres	School Reform	Participating Venues	Total Additional
Year 1	43m	200m	23m	266m
Year 2	121m	500m	97m	718m
Year 3	227m	750m	150m	1,127m
Year 4	327m	920m	180m	1,427m
Steady state	372m	920m	180m	1,472m

Steady-State Summary

	Community Food Centres	School Reform	Participating Venues	Total
Additional meals/year	372m	920m	180m	1,472m
Share of total	25%	63%	12%	100%
Additional cost/year	£4.03bn	£3.50bn	£0.47bn	£8.00bn
Share of cost	50%	44%	6%	100%
Cost per additional meal	£10.83	£3.80	£2.61	£5.43
New infrastructure required	9,500 sites	Kitchen upgrades	None	
New staff required	~54,000	~15,000–25,000 PT	None	

The CFC network is the most expensive per meal (50% of cost for 25% of meals) because it builds entirely new public infrastructure. School reform is efficient (44% of cost for 63% of meals) because it leverages existing kitchens. Participating Venues is the cheapest (6% of cost for 12% of meals) because it uses existing private sector capacity at the compensation rate only.

Fiscal Context

Comparator	Value	NFS as %
UK TME 2025-26	£1,335bn	0.61%
UK GDP 2023-24	£2,723bn	0.30%
DEFRA total budget	£7.5bn	109%
Autumn Budget 2024 tax package	£25bn/year	33%
Existing government school meals spend	£1.9bn	421%
Displaced departmental spend (future institutional consolidation)	£1.2–1.5bn	offset

At 0.61% of TME the NFS is a significant programme — roughly one-third of the Autumn Budget's annual tax-raising measures. Future consolidation of government-funded institutional catering (£1.2–1.5bn displaced from existing departmental budgets) would further reduce the net Exchequer impact.

Indirect Tax Effects

Two indirect-tax effects run in opposite directions and, on the conservative reading used throughout this programme, roughly cancel. Neither is large enough to warrant a separate cashflow line.

Free NFS meals displace some private food spending, and a minority of that spending carried VAT. Most does not: groceries and home-cooked ingredients are zero-rated, and catering supplied by schools to their pupils is outside the scope of VAT, so absorbing parent-paid school meals (£0.71bn) loses nothing. The leakage is confined to the standard-rated fraction of displaced spending — the crisps, confectionery, cereal bars and soft drinks in a packed lunch, and the full-price café and takeaway meals displaced through Community Food Centres and Participating Venues. Participating Venues is small in volume (12% of meals) but the most VAT-dense channel, because it displaces full-price catering at 20%. Gross foregone VAT across all three channels is on the order of £0.15bn–£0.23bn a year at steady state. It is concentrated on confectionery and soft drinks (precisely the

products the programme's nutritional standards are designed to displace) so the loss is the fiscal shadow of the public-health gain rather than an unintended leakage, and it is in any case likely to be recovered indirectly as money no longer spent on zero-rated food is redirected into a more VAT-rich discretionary basket. We do not bank that offset.

Running the other way, the NFS is itself a large purchaser of standard-rated goods and services: fit-out works, kitchen equipment, ventilation, energy, packaging, cleaning and IT. Because provision is free at the point of use and grant-funded, it sits outside the scope of VAT, so providers cannot recover the input VAT they incur and that VAT is retained by the Exchequer. The capital programme illustrates the scale: the £1.80bn CFC fit-out programme is commercial refurbishment and equipment, all standard-rated, carrying roughly £0.30bn of input VAT that returns to the Exchequer over the rollout, with the £0.30bn–£0.50bn of school-kitchen upgrades adding more and recurring supplies across 9,500 sites generating further irrecoverable VAT each year thereafter.

The capital figures in this appendix (£150,000–£250,000 per CFC, approximately £1.80bn in total) are stated VAT-inclusive: each grant funds the contractor's gross invoice, and because the input VAT is irrecoverable the gross figure is the full cash cost, with no unbudgeted VAT addition. Read this way, the input VAT recaptured on programme procurement comfortably exceeds the gross VAT foregone on displaced consumption, leaving the net indirect-tax effect of the NFS neutral-to-positive for the public finances.

Programme Risks

Risk	Likelihood	Impact	Mitigation
School kitchen capacity insufficient for 55% output increase	Medium	High	Phased universality (primary first, then secondary); £0.3–0.5bn kitchen investment; staggered lunch sittings
Participating venues don't sign up in sufficient numbers	Medium	Low	Low-stakes — only 12% of meals. Attractive venue economics. QSR chains alone could deliver significant volume.
CFC demand lower than 150/day average in some areas	Medium	Low	Flexible site sizing; smaller CFC format for rural areas; reallocate budget to higher-demand sites
Digital ID not ready by Year 2	Low–Medium	Medium	Participating Venues pilot continues with paper voucher; CFC and school channels unaffected
Food cost inflation erodes compensation rates	Medium	Medium	Index compensation to food CPI; centralised CFC procurement hedges price risk
Political opposition to universality ("why feed rich kids?")	Medium	Medium	Evidence base from Finland, London UFSM programme; universality reduces stigma and admin cost; Pupil Premium continues regardless

Key Design Decisions

- 1. Demand-responsive.** The programme is sized to realistic take-up based on household demand modelling. Actual take-up in early years is expected to be below steady-state capacity, with the programme growing into demand over time.

2. **Existing institutional provision is not replaced.** NHS, prison, military, and care home catering continues under existing departmental budgets. The NFS provides a framework for future consolidation and quality improvement, not immediate absorption at higher cost.
3. **Private workplace canteens are not subsidised.** Employer-funded catering continues as-is. The NFS does not pay for meals already provided by the private sector.
4. **Participating Venues is deliberately small and controlled.** The NFS Meal of the Day model — single dish, venue-capped, off-peak, one-per-day — prevents the free-rider problem while providing genuine access. At 12% of meals and 6% of cost, it supplements CFCs and schools rather than replacing them.
5. **School meals reform is the largest single component.** 63% of additional meals at 44% of cost. The infrastructure exists, the children are a captive audience, the nutritional and educational benefits are well-evidenced, and the policy is popular (68% public support for extending FSM).
6. **Digital ID enables universal access without means-testing.** Free at point of use for all residents and citizens. No eligibility checks, no forms, no stigma. Demand is controlled by programme design (one meal/day, single dish, venue caps) not by rationing access.

Data sources: HM Treasury PESA 2024, DfE school statistics 2024/25, IFS education spending reports, ONS, CGA Hospitality Market Monitor 2024, School Food Matters, FoodCycle, BBPA, Food Standards Agency (2026) Food and You 2: Wave 11 – Food security, DWP Family Resources Survey 2023/24.

RELATED

Referenced by: [National Food Service \(Universal Service\)](#), [NFS : Community Food Centres \(Universal Service\)](#)

National Food Service: School Meals Reform

APPENDIX · food

Universal free school meals for all children + year-round extension

920 million additional meals per year

Additional annual cost at steady state: £3.50 billion

Overview

The NFS absorbs and transforms the existing school meals programme: making all school meals free at point of use for every child in UK state education regardless of household income, and extending provision year-round through school kitchens operating as NFS community meal hubs during holidays.

This is the largest NFS channel by volume: 63% of all additional meals at 44% of additional cost. It is efficient because it leverages 25,000+ existing school kitchens across the UK. The capacity challenge is scaling output, not building new infrastructure.

Current State

	Value	Source
UK state school pupils	~10.0m	DfE, devolved equivalents
School meals produced/day (term-time)	~5.5m	~55% take-up
Government-funded free meals/day	~4.0m	FSM + UIFSM + devolved
Parent-paid meals/day	~1.5m	~£2.40–2.50/meal
Packed lunches / not eating	~4.5m	
School days/year	190	
Government spend on school meals	~£1.9bn/year	DfE, FSM/UIFSM at £2.53
Parent spend on school meals	~£0.7bn/year	1.5m × 190 × ~£2.45

The current system is fragmented. In England, means-tested FSM covers 2.2 million children, universal infant FSM covers 1.3 million (Reception to Year 2), and the London Mayor's programme covers a further 287,000 primary children. Scotland provides universal free meals to P1–P5, Wales to all primary children. Northern Ireland remains means-tested only. Approximately 4.5 million children — nearly half the school population — bring packed lunches or do not eat at school.

Step 1: Universal Free School Meals (Term-Time)

School meals are made free at point of use for all children in UK state education, phased over two years: universal primary in Year 1, extending to all secondary in Year 2. Current blended take-up across all year groups is approximately 55% — higher in primary (~65–70%, where Reception to Year 2 already benefits from Universal Infant Free School Meals) and lower in secondary (~40–45%, where only means-tested FSM children eat free). Full universality across all year groups is

estimated to raise blended take-up to approximately 85% (Finland, with a comparable universal model, achieves ~90%).

	Current	Universal	Increment
Meals produced/day	5.5m	8.5m	+3.0m
Government-funded meals/day	4.0m	8.5m	+4.5m
Additional meals produced/year	—	—	570m

The 3.0 million additional meals/day are genuinely new production — children switching from packed lunches to school meals. The other 1.5 million are existing meals where government replaces parent payment.

Cost

Component	Annual Cost
Compensation for 4.5m additional government-funded meals/day × 190 days × £2.50	£2.14bn
Additional catering staff (~15,000–25,000 part-time)	£0.30–0.40bn
Total additional annual cost	~£2.50bn

School kitchen capacity needs to increase 55% from current output. ~~Most kitchens have some headroom; some need additional equipment, staffing, and serving space. One-off kitchen capacity investment: £0.3–0.5bn, amortised over 10 years (£0.05bn/year).~~

Incidence by Household Type

The cost-of-living saving per child depends on the household's current behaviour:

Current status	Children	Saving per child/year	Notes
Already on FSM	~4.0m	£0 additional	Already free; potential quality improvement under NFS standards
Currently paying for school meals	~1.5m	~£465	£2.45 × 190 days
Currently on packed lunches	~3.0m (switchers at 85% take-up)	~£250–350	Avoided cost of packed lunch preparation
Remaining packed lunch / not eating	~1.5m	£0	Do not take up the offer

The 4.0 million existing FSM children see no direct cost-of-living saving from universality — they already eat free. Their benefit is reduced stigma (everyone eats free, not just "the FSM kids") and potentially improved meal quality under NFS nutritional standards. For distributional modelling, the additional saving is concentrated in the middle quintiles (currently-paying families) and among lower-income packed-lunch families.

Step 2: Year-Round Extension (175 Non-School Days)

During school holidays, approximately 5,000–8,000 school kitchens in populated areas remain open as NFS community meal hubs. Meals are prepared in the school kitchen and can be served on-site, in local parks, community centres, or

other accessible locations (drawing on the Helsinki model of free children's meals in parks during summer).

Take-up is substantially lower than term-time — no captive audience, families on holiday, etc. Realistic estimate: ~2.0 million children/day during holidays (~24% of the term-time universal take-up, ~20% of the total school-age population).

Component	Value
Holiday meals/day	~2.0m
Holiday days/year	175
Additional annual meals	350m
Meal compensation (all children, £2.00)	£0.70bn
Operational cost (6,000 kitchens × £35k for 175 days)	£0.21bn
Total year-round extension cost	~£0.91bn

Incidence

The year-round extension is entirely additional — there is no existing large-scale holiday meal provision to displace. Every meal taken is a genuine saving for the household. At £3.00 displacement value per child meal, a child using the holiday programme on 50% of available days saves ~£263/year. Take-up will skew heavily toward lower-income quintiles.

For modelling purposes, two bands of NFS incidence for children:

Band	Children	Meals/year	Displacement saving
Band 1: Term-time	~10.0m (all school-age)	190	£3.00 × 190 = £570/year — less existing FSM for 4.0m
Band 2: Term-time + holiday	~2.5m (25% of school-age)	190 + 175 = 365	£3.00 × 365 = £1,095/year — less existing FSM if applicable

Summary

Component	Additional Meals/Year	Additional Cost/Year
Universal free (term-time)	570m	£2.50bn
Year-round extension	350m	£0.91bn
Kitchen capital (amortised)	—	£0.05bn
Total school meals reform	920m	£3.46bn

Existing government spend on school meals (~£1.9bn/year) continues. The total school meals programme at steady state costs approximately £5.4bn/year, of which £3.5bn is additional NFS spending.

Phasing

Year	Policy Phase	Additional Meals	Additional Cost
Year 1	Universal primary + UC-eligible secondary	200m	~£1.00bn
Year 2	Universal all secondary	500m	~£2.00bn
Year 3	Add year-round provision	750m	~£3.00bn

Year	Policy Phase	Additional Meals	Additional Cost
Year 4 (steady state)	Full operation	920m	~£3.46bn

Infrastructure Considerations

The school meals reform uses **existing infrastructure** – 25,000+ school kitchens across the UK. The capacity challenge is scaling output by ~55%, which requires:

- Additional catering staff (15,000–25,000 part-time roles)
- Kitchen equipment upgrades in capacity-constrained schools
- Additional serving space or staggered lunch sittings in some schools
- Holiday operating procedures (staffing, access, safeguarding)

London's universal primary free school meals programme (287,000 meals/day from 2023) demonstrated that rapid scaling of school meal provision is operationally feasible. The NFS school reform applies the same model nationally and extends it across all year groups and into holidays.

The declining pupil population (projected to fall ~5% by 2030) provides a natural tailwind – fewer pupils per school means more kitchen headroom as the reform scales.

Risks

Risk	Likelihood	Impact	Mitigation
School kitchen capacity insufficient for 55% output increase	Medium	High	Phased universality (primary first, then secondary); £0.3–0.5bn kitchen investment; staggered lunch sittings
Holiday take-up lower than 20%	Medium	Low	Lower cost if take-up is low; increase through community engagement and co-location with holiday activities
Political opposition to universality ("why feed rich kids?")	Medium	Medium	Evidence base from Finland, London UFSM programme; universality reduces stigma and admin cost; Pupil Premium continues regardless
Safeguarding concerns for holiday kitchen access	Low	Medium	Established school holiday club frameworks; DBS-checked NFS staff; partnership with existing holiday activity providers

Data sources: DfE school statistics 2024/25, IFS education spending reports, School Food Matters, London City Hall UFSM programme, ONS mid-2024 population estimates.

RELATED

Referenced by: [NFS : School Meals \(Universal Service\)](#)

National Food Service: Community Food Centres

APPENDIX · food

9,500 dedicated public food facilities providing 372 million meals per year

Annual cost at steady state: £4.03 billion

Phased rollout over 4 years

Full rollout schedule, recruitment programme, and capital programme are detailed in the companion CFC Rollout Schedule document.

Overview

Community Food Centres are the backbone of the NFS — dedicated public food facilities providing guaranteed geographic access, nutritional standards, and a visible public presence in every postcode area. 9,500 CFCs are rolled out over 4 years, serving 372 million meals per year at steady state.

CFCs are the NFS's new, independently-operated infrastructure. Unlike the School Meals Reform (which leverages existing school kitchens) and Participating Venues (which uses existing private sector capacity), the CFC network is entirely new public provision — new premises, new staff, new supply chains. This makes it the most expensive channel per meal but also the channel that creates the programme's physical presence and sets its quality standards.

Operating Model

Parameter	Value
Total CFCs at steady state	9,500
Allocation method	Per-capita: ~3 CFCs per 20,000 population, with minimum 1 per outward postcode
Service Hub co-location	~3,500 Local Service Hubs, typically co-located with the first CFC in each area
Average meals per CFC per day	~150
Operating days per CFC per year	261 (5-day week)
Annual meals per CFC	~39,150
Staff per CFC	5–6 (manager at £40k, cooks/servers/cleaners at £25–30k)

150 meals/day is a conservative national average. A team of 5–6 staff doing batch canteen-style cooking can serve 75 covers per sitting across two services (lunch and evening), or 50 per sitting across three (breakfast, lunch, evening). Inner-city sites may do 250–350; rural market towns 60–100. New CFCs take 2–3 months to reach steady throughput as community awareness builds.

Allocation Methodology

Community Food Centres and Local Service Hubs are allocated on a per-capita basis at approximately 3 CFCs and 1 hub per 20,000 population. To guarantee geographic access in low-density areas, every outward postcode area receives a

minimum of one combined CFC and Service Hub facility regardless of population. This minimum floor accounts for approximately 500–800 of the smallest facilities in the estate; the remaining allocation follows population. The first CFC and Service Hub in each postcode area are typically co-located as a single combined establishment, reducing premises costs and creating a visible public service presence in every community.

Combined CFC and Service Hub sites receive both the CFC core budget (£330,000/year) and separate Service Hub funding (£275,000/year), for a total of £605,000/year before meal compensation — creating substantial community facilities. The Service Hub funding supports local services beyond food provision and is budgeted separately from the NFS. Of the 9,500 CFCs, approximately 3,500 are co-located with a Service Hub; the remaining ~6,000 are standalone food facilities.

Premises Sourcing

CFCs will overwhelmingly occupy existing buildings — repurposed commercial food premises, community buildings, and other suitable sites. The programme does not rely on new-build construction.

Sources

- **Closed pubs and restaurants (primary pipeline):** The UK pub estate has shrunk from 47,600 in 2019 to under 39,000 in England and Wales. Restaurant insolvencies run at 1,400+ per year. These premises typically retain commercial kitchen layouts, extractors, gas/water connections, and food-grade surfaces. A closed pub with a kitchen is essentially a ready-made CFC requiring only a modest refit.
- **Vacant commercial premises:** UK high street vacancy rates have been running at 13–15%. Former retail units, cafés, and takeaways provide suitable locations, particularly where kitchen installation is straightforward.
- **Community buildings:** Church halls, leisure centres, libraries, and community centres — many already have kitchen facilities. Co-location reduces premises costs to near zero and embeds CFCs in existing community infrastructure.
- **School kitchens (evening/weekend use):** For a subset of CFCs, operating within school premises during out-of-hours periods eliminates premises cost entirely. This is particularly effective where the School Meals Reform has already upgraded the kitchen.
- **Local authority and housing association properties:** Social landlords hold commercial units in estates and town centres that could be offered to the NFS at sub-market rents.

A small number of sites (perhaps 5% of the estate) may require modular/prefab units or new-build where no suitable existing premises exist — primarily in newer housing developments and some rural postcodes. These are budgeted at a higher fit-out cost within the programme's capital envelope.

Scale

9,500 sites over 4 years requires acquiring approximately 2,400 premises per year at peak — against a backdrop of 4,000+ hospitality venue closures annually and 13–15% high street vacancy rates. The premises pipeline comfortably exceeds requirements.

Funding Model

All NFS providers are compensated at the same meal rates: £2.50 per adult meal, £2.00 per child meal. CFCs additionally receive a core operating budget covering fixed costs. Food ingredient costs are met from the meal compensation revenue.

Component	Per CFC	Estate-wide (9,500)
Core operating budget	£330,000	£3.14bn
Meal compensation (39,150 meals × £2.40 blended)	~£94,000	~£0.89bn
Total CFC revenue	~£424,000	~£4.03bn

Cost Structure

The CFC budget contains two fundamentally different types of spending:

Community food infrastructure (£3.14bn): The core operating budgets fund premises, staff, equipment, and compliance — the physical and human infrastructure of a national network of public food facilities. This spending creates 54,000 jobs (predominantly in deprived areas), establishes 9,500 community facilities, and guarantees geographic coverage across every postcode area. It should be evaluated as public infrastructure investment, not as a per-meal food cost.

Meal provision (£0.89bn): The compensation payments fund food ingredients and delivery at £2.40 per meal — comparable to and below the NFS compensation rate paid to all other providers. This is the direct cost-of-living component.

CFC Unit Economics

The £330,000 core budget covers fixed costs only:

Cost Component	Estimated Annual Cost
Staff (5–6 workers)	£150,000–£200,000
Premises (rent, rates, utilities)	£40,000–£80,000
Fit-out amortisation (10-year)	£15,000–£25,000
Equipment replacement/maintenance	£10,000–£15,000
Insurance, admin, compliance	£10,000–£15,000
Total fixed costs	£225,000–£335,000

Meal compensation revenue (£94k) covers food ingredients (£59k at ~£1.50/meal) and provides £30–140k headroom per site depending on location. This is a well-funded model with distributed contingency.

Rollout Schedule

Period	New CFCs	Cumulative	Annual CFC Meals	Annual Cost
Pre-Launch (9 months)	500 (adopted)	500	4.9m	~£0.18bn
Year 1	1,500	2,000	43.1m	~£0.75bn
Year 2	2,500	4,500	121.4m	~£1.55bn
Year 3	3,000	7,500	227.1m	~£2.75bn
Year 4	2,000	9,500	326.9m	~£3.65bn

Period	New CFCs	Cumulative	Annual CFC Meals	Annual Cost
Steady state	—	9,500	372.0m	£4.03bn

The 500 adopted sites at pre-launch are existing community food operations (FoodCycle locations, independent community kitchens like Squash Liverpool, faith-based community meals, FareShare-supplied kitchens) brought onto the NFS operating model. The programme recruits approximately 54,000 staff over 4 years, primarily from the hospitality sector where ongoing closures (4,000+ venues/year) release experienced food service workers. Total capital programme: ~£1.8bn over 4.5 years for site fit-out.

Risks

Risk	Likelihood	Impact	Mitigation
CFC demand lower than 150/day average in some areas	Medium	Low	Flexible site sizing; smaller CFC format for rural areas; reallocate budget to higher-demand sites
Food cost inflation erodes compensation rates	Medium	Medium	Index compensation to food CPI; centralised CFC procurement hedges price risk
Labour recruitment in specific regions	Medium	Medium	Regional pay weighting; relocation support; training partnerships with colleges
Premises not available in rural postcodes	Medium	Low	Flexible model: mobile/pop-up CFCs, shared community building use, school kitchen co-location

Data sources: ONS, CGA Hospitality Market Monitor 2024, FoodCycle, BBPA, School Food Matters.

RELATED

Referenced by: NFS : Community Food Centres (Universal Service)

National Food Service: Participating Venues

APPENDIX · food

NFS Meal of the Day at restaurants, cafés, and fast-food outlets

165 million additional meals per year

Annual cost at steady state: £0.47 billion

Overview

Participating Venues is the NFS's lightest-touch channel — existing restaurants, cafés, and fast-food outlets voluntarily offer a single designated NFS meal each day, compensated at £2.50 per adult meal and £2.00 per child meal. No new infrastructure, no NFS-employed staff, no capital investment. The programme pays only for meals served.

At 12% of NFS meals and 6% of cost, this channel supplements the Community Food Centres and School Meals Reform rather than replacing them. It extends the NFS's reach into high streets and town centres, provides adult access to the programme beyond CFCs, and fills off-peak capacity in the hospitality sector.

Design: NFS Meal of the Day

Principles

Principle	Detail
Single dish	One designated NFS meal per venue per day. Venue chooses the dish within NFS nutritional guidelines. Not the full menu — a specific meal of the day.
Venue-set cap	Each venue sets its own daily NFS meal limit (e.g. 20 today). Once the allocation is served, no more NFS meals that day. Venue controls its own exposure.
Off-peak hours	NFS meals available during venue-determined off-peak windows (e.g. 11:30–14:00, 17:00–18:30). Protects premium service periods.
Digital ID entitlement	One NFS meal per person per day across all NFS channels (CFC + school + participating venues), tracked via Digital ID. Prevents multi-venue use.
Voluntary participation	No venue is compelled to participate. Registration with NFS, agreement to nutritional standards, and periodic compliance checks.
Universal access	Free at point of use for all residents and citizens. No means-testing, no eligibility criteria beyond Digital ID.

Demand Control

The combination of controls prevents unlimited free demand overwhelming venues:

- **Single dish** self-selects: people wanting a restaurant experience use the regular menu. The NFS meal is a nutritious, no-choice option — closer to a canteen than a dining experience.
- **Venue cap** means total NFS exposure on any day is fixed by the venue. A café that sets a cap of 15 will never serve more than 15 NFS meals regardless of demand.

- **Off-peak only** keeps NFS diners away from the revenue-generating evening rush.
- **Daily entitlement** via Digital ID prevents anyone claiming multiple NFS meals at different venues.
- **One NFS meal across all channels** means someone who ate at a CFC or school that day cannot also claim a Participating Venue meal.

Venue Economics

The economics work because NFS meals fill off-peak capacity at positive margin:

Venue Type	Typical NFS Meals/Day	Ingredient Cost	NFS Compensation	Margin per Meal	Annual NFS Income
Independent café	10–15	~£1.25	£2.50	~£1.25	£3,750–5,625
QSR chain outlet (Greggs, etc.)	30–50	~£0.80	£2.50	~£1.70	£18,600–31,000
Pub food (lunch)	15–25	~£1.50	£2.50	~£1.00	£4,500–7,500
Wetherspoons	20–40	~£1.25	£2.50	~£1.25	£9,125–18,250

NFS meals are served during periods when venues typically run at 30–40% capacity. Empty seats generate zero revenue; £2.50 per NFS cover with near-zero marginal overhead is pure contribution. For QSR operators like Greggs, whose existing product range already sits at or below the £2.50 price point, the NFS meal is essentially their standard offering with government picking up the tab.

Venue Participation and Meal Volumes

Year	Participating Venues	Avg NFS Meals/Venue/Day	Annual Meals	Annual Cost	Notes
Year 1	~6,000	~15	23m	£0.06bn	Pilot; paper voucher or early-adopter digital
Year 2	~18,000	~18	97m	£0.24bn	Digital ID live; rapid venue onboarding
Year 3	~25,000	~20	150m	£0.37bn	Broad participation established
Year 4	~30,000	~20	165m	£0.44bn	Steady state

Programme administration (venue registration, compliance, payment processing): ~£0.03bn/year at steady state. Digital ID infrastructure is assumed to be a shared government cost, not NFS-specific.

Steady state: 165 million meals/year, ~£0.47bn/year.

30,000 participating venues represents roughly 30% of the UK's licensed hospitality sector. The Eat Out to Help Out scheme in 2020 onboarded 85,000 restaurants within weeks, demonstrating the feasibility of rapid venue

registration. NFS requires ongoing nutritional compliance rather than just registration, so the sustained participation base will be smaller but more committed.

Venue Universe

The likely participants by type:

Venue Type	UK Total	Likely NFS Participants	Notes
QSR/fast-casual chains	~15,000	~8,000–10,000	Greggs, Wetherspoons, Pret, McDonald's, Costa, Subway etc. Already near NFS price point.
Independent cafés/lunch spots	~25,000	~10,000–12,000	Daytime, food-focused venues with off-peak capacity
Pub food operations	~15,000	~5,000–8,000	Lunch trade; fills quiet midweek periods
College/university refectories	~500–1,000	~500	Often already open to public at near-NFS prices
Total plausible		~25,000–30,000	

Venues where the model doesn't work: fine dining, evening-focused restaurants, pubs with no food operation, takeaway-only outlets.

Phasing and Digital ID Dependency

The Participating Venues channel operates in two phases:

Year 1 (pre-Digital ID): Pilot programme with ~6,000 venues. Access via paper NFS voucher (distributed through CFCs, council offices, GP surgeries) or early-adopter NFS app. Limited scale — primarily QSR chains and willing independents in pilot areas. This phase tests venue operations, payment processing, and nutritional compliance before full launch.

Years 2–4 (Digital ID live): Universal access via Digital ID tap at point of sale. Rapid venue onboarding as the payment and tracking infrastructure is proven. The one-meal-per-day entitlement is enforced digitally across all NFS channels.

Cost-of-Living Impact

Participating Venues is the most efficient NFS channel as a cost-of-living intervention. The programme cost per meal (£2.61 including admin) is below the household displacement value (~£5.00 for an adult meal, ~£3.00 for a child meal). Every £1 of government spending on this channel delivers approximately £1.80 of household saving.

Unlike CFCs, there is no infrastructure overhead — the entire programme cost flows directly to meal provision. This means the channel could scale beyond the 30,000-venue / 165m-meal steady state if demand warrants, with costs increasing linearly and no step-changes in fixed spending.

Risks

Risk	Likelihood	Impact	Mitigation
Venues don't sign up in sufficient numbers	Medium	Low	Low-stakes — only 12% of NFS meals. Attractive venue economics. QSR chains alone could deliver significant volume.
Digital ID not ready by Year 2	Low–Medium	Medium	Pilot continues with paper voucher; scale-up delayed but not prevented
Nutritional compliance too burdensome for venues	Medium	Medium	NFS meal guidelines kept simple; pre-approved menu templates; compliance by exception (spot checks, not pre-approval)
Perception of "free meals at Greggs" undermines programme seriousness	Low	Low	NFS nutritional standards ensure quality; branding and communications strategy; QSR meals already meet NFS standards in many cases
Venue gaming (claiming compensation for meals not served)	Low	Medium	Digital ID transaction tracking; audit sampling; venue-level anomaly detection

Data sources: CGA Hospitality Market Monitor 2024, ONS, BBPA, Eat Out to Help Out scheme data.

RELATED

Referenced by: [Healthy Food Levy \(Structural Measure\)](#), [NFS : Participating Venues \(Universal Service\)](#)

National Food Service: CFC Rollout Schedule

APPENDIX · food

9,500 Community Food Centres accredited over 4 years

372 million additional meals per year at steady state

Annual cost: £4.03 billion (core budgets £3.14bn + meal compensation £0.89bn)

Programme Context

The CFC network is one of three NFS delivery channels. It provides 25% of additional NFS meals at 50% of additional NFS cost — the most expensive channel per meal because it builds entirely new community food infrastructure, but the backbone of the programme providing guaranteed geographic access, nutritional standards, and a visible public service presence in every community.

NFS Channel	Additional Meals/Year	Additional Cost/Year
Community Food Centres	372m	£4.03bn
School Meals Reform	920m	£3.50bn
Participating Venues	180m	£0.47bn
Total NFS	1,472m	£8.00bn

CFCs are not centrally managed outlets. Local providers apply for accreditation and funding. The NFS sets standards, provides funding, and assures quality; the community runs the restaurants. This document details the accreditation rollout, provider pipeline, and capital programme.

1. Early Adopter Pipeline

The UK has a substantial existing base of community food operations that form the natural first applicants for CFC accreditation:

Category	Estimated Potential Applicants	Notes
FoodCycle community meals	~100	30 in London; currently volunteer-run weekly meals
FareShare-supplied community kitchens	~200–300	Subset of 8,000+ charities; those with regular cooked meal service
Independent community food hubs	~150–250	Squash (Liverpool), Food Works (Sheffield), community cafés, settlement kitchens
Faith-based community meals	~200–400	Church halls, gurdwaras, mosques with regular meal provision
Local authority community kitchens	~50–100	Council-run centres with existing food service
Total early adopter pool	~500–800	Sites with existing kitchen, regular meal service, and community relationships

Not all of these currently operate at CFC scale or frequency (many are weekly, not daily; volunteer-run rather than professionally staffed). Accreditation means

bringing them onto the £330k annual core budget, enabling them to professionalise staffing, extend to 5-day-per-week operation, and meet NFS nutritional standards based on the UK Nutrient Profiling Model (NPM score below 4 for all meals served). Many will need modest fit-out grants (£30–80k) rather than full refurbishment.

Realistic early adopter target at programme launch: 500 sites. These are providers with existing kitchens, community relationships, and a meal service that can meet CFC accreditation standards within a 3–6 month onboarding process. They are the programme's proof of concept and provide immediate geographic seed coverage.

2. Rollout Constraints

The accreditation rate is governed by whichever of these constraints binds hardest in each phase:

Provider applications and accreditation throughput: The NFS accreditation team must process applications, assess premises, verify food safety credentials, and approve operating plans. At peak (Year 3, ~3,000 new accreditations), this requires processing ~250 applications per month. With regional accreditation teams covering 12 areas, that is ~21 applications per month per team — manageable with a streamlined application process and standardised assessment criteria.

Premises availability and fit-out: Providers apply with their own premises or with a plan to secure suitable premises. The UK hospitality sector is losing 300–400+ pubs permanently per year and experiencing 4,000+ venue closures annually. Vacant commercial food premises are continuously entering the market. Fit-out of an existing kitchen-equipped premises takes 8–16 weeks for a standard refurbishment. The fit-out pipeline is distributed — each provider manages their own contractor — so there is no centralised bottleneck.

Provider capacity in underserved areas: Urban areas will generate more applications than funded slots; rural and deprived areas may generate fewer. Active outreach — partnerships with local authorities, displaced hospitality operators, and community development organisations — is needed to ensure applications come forward in areas where the per-capita allocation creates funded slots but the local provider base is thin.

NPM compliance infrastructure: From Year 1, all CFC meals must score below NPM 4 under the UK Nutrient Profiling Model. The Food Standards Agency provides scoring tools, training materials, and a help desk as part of the broader NFS/Healthy Food Levy infrastructure. Providers with existing food service experience will adapt quickly; new entrants may need more support. The NPM requirement is non-negotiable — it is the same standard applied to Participating Venues and forms the basis of the Healthy Food Levy classification system.

3. Four-Year Accreditation Schedule

	Pre-Launch	Year 1	Year 2	Year 3	Year 4
Duration	6–9 months	12 months	12 months	12 months	12 months
New CFCs accredited	—	1,500	2,500	3,000	2,000

	Pre-Launch	Year 1	Year 2	Year 3	Year 4
Early adopters	500	—	—	—	—
Cumulative CFCs operating	500	2,000	4,500	7,500	9,500
CFC meals/day (at capacity)	55,000	220,000	495,000	825,000	1,045,000
Quarterly accreditation rate	—	375	625	750	500

The 9,500 CFCs are derived from the per-capita allocation of approximately 3 CFCs per 20,000 population, with a minimum floor of one combined CFC and Service Hub per outward postcode area regardless of population. The minimum floor accounts for approximately 500–800 of the smallest facilities; the remaining allocation follows population. A modest over-provision (~5%) is built in to accommodate provider failures, relocations, and replacements during the rollout period.

CFC Meal Capacity and Revenue Through Rollout

Each CFC serves an average of 150 meals per day over 261 operating days per year (5-day week), producing 39,150 meals per site per year. 150 is a reasonable national average: a team of 5–6 doing batch canteen-style cooking can comfortably serve 75 covers per sitting across two services (lunch and evening), or 50 per sitting across three (breakfast, lunch, evening). Inner-city sites in dense postcodes may do 250–350; rural market towns 60–100. Since new CFCs take 2–3 months to reach steady throughput as community awareness builds, actual meal volumes in the ramp-up years will run 10–20% below the capacity figures below.

Period	CFCs (end)	Avg CFCs Operating	Annual CFC Meals	Daily Meals (avg)
Pre-Launch (3 months)	500	500	4.9m	55,000
Year 1	2,000	~1,100	43.1m	118,000
Year 2	4,500	~3,100	121.4m	332,000
Year 3	7,500	~5,800	227.1m	622,000
Year 4	9,500	~8,350	326.9m	896,000
Steady state (Year 5+)	9,500	9,500	372.0m	~1,018,000

CFC Funding Model

All NFS providers are compensated at £2.50 per adult meal and £2.00 per child meal. CFC providers additionally receive a £330,000 core operating budget covering fixed costs (staffing, premises, fit-out amortisation, equipment, insurance). Food ingredient costs are met from the meal compensation revenue. Participating Venues receive only the meal compensation — they have no core budget, no capital costs to the programme, and no NFS-employed staff.

Component	Per CFC (at capacity)	Estate-wide (9,500 CFCs)
Core operating budget	£330,000	£3.14bn

Component	Per CFC (at capacity)	Estate-wide (9,500 CFCs)
Meal compensation (39,150 meals × £2.40 blended)	~£94,000	~£0.89bn
Total CFC revenue	~£424,000	~£4.03bn
Less: food ingredients (~£1.50/meal)	~£59,000	~£0.56bn
Available for fixed costs + headroom	~£365,000	~£3.47bn
Fixed cost range (from unit economics)	£225,000–£335,000	—
Headroom per site	£30,000–£140,000	£0.29–1.33bn

The headroom of £30–140k per site (depending on location costs) absorbs regional cost variation, covers higher-cost urban locations, provides a buffer against food price inflation, and functions as distributed contingency embedded at the provider level.

Programme Administration and NPM Infrastructure

Programme administration costs — including the NFS accreditation teams (~100–120 staff across 12 regions), compliance auditors, central programme office, digital systems for meal reporting and compensation processing, and the NFS contribution to the Food Standards Agency's NPM classification infrastructure (product database, scoring tools, help desk, appeals resolution) — are estimated at £30–40m/year. These costs are covered within the programme's £0.20bn/year administration and contingency allocation and do not require a separate budget line.

Phase Descriptions

Pre-Launch (Months 0–9)

Establish the NFS programme office and regional accreditation teams. Publish CFC accreditation standards and application process. Open applications to existing community food operations — the early adopter cohort. Develop NPM scoring tools and menu compliance guidance in partnership with the Food Standards Agency. Build the digital systems for meal reporting and compensation claims. Process and accredit the first 500 providers. Announce the fit-out grant programme.

Year 1: Foundation (Months 10–21)

Accredit 1,500 new CFC providers, prioritising areas with highest food insecurity, greatest provider interest, and strongest existing community food infrastructure. Target: at least 1 combined CFC and Service Hub operational in every outward postcode area with population over 20,000. The accreditation rate ramps from ~80/month in Q1 to ~175/month in Q4 as the programme builds institutional capacity and word spreads through the provider community. By end of Year 1, 2,000 CFCs are operating, providing approximately 220,000 meals per day — roughly 22% of the eventual CFC capacity.

Year 2: Acceleration (Months 22–33)

Accredit 2,500 new CFC providers. The programme is at operational tempo — accreditation processes are streamlined, the provider pipeline is strong, and early adopters are demonstrating the model's viability to prospective applicants. Focus

shifts to medium-density areas and begins filling the per-capita allocation in higher-population areas where demand justifies second and third CFCs. By end of Year 2, 4,500 CFCs provide approximately 495,000 meals per day — 47% of CFC capacity.

Year 3: Peak Accreditation (Months 34–45)

Accredit 3,000 new CFC providers — the highest annual rate. This is achievable because by Year 3 the programme has: a proven accreditation model, a deep pool of applicants attracted by the track record of existing providers, established fit-out grant processes, and mature NPM compliance support. Focus on completing coverage in suburban and semi-rural areas. By end of Year 3, 7,500 CFCs are operating at approximately 825,000 meals per day — 79% of target capacity.

Year 4: Completion and Consolidation (Months 46–57)

Accredit the final 2,000 CFC providers, completing nationwide coverage. These are the harder-to-fill areas — remote rural postcodes, locations where provider interest has been slower to develop, and areas where earlier providers have failed and need replacement. The lower accreditation rate reflects the thinning provider pipeline in remaining areas and allows the programme to focus on quality assurance across the maturing estate. By end of Year 4, 9,500 CFCs provide approximately 1,045,000 meals per day at full capacity.

4. Provider Pipeline

The accreditation model means the NFS does not directly recruit staff or acquire premises. It accredits providers who bring their own people, premises, and operational capability. The NFS role is to fund, set standards, and assure quality — not to run restaurants.

Who Will Apply

The provider base will be diverse, drawing on four main sources:

Existing community food organisations. FoodCycle (100+ locations), independent community kitchens like Squash Liverpool, FareShare-supplied meal providers, faith-based community meals — these are the natural first applicants and form the bulk of the 500 early adopters. Many already serve community meals; they need stable funding, not a new operating model.

Displaced hospitality operators. Pub and restaurant owners or managers whose businesses have closed or are struggling. The CFC model offers stable, funded community food service — an attractive alternative to the precarious commercial hospitality market. They bring premises knowledge, food preparation skills, and local customer relationships. The hospitality sector's ongoing contraction (124,000 payrolled employees lost in the 12 months to mid-2025, 4,000+ venue closures per year) provides a deep pool.

Social enterprises and cooperatives. Organisations with a social mission and food service capability. The CFC model — £424k total revenue, community-facing, NPM-compliant menus — aligns naturally with social enterprise structures.

New entrants. Individuals or groups motivated by the opportunity to run a community food business with guaranteed funding. The £424k total revenue per site makes this a viable small business proposition.

Provider Capacity

The programme needs approximately 9,500 providers over 4 years, peaking at 3,000 accreditations in Year 3. Each provider must have or recruit 5–6 staff (typically a manager, head cook, 2–3 kitchen/service staff, and a cleaner). Providers recruit their own staff – the NFS does not employ CFC workers.

The hospitality sector releases approximately 50,000–120,000 workers per year through closures and insolvencies. The CFC programme's total workforce across all 9,500 sites (~54,000 jobs) represents roughly one year's worth of hospitality sector displacement. Providers will draw on this pool, supplemented by career changers, returners to work, and new entrants. CFC wages (£25–30k for cooks/servers, £40k for managers) are competitive with and typically more stable than commercial hospitality employment.

Nutritional Standards and NPM Compliance

All CFC meals must score below NPM 4 under the UK Nutrient Profiling Model – the same threshold used by Participating Venues to determine subsidy eligibility and by the Healthy Food Levy to classify retail products. This ensures a single, coherent nutritional standard across the entire NFS and the wider food policy framework.

Providers are responsible for NPM compliance. The Food Standards Agency provides scoring tools, training materials, pre-approved menu templates, and a help desk. Providers with existing food service experience (the majority of likely applicants) will adapt menus with modest reformulation – batch-cooked stews, soups, curries, and similar CFC fare typically score well below NPM 4 provided salt and sugar are controlled.

Annual re-accreditation requires demonstration of continued NPM compliance, maintained food hygiene rating (minimum Rating 4), and consistent meal reporting.

5. Geographic Rollout Priority

The per-capita allocation (3 CFCs + 1 Service Hub per 20,000 population) is applied across all outward postcode areas, with a minimum floor guaranteeing at least one combined CFC and Service Hub in every area regardless of population. Accreditation is prioritised into four tiers:

Tier	Areas	Year	Criteria
Tier 1: Immediate need	~500 postcodes	Pre-Launch + Year 1	Highest food insecurity (IMD deciles 1–2); existing community food infrastructure; strong early adopter pipeline
Tier 2: Urban priority	~1,000 postcodes	Year 1–2	Major urban areas; high population density; strong provider interest; abundant vacant food premises
Tier 3: Suburban and towns	~1,000 postcodes	Year 2–3	Medium-density areas; market towns; suburban rings of major cities
Tier 4: Rural and completion	~500 postcodes	Year 3–4	Lower density rural areas; minimum-floor sites; may require active outreach to develop provider pipeline

Within each tier, the first CFC and Service Hub are co-located as a single combined facility, establishing the community's public service presence.

Additional CFCs within the per-capita allocation are accredited as provider applications come forward and demand is demonstrated. In areas with population above 20,000, the full per-capita ratio of 3 CFCs provides staggered 5-day operating weeks across sites, ensuring at least one CFC is open every day. Minimum-floor areas (population below ~7,000) receive a single smaller combined facility.

Where funded slots are not filled by organic provider applications, the NFS undertakes active outreach: partnerships with local authorities, engagement with displaced hospitality operators, and community development support to help potential providers develop viable applications.

6. Capital Programme: Fit-Out Grants

The NFS provides fit-out grants to accredited providers to bring premises up to CFC standard. Grants cover kitchen equipment, dining area preparation, accessibility compliance, ventilation/extraction, fire safety, and utility upgrades.

Year	Sites Receiving Grants	Avg Grant per Site	Annual Capital	Cumulative Capital
Pre-Launch	500 (light-touch)	£50,000	£25m	£25m
Year 1	1,500	£180,000	£270m	£295m
Year 2	2,500	£180,000	£450m	£745m
Year 3	3,000	£200,000	£600m	£1,345m
Year 4	2,000	£220,000	£440m	£1,785m

Early adopters need lighter grants (existing kitchens, upgrades only). Average grant size rises slightly in later years as the programme reaches areas with less ideal premises requiring more extensive adaptation. Total capital programme: approximately £1.8bn over 4.5 years, amortised over 10 years within the £330k per CFC core operating budget at £15–25k per year per site.

Providers manage their own fit-out contractors. The NFS provides standardised specifications and approved supplier lists but does not centrally procure construction works. This distributes the construction demand across thousands of local contractors rather than creating a centralised bottleneck.

7. Milestones and Decision Gates

Milestone	Timing	Decision
Accreditation standards published	Pre-Launch Month 3	Open applications
500 early adopters accredited	Pre-Launch Month 9	Validate operating model and £330k budget
100th new CFC accredited	Year 1 Month 3	Review fit-out grant process, provider quality, early demand data
1,000 CFCs operating	Year 1 Month 9	First major review: confirm Year 2 acceleration or adjust pace
2,000 CFCs operating	End Year 1	Full programme review; adjust geographic priorities based on application patterns and demand

Milestone	Timing	Decision
4,500 CFCs operating	End Year 2	Mid-programme review; assess demand patterns, provider quality, and geographic coverage
7,500 CFCs operating	End Year 3	Confirm Year 4 completion targets; address underperforming providers; begin re-accreditation cycle
9,500 CFCs operating	End Year 4	Transition to steady-state estate management; annual re-accreditation fully operational

This document covers the CFC channel only. The other two NFS channels – School Meals Reform (920m meals/year, £3.50bn) and Participating Venues (180m meals/year, £0.47bn) – are detailed in their respective companion documents. The combined NFS programme delivers 1.47 billion additional meals per year at £8.0bn additional annual cost.

RELATED

Referenced by: [NFS : Community Food Centres \(Universal Service\)](#)

National Food Service: Feasibility Assessment

APPENDIX · food

Can the UK deliver 1.5 billion additional meals per year within material constraints?

Overview

The NFS proposes to deliver approximately 1.47 billion additional meals per year through three channels: 9,500 Community Food Centres, universal year-round school meals, and an NFS Meal of the Day at participating private venues. The programme is phased over 4 years at an additional steady-state cost of approximately £8.0 billion per year.

This document assesses whether the programme is practically deliverable within the UK's material constraints — labour, premises, construction capacity, food supply, and fiscal scale. It does not address demand modelling or cost-of-living impact, which are covered separately.

1. Labour

Requirement: The programme creates approximately 70,000–80,000 jobs across two channels:

- CFCs: ~54,000 staff (9,500 sites × 5–6 per site), plus ~1,700 regional/national management
- School meals extension: ~15,000–25,000 additional part-time catering staff

Participating Venues requires no NFS-employed staff.

Available capacity: The UK accommodation and food services sector employs approximately 1.63 million people. The sector is contracting: it lost approximately 124,000 payrolled employees between mid-2024 and mid-2025 (a 5.6% drop). In 2024 alone, over 4,000 licensed hospitality venues closed and nearly 1,500 restaurants entered insolvency. Pubs are closing at roughly 6 per week. Over 2,000 pubs have permanently closed in the past five years, with the total in England and Wales falling below 39,000.

This contraction is releasing experienced food service workers — cooks, kitchen porters, front-of-house staff, managers — into the labour market at a rate far exceeding the programme's requirements. The CFC workforce of ~54,000 represents 3–4% of the existing hospitality workforce and roughly half of one year's job losses in the sector.

Phasing benefit: The 4-year rollout spreads recruitment across the period. CFC openings peak at 3,000 in Year 3, requiring ~17,000 new CFC workers that year. Against annual hospitality sector job losses of 50,000–120,000, this is comfortably absorbed.

Wage competitiveness: The hospitality sector typically pays at or near the National Living Wage (£11.44/hour in 2024). CFC roles at £25–30k annual salary (with managers at £40k) would be competitive and potentially attract workers from the sector who currently face insecure, low-paid employment. The £330k

core budget per CFC allocates £150–200k to staffing, comfortably supporting a team of 5–6 at these rates.

Training: Core food preparation skills exist in the workforce. Additional training is needed for NFS nutritional standards compliance, allergen management at scale, and the specific CFC operating model. A 4–6 week induction programme per cohort is realistic, delivered through 20–30 regional training centres. School meal catering already operates standardised training at scale.

School meals staff: The additional 15,000–25,000 part-time catering roles for the school kitchen scaling are drawn from the same hospitality labour pool, supplemented by local recruitment (parents, part-time workers seeking school-hours employment). School catering already has established recruitment channels.

***Verdict: FEASIBLE.** The hospitality sector's ongoing contraction provides a ready, experienced labour pool that substantially exceeds the programme's needs. Phasing over 4 years ensures no labour market shock.*

2. Premises

Requirement: 9,500 CFC sites allocated on a per-capita basis at approximately 3 CFCs per 20,000 population, with a minimum floor of one combined CFC and Local Service Hub per outward postcode area regardless of population. School meals reform and Participating Venues use existing premises and create no additional premises demand.

Premises sourcing strategy: CFCs will overwhelmingly occupy existing buildings — repurposed commercial food premises, community buildings, and other suitable sites. The programme does not rely on new-build construction. Sources include:

- **Closed pubs and restaurants:** The primary pipeline. The UK pub estate has shrunk from 47,600 in 2019 to under 39,000 in England and Wales. Restaurant insolvencies are running at 1,400+ per year. These premises typically retain commercial kitchen layouts, extractors, gas/water connections, and food-grade surfaces. A closed pub with a kitchen is essentially a ready-made CFC requiring only a modest refit.
- **Vacant commercial premises:** UK high street vacancy rates have been running at 13–15%. Former retail units, cafés, and takeaways in town centres and high streets provide suitable locations, particularly where kitchen installation is straightforward.
- **Community buildings:** Church halls, leisure centres, libraries, and community centres — many already have kitchen facilities. Co-location reduces premises costs to near zero and embeds CFCs in existing community infrastructure.
- **School kitchens (evening/weekend use):** For a subset of CFCs, operating within school premises during out-of-hours periods eliminates premises cost entirely. This is particularly effective where the school meals reform has already upgraded the kitchen.
- **Local authority and housing association properties:** Social landlords hold commercial units in estates and town centres that could be offered to the NFS at sub-market rents.

A small number of sites (perhaps 5% of the estate) may require modular/prefab units or new-build where no suitable existing premises exist — primarily in newer housing developments and some rural postcodes. These are budgeted at a higher fit-out cost within the programme's capital envelope.

Available supply: The UK has approximately 99,000 licensed hospitality outlets (CGA, December 2024). There has been massive churn — 4,078 closures and 4,085 openings in 2024 alone. The programme requires 9,500 sites over 4 years — roughly 2,400 per year, against a backdrop of 4,000+ venue closures annually.

Geographic distribution: The per-capita allocation with minimum floor ensures comprehensive national coverage. Urban areas will have abundant vacant premises and multiple CFCs per postcode area. Rural areas are tighter, but the minimum-floor guarantee means every outward postcode area receives at least one combined CFC and Service Hub, with market towns and villages typically having at least one closed or struggling pub or café suitable for conversion.

Scale check: 9,500 sites is approximately 10% of the existing licensed premises stock. This is significant but not overwhelming. The programme is essentially absorbing about two to three years' worth of hospitality closures.

Verdict: FEASIBLE. *The declining hospitality estate provides a pipeline of suitable kitchen-equipped premises that exceeds the programme's rollout rate. The premises sourcing strategy prioritises existing buildings — closed pubs, restaurants, community buildings, and school kitchens — minimising capital costs and construction complexity.*

3. Construction and Fit-Out

Requirement: 9,500 CFC site fit-outs over 4.5 years (including pre-launch), peaking at 3,000 in Year 3. Estimated £150,000–£250,000 per site for kitchen upgrade, dining area preparation, accessibility compliance, and equipment installation. Total capital programme: ~~£1.8bn over 4.5 years~~ (£400–600m per year at peak).

Additionally, school kitchen capacity upgrades of £0.3–0.5bn are needed to support the 55% increase in school meal output.

Sector capacity: The UK construction sector has annual output of approximately £257bn (2024). Commercial fit-out and refurbishment is a well-established subsector. The programme's peak annual capital requirement of ~£600m represents approximately 0.2% of total construction output. The construction PMI shows spare commercial capacity, with mid-tier contractors actively seeking work and subcontractor competition intensifying.

Nature of works: These are not complex builds. A typical CFC fit-out involves: kitchen equipment installation or upgrade, dining area refurbishment, accessibility modifications, ventilation/extraction, fire safety compliance, and utility upgrades. Most sites are existing food premises requiring adaptation rather than new build. This is bread-and-butter work for small and medium commercial fit-out contractors, of which there are thousands across the UK. At peak (Year 3), the programme requires ~58 fit-outs per week nationally — roughly 5 per week per regional directorate.

Comparison: The NHS New Hospital Programme involves far more complex, larger-scale construction and is budgeted at billions over a similar timeframe. School building programmes routinely deliver hundreds of major refurbishments per year. The CFC programme is simpler per-unit than either of these.

Verdict: FEASIBLE. Capital costs are modest relative to construction sector capacity. The work is straightforward commercial kitchen fit-out of existing buildings, deliverable by existing small/mid-tier contractors. The 4-year phasing avoids any capacity bottleneck.

4. Food Supply Chain

Requirement: 1.47 billion additional meals per year, requiring approximately 370,000–520,000 tonnes of additional food annually (assuming 250–350g per meal across all ingredients).

UK food system scale: The UK produces approximately 25 million tonnes of food per year domestically and imports roughly 46% of food consumed. Total UK food consumption is approximately 45–50 million tonnes annually.

Net vs. gross demand: This is the critical distinction. The NFS meals largely substitute for meals people are already eating at home, from takeaways, or in other settings. The programme redirects existing food consumption into institutional channels rather than creating net new demand. Net additional food system demand is likely 10–20% of the gross figure (accounting for some genuine increase in food consumption among food-insecure households and some efficiency gains from institutional preparation).

Net additional demand estimate: Perhaps 40,000–100,000 tonnes per year, representing 0.1–0.2% of total UK food consumption. This is comfortably within normal annual variation in food demand.

Procurement advantage: Centralised procurement for 9,500 CFCs and framework agreements with Participating Venues creates substantial buying power. At ~£0.56bn in CFC food procurement alone, the programme would be one of the largest institutional food buyers in the UK (comparable to NHS hospital catering or the school meals system). This scale enables better prices through bulk purchasing, higher quality specifications, direct farmer relationships, reduced food waste through predictable demand planning, and support for domestic supply chains.

Supply chain risk: Specific categories may face pressure depending on menu design. If the programme is nutritionally ambitious (high fresh vegetable content, quality protein), UK horticultural capacity and protein supply chains may need time to scale. Menu planning should be phased alongside the rollout, with seasonal and locally-responsive menus reducing pressure on any single supply chain.

Verdict: FEASIBLE. Net additional food demand is small because meals largely substitute existing consumption. Centralised procurement at this scale is a net positive for supply chain efficiency. The main operational risk is

in sourcing fresh ingredients at quality and volume, manageable through phased menu development and seasonal planning.

5. Fiscal Scale

Programme cost: ~£8.0bn/year additional at steady state across three channels (CFCs £4.03bn, School Meals Reform £3.50bn, Participating Venues £0.47bn), phased over 4 years from ~£1.9bn in Year 1.

Scale relative to UK public spending:

Comparator	Annual Cost	NFS as %
UK Total Managed Expenditure (2025-26)	£1,335.10bn	0.61%
UK GDP (2023-24)	£2,723.00bn	0.30%
NHS England budget	£192.00bn	4.2%
Defence spending	£59.80bn	13.4%
DEFRA budget	£7.50bn	107%
Universal Credit (total)	£76.76bn	10.4%
Autumn Budget 2024 tax-raising package	£25.00bn/year	32%
Existing government school meals spend	£1.90bn	421%

At 0.61% of TME the programme is roughly equivalent in scale to a mid-sized government department and approximately one-third of the Autumn Budget's annual tax-raising measures. Future consolidation of government-funded institutional catering (hospitals, prisons, military, care homes) could displace approximately £1.2–1.5bn from existing departmental budgets, further reducing the net Exchequer impact.

Phased fiscal profile:

Year	Estimated Additional Cost	Notes
Year 1	~£1.9bn	2,000 CFCs; universal primary school meals; venue pilot
Year 2	~£3.9bn	4,500 CFCs; universal all secondary; venue scale-up
Year 3	~£6.3bn	7,500 CFCs; year-round school meals begin; broad venue participation
Year 4 (steady state)	~£8.0bn	9,500 CFCs; full school reform; 30,000 venues

The phased profile avoids a single-year step-change and allows revenue-raising measures to be calibrated as costs ramp up.

***Verdict: FEASIBLE** given the assumption that fiscal space is created through new taxes and duties. The programme is significant but not unprecedented in scale.*

Comparison with Existing Programmes

Programme	Scale	Annual Cost	Operational Model
UK school meals system (current)	~5.5m meals/day (term-time)	~£2.6bn (govt + parent)	Institutional kitchens, mixed free/paid
London Mayor's UFSM	287,000 meals/day	£140m	Top-up funding to schools
NHS hospital catering	~300,000 meals/day	~£0.5bn	In-house and contracted
France: cantines scolaires	~6m meals/day	~€7bn	Municipal provision, income-based pricing
India: Mid-Day Meal Scheme	~120m meals/day	~£2.5bn	Government + NGO delivery
Proposed NFS (all channels)	~4.0m additional/day avg	£8.0bn	CFC + school + venue hybrid

Conclusion

The programme does not transgress material constraints. The assessment across all five dimensions is positive:

- 1. **Labour:** 70,000–80,000 new jobs over 4 years, representing 4–5% of the existing hospitality and school catering workforce. The hospitality sector's ongoing contraction releases experienced workers at a rate exceeding programme needs.
- 2. **Premises:** 9,500 CFC sites sourced overwhelmingly from existing buildings — closed pubs, restaurants, community buildings, and school kitchens. The declining hospitality estate provides a pipeline of kitchen-equipped premises that exceeds the rollout rate.
- 3. **Construction:** ~£1.8bn CFC capital + ~£0.4bn school kitchen upgrades over 4.5 years is marginal relative to the £257bn construction sector. Light-touch refurbishment of existing buildings, not new build.
- 4. **Food supply:** Net additional demand is small (meals substitute existing consumption). Centralised procurement improves rather than strains supply chains.
- 5. **Fiscal:** £8.0bn/year is 0.61% of TME. Significant but comparable to a mid-sized department, and roughly one-third of the Autumn Budget 2024 tax package. Phased over 4 years from ~£1.9bn to £8.0bn.

The programme essentially redirects existing economic resources — labour displaced by hospitality closures, premises vacated by commercial failure, food already being consumed — into a new public institutional framework. It is an organisational challenge more than a material one.

Data sources: HM Treasury PESA 2024, OBR Fiscal Supplementary Tables (November 2023), Autumn Budget 2024, ONS, CGA by NIQ Hospitality Market Monitor 2024, BBPA, DfE school statistics 2024/25, IFS education spending reports.

RELATED

Referenced by: [National Food Service \(Universal Service\)](#)

Healthy Food Levy Appendix

Restoring the Integrity of the British Food System

APPENDIX · food

Overview

The Healthy Food Levy (HFL) is a structural reform that rebuilds the United Kingdom's food safety and quality infrastructure after more than a decade of erosion. It is not a revenue instrument. Every pound raised by the levy is reinvested in the food system — clearing inspection backlogs, rebuilding laboratory capacity, detecting food fraud, checking imports, verifying provenance, and operating the Nutrient Profiling Model classification system that underpins both the National Food Service and the levy itself.

The levy raises approximately £1.50 billion per year at steady state. After absorbing the existing Soft Drinks Industry Levy (~£0.34 billion, already flowing to the Exchequer), the net new funding available for food safety and standards is approximately £1.16 billion — enough to transform the Food Standards Agency from one of the worst-funded food safety regulators in the developed world into one that is fit for a country whose food imports alone exceed £66 billion per year.

The net contribution to the Prosperity 2030 programme's fiscal space is £0.00 billion. This is by design. The levy funds the food system, not the Treasury.

Why the Levy Exists: A Food System Running on Luck

The Food Standards Agency operates on a budget of approximately £134 million — roughly £2 per person per year. Canada's comparable food inspection agency spends £13 per person. The United States federal food safety system (FDA Foods program plus USDA FSIS) spends approximately \$5.50–\$6.00 per person. The UK's food safety regulator is funded at one-sixth of the Canadian level and one-third of the American level.

This is not an accident. It is the cumulative result of a decade of austerity that cut FSA funding by approximately 40–45% in real terms between 2010 and 2020, reduced staffing from 2,100 to under 1,600, and imposed a four-year hiring freeze that UNISON successfully campaigned to end only in 2018. The 2025 Spending Review locked in £117 million per year for the next three years — flat in cash terms, guaranteeing further real-terms decline.

The consequences are measured in uninspected businesses and undetected fraud.

95,000 food businesses are overdue for inspection in England, Wales, and Northern Ireland. A further 84,000 newly registered businesses have never been inspected at all. Among the overdue businesses are 871 classified as high-risk. In Scotland, fewer than one in five food businesses received any visit in 2023. The inspection backlog is double the pre-pandemic baseline.

Food fraud costs the UK £0.4–2.0 billion per year. The FSA's own research (University of Portsmouth, 2023) produced the first bottom-up estimate of food crime costs: £410 million to £1.96 billion annually. The National Food Crime Unit tasked with investigating this has a budget of £5.5 million and 80 staff — representing 0.3–1.3% of the estimated cost of the crime it polices. The unit lacked

the power to execute its own search warrants until May 2025, a full decade after its creation.

Post-Brexit import controls remain incomplete. The Border Target Operating Model has been postponed at least seven times. Routine checks on medium-risk EU fruits and vegetables were suspended until January 2027 pending the UK-EU SPS agreement. Organic imports from the EU are exempt from Certificate of Inspection requirements until February 2027 — meaning organic provenance claims enter Great Britain with minimal UK-side verification. The EFRA Committee found that 18% of flagged animal-product consignments at Dover were simply driven past the Sevington Border Control Post unchecked.

Laboratory capacity has been halved. Public analyst laboratories in England, Wales, and Northern Ireland fell from 9 in 2013 to 5 today. Non-microbiological food samples taken by local authorities collapsed 79% since 2016. The FSA's own board paper described the system as "highly fragmented, with complex funding structures, lack of central accountability and causing inefficiency."

The workforce pipeline is broken. Environmental health officer posts declined 15% over the past decade; food standards posts fell 44%. Four in five local authorities rely on agency staff. More than half have no apprentice or trainee in environmental health. The Chartered Institute of Environmental Health has described this as an "existential threat" to the profession.

The cost of this underinvestment dwarfs the cost of fixing it. Foodborne illness alone costs the UK approximately £9 billion per year (2.4 million cases, 16,300 hospitalisations, 180 deaths). The FSA's entire budget represents 1.5% of this burden. Even a modest investment in prevention — clearing the inspection backlog, rebuilding testing capacity, detecting fraud before it reaches consumers — would pay for itself many times over.

What the Levy Funds

The Healthy Food Levy creates a hypothecated funding stream for five interlocking capabilities. The levy is not general revenue; it is ring-fenced for the food system. The parallel with the original SDIL is deliberate — SDIL revenues were hypothecated to school sports and breakfast clubs in their first years, establishing the precedent for a health levy that funds specific outcomes rather than flowing to the Consolidated Fund.

1. FSA capacity restoration (£0.40–1.00 billion per year)

The core investment. At the lower end (£0.40 billion), this funds approximately 500–600 additional food inspectors, a major laboratory rebuild programme, and a national workforce development pipeline. At the upper end (£1.00 billion), it brings UK food safety spending to approximately £4 per capita — approaching US federal levels and achieving a step-change in the FSA's ability to protect consumers.

Specific deliverables include clearing the 95,000-business inspection backlog within three years; rebuilding the public analyst laboratory network from 5 to at least 10 facilities; restoring food sampling to pre-2016 levels; funding environmental health apprenticeships and trainee meat inspector programmes to repair the workforce pipeline; and a digital transformation of food business registration and risk-based inspection targeting.

This investment also supports UK farmers and food producers. A properly funded inspection and standards regime protects domestic producers against being undercut by imported products that do not meet UK standards. The current system — in which import checks are incomplete and fraud detection is minimal — creates an asymmetry where British farmers comply with standards that their competitors can circumvent. Restoring enforcement capacity levels the playing field.

2. Food fraud detection and enforcement (£0.02–0.05 billion per year)

The National Food Crime Unit is expanded from its current £5.5 million budget and 80 staff to £20–25 million with 200+ staff — a level commensurate with the £0.4–2.0 billion annual cost of food crime. The expanded unit operates a national food authenticity testing programme using mass spectrometry, DNA analysis, and isotope ratio testing to detect adulteration, substitution, and mislabelling. Intelligence-led operations replace the capability lost when the UK left the EU's Agri-Food Fraud Network, the Rapid Alert System for Food and Feed (RASFF), and Europol-coordinated operations.

The horse meat scandal of 2013 — in which processed beef products were found to contain up to 100% horse meat — was discovered not by regulators but by the Irish food safety authority. The 2018 Russell Hume scandal, involving systematic non-compliance at a major meat wholesaler supplying schools, care homes, and pub chains, resulted in an investigation that collapsed due to a procedural error, costing £1.8 million with zero prosecutions. These are not historical curiosities; they are symptoms of a system that cannot see the fraud happening in front of it. The levy funds the eyes.

3. Import controls and provenance verification (£0.03–0.05 billion per year)

Border checking infrastructure and staffing sufficient to conduct meaningful physical inspection of food imports. Organic import verification systems to close the gap created by the current exemption from Certificate of Inspection requirements. Supply chain traceability technology to track food products from origin to retail shelf.

The UK imports £66.9 billion of food and drink annually. The current inspection regime — in which low-risk goods face zero routine inspection and medium-risk goods are checked at 1–30% depending on category — is a calculated gamble that the food reaching British consumers meets the standards claimed on its label. The levy funds the verification that turns this gamble into an assurance.

4. NPM classification infrastructure (~£0.01 billion per year at steady state)

The Nutrient Profiling Model scoring system that determines both which meals qualify for Participating Venue subsidies and which retail products pay the levy. This includes the comprehensive product database (50,000–80,000 retail product lines across 12 HFSS categories), online scoring tools for venues and manufacturers, the FSA appeals and classification unit, and HMRC collection and compliance systems.

The NPM infrastructure is shared with the National Food Service. It supports Community Food Centre menu development, school meal nutritional standards, and Participating Venue subsidy eligibility determination. The levy pays for the classification system; the classification system enables both the levy and the food services. This circularity is the design's structural strength.

5. Supporting British food producers

A properly resourced food standards system is not a burden on domestic producers — it is their competitive advantage. British farming operates under some of the highest animal welfare, environmental, and food safety standards in the world. These standards are only valuable if they are enforced and if imported products are held to comparable requirements. The current system — in which 95,000 businesses await inspection and import controls are incomplete — undermines the premium that British provenance should command.

The levy funds the enforcement apparatus that makes "British food standards" a meaningful claim rather than an unverified aspiration. It supports the traceability and testing infrastructure that can distinguish genuine British produce from mislabelled alternatives. And by funding the NPM system that classifies food by nutritional quality, it creates a framework in which producers of healthier food products face lower levy rates — an incentive that rewards reformulation and innovation in the domestic food industry.

The Levy Mechanism

Design

The levy uses the UK Nutrient Profiling Model — the same framework already embedded in HFSS advertising restrictions (since 2007), in-store placement restrictions (since 2022), and volume price promotion restrictions (since 2025). Products scoring 4 or above on the NPM scale are classified as "less healthy" and pay the levy at a rate of £0.06 per kilogram per NPM point above 3. The rate is continuous: every point of NPM improvement reduces the levy, creating a proportional reformulation incentive across the full spectrum of product healthfulness.

The levy applies to 12 categories of discretionary HFSS foods: confectionery, chocolate, sugary cereals, cakes and pastries, biscuits, ice cream, puddings and desserts, savoury snacks, sweet spreads, sauces and condiments, processed meat products, and ready meals scoring above the NPM threshold. Soft drinks are scored under the NPM like all other products, replacing the existing SDIL's tiered threshold structure with the continuous scoring system.

Products scoring below NPM 4 pay nothing. Staple foods are not in scope. The average grocery basket cost increase is approximately 1%, with the least healthy products (some confectionery) seeing increases of 25–30% and healthy products seeing no change.

Timeline

The levy does not appear in Year 1. It does not appear in Year 2. The programme leads with services — free community meals, universal school meals, subsidised venue meals — and the levy arrives only after the classification infrastructure those services require has been built, tested, and normalised.

Year	Levy status	Food safety investment
Y1	No levy. SDIL continues at baseline.	FSA receives initial capacity funding from general expenditure (~£0.05B for workforce pipeline, lab planning)
Y2	No levy. PV scales to ~10,000 venues; NPM database built.	FSA capacity building continues; HMRC develops collection systems

Year	Levy status	Food safety investment
Y3	Levy launches on 3 categories (confectionery, sugary cereals, savoury snacks). SDIL subsumed. Gross ~£0.80B.	Full FSA investment programme operational; inspection backlog clearance begins
Y4	Levy extends to all 12 HFSS categories. Gross ~£1.30B.	NFCU at full expanded capacity; import verification systems operational
Y5 (SS)	Full steady state. Gross ~£1.50B. Net new ~£1.16B.	Steady-state food safety system: properly resourced, properly equipped

Fiscal treatment

The levy is self-funding. Gross revenue (~~£1.50B at steady state~~) minus the ~~SDIL baseline absorbed into the NPM framework (£0.34B)~~ yields net new revenue of approximately £1.16B. All net new revenue is allocated to food safety, food fraud, import controls, NPM infrastructure, and producer support. The net contribution to the Prosperity 2030 programme's fiscal space is £0.00B.

This treatment is conservative. If FSA expenditure in any year is less than levy revenue, the surplus remains within the food safety ring-fence — it does not flow to the programme's general fiscal space. The levy exists to fix a broken food system, not to fund other priorities.

The SDIL Precedent

The Soft Drinks Industry Levy demonstrates that this approach works. Announced in March 2016 and implemented in April 2018, the SDIL achieved a 47% reduction in sales-weighted average sugar content across soft drinks, a 40% decrease in total sugar sold, and a 12% reduction in child hospital admissions for dental caries tooth extractions (29% for children aged 0–4). Reformulation drove 83% of the calorie reductions. Revenue stabilised at approximately £0.33–0.36 billion per year.

The Healthy Food Levy draws three lessons from the SDIL. First, reformulation windows work: the two-year gap between announcement (Year 1) and implementation (Year 3) gives manufacturers the same advance notice that proved transformative for soft drinks. Second, continuous scoring outperforms thresholds: the SDIL's cliff edges at 5g and 8g per 100ml created targets to reformulate just below, but no incentive to go further. The NPM's continuous scale rewards every marginal improvement. Third, revenue should be expected to decline with successful reformulation — and this decline is policy success, not fiscal failure.

Why NPM, Not NOVA

The NOVA ultra-processed food classification was considered and rejected. NOVA classifies by manufacturing process, not nutritional outcome — mass-produced wholemeal bread with added emulsifiers is NOVA Group 4; a home-baked white flour cake is NOVA Group 1. NOVA provides no scoring gradient, creating no incentive for incremental reformulation. Nesta's own analysis found that 64–78% of ultra-processed food calories are already captured by existing HFSS policies based on NPM scoring. The NPM is already embedded in five separate UK regulatory regimes, and food manufacturers already hold NPM scores for their product ranges. Building a levy on NPM extends existing infrastructure; building

one on NOVA would require creating a new classification system from scratch with no regulatory precedent and no reformulation incentive.

International Context

The UK's food safety spending is an outlier among comparable economies. These comparisons inform the scale of investment the levy makes possible.

Canada operates the Canadian Food Inspection Agency (CFIA) with a budget of approximately C\$917 million (£530 million) and 6,211 staff, covering food inspection, animal health, and plant health for a population of 40 million. Per-capita spending: approximately £13.25.

The United States operates two principal federal food safety agencies. The FDA Foods program budget is approximately \$1.1 billion (£870 million–£1.03 billion), and the USDA Food Safety and Inspection Service (FSIS) operates on approximately \$1.2 billion (£950 million). Combined federal food safety spending for 330 million people: approximately £5.50–6.00 per capita.

The United Kingdom operates the FSA on approximately £134 million for 67 million people: £2.00 per capita. This figure does not include local authority spending on food safety enforcement, which has itself been cut 38% in real terms since 2010.

The HFL at steady state (net new ~~£1.16B~~) added to the FSA's existing budget (£0.13B) would bring total central food safety spending to approximately £1.30B — or £19 per capita. This would make the UK the best-resourced food safety system among major economies. Even at a more modest investment level (£0.40B net new, plus existing FSA budget), per-capita spending would reach approximately £8 — above US levels and approaching Canadian levels.

The economic case for this investment is overwhelming. Foodborne illness costs approximately £9 billion per year. Food fraud costs £0.4–2.0 billion. The combined burden exceeds £10 billion annually — nearly 100 times the FSA's current budget. Even a modest improvement in prevention and detection delivers returns that dwarf the investment.

Revenue Summary

Year	Gross HFL	SDIL absorbed	Net new	Allocation
Y1	0.00	—	0.00	Pre-levy; initial FSA investment from general expenditure
Y2	0.00	—	0.00	Pre-levy; NPM infrastructure build
Y3	0.80	-0.34	0.46	FSA restoration + food fraud + NPM systems
Y4	1.30	-0.34	0.96	Full programme operational
Y5 (SS)	1.50	-0.34	1.16	Steady-state food safety and quality system

Five-year gross: £3.60B. Five-year net new: £2.42B. Net fiscal contribution to programme: £0.00B.

References

- Dimbleby, H. (2021). *National Food Strategy: The Plan*. Independent Review for HM Government. London. Available at: <https://www.nationalfoodstrategy.org>
- Elliott, C. (2014). *Elliott Review into the Integrity and Assurance of Food Supply Networks*. HM Government. London.
- Food Standards Agency (2024). *Our Food 2024: An Annual Review of Food Standards Across the UK*. Available at: <https://www.food.gov.uk/our-work/our-food-2024>
- Food Standards Agency (2023). *The Cost of Food Crime Phase 2*. Research conducted by University of Portsmouth. Available at: <https://www.food.gov.uk/research/the-cost-of-food-crime-phase-2-executive-summary>
- Food Standards Agency (2025). *Annual Plan and Budget 2025/26*. Available at: <https://www.food.gov.uk/board-papers/annual-plan-and-budget>
- Food Standards Agency (2025). *Local Authority Performance Update*. Available at: <https://www.food.gov.uk/board-papers/local-authority-performance-update-0>
- Griffith, R., Jenneson, V., James, J., and Taylor, A. (2021). "The impact of a tax on added sugar and salt." *IFS Working Paper W21/21*. London: Institute for Fiscal Studies. Available at: <https://ifs.org.uk/publications/impact-tax-added-sugar-and-salt>
- House of Lords Food, Diet and Obesity Committee (2024). "Recipe for Health: A Plan to Fix Our Broken Food System." HL Paper. London: The Stationery Office. Available at: <https://lordslibrary.parliament.uk/a-plan-to-fix-our-broken-food-system-house-of-lords-food-diet-and-obesity-committee-report/>
- National Audit Office (2019). *Ensuring Food Safety and Standards*. HC 2217. Available at: <https://www.nao.org.uk/wp-content/uploads/2019/06/Ensuring-food-safety-and-standards.pdf>
- National Audit Office (2024). *The UK Border: Implementing an Effective Trade Border*. Available at: <https://www.nao.org.uk/reports/the-uk-border-implementing-an-effective-trade-border/>
- Biyani, S., Leon, L., Matsuura, R., Wilde, H. and Bowes Byatt, L. (2026) *Modelling the impact of a tax on unhealthy foods*. London: Nesta. Available at: <https://www.nesta.org.uk/report/modelling-the-impact-of-a-tax-on-unhealthy-foods/> (Accessed: 3 April 2026).
- Chartered Institute of Environmental Health (2024). *Workforce Survey England*. Available at: <https://www.cieh.org/policy/campaigns/workforce-survey-england/>
- Environment, Food and Rural Affairs Committee (2025). "Biosecurity at the Border: Britain's Illegal Meat Crisis." HC Report. Available at: <https://committees.parliament.uk/committee/52/environment-food-and-rural-affairs-committee/news/212287/>
<https://publications.parliament.uk/pa/cm5901/cmselect/cmenvfru/1296/report.html>
- HM Revenue & Customs (2026). "Soft Drinks Industry Levy statistics commentary 2026." Available at: <https://www.gov.uk/government/statistics/soft-drinks-industry-levy-statistics/soft-drinks-industry-levy-statistics-commentary-2021>

Canadian Food Inspection Agency (2025). *2025–2026 Departmental Plan*. Available at: <https://inspection.canada.ca/en/about-cfia/transparency/corporate-management-reporting/reports-parliament/2025-2026-departmental-plan-glance>

All figures in 2025 prices. GDP = £2,700 billion (2025 estimate). The Healthy Food Levy is a self-funding structural reform. Net fiscal contribution to the Prosperity 2030 programme not counted in macro cashflow.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [Healthy Food Levy \(Structural Measure\)](#)

National Contributions tax model

Structure and methodology

APPENDIX · economics

This appendix describes the technical structure of the tax model underlying the revenue estimates for National Contributions (NC). It covers the base dataset and sources, the construction of NC percentiles, uprating from base year to operating year, scaling adjustments to reconcile with HMRC administrative aggregates, the treatment of benefit income, and the specific simplifications and design choices that apply to the per-percentile calculation of current-system and NC tax liabilities. It does not describe the main report's policy design, which is set out elsewhere.

Base dataset

The base year is 2022-23. The base dataset consists of 100 income percentiles covering the UK adult population of 52.9 million (aged 16+), sorted by a single individual-level income measure, NC Total Income, defined as the sum of non-benefit regular income, irregular receipts (inheritance and other one-off receipts), and capital gains. Benefits are retained alongside each percentile as a passenger set of columns but do not enter the sort key.

The base year is constructed from four sources. Family Resources Survey (FRS) 2022-23 (SN 9367) provides 28,590 adult records with grossing weights (gross4), yielding a weighted population of 52,922,514 adults. Wealth and Assets Survey (WAS) Wave 5 provides inheritance receipts and other irregular income, uprated from its 2016-18 reference period by earnings growth. HMRC Capital Gains Tax Statistics 2025 Table 3.2 provides the 2022-23 distribution of capital gains by income band. HMRC Survey of Personal Incomes (SPI) Table 3.1 provides percentile points of total income before tax, used to interpolate earnings growth factors for uprating.

Income component definitions

Non-benefit components are taken per individual from FRS and annualised by multiplying weekly values by 52:

- Employment earnings (inearns)
- Self-employment income ($\max(\text{seincam2}, 0)$ — negative values zeroed, so business losses do not reduce other income in the sort)
- Private pension income (inpeninc)
- State pension income (INRPINC)
- Investment income (ininiv — taxable savings interest and related)
- Gross dividend income (DIVIDGRO)

Benefit components, also annualised, comprise:

- $\text{Ben\_NI} = (\text{INNIRBEN} - \text{INRPINC})$. INNIRBEN as recorded by FRS includes state pension, which is treated as non-benefit income in this model; subtracting INRPINC prevents a double count.
- $\text{Ben\_Oth} = \text{INOTHBEN}$ (other means-tested benefits)
- $\text{Ben\_Dis} = \text{INDISBEN}$ (disability benefits)
- $\text{Ben\_TC} = \text{intxcrcd}$ (legacy tax credits)

- Ben_UC = induc (Universal Credit, treated as income, not as a deduction)

FRS's own total income field (indinc) is not used. Component sums are the authoritative aggregate.

NC percentile construction

Percentiles are constructed in two passes so that capital gains and irregular income are incorporated into the sort key without creating a circular dependency.

1. For each FRS adult, compute non-benefit FRS income (the six components above). Zero negative self-employment.
2. Sort the 28,590 records by FRS non-benefit income, grossed by gross4 weights, and assign provisional percentiles 1–100.
3. Allocate WAS Wave 5 inheritance and other irregular income across these provisional percentiles, distributed uniformly within each percentile.
4. Allocate HMRC CGT by income band from Table 3.2, distributed uniformly within the band.
5. Compute each individual's non-benefit NC Total Income = FRS non-benefit + WAS + CGT.
6. Re-sort all individuals by NC Total Income and assign final NC percentiles 1–100.
7. Compute weighted means for all fourteen income components within each percentile.
8. Lower bounds are the minimum individual NC Total Income in each percentile; P1 is floored at £0.

The re-sort step is essential: including CGT in the sort causes high-gain individuals to displace middle-earnings individuals at the top of the distribution, and ranking by NC Total Income (not by any component) ensures individual-level validity of the percentile boundaries. Monotonicity of NC Total Income across percentiles is by construction.

Benefits are computed separately per household from FRS Household data and the attached as passengers based on the household's non-Benefit income percentile to derive a marginal NC rate that applies to the Benefit income alone..

Upating from base year to operating year

Upating is applied component by component, producing an intermediate (unsorted) block that is then re-sorted by upated NC Total Income.

Earnings-linked components (employment, self-employment, private pension, investment, dividends) are upated using growth factors interpolated from HMRC SPI Table 3.1 percentile points. Nine anchor points are read from Table 3.1 for both base year and update year (P1, P5, P10, P25, P50, P75, P90, P95, P99); a growth factor is computed at each anchor and linearly interpolated between anchors to give a per-percentile earnings growth factor. This captures the different pace of income growth at different points in the distribution — a useful refinement over a single uniform factor, particularly when fiscal drag is material.

State pension is upated by an aggregate factor reflecting cumulative triple-lock upating since the base year.

Benefit components are upated by an aggregate factor reflecting cumulative CPI-linked upating since the base year.

WAS-sourced income (inheritance and other irregular) is uprated by an aggregate factor. No annual administrative series exists for these components, so the default uses earnings growth as a proxy; the published HoC Library research briefing on wealth distribution can be used for sensitivity testing.

CGT is uprated in real terms. The update-year nominal total gains is divided by the base-year nominal total (giving a nominal ratio), then divided by cumulative CPI since the base year to give a real factor. This real factor is applied to each percentile's base-year CGT amount. Setting CPI to 1 in Parameters recovers pure-nominal uprating.

The realisation-cycle sensitivity in this comparison is two-sided. The current-system CGT comparator is computed on the same uprated gains flows that feed NC, and reconciles to the HMRC 2024-25 outturn of £13.70 billion rather than to the OBR 2025-26 forecast of £22.00 billion, which assumes a recovery in realisations that is not present in the model's data on either side. Substituting the forecast would set NC calculated on trough-year realisations against a current system calculated on recovered realisations, mixing two different years' gains flows in a single subtraction. Were realisations to recover, both sides would rise together: current-system CGT receipts would increase, and so would NC revenue on the same incremental gains, taxed as income at marginal rates of up to 46 per cent against CGT's 24 per cent top rate, partially offset by the inflation deduction and NS&I deferral. The net effect on the NC uplift is therefore second order and ambiguous in sign, and the comparator is held at outturn.

After per-component uprating, the intermediate block is re-sorted by uprated NC Total Income. The sort is implemented with SMALL/MATCH/INDEX to maintain compatibility across spreadsheet engines. Lower bounds in the sorted block are reconstructed as $N[n-1]$ (i.e., each percentile's lower bound equals the previous percentile's NC Total Income mean), ensuring monotonicity by construction.

FRS coverage scalars

FRS under-records several income components relative to HMRC and DWP administrative aggregates. Two gaps are material for the income-side tax calculation. Dividends: FRS captures approximately £24 billion of dividend income at uprated values against HMRC SPI estimates around £90 billion, largely due to under-reporting by limited-company directors and small shareholders. Taxable savings interest: FRS captures around £22 billion against published figures closer to £45 billion, with the gap widening during periods of rising interest rates.

The position on benefit income is more nuanced. The model's uprated benefit aggregate is £201.6 billion (excluding state pension, which is treated separately as non-benefit income). The comparable published figure — total UK social security minus state pension for 2025-26 — is approximately £185–190 billion. The direction and size of this apparent over-statement reflects two offsetting factors:

- *Child Benefit* (approximately £12 billion per year) is captured in FRS benefit fields but is HMRC-administered and does not appear in DWP benefit expenditure tables. It is a genuine cash transfer to households and is retained in the model base.
- *Cost of Living Payments during 2022-23* (approximately £15 billion nationally) were one-off payments that show up in the FRS 2022-23 base data and are uprated to 2025-26 even though the programme has been discontinued. This is

a base-year artefact that will disappear when the model's base year rolls forward to FRS 2023-24 or 2024-25.

Separately, DWP's Family Resources Survey Transformation research (2024) documents average 37 per cent undercoverage of benefit caseload in raw FRS responses relative to administrative records. The benefit aggregate here uses survey-only FRS 2022-23 and is therefore subject to baseline undercoverage. The upward pressure from Cost of Living Payment inflation and the downward pressure from survey undercoverage partly cancel, which is why the raw aggregate sits in a reasonable neighbourhood of administrative totals despite both known distortions.

Importantly, the benefit figures in the main model are used only as "passenger columns" alongside each percentile for distributional display and NC effective-rate denominators. They are not used to derive NC on benefits revenue, and they are not used for the NC on benefits distributional analysis. Both of those outputs come from a separate microdata pass documented in the "NC on Benefits" appendix, which operates on the same FRS 2022-23 base but at household rather than percentile level. The Cost of Living Payment artefact affects both passes identically; the effect on the headline NC-on-benefits figure, and the decision not to attempt a model-level correction, are documented in the NC on Benefits appendix.

Three coverage scalars are provided in the Parameters sheet to correct these gaps. The scalars apply in the Uprating sheet's intermediate block, after growth factors and before the re-sort, so scaled values feed the re-sort and propagate consistently to all downstream calculations. The base-year Combined Percentiles sheet is never modified: it remains the firm FRS/WAS/HMRC data foundation.

Default scalar values are calibrated to tax-yield-match rather than to income-match. That is, scalars are set so the model's implied tax yields on each component match published HMRC receipts at the operating year, rather than scaling income totals to match published income aggregates directly. The two approaches differ because the FRS-captured subset of dividend recipients is already concentrated at high incomes and therefore faces higher-than-average marginal rates; scaling the income aggregate to HMRC level would over-apply these high rates to the full dividend base and overstate dividend tax yield. Tax-yield-match scalars deliver the correct revenue figure while acknowledging that the distributional shape of the captured subset is not corrected.

Defaults at the current operating year:

- Dividend scalar: 1.79 — targets ~£15bn dividend tax yield under current rates.
- Investment scalar: 1.56 — targets ~£12bn Income Tax contribution from savings.
- Benefit scalar: 1.00 — unscaled. The current system does not tax most benefits, so scaling benefits would only inflate the passenger-column figures in this model without affecting the current-system comparator. NC on benefits revenue comes from the separate microdata pass (see NC on Benefits appendix) and is unaffected by this scalar. The scalar is retained as a parameter for sensitivity analysis.

Additionally, a yield scalar is applied directly to the current-system Employee NIC line in Tax Comparison (Parameters row 37, default 1.17). This reconciles the FRS-based Employee NIC calculation (£46 billion at scalar 1.00) with published HMRC

receipts (£54 billion in 2024-25), which reflect administrative rather than survey-based earnings data. Unlike the income-level scalars, this operates only on the current-system comparator; NC itself is unaffected because Employee NICs are replaced by NC. A similar surgical adjustment ($\times 2$) is applied to Class 4 NICs at the top percentile in Tax Comparison to compensate for the percentile-mean model under-capturing self-employment income spread across multiple upper percentiles.

A limitation of the scalar approach is that it corrects aggregate levels but not distributional shape. If FRS captures 25 per cent of dividend income, scaling $4\times$ restores the aggregate but the relative distribution across percentiles still reflects the FRS-captured subset. For aggregate revenue estimation this is acceptable; for fine distributional analysis it is a limitation that is noted explicitly.

Tax Comparison sheet design

Tax Comparison applies current UK tax rules and the NC progressive schedule to the uprated, scaled, sorted percentile data. The following design choices shape the comparison.

Current-system thresholds applied at frozen 2025-26 levels

Current-system taxes (Income Tax, Employee NICs, CGT, IHT) are computed on the uprated income figures using current frozen thresholds: personal allowance £12,570, higher-rate threshold £50,270, additional-rate threshold £125,140, and the corresponding NIC, CGT and dividend thresholds. Applying current thresholds to uprated incomes reproduces the fiscal-drag effect of the current UK freeze policy, which is the correct counterfactual for a reform comparison.

CGT and dividend allowances not applied at percentile level

The £3,000 CGT Annual Exempt Amount (AEA) and the £500 Dividend Allowance are retained as reference parameters but are not applied in the per-percentile calculation. The reasoning is that both allowances are designed to exempt small incidental amounts at individual level: real-world CGT has approximately 348,000 taxpayers, so total AEA consumption is around £1 billion against £81.8 billion of gains (1.2 per cent). Applying the AEA per-adult across all 53 million adults in the model over-counts the allowance by roughly two orders of magnitude and wipes out CGT in most percentiles. The same logic applies to the Dividend Allowance: dividend income is concentrated in a minority of adults, and a per-adult application of the £500 allowance zeros out dividend tax in all but the top percentiles.

Skipping these allowances introduces small overstatements — approximately £0.2 billion on a £12 billion CGT yield, and similar magnitude on dividend tax — which are acceptable and offset by other modelling simplifications (flat rate split by percentile-mean income band rather than individual-level band calculation). A more refined treatment would apply the allowances at aggregate level (taxpayers $\times$ allowance) or scale per-percentile by the fraction of adults in each percentile who are actual CGT or dividend payers; these refinements are deferred.

IHT approximation

Under the current system, inheritances are taxed through IHT on the estate; under NC, they are deposited into National Savings Bonds and NC is paid on withdrawal at the recipient's marginal rate. For ordinary inheritances, the nil rate band allowances in the current IHT system are replaced by delayed income using

tax sheltered NS&I accounts, then taxed at in-year NC rates that will be below the current 40% IHT rate. NC on inheritance at steady state taxes the full annualised flow at each recipient's NC marginal rate, reflecting a 10-year withdrawal window cohort structure at equilibrium.

Inheritance is treated simply in this model. Inheritance and other irregular receipts are taken from the Wealth and Assets Survey and taxed as income at each recipient's National Contributions rate, rather than modelled at the level of the estate. This introduces two errors of opposite sign. The survey basis overstates the ordinary flow of inheritances, and it barely reaches the largest estates, so it understates the top-tail transfers the reform is designed to catch. On initial inspection the two are of similar size, so they broadly offset at the level of the flow. The residual is left to a later, more granular treatment of the top of the distribution. Looking at the tax rather than the flows, the two do not cancel out from a revenue perspective. The inheritances overcounted are ordinary ones, taxed at low rates. The large estates undercounted would be taxed at high rates. So putting both right would add more tax than it takes away. If anything the model undercounts the revenue from inheritance rather than overstating it. Reconciliation is left to the next iteration of the model, but the direction is not in doubt.

Two kinds of deferral

The first kind defers recognition. Funds sheltered in designated National Savings accounts have not yet arisen as income: the income arises on withdrawal and is taxed at the recipient's NC rate for that year. Until then nothing is due, nothing is owed, and no interest runs, for the same reason that no interest runs on a pension not yet drawn. Sheltering defers the point of charge, not the liability.

The second kind defers payment. A deferred Property Tax bill, or a real-gain charge being settled by instalments, is tax that has fallen due and remains owed. It is held as a loan from the state: the full amount stands, simple interest accrues, the debt is secured by a first charge on the property, and it is settled without fail at the next sale or transfer. Nothing is reduced, relieved, or forgiven. Only the timing of the cash moves, and it moves at a price.

The distinction answers the two criticisms usually made of deferral in a single breath. Recognition deferral is not avoidance, because there is no liability yet to avoid; the charge travels with the sheltered balance and is collected as the income arises. Payment deferral is not an escape, because the debt survives in full, senior and interest-bearing, and every route out of it, sale, transfer, or death, is a collection point.

The programme offers no value reliefs: no agricultural relief, no business relief, no trust wrapper, no discretionary hardship reduction. Where the current system forgives value, the programme extends time.

The reason is structural rather than austere. Every relief in the current system began as a principled protection and matured into a planning industry, because a relief that shrinks a liability is worth structuring into. Time to pay at full freight is not. The entire reward for qualifying is a neutrally priced loan, repaid in full, secured on the asset; there is nothing behind the boundary worth reaching for, so the boundary needs no policing. That is why the programme can afford generous access to deferral while refusing every reduction: the generosity is safe precisely because the prize is only time.

Two rules govern who may defer what.

In-life deferral of the annual Property Tax is elective and open-ended, and is therefore tightly scoped: it is available only for the owner-occupied principal residence. The test is not the asset but the consequence of a forced sale. A household stripped of its home loses one of the basic services, shelter, care, food, education, information, transport, and legal recourse, that the programme exists to secure, and no other asset class fails that test. A second home, an investment property, a portfolio, or a business can be sold to meet a tax without depriving anyone of a basic service, and so each pays as it falls due.

Time to pay at a transfer is the opposite case. The trigger is a death, not a choice; the liability is fixed at that moment; and the accommodation ends, at the latest, at the next transfer. Because it is bounded and involuntary, it is universal: the real-gain charge arising at a death may be settled by instalments over up to ten years wherever the asset is land or property, on the model of the existing statutory instalment provisions for tax on land, with no test of the owner's character, use, or purpose. Chosen, open-ended deferral is confined to the home; imposed, self-terminating liabilities get time, on any land, for anyone.

The refusal of agricultural and business reliefs is not indifference to stewardship. Land held, worked, and cared for across generations is a tradition with real value, and the households that raise their children inside it produce some of the country's best land managers. The tax system is simply the wrong instrument for honouring it: a relief pays for the label rather than the practice, favours the incumbent over the newcomer, and is invisible when it fails.

Stewardship is a public good, and public goods are purchased. Nature-outcome agreements, land-management contracts, and conservation covenants pay for stewardship directly, verifiably, and at a price the public sets, to whoever delivers it, whether the heir raised into the tradition or the newcomer who arrives at it. The tax system, meanwhile, is neutral on lineage: patience for anyone, discount for no one. A family whose stewardship is real can meet the charge from the land's own income across the time the programme allows, and in doing so demonstrates the tradition rather than claiming it. Nothing in this structure prevents a family keeping its land across generations; it only ends the subsidy for doing so.

Every deferred liability settles at its own owner's transfer. Any transfer, a sale or a death alike, accelerates outstanding balances: deferred Property Tax vintages, unpaid real-gain instalments, and any arrears are collected from the proceeds or the estate before anything passes on. What passes to the next holder is only what has not yet arisen as anyone's income, and it passes as a fresh receipt taxed in their hands. Debts do not travel; receipts do.

The consequence is that deferral is confined to a single ownership. One life's accommodations cannot be stacked on another's, no balance compounds across generations, and at every death the slate is settled before it is passed. The programme's answer to dynastic accumulation is not a prohibition but an arithmetic: each holding pays its own way, in full, once per owner.

All deferred balances are held as loan accounts at National Savings and Investments, which already holds the sheltered receipts on the recognition side. One institution services every deferral in the programme, and one construction prices them: simple interest, fixed per vintage at the rate prevailing when each year's liability arose, so that any balance can be verified with basic arithmetic.

Liabilities attaching to the owner-occupied principal residence accrue at Bank of England base rate plus one percentage point for the elective Property Tax deferral and at base rate for charges arising at a transfer; liabilities on any other land or property carry the one point premium throughout. The premium is the margin that keeps deferral from becoming cheap credit for owners who have market alternatives; the base rate is the state's own cost of funds, at which patience is neither a subsidy nor a penalty.

Each deferred liability is registered against the property as a restriction: the title cannot be sold or remortgaged without settlement through NS&I, and the restriction is visible on any standard search. The balance itself is not published. A household's deferred tax is its own affair until it transacts, at which point the party who needs the figure, a lender advancing against the property or a buyer completing on it, obtains it as every lender already obtains a borrower's financial position: by requiring sight of the NS&I statement as a condition of the advance, and by redemption at completion. The public register records that the state must be settled; it does not announce what a family owes.

Up to three records can stand against a property, and they rank in a fixed order: the real-gain charge first, then charges on receipts, then Property Tax, all ahead of any private charge. A mortgage lender left short at a sale by the senior public charges is protected by the same mechanism the Right to Sell provides, conversion of the uncovered balance into long bonds, so that seniority reorders the queue without destroying the lender's claim.

Where deferred balances come to equal the value of a home, the accommodation ends in acquisition rather than forgiveness: the property transfers into public ownership in satisfaction of the debt, the occupier is offered a secure tenancy, and any junior lender is made whole in bonds. The state's claim concludes in an asset added to the social housing stock, not a write-off, and the occupant keeps their home on new terms rather than losing it.

The principles stand: tax inheritance as income to recipients, remove the seven year escape route used by large estates, look through trusts, do not treat inter-spousal transfers as inheritance until passed on, and treat everyone equally across the income spectrum. This treatment removes the penalty the current system imposes on unexpected death.

Employer NICs excluded from the headline comparison

NC replaces Income Tax, Employee and Self-Employment NICs, Capital Gains Tax, Dividend Tax and Inheritance Tax. Employer NICs continue unchanged under NC. A memo column shows Employer NIC liabilities under both systems (identical in value) for completeness but excludes them from the NC-versus-current headline comparison.

NC progressive schedule

NC is parameterised by two anchor rates: a Base rate (the marginal rate at P50) and a Top rate (the marginal rate at P90 and above). Marginal rates at intermediate percentiles are linearly interpolated:

- For $p \leq 1$: marginal rate = Base / 50.
- For $1 < p \leq 50$: marginal rate = $(p / 50) \times \text{Base}$.
- For $50 < p \leq 90$: marginal rate = $\text{Base} + ((p - 50) / 40) \times (\text{Top} - \text{Base})$.
- For $p > 90$: marginal rate = Top.

The specific Base and Top rate values are policy choices set out in the main report body and are not fixed by this appendix. For each percentile the per-adult NC liability on income comprises two parts: tax accumulated on all income slices below the percentile's lower bound (computed recursively), plus tax on the partial slice from the lower bound to the percentile's mean NC Total Income. NC on benefit income is computed separately at household level using the microdata pass documented in the NC on Benefits appendix.

VNC voluntary-revenue treatment

The Voluntary NC (VNC) threshold applies to individuals whose NC Total Income falls below the threshold. Such individuals are voluntary remitters: they are assessed a liability but choose whether to pay. Above-threshold individuals pay compulsory NC on every income slice from £0 up to their total income. The specific VNC threshold value is a policy parameter set in the main report.

The implementation exploits the fact that NC Total Income is individual-level valid at percentile level — each percentile's lower and upper bounds describe every individual's income range within the band — while component-level values are not. A threshold applied against a component mean (for example, VNC subtracted from mean benefit income) misclassifies individuals by averaging recipients and non-recipients together before the non-linear threshold test. The VNC threshold is therefore applied against the sort variable, not against components.

For each percentile, a voluntary fraction f is computed: 1 if the whole income band lies below VNC, 0 if it lies above, and proportional for the single percentile straddling the threshold ($f = (VNC - \text{lower bound}) / (\text{upper bound} - \text{lower bound})$). The straddle approximation assumes uniform distribution across the band; its error is confined to one percentile and is numerically small. At-risk revenue = percentile's total NC revenue $\times f$. A remittance rate parameter (default 0 per cent) determines what fraction of at-risk revenue is actually collected. Net NC revenue = total NC revenue – at-risk $\times (1 - \text{remittance rate})$. At 100 per cent remittance, VNC is fully disabled and everyone pays in full; at 0 per cent, below-VNC individuals pay nothing.

NC on benefits — referred to the NC on Benefits appendix

NC on benefits cannot be computed accurately at percentile level because the household-level threshold structure of the NC-on-benefits design depends on household composition (dependent children in particular) that varies within each percentile. A per-percentile calculation that applies a marginal rate to mean benefit income per adult produces a diagnostic figure only, not a revenue estimate.

The authoritative treatment of NC on benefits — including the principled basis for the taxable benefit base, the dependent-child allowance structure, the household aggregation method, and the resulting revenue and distributional figures — is set out in the companion **NC on Benefits appendix**. That appendix uses a separate microdata pass against the same FRS 2022-23 base year used by this tax model, with household-level calculations that the per-percentile model cannot replicate.

Within this model, the per-percentile NC-on-benefits figure in Tax Comparison column Q exists only as a diagnostic. The headline NC on benefits revenue used in Results is supplied from the microdata pass via a manual override in Parameters

(currently rows 63–64). Any question about the NC on benefits treatment, aggregate figure, distributional breakdown, or methodology should be resolved by reference to the NC on Benefits appendix, not this one.

Revenue aggregation — two views

NC revenue can be aggregated two ways that sum to the same total (adjusted for the benefits-NC add-on described above):

Per-adult aggregation attributes revenue to the adults classified in each percentile. For percentile p : $V[p] = B[p] \times S[p]$, where $B[p]$ is the adult count and $S[p]$ is the per-adult NC liability (accumulated tax across every slice of NC Total Income from £0 up to the individual's income, plus NC on benefits where applicable). Each adult is counted once, in the percentile where their total income falls. Per-adult aggregation is used for the VNC voluntary treatment, because voluntary-versus-compulsory is a property of the taxpayer (determined by whether their total income falls below VNC), not of the income slice.

Per-slice aggregation attributes revenue to each income slice (the band between adjacent percentile lower bounds), counting all payers who are taxed on that slice. For slice p : $\text{revenue} = L[p] \times [(upper[p] - lower[p]) \times pop\_above + B[p] \times (D[p] - C[p])]$, where pop_above is the total adult count in all higher percentiles, $D[p]$ is the percentile's mean NC Total Income, and $C[p]$ is the lower bound. The first term is the full-slice contribution from payers whose income sits in a higher percentile; the second is the partial-slice contribution from payers whose income is within percentile p itself.

Both views are complete in themselves. They differ by total NC on benefits, which is included in the per-adult view (because that liability is a property of the adult) but has no counterpart in the per-slice view (because benefits do not participate in the NC Total Income sort and therefore do not correspond to any slice). The per-slice view is useful as a memo to show how the progressive schedule generates revenue across income bands; the per-adult view is the operationally relevant aggregation for revenue forecasting and for voluntary-compliance analysis.

Importantly, below-VNC slices are not inherently voluntary. An adult whose total income exceeds VNC pays compulsory NC on every slice of their income, including any slices below the VNC threshold. Only the total liability of below-VNC adults is at risk. This is the conceptual reason the VNC calculation operates on per-adult aggregation rather than per-slice aggregation.

Parameters and configurability

The Parameters sheet concentrates all editable inputs:

- NC rates: Base, Top, VNC threshold.
- NC switches: benefits-taxed on/off, voluntary NC remittance rate.
- FRS coverage scalars: dividend, investment, benefit.
- Current-system rates and thresholds: personal allowance and taper, basic/higher/additional bands, dividend rates and allowance, Employee NIC thresholds and rates, Class 4 NIC thresholds and rates, Employer NIC threshold and rate, CGT AEA and rates, IHT effective rate.

Up-rating inputs (Table 3.1 percentile points, benefit and state pension up-rating rates, WAS factor, CGT update-year total, CPI factor) are held in Section A of the Up-rating sheet alongside source-note references.

Changes to any Parameters cell propagate automatically through the Uprating intermediate block, the re-sort, the sorted block, Tax Comparison, and the Results summary.

Aggregate validation

Base-year aggregates (£ billion) before scaling, for reference:

Component	£bn
Employment	1,050
Self-employment	142
Private pension	137
State pension	112
Investment income	20
Dividends	22
Inheritance	103
Other irregular	47
Capital gains	78
NC Total Income (non-benefit basis)	1,710
Benefits (five components, state pension excluded)	183
NC Total + Benefits	1,893

After uprating and coverage scaling, the model produces an operating-year NC Total Income base in the region of £1.9 trillion and a taxable benefit base whose detailed treatment is set out in the NC on Benefits appendix. The current-system comparator reproduces published HMRC receipts for Income Tax, CGT, Dividend Tax and Inheritance Tax (after the dedicated scalars and surgical adjustments described under "FRS coverage scalars" above). Employer NICs are shown as a memo column but fall outside the NC comparison since they are unchanged under NC.

Specific revenue figures under NC depend on the Base and Top rate choices made in the main report and the VNC threshold setting, and are therefore reported in the main report rather than here. The aggregation mechanics described in the preceding "Revenue aggregation — two views" section are rate-independent and reconcile across any rate configuration.

Key design choices — summary

- NC Total Income is the sort key; benefits are passenger columns. This avoids benefit-income variation disturbing the ranking used for the progressive schedule and is consistent with the observation that benefit-recipient status is not the intended rate-determining signal.
- Thresholds that apply to nearly every adult (personal allowance, NIC Primary Threshold, Class 4 LPL, Employer NIC ST) are applied at percentile-mean level because the per-adult approximation holds. Thresholds that apply only to a subset of taxpayers (CGT AEA, Dividend Allowance) are skipped at percentile level and flagged in methodology.
- VNC is applied against the sort variable (NC Total Income) because it is individual-level valid at percentile level. Component-level thresholds (notably household-VNC on benefits) require microdata treatment.

- Scalars for FRS coverage gaps are applied once, in the Uprating intermediate block, so they flow through the re-sort and all downstream calculations consistently. Defaults are calibrated to tax-yield-match.
- Revenue can be aggregated per-adult or per-slice; the two views reconcile and serve different analytical purposes. Per-adult is used for voluntary-compliance analysis because voluntary status is a property of the taxpayer.

Known limitations

- The per-percentile NC-on-benefits figure (Tax Comparison column Q) cannot apply the household-level allowance structure of the NC design and is therefore a diagnostic, not a revenue estimate. The headline NC on benefits revenue comes from the microdata override supplied by the NC on Benefits appendix. All questions about the NC on benefits methodology, aggregate figure, and distributional breakdown are properly resolved by reference to that appendix.
- The model's base year is FRS 2022-23, which coincides with a period of exceptional one-off Cost of Living Payments (approximately £15 billion nationally). These payments flow through the benefit passenger columns via the standard benefit uprating factor. The effect on NC on benefits revenue is documented in the NC on Benefits appendix. The income-side calculations (Income Tax, NIC, CGT, IHT and NC on income) are unaffected. A rebuild on FRS 2023-24 or 2024-25 (the latter incorporating DWP's new administrative-data-linked variables) would remove this artefact.
- FRS coverage scalars correct aggregate tax yields but not the distributional shape of under-recorded components. Percentile-level effective rates for dividend and savings income reflect the captured subset, not the full population.
- Small ripples in per-percentile NC effective rate on NC Total Income plus benefits (up to about 0.1 percentage points over roughly 15 percentiles) arise from benefits being a passenger column whose mean varies non-monotonically across percentiles. These do not affect aggregate revenue.
- The straddle approximation in the VNC voluntary calculation assumes uniform distribution of individuals within one percentile's income band; error is confined to that single percentile.
- Treatment of pension contributions. National Contributions retains the current tax treatment of pensions: employee contributions are deducted from NC income before the rate applies, employer contributions are not taxed as income, and pensions in payment are taxed as income at NC rates. The distributional model is built on FRS gross earnings, which include employee contributions made through net pay and relief at source arrangements (salary sacrifice contributions are excluded at source). Both the NC and current-system calculations are therefore performed on the same unrelieved base, and all comparisons between the two systems are like for like. Reflecting the deduction explicitly would reduce modelled NC revenue from earned income by around £10 billion a year. HMRC reports £14.6 billion of individual contributions to personal pensions in 2023 to 2024 (relief at source, including the basic-rate top-up), and employee contributions to occupational net pay schemes add approximately £20 billion, of which around £15 billion sits in the public service schemes. Because the current-system comparator relieves the same contributions at lower marginal rates on the same base, the net effect on the additional revenue raised is of the order of £3 billion a year at steady state, within the programme's £38 billion of annual fiscal space.

- Capital gains are allocated to base-year percentiles by income band from HMRC Table 3.2, and real-value uprating strips inflation from nominal growth. A full behavioural model of CGT realisation under NC rates is not attempted and would require separate analysis.
- Inheritance realisation behaviour. The largest behavioural margin in the NC model is the timing of withdrawals from National Savings Bonds. The modelled treatment is conservative on rates: the 10-year withdrawal assumption spreads each inheritance across years, taxing it at moderate marginal rates rather than the top rates a lump-sum assessment would produce, and the cohort structure defers full recognition of the revenue to year 10 of operation. Slower withdrawal than assumed defers revenue further but does not extinguish it: there is no uplift at death, the NC liability travels with the sheltered balance, and deferred balances sit on deposit with NS&I, funding the Exchequer until withdrawn. Faster withdrawal front-loads revenue at higher marginal rates. The five-year programme window in the Macro Cashflow leans primarily on PAYE income, with only the first withdrawal cohorts inside the window, so the fiscal space presented is comparatively insensitive to this margin; realisation timing shifts steady-state revenue between years rather than changing its total.

Further iterations of the model are planned for later in 2026 to use more recent admin linked FRS data as the base and to incorporate more detailed treatments of the known limitations.

RELATED

Referenced by: [Household effects modelling \(Household Effect\)](#), [National Contributions \(Revenue Instrument\)](#), [National Contributions v. Current \(Household Effect\)](#), [P2030 Tax Effects \(Household Effect\)](#)

National Contributions Implementation

APPENDIX · economics

This appendix sets out a credible implementation pathway for National Contributions (NC), outlining the legislative, technical, and administrative workstreams required to transition from the current tax system. It considers both an ambitious and a realistic timeline, identifies the critical path dependencies, and models the revenue ramp toward the steady-state net additional yield of £75 billion per annum.

Legislative and political prerequisites

NC requires primary legislation of considerable scope. The Finance Bill would need to repeal the existing Income Tax, employee National Insurance Contributions, Capital Gains Tax, Dividend Tax, and Inheritance Tax frameworks and enact a unified replacement statute. While the NC rate structure itself is straightforward — two anchor rates, linear interpolation across percentiles, a single income definition — the repeals and consequential amendments touch virtually every corner of tax law.

A Bill of this magnitude would ordinarily receive pre-legislative scrutiny. However, the structural simplicity of NC works in its favour: unlike most tax reform proposals, there are few boundary definitions to contest (earned versus unearned, employment versus self-employment, income versus capital gains), because NC treats all income identically. This reduces the volume of detailed committee work relative to the scale of the change.

A reasonable legislative timeline from First Reading to Royal Assent is 6–9 months with a working government majority and committed parliamentary timetabling. Draft technical specifications for payroll and software developers should be published simultaneously with the Bill's introduction, not after Royal Assent, to allow development work to proceed in parallel.

Technical implementation: PAYE and payroll systems

The critical path for NC implementation runs through the payroll software ecosystem. Approximately 300 payroll software providers serve UK employers, and each must update their systems to calculate NC liabilities in place of Income Tax and employee NICs. HMRC's Real Time Information (RTI) infrastructure, which already processes pay-period employer submissions, would require modification to accept NC-coded submissions rather than the current PAYE tax codes.

NC's structure offers a significant advantage here. The current PAYE system requires employers to apply individual tax codes reflecting personal allowances, benefit-in-kind adjustments, and underpayment carry-forwards. Under NC, the calculation is uniform: apply the published marginal rate schedule to the employee's cumulative pay in the tax year. No individual tax codes are required for the basic calculation, because there is no personal allowance and no variation by income source. This substantially reduces the complexity of both the software update and the ongoing operational burden.

HMRC's standard practice is to provide payroll software developers with 12–18 months of lead time after finalising technical specifications. Given NC's relative simplicity, 12 months is plausible if specifications are published early in the

legislative process. The introduction of Real Time Information — a smaller structural change than NC — required approximately 18 months from specification to mandatory adoption.

Self Assessment and non-PAYE income

Income from self-employment, property, investments, and dividends would be assessed under NC rules from the first NC tax year, but collected through Self Assessment. This introduces an inherent timing lag: liabilities accrue from the start of the NC tax year, but returns are filed by January of the following year, with balancing payments potentially extending further.

Under NC, Self Assessment is simplified by the elimination of schedular distinctions. A taxpayer's return need only report total income from all sources against the single NC schedule. The current system's complexity — separate calculations for different income types, interactions between allowances and reliefs, and the annual investment allowance — is replaced by a single progressive calculation. This reduces the scope of the software update for Self Assessment platforms, though the transition itself (mapping legacy data structures to the new format) requires careful specification.

Application of NC to benefit income

NC applies to all income, including state benefits. In steady state, benefit income is included in total NC income and taxed under the standard progressive schedule, consistent with the principle of identical treatment across all income sources. NC on benefit income is deducted at source by the Department for Work and Pensions (DWP), maintaining coherence with the macro framework in which benefits are gross income streams subject to NC like any other. A phased introduction of NC rates on benefit income is proposed during the transition period to protect lower-income households from an abrupt change.

The dependent VNC allowance

For the purposes of NC on benefit income, a VNC allowance is provided for each of the taxpayer's dependents, calculated as the number of dependents multiplied by the standard VNC threshold of £12,570. NC on benefit income applies only to benefit income exceeding this dependent allowance. The taxpayer themselves is not counted in the multiplier, because their own VNC threshold already applies to their earned income under the standard NC rules.

A lone parent with two dependent children, for example, has a benefit income VNC allowance of $2 \times £12,570 = £25,140$. NC on their benefit income applies only to the amount exceeding that threshold. A single adult with no dependents has no benefit income VNC allowance, so their entire benefit income is subject to NC from the first pound.

This allowance applies exclusively to benefit income. It does not extend to earned income or any other income source. The policy rationale is that benefit income is assessed against household need — a family receiving benefits does so because dependents require support — and the NC threshold for that income should reflect the number of dependents the benefits are intended to cover.

The dependent allowance substantially reduces or eliminates NC on benefit income for families. A couple with two children receiving £30,000 in annual benefits would have a benefit income VNC allowance of $2 \times £12,570 = £25,140$,

sheltering the majority of their benefit income from NC. This means DWP source deductions fall most heavily on adults without dependents, and are reduced or eliminated for families with children — a considerably smaller liability than a flat application of NC to all benefit income would produce.

Phased introduction for NC on benefits

During the transition period, the NC rates applied to benefit income above the dependent allowance are phased in using a proportion of the taxpayer's standard NC marginal rates. A four-year phase-in schedule would proceed as follows:

Programme year	Proportion of NC rate applied to benefit income
Year 3	33%
Year 4	66%
Year 5 onwards	100% (full steady state)

For example, a single adult with no dependents receiving £15,000 in annual benefit income has no benefit income VNC allowance (0 dependents $\times$ £12,570 = £0). In year one of NC on benefits operation, the full £15,000 of benefit income would attract NC at 33% of the standard marginal rate. Once the full NC rate applies, by contrast, a lone parent with two children receiving the same £15,000 in benefits has a benefit income VNC allowance of £25,140 — their entire benefit income falls below the threshold, and no NC is due in any year.

Source deduction by DWP

NC on benefit income is deducted at source by DWP before payment, in the same way that PAYE deductions are made by employers before paying wages. This is essential for coherence with the NC macro framework, in which all income sources are subject to NC at the point of payment.

DWP's source deduction is necessarily provisional. DWP knows the claimant's benefit income and household composition (and therefore the correct dependent VNC allowance), but does not know the claimant's total income from all sources. The provisional deduction is therefore calculated against the benefit income alone, applying the NC rate schedule to benefit income above the dependent allowance at the prevailing phase-in proportion.

At year end, HMRC reconciles the taxpayer's total NC liability across all income sources — PAYE earnings, Self Assessment income, and DWP-reported benefit income — using the P800 process. Where the provisional DWP deduction differs from the correct liability (because, for instance, the taxpayer also has earned income that shifts their total income into higher percentile brackets), the P800 reconciliation issues a refund or additional charge. This is directly analogous to the existing P800 process for PAYE taxpayers, which already handles millions of automated year-end adjustments without requiring taxpayers to file Self Assessment returns.

Implementation implications

Source deduction places DWP systems integration on the critical path for NC implementation. DWP must be able to:

- Calculate the dependent VNC allowance for each claimant using existing household composition data (already held for Universal Credit and legacy benefit administration).

- Apply the NC rate schedule (at the prevailing phase-in proportion) to benefit income above the allowance.
- Report deductions to HMRC through an enhanced data feed for P800 reconciliation.

DWP already administers deductions from benefits (for example, third-party deductions for rent arrears, utility debts, and Social Fund loans under Universal Credit). The systems infrastructure for making deductions before payment exists; the new requirement is the NC calculation engine and the reporting feed to HMRC. The dependent allowance calculation is straightforward given that DWP already holds verified household composition data as a core part of benefit assessment.

The phase-in serves a dual purpose here: it limits the financial impact of any early calculation errors (at 33% of the standard rate in year one, the cost of mistakes is contained), and it provides DWP with operational experience before full rates apply.

Revenue impact of the benefits phase-in

The steady-state NC yield on benefit income is approximately £16 billion per annum, estimated through a separate microdata analysis using FRS household-level records. The microdata approach is necessary because the dependent VNC allowance operates at household level and cannot be accurately represented in the percentile-level tax model, which averages across heterogeneous household compositions within each percentile. The microdata analysis applies the dependent allowance and NC rate schedule to each individual's benefit income given their actual household composition, producing the aggregate revenue estimate used here and in the main report.

The three-year phase-in has a material impact on the revenue trajectory: in year one at 33% of the standard rate, approximately £5 billion is collected; in year two at 66%, approximately £10 billion. Full benefit-income NC of about £16 billion is reached in the third year of operation. The cumulative forgone revenue over the three-year phase-in period is approximately £16 billion relative to immediate full-rate implementation.

This is a deliberate fiscal choice. The phase-in prioritises household stability for benefit recipients during the transition — particularly given that DWP source deductions are a new experience for claimants — and provides DWP with operational headroom to refine its deduction systems before full rates apply. The dependent VNC allowance ensures that the forgone revenue is concentrated on benefit income for adults without dependents; families with children are largely sheltered throughout the phase-in and in steady state.

National Savings Bonds: inheritance and large gifts

NC replaces Inheritance Tax with a mechanism whereby inheritances and large gifts received after the NC commencement date can be deposited into tax-protected National Savings Bonds. NC is payable upon withdrawal, with a 10-year withdrawal period assumed in this report's model. Refinements to the treatment of inheritances is planned for a later revision of the NC model incorporating generational crystallisation windows, Trusts, interest bearing deferrals, and in-specie asset refinements.

This design means that inheritance-related NC revenue accumulates gradually. In year one, only one cohort of recipients is making withdrawals from one year's inheritance flow. Each subsequent year adds an additional overlapping cohort. Full annualised revenue (equivalent to the steady-state inheritance component) is not reached until after the timeframe of the reports programme, when all cohorts are withdrawing simultaneously.

The National Savings Bond infrastructure represents a genuinely new system that must be designed and built. NS&I (National Savings and Investments), the existing government savings institution, is the natural delivery vehicle, but would require new product development, integration with HMRC for NC liability reporting, and a customer-facing platform for bond management. This workstream is not on the critical path for the main NC switchover (PAYE and Self Assessment can proceed independently), but must be operational by the NC commencement date to receive the first cohort of inheritance deposits.

Capital gains: post-sorting overlay

Capital gains are incorporated into NC through a distributional overlay applied after the primary income sorting, rather than through individual-level assessment. This means the capital gains component of NC revenue depends on HMRC publishing annual CGT statistics, which NC uses to calibrate the overlay curve. No new collection mechanism is required: capital gains are reported and assessed through Self Assessment, and the NC rate schedule simply replaces the current CGT rate schedule. The implementation requirement is limited to updating Self Assessment software to apply NC rates to reported gains. Revenue from capital gains follows the Self Assessment timing lag described above.

Proposed implementation timeline

The following timeline assumes a government committed to NC implementation from its first Budget, with draft legislation and technical specifications published simultaneously.

Phase 1: Legislation and specification (Months 1–9)

Publication of draft NC Bill, technical specifications for payroll software developers, DWP source deduction specifications, and HMRC systems requirements. Formal consultation on secondary legislation. Parliamentary passage of the Finance Bill. HMRC begins internal systems reconfiguration. DWP begins development of the NC benefit deduction engine, including dependent VNC allowance calculation and HMRC reporting feed. NS&I commences National Savings Bond product development.

Phase 2: Development and testing (Months 9–18)

Payroll software developers build and test NC-compliant systems against published specifications. HMRC updates RTI infrastructure to accept NC-coded submissions. Self Assessment platforms updated. DWP tests NC benefit deduction calculations and HMRC reporting integration; pilot deductions on a subset of Universal Credit claimants during the final quarter of this phase. Employer guidance published. Voluntary early-adoption pilot opens to large employers and digitally-engaged self-assessors for parallel running (NC calculated alongside legacy taxes, but only legacy taxes assessed).

Phase 3: PAYE switchover (Month 18–24)

Mandatory NC assessment begins for all PAYE income from the start of the first NC tax year (month 24). Legacy Income Tax and employee NICs cease to be assessed on employment and pension income. DWP begins NC source deductions on benefit income above the dependent VNC allowance at 33% of the standard NC rate.

Phase 4: First full operating year (Months 24–36)

First complete NC tax year. Self Assessment returns for the first NC year filed by January. Capital gains assessed under NC rates. First cohort of National Savings Bond deposits from inheritances received after commencement. P800 reconciliation process runs for the first time across PAYE, DWP benefit deductions, and Self Assessment income, issuing refunds or additional charges where provisional deductions diverged from final liability.

Phase 5: Steady-state convergence (Months 36–144)

Benefits phase-in completes by month 72 (year 4 of operation; year 6 from Budget). Self Assessment collection cycles are fully aligned. National Savings Bond inheritance cohorts accumulate annually, reaching full steady state at month 144 (year 10 of operation; year 12 from Budget).

Revenue trajectory

The following estimates reflect the combined effect of PAYE timing, Self Assessment collection lags, the benefits phase-in, and the National Savings Bond inheritance ramp.

Period	Key dynamics	Approx. % of steady state	Approx. net additional revenue
Year 1 of operation (partial, months 18–24)	PAYE switchover mid-year; SA not yet collected; benefits at 25% rate	~30–38%	£24–30B
Year 2 (first full NC year)	Full-year PAYE; first SA returns filed; 1 inheritance cohort	~68–78%	£52–61B
Year 3	SA cycle fully aligned; benefits at 33% rate (£5B of £16B); 2 inheritance cohorts	~86–90%	£64–71B
Year 4	Benefits at 66% rate (£10B of £16B); 3 inheritance cohorts	~93–97%	£70–76B
Years 5–10	Benefits phase-in complete (£16B); Inheritance cohorts accumulating annually	~97% – 100%	£75B

The programme Macro Cashflow simplifies the revenue phasing at the lower end of the above estimates without a partial first year.

Structural advantages for implementation

Several features of NC's design reduce implementation risk relative to comparably ambitious tax reforms:

Elimination of boundary policing. The current system requires continuous administrative effort to classify income by source (employment, self-employment, savings, dividends, capital gains) because different sources face different rate schedules. NC's single progressive schedule applied to a flat income definition eliminates this classification task entirely. This is not merely a simplification for

taxpayers; it removes a major source of software complexity, compliance cost, and avoidance opportunity.

No personal allowance administration. The current Income Tax personal allowance (£12,570) and its taper above £100,000 require individual tax code calculations for every PAYE taxpayer. NC replaces this with the Voluntary NC threshold — set at £12,570, matching the current personal allowance — below which participation is optional. For taxpayers above the threshold, no individual allowance calculation is needed — the rate schedule is universal. The alignment of the VNC threshold with the existing personal allowance simplifies communication during transition: most taxpayers' tax-free starting point does not change.

Reduced HMRC operational footprint. By eliminating the need for individual tax codes, personal allowance adjustments, benefit-in-kind coding, and multi-schedule rate calculations, NC substantially reduces the ongoing computational and administrative burden on HMRC systems. This is a permanent efficiency gain that partially offsets the one-time transition cost.

Alignment with existing infrastructure. PAYE and RTI provide the collection backbone. Self Assessment handles non-employment income. NS&I provides the institutional framework for National Savings Bonds. No entirely new institutional infrastructure is required, though existing institutions must adapt their systems.

Risks and mitigations

Payroll software readiness. The most likely source of delay. Mitigation: publish specifications at Bill introduction (not Royal Assent), provide a funded testing environment, and offer a transitional tolerance period where minor calculation errors do not attract penalties.

DWP source deduction systems. DWP integration is on the critical path: NC on benefits must be deducted at source from the NC commencement date. Mitigation: DWP already administers deductions from benefits (third-party deductions under Universal Credit, Social Fund loan recoveries) and holds the household composition data needed for the dependent VNC allowance. The NC calculation engine is a new component but operationally bounded. The phase-in at 33% of the standard rate in year one limits the financial impact of early calculation errors. Piloting with Universal Credit claimants in Phase 2 provides operational validation before full rollout. P800 reconciliation at year end corrects any discrepancies between provisional DWP deductions and final NC liability.

Taxpayer comprehension. NC is structurally simpler than the current system, but any change generates uncertainty. Mitigation: the web calculator (properchange.uk) provides individual-level illustrations; HMRC guidance should emphasise the single-schedule, no-allowance design as a simplification. The benefits phase-in also serves as a communication tool: it signals that the transition is managed, not abrupt.

NS&I capacity. National Savings Bonds represent a new product for NS&I and a new customer base (inheritance recipients). Mitigation: the 10-year withdrawal period means initial volumes are manageable; NS&I has experience with large-scale savings products and digital platforms. Early engagement with NS&I during Phase 1 is essential.

Conclusion

National Contributions can plausibly be operational within 24 months of a Budget commitment, with full PAYE collection and DWP benefit source deductions beginning at that point. The phased application of NC to benefit income — using a three-year taper from 33% to 100% of the standard NC rate, applied above a dependent VNC allowance — protects lower-income families while maintaining coherence with the macro framework through at-source collection. The dependent allowance ensures that families with children are largely or entirely sheltered from NC on their benefit income. Full steady-state revenue of £75 billion per annum is reached approximately 10 years after commencement, driven primarily by the structural design of the National Savings Bond inheritance mechanism. P800 reconciliation provides the year-end correction mechanism across all income sources without requiring benefit recipients to enter Self Assessment.

The 24-month target is ambitious by the standards of UK tax administration. For context, Making Tax Digital required four years from announcement to VAT mandate and has been repeatedly delayed for Income Tax. The key difference is that NC is replacing complexity with simplicity, whereas most recent HMRC programmes have added requirements to an already complex system. This structural advantage is the strongest basis for confidence in a compressed timeline.

RELATED

Referenced by: [National Contributions \(Revenue Instrument\)](#), [P2030 Tax Effects \(Household Effect\)](#)

National Contributions on benefit income at household-level

APPENDIX · economics

This appendix describes the microdata-level calculation of National Contributions revenue from benefit income. The analysis operates on individual Family Resources Survey records aggregated to households, applies a per-child allowance at household level against a taxable benefit base, and reports revenue by household type, quintile of the NC Total Income distribution, and their intersection.

*A note on the source data before the detail. The Family Resources Survey microdata underlying this appendix is known to undercount benefit receipt: DWP's FRS Transformation research documents an average 37 per cent undercoverage of benefit caseload in survey responses relative to administrative records, a gap only partially closed by administrative data linkage from FRS 2024-25 onwards. The headline figure in this appendix is therefore more likely understated than overstated. The Limitations section quantifies this alongside the partially offsetting Cost of Living Payment artefact in the 2022-23 base year. A future update using FRS 2024-25 is scheduled for later in 2026. *

Design principle

Prosperity 2030 advances the proposition that public money spent on Universal Services is more effective and efficient at meeting need and reducing the cost of living than equivalent expenditure on compensatory cash redistribution. The programme takes the first steps on a longer trajectory of fiscal reorientation that developed economies will need to pursue for long-run budgetary sustainability, given that the current configuration of cash-benefit-centric redistribution paired with chronic deficits is unsustainable in most developed nations.

Applying National Contributions to benefit income is the fiscal mechanism for this reorientation. It brings benefit income within the NC base on the same principle as any other income stream: participation in the economic surplus entails a contribution to the collective provision from which everyone benefits. Rather than a direct reduction of benefits, the mechanism frames the shift as a collective recalibration — cost-of-living is being reduced through Universal Services; each recipient of benefit income makes an individual contribution to that collective effort through NC.

The design consequence is that the default position is to include benefit income in the NC base. Exclusions require a specific justification rooted in the programme's own logic. The only exclusion warranted on that basis is for benefits that compensate for specific additional costs that Universal Services can reduce but cannot reasonably substitute for, principally disability-related costs.

The FRS benefit components

The main tax model uses five benefit components, each derived from Family Resources Survey variables and annualised by multiplying weekly values by 52. The components are analytical groupings of multiple individual entitlements:

- **Ben_NI** = $\max(0, \text{INNIRBEN} - \text{INRPINC}) \times 52$ — contributory National Insurance benefits excluding state pension. Includes contribution-based Jobseeker's Allowance, contribution-based Employment and Support

Allowance, Incapacity Benefit, Carer's Allowance, Bereavement Allowance, Widowed Parent's Allowance, Maternity Allowance and related contributory benefits. State pension (INRPINC) is treated separately as non-benefit income and subtracted here to prevent double-counting.

- **Ben_Oth** = $\text{INOTHBEN} \times 52$ — other non-contributory means-tested benefits. Includes Income Support, Housing Benefit, Pension Credit, Council Tax Support, Winter Fuel Payment, Industrial Injuries Benefit, Guardian's Allowance, and other statutory means-tested payments not captured in the other categories.
- **Ben_Dis** = $\text{INDISBEN} \times 52$ — disability benefits. Includes Personal Independence Payment, Disability Living Allowance, Attendance Allowance, and related disability-specific payments that compensate for the additional cost of living with a disability.
- **Ben_TC** = $\text{intxcres} \times 52$ — legacy tax credits: Working Tax Credit and Child Tax Credit, both being phased out and replaced by the corresponding elements of Universal Credit.
- **Ben_UC** = $\text{induc} \times 52$ — Universal Credit, including the standard allowance and all element-specific additions (housing, childcare, child, limited capability for work, and carer).

Each FRS component therefore aggregates multiple distinct entitlements into a single analytical category. The appendix uses these categories because they are the granularity at which FRS microdata is available; they do not separate the constituent entitlements.

Taxable benefit base

Under the principle articulated above, disability benefits are excluded from the taxable benefit base. All other components are retained:

```
hh_benefit_income_taxable = ben_ni + ben_oth + ben_tc + ben_uc  (summed to household)
hh_disability_benefits    = ben_dis                          (tracked but exempt)
```

Disability benefits are not a form of consumption support that Universal Services could substitute for in full — adapted equipment, additional heating costs, personal care requirements, and transport costs for people with restricted mobility are irreducible additional costs of living with a disability. Universal Services can materially reduce them but cannot eliminate them. Excluding Ben_Dis from the NC base respects that principle and mirrors the current UK practice under which PIP, DLA and Attendance Allowance are non-taxable.

Aggregate benefit income (uprated to 2025-26):

Component	£bn
Ben_NI (contributory)	60.4
Ben_Oth (other means-tested)	61.7
Ben_Dis (disability, exempt)	33.0
Ben_TC (legacy tax credits)	5.7
Ben_UC (Universal Credit)	40.8
Total benefit income	201.6

Component	£bn
Taxable benefit base	168.7

Disability benefits represent 16 per cent of total benefit income in FRS. 4.35 million households (15 per cent) receive some disability benefit.

A note on granularity and implementation

The five FRS components cluster entitlements that, at finer granularity, would be amenable to further distinction under the same principle. The disability premia within Universal Credit (reported within `induc` rather than `INDISBEN`) fall under the taxable base here even though they function analogously to `Ben_Dis`. Carer's Allowance (inside `Ben_NI`) compensates for a form of additional cost — the opportunity cost of informal caregiving — that has some extra-expense character. Industrial Injuries Benefit (inside `Ben_Oth`) compensates for work-caused disability. Maternity Allowance (inside `Ben_NI`) compensates for a specific period of earnings interruption.

The same granularity limitation affects the pensioner picture in particular. `Ben_Oth` for pensioner households typically includes small annualised amounts reflecting Winter Fuel Payment, Christmas Bonus, and in some cases Council Tax Support, which together mean that nearly all pensioner households register as receiving "other means-tested benefits" even though the amounts are modest for most. `Ben_NI` for pensioners includes small contributory additions such as Graduated Retirement Benefit and SERPS top-ups, which are effectively state-pension extensions for older cohorts rather than additional income streams. At the pensioner-population level, this inflates the apparent prevalence of benefit receipt and contributes a small amount (of the order of a few hundred million pounds) to the headline NC on benefits figure.

These distinctions cannot be made reliably with the FRS aggregates used here. A full implementation of NC would apply the extra-expense test at individual-entitlement level using administrative data, which would shift a modest additional amount of benefit income out of the taxable base. The revenue implication is small — the aggregate of these sub-components is of the order of several billion pounds — but the principle is important and should be reflected in the final design.

For the purposes of this report, the only exclusion applied is for the `Ben_Dis` component. This is a modelling simplification rather than a final policy position. The implementation specification should revisit each constituent entitlement against the extra-expense test at the legislative stage.

Per-child allowance

The taxable benefit base is further reduced by a per-child allowance, designed to ensure that the NC mechanism does not disproportionately fall on households raising children. Each dependent child contributes £12,570 to the household's allowance against its taxable benefit income:

$$\text{hh\_allowance} = \text{dependent\_children} \times \text{£12,570}$$

No separate adult allowance applies against the benefit base, because each adult is already protected by their individual VNC threshold on their share of NC Total Income. The child allowance is therefore a targeted protection for households

whose benefit income is elevated specifically because of dependent children. The £12,570 per-child value matches the Voluntary NC (VNC) threshold, providing a single parameter governing the protective amount in both places.

A household's NC on benefits is then:

```
excess = max(0, hh_benefit_income_taxable - hh_allowance)
NC_on_benefits = excess * NC_marginal_rate
```

where `NC_marginal_rate` is the rate applicable at the highest NC percentile rank among the adults in the household. Using the primary adult's marginal rate is consistent with the treatment of benefit income in the main tax model.

Why a household-level calculation is needed

The allowance depends on the number of dependent children in the household, and the VNC threshold on adult income is individual. At percentile-table level, both the per-percentile mean benefit income and the per-percentile household composition are averages across heterogeneous populations within a single percentile. Subtracting a per-child allowance from an average before taxing produces a very different answer from the correct calculation, which subtracts the allowance at each household individually and aggregates the results.

The discrepancy is substantial. The per-percentile tax-comparison model, by applying the marginal rate to all benefit income with no household-level allowance, produces a gross figure several times larger than the household-level calculation with disability exemption and per-child allowance. The headline NC revenue figures in the report rely on the household-level figure; the per-percentile model is a diagnostic that shows the upper bound of benefit income subject to NC before protective mechanisms are applied.

Household type classification

Households are classified into five categories using the FRS derived variable `hhcomps` :

Category	hhcomps codes	Description
Pensioners	1, 2, 5	Single pensioner or pensioner couple, no children
WA No Children	3, 4, 6, 7	Working-age adult(s) with no dependent children
Lone Parents	9, 10, 11	Single adult with dependent children
Couple w/children	12, 13, 14	Two adults with dependent children
Multi-adult	8, 15, 16, 17	Three or more adults (with or without children)

The FRS `hhcomps` variable uses a pensioner/working-age cut-off consistent with DWP conventions; it classifies working pensioners by their employment status rather than strictly by age. All five categories are mutually exclusive and collectively exhaustive for the 16,754 sampled households (weighted to 28.78 million UK households).

Data and method

Source data. Family Resources Survey 2022-23 (SN 9367): 28,590 adult records merged with 16,754 household records via SERNUM. The merge attaches household size (`adulth`), dependent child count (`depchldh`) and household composition (`hhcomps`) to each adult record.

Per-individual income components are annualised (×52) and uprated to 2025-26 using the factors in the main tax model: earnings approximately 10 per cent, state pension 18.1 per cent, benefits 10.1 per cent. Investment income and dividends are scaled for FRS coverage (factors 1.56 and 1.79 respectively).

NC percentile assignment. Individuals are sorted by uprated NC Total Income (non-benefit basis including inheritance and capital gains allocated from base percentile data) using the grossing weight **gross4**. Percentiles 1–100 are assigned cumulatively, and each individual receives an NC marginal rate at their percentile position (Base rate applied at P50, Top rate applied at P90, linear interpolation between anchors). The specific Base and Top rate values are policy parameters set in the main report.

Household aggregation. For each household:

- **hh_benefit_income_all** = sum of all five benefit components across adults
- **hh_benefit_income_taxable** = sum of Ben_NI + Ben_Oth + Ben_TC + Ben_UC (excluding Ben_Dis)
- **hh_disability_benefits** = sum of Ben_Dis across adults
- **hh_allowance** = dependent_children × £12,570
- **excess_over_allowance** = max(0, hh_benefit_income_taxable – hh_allowance)
- **NC_marginal_rate** = the highest NC marginal rate among adults in the household
- **NC_on_benefits** = excess_over_allowance × NC_marginal_rate

Quintile assignment. Each household is assigned to the quintile containing its primary adult's NC percentile (Q1 = P1–P20 through Q5 = P81–P100).

Illustrative aggregate results

The figures in this appendix are computed at the illustrative rate configuration used in the companion calculator workbook at the time of writing. The Base and Top rates that will finally apply under NC, and hence the specific NC-on-benefits revenue, are policy choices set out in the main report and are still subject to change. The methodology, allowance structure, distributional shape and relative proportions in the tables below are insensitive to the specific rate choice; only the absolute revenue figure scales with the rate schedule.

At the illustrative rate configuration (Base rate applied at P50, Top rate applied at P90, linear interpolation between them), with a £12,570 per-child allowance, 2025-26 operating basis and disability benefits exempt:

Metric	Value
Total weighted households	28.78 million
Total weighted adults	52.92 million
Total household benefit income (all components)	£201.6 bn
Disability benefits (exempt from taxable base)	£33.0 bn
Taxable benefit base	£168.7 bn
Total excess over allowance	£99.7 bn
Households with taxable excess (NC-paying)	12.66 million (44 per cent)

Metric	Value
Total NC on benefits at illustrative rates	approximately £16 billion

The excess-to-taxable-base ratio is approximately 59 per cent: of the taxable benefit base, roughly £100 billion sits above the child-based allowances. The blended marginal rate applied to that excess depends on where benefit-receiving households sit in the NC Total Income distribution and what rate schedule the policy adopts; at the illustrative rates used here the blended effective rate is in the region of 14 per cent on the taxable excess.

The distributional tables in the remainder of this appendix should likewise be read as illustrative. Their relative shape — which quintiles and household types carry the largest share of NC on benefits — is determined by the design of the mechanism (disability exempt, per-child allowance, primary adult's marginal rate) and by the distribution of benefit income across household types in the FRS. The specific £ bn figures in each cell scale with the rate schedule but the relative pattern is stable.

Distribution by household type

Household type	Weighted HHs (m)	Mean taxable benefits	Mean disability	% paying NC	NC revenue (£bn)
Pensioners	6.83	£3,993	£1,270	99.9%	5.087
WA No Children	11.46	£3,822	£1,023	30.6%	5.276
Lone Parents	1.49	£19,488	£1,242	39.5%	0.448
Couple w/children	5.40	£8,030	£737	10.2%	0.987
Multi-adult	3.61	£7,008	£1,870	34.9%	3.923
All households	28.78			44.2%	15.72

Pensioners are significant contributors in the distribution (£5 billion, 32 per cent of total). Almost every pensioner household pays some NC on benefits — the state pension for a single pensioner (approximately £11,500 per year) is close to the £12,570 single-person VNC, and any supplementary means-tested benefit pushes the household over the allowance threshold. State pension is treated as non-benefit income for NC purposes and falls within the main income-side calculation rather than on the benefits side, so the figures here reflect supplementary income (Pension Credit, Housing Benefit, Attendance-related NI) rather than state pension itself.

Working-age adults without children contribute £5 billion (32 per cent). This is the JSA/ESA/UC population at lower percentiles, where benefits-as-substitute-for-earnings are the primary source of household income and the lack of child allowance leaves them exposed to the full NC rate on excess benefit income above a small threshold.

Households with dependent children are substantially protected. Lone Parents pay £0.5 billion on 1.49 million households (12 per cent of lone-parent households paying an average per-paying-household of approximately £580 per year). Couples with children pay £1 billion on 5.40 million households (10 per cent paying, averaging £1,620 per paying household). The per-child allowance of £12,570 keeps

the great majority of these households below the taxable threshold even at modest benefit income levels.

Multi-adult households contribute £3.9 billion. These are households where three or more adults are pooling housing but separately receiving benefits; the per-child allowance does less protective work because these households have relatively few children per adult.

Distribution by NC quintile

Quintile	Weighted HHs (m)	Avg total benefits	Avg taxable benefits	Excess (£bn)	NC revenue (£bn)
Q1	3.14	£23,686	£20,081	£40.84	£2.32
Q2	4.53	£10,626	£8,858	£26.95	£3.58
Q3	5.76	£6,047	£4,920	£16.27	£3.58
Q4	6.27	£3,700	£3,087	£8.57	£2.95
Q5	9.08	£2,314	£1,951	£7.46	£3.29
TOTAL	28.78	£7,005	£5,860	£100.10	£15.72

Q1 holds 40 per cent of the total excess by value because benefit income is concentrated in the lowest-income quintile, but contributes only 10 per cent of NC revenue because its marginal rate is low. Q2–Q5 each contribute between £2.85 and £3.23 billion — remarkably flat across the four upper quintiles, reflecting that the progressive marginal rate increases across quintiles offsets the declining benefit income base.

The concentration of revenue in the upper quintiles arises from the main-income-stacking logic: an adult whose total NC Total Income is in Q5 (so with substantial earnings, pension, or other income) who also receives modest benefit income pays the Top rate on their benefit excess. The benefit excess is small in absolute terms for these households, but the marginal rate is high. Conversely, a Q1 household receiving sizeable taxable benefit income with few or no children pays the low Q1 marginal rate on that excess.

Quintile × household type intersection

Quintile	Pensioners	WA No Children	Lone Parents	Couple w/children	Multi-adult	Total
Q1	£0.10	£1.61	£0.20	£0.19	£0.22	£2.32
Q2	£2.22	£0.74	£0.14	£0.12	£0.36	£3.58
Q3	£1.17	£0.88	£0.07	£0.22	£1.24	£3.58
Q4	£0.80	£0.98	£0.03	£0.19	£0.95	£2.95
Q5	£0.79	£1.07	£0.00	£0.28	£1.15	£3.29
Total	£5.09	£5.28	£0.45	£0.99	£3.92	£15.72

All values £ billion. The largest single cell is Q2 Pensioners (£1.89 billion) — single and couple pensioners with state pension plus small means-tested top-ups placing them in the second quintile with benefit income above the no-dependents threshold. Q4 and Q5 Multi-adult (£1.10 and £1.16 billion respectively) and Q4/Q5 WA No Children (£1.02 and £1.04 billion) are the next largest cells. Lone Parents

contribute only £0.34 billion across all quintiles despite the relatively high taxable benefit income — the dependent-child allowance is doing its protective work.

This intersection table gives the grain needed for distributional analysis: for any combination of quintile and household type, the aggregate NC revenue from benefits is given directly.

Microdata file structure

The `NC_on_Benefits_Households.csv` file contains one row per surveyed household (16,754 records, weighted to 28.78 million UK households). Columns:

Column	Description
<code>household_id</code>	FRS SERNUM
<code>survey_weight</code>	FRS grossing weight (gross4)
<code>adults</code>	Number of adults in household (adulth)
<code>dependent_children</code>	Number of dependent children (depchldh)
<code>hhcomps_code</code>	Raw FRS hhcomps value (1–17)
<code>household_type</code>	One of the five categories defined above
<code>hh_benefit_income_all</code>	Household total benefit income, all five components, uprated, £/year
<code>hh_benefit_income_taxable</code>	Household total excluding disability benefits (Ben_NI + Ben_Oth + Ben_TC + Ben_UC)
<code>hh_disability_benefits</code>	Household total disability benefit income (Ben_Dis, exempt)
<code>hh_nonbenefit_NC_income</code>	Household total non-benefit NC Total Income, uprated, £/year
<code>hh_allowance</code>	$\text{dependent\_children} \times \text{£12,570}$
<code>excess_over_allowance</code>	$\max(0, \text{hh\_benefit\_income\_taxable} - \text{hh\_allowance})$
<code>primary_adult_NC_percentile</code>	Highest NC percentile among adults in the household (1–100)
<code>mean_adult_NC_percentile</code>	Average NC percentile across adults in the household
<code>NC_marginal_rate</code>	NC marginal rate at primary adult's percentile
<code>NC_on_benefits</code>	$\text{excess\_over\_allowance} \times \text{NC\_marginal\_rate}$
<code>receives_disability</code>	1 if any adult in the household receives disability benefits, 0 otherwise
<code>NC_quintile</code>	1–5, based on primary adult's NC percentile
<code>quintile_label</code>	'Q1' ... 'Q5'

For per-quintile per-household-type attribution:

```
grouped = df.groupby(['quintile_label', 'household_type']).apply(
    lambda g: (g['NC_on_benefits'] * g['survey_weight']).sum() / 1e9
)
```

The `receives_disability` flag enables separate analysis of disability-receiving households versus the general population without re-running the microdata pass.

Limitations

- **FRS benefits coverage and scope.** The model's uprated benefit aggregate is £201.6 billion at 2025-26 prices. The comparable published figure — total UK social security spending minus state pension — is approximately £185–190 billion for 2025-26. The £12–16 billion difference has two offsetting components:
 - *Child Benefit* (approximately £12 billion per year) is captured in FRS benefit fields but is HMRC-administered and does not appear in DWP benefit expenditure tables. Including Child Benefit in the NC taxable base is consistent with the "tax all income" principle applied throughout this analysis.
 - *Cost of Living Payments during 2022-23* (approximately £15 billion nationally) were one-off payments received by UC claimants, disability-benefit recipients, and pensioners during the model's base year. These amounts are captured in the FRS benefit fields for 2022-23 and flow through the 10.1 per cent uprating to 2025-26 even though the Cost of Living Payment programme has since been discontinued. This represents a structural over-statement of the 2025-26 base that will disappear when the model's base year is rolled forward.

The net effect on NC on benefits is modest. Removing the uprated Cost of Living Payment component would reduce the headline figure by approximately £1–2 billion at the illustrative rates used here. Adding Child Benefit's contribution works in the opposite direction but is smaller because Child Benefit concentrates in household types whose dependent-child allowance already shelters most of it. A base-year transition to FRS 2024-25, published in March 2026, will remove the Cost of Living Payment artefact.

Separately, DWP's Family Resources Survey Transformation research (2024) documents an average 37 per cent undercoverage of benefit caseload in raw FRS responses relative to administrative records, with the gap partially reduced by linking to DWP administrative data from 2024-25 onwards. The model here uses survey-only FRS 2022-23 and is therefore subject to the baseline undercoverage. If the true benefit base were scaled up to match DWP administrative totals, more households would exceed the per-child allowance threshold and NC on benefits would rise correspondingly — a sensitivity scalar of 1.34 applied to the taxable base yields an NC-on-benefits figure roughly 30 per cent higher than the headline. The upward pressure from undercoverage and the downward pressure from Cost of Living Payment inflation partly cancel, which is one reason the headline figure is reasonably robust to both corrections.

- **Sub-component granularity.** As discussed under "A note on granularity and implementation", the five FRS benefit components cluster entitlements of different characters. The disability premia within Universal Credit, Carer's Allowance, Industrial Injuries Benefit, and Maternity Allowance all have some claim to exemption under the extra-expense principle but cannot be separated in the FRS data used here. The net effect of finer granularity would be to reduce NC-on-benefits by an uncertain amount in the low single-digit billions. Implementation should resolve this at entitlement level using administrative data.

- **Marginal rate choice.** The primary adult's marginal rate is applied to the household's entire excess. An alternative apportionment by benefit-income share within the household would affect the total by approximately £0.3 billion.
- **Household composition static.** Household size and composition are taken as reported in FRS. Demographic shifts between base year and operating year would change the result at the margin.
- **No behavioural response.** The calculation assumes the NC regime does not change household structure, benefit claim behaviour, or any other decision margin. This is a static accounting exercise.
- **Pensioner definition.** The FRS `hhcomps` variable uses the DWP convention of classifying working pensioners by their employment status; a pensioner working part-time may be coded as WA No Children rather than Pensioners. This is consistent with DWP's own breakdown of household types but differs from a strict age-based definition.

RELATED

Complements: [Household Effects Analysis of NC on Benefits \(Appendix\)](#)

Referenced by: [Methodology: NC in Household Effects \(Appendix\)](#), [National Contributions \(Revenue Instrument\)](#), [National Contributions on Benefits \(Household Effect\)](#), [NC on Benefits \(Revenue Instrument\)](#)

Household Effects Analysis of NC on Benefits

APPENDIX · economics

This appendix provides the detail behind the household-level effects analysis in the report's main Effects section. It documents the archetype selection methodology, gives the full archetype gallery (twelve cases rather than the six in the main text), reproduces the population-level distribution tables in cross-tab form, and shows how the figures respond to changes in the Base and Top rate parameters.

It is a companion to two other appendices: the **NC Tax Model appendix** documents the percentile-level revenue model and the income-side calculations; the **NC on Benefits appendix** documents the household-level revenue calculation and population-level distributional results. The present appendix builds on the same microdata file used by that appendix and applies a different lens: the impact at individual household level rather than aggregate revenue.

Methodology for archetype selection

The archetypes in the main Effects section are not constructed cases. Each is a real surveyed household drawn from the FRS 2022-23 microdata used throughout this analysis, selected by the following procedure.

1. **Define the segment.** For each archetype, a filter is applied to the microdata defining the household type, income quintile, family composition, and presence of disability benefits.
2. **Identify representative values.** Within the filtered subset, weighted medians and weighted means are computed for the key variables (total benefit income, taxable benefit income, disability income, non-benefit NC income, primary adult's NC percentile).
3. **Select a single household closest to the segment centroid.** Each household in the filtered subset is scored by its distance from the segment's median values across these variables (sum of squared standardised distances). Among the lowest 5 per cent by distance score, the household with the highest survey weight is chosen — this is the household whose record most strongly represents the segment in the gross-up to UK level.
4. **Report the selected household's actual values.** The figures in the archetype tables are the household's actual record values, not constructed approximations. NC on benefits is recomputed at the report's rate schedule from the household's `excess_over_allowance` and its primary adult's NC percentile.

The benefit of using real households is that the relationships between variables (a lone parent's income composition, a pensioner's mix of state pension and Pension Credit, a multi-adult household's earnings-to-benefits ratio) are internally consistent and reflect actual UK household structures rather than averaged abstractions.

Full archetype gallery (twelve cases)

The six archetypes in the main Effects section are the most resonant cases. The full set below adds six further cases that fill out the household type × quintile space. All figures are at the steady-state NC rate schedule used in the main report.

Archetype A1 — Single working-age adult on UC, Q1

Component	Value
Adults / dependent children	1 / 0
Total benefit income	£12,481
Of which taxable	£12,481
Of which disability (exempt)	£0
Non-benefit NC income	£0
Allowance (0 × £12,570)	£0
Excess over allowance	£12,481
Primary adult NC percentile	10
NC marginal rate	4.4%
NC on benefits (steady state)	£549
Year 3 (33% phase-in)	£181

UK households fitting this profile: approximately 0.40 million.

Archetype A2 — Single working-age adult on UC with disability, Q1

Component	Value
Adults / dependent children	1 / 0
Total benefit income	£25,998
Of which taxable	£18,440
Of which disability (exempt)	£7,557
Non-benefit NC income	£0
Allowance	£0
Excess over allowance	£18,440
Primary adult NC percentile	9
NC marginal rate	4.0%
NC on benefits (steady state)	£730
Year 3 (33% phase-in)	£241

UK households fitting this profile: approximately 0.56 million.

Archetype A3 — Lone parent with two children on UC, Q1

Component	Value
Adults / dependent children	1 / 2
Total benefit income	£25,196
Of which taxable	£25,196
Of which disability (exempt)	£0
Non-benefit NC income	£0
Allowance (2 × £12,570)	£25,140
Excess over allowance	£56
Primary adult NC percentile	10

Component	Value
NC marginal rate	4.4%
NC on benefits (steady state)	£2
Year 3 (33% phase-in)	£1

UK households fitting this profile: approximately 0.11 million. The per-child allowance fully shelters this household's benefit income; the £2 figure is effectively zero and would round out under any operational rounding rule.

Archetype A4 — Lone parent with one child, Q1-Q2

Component	Value
Adults / dependent children	1 / 1
Total benefit income	£20,122
Of which taxable	£20,122
Of which disability (exempt)	£0
Non-benefit NC income	£443
Allowance (1 × £12,570)	£12,570
Excess over allowance	£7,552
Primary adult NC percentile	14
NC marginal rate	6.2%
NC on benefits (steady state)	£465
Year 3 (33% phase-in)	£153

UK households fitting this profile: approximately 0.18 million. With only one child, the allowance is half the size of the two-child case; benefit income above £12,570 attracts NC at the low Q1 marginal rate.

Archetype A5 — Couple with two children, mixed earnings, Q2

Component	Value
Adults / dependent children	2 / 2
Total benefit income	£36,126
Of which taxable	£25,992
Of which disability (exempt)	£10,134
Non-benefit NC income	£18,907
Allowance (2 × £12,570)	£25,140
Excess over allowance	£852
Primary adult NC percentile	32
NC marginal rate	14.1%
NC on benefits (steady state)	£120
Year 3 (33% phase-in)	£40

UK households fitting this profile: approximately 0.15 million.

Archetype A6 — Couple with two children, middle earnings, Q3

Component	Value
Adults / dependent children	2 / 2
Total benefit income	£4,580 (Child Benefit only)
Of which taxable	£4,580
Of which disability (exempt)	£0
Non-benefit NC income	£44,777
Allowance (2 × £12,570)	£25,140
Excess over allowance	£0
Primary adult NC percentile	58
NC marginal rate	26.8%
NC on benefits (steady state)	£0
Year 3 (33% phase-in)	£0

UK households fitting this profile: approximately 0.28 million. Middle-earning couples with children typically receive only Child Benefit; this is below the two-child allowance and attracts no NC at all. The household does pay NC on its £44,777 of earnings (covered on the income side).

Archetype A7 — Couple with two children, upper-middle earnings, Q4

Component	Value
Adults / dependent children	2 / 2
Total benefit income	£2,300 (Child Benefit)
Of which taxable	£2,300
Of which disability (exempt)	£0
Non-benefit NC income	£62,400
Allowance (2 × £12,570)	£25,140
Excess over allowance	£0
Primary adult NC percentile	75
NC marginal rate	37.5%
NC on benefits (steady state)	£0
Year 3 (33% phase-in)	£0

UK households fitting this profile: approximately 0.21 million. As above: Child Benefit alone sits well below the allowance, so no NC on benefits applies.

Archetype A8 — Single pensioner with Pension Credit, Q2

Component	Value
Adults / dependent children	1 / 0
Total benefit income	£4,408
Of which taxable	£4,408
Of which disability (exempt)	£0
Non-benefit NC income (state pension + private)	£15,693
Allowance	£0

Component	Value
Excess over allowance	£4,408
Primary adult NC percentile	30
NC marginal rate	13.2%
NC on benefits (steady state)	£582
Year 3 (33% phase-in)	£192

UK households fitting this profile: approximately 1.83 million. This is the largest single archetype in the analysis. Most single pensioners receiving Pension Credit and housing-related support fall in this band.

Archetype A9 — Couple pensioners, modest savings income, Q3

Component	Value
Adults / dependent children	2 / 0
Total benefit income	£1,374
Of which taxable	£1,374
Of which disability (exempt)	£0
Non-benefit NC income (state pensions + private + savings)	£41,041
Allowance	£0
Excess over allowance	£1,374
Primary adult NC percentile	49
NC marginal rate	21.6%
NC on benefits (steady state)	£296
Year 3 (33% phase-in)	£98

UK households fitting this profile: approximately 0.93 million.

Archetype A10 — Working-age couple, no children, both earning, Q3

Component	Value
Adults / dependent children	2 / 0
Total benefit income	£800
Of which taxable	£800
Of which disability (exempt)	£0
Non-benefit NC income	£52,000
Allowance	£0
Excess over allowance	£800
Primary adult NC percentile	55
NC marginal rate	25.0%
NC on benefits (steady state)	£200
Year 3 (33% phase-in)	£66

UK households fitting this profile: approximately 1.2 million. Working-age couples without children typically receive small amounts of taxable benefit income from various sources (Statutory Maternity Pay, contributory ESA, etc.). With no per-

child allowance, the small amounts that do flow are subject to NC at the household's mid-range marginal rate.

Archetype A11 — Multi-adult household with children, Q3-Q4

Component	Value
Adults / dependent children	4 / 2
Total benefit income	£31,332
Of which taxable	£31,332
Of which disability (exempt)	£0
Non-benefit NC income	£89,555
Allowance (2 × £12,570)	£25,140
Excess over allowance	£6,192
Primary adult NC percentile	56
NC marginal rate	25.6%
NC on benefits (steady state)	£1,585
Year 3 (33% phase-in)	£523

UK households fitting this profile: approximately 0.4 million. Multi-adult households are the most exposed of the family types because the per-child allowance scales with children, not adults, and they have more adults attracting benefit receipts.

Archetype A12 — Multi-adult household without children, Q3

Component	Value
Adults / dependent children	3 / 0
Total benefit income	£30,289
Of which taxable	£22,102
Of which disability (exempt)	£8,187
Non-benefit NC income	£32,998
Allowance	£0
Excess over allowance	£22,102
Primary adult NC percentile	59
NC marginal rate	27.4%
NC on benefits (steady state)	£6,056
Year 3 (33% phase-in)	£1,998

UK households fitting this profile: approximately 0.17 million. Multi-adult households without children that receive substantial benefit income (typically a mix of disability and other taxable benefits across the adults) are the most exposed segment in the analysis. The per-child allowance is zero; the full taxable benefit income is subject to NC at a mid-distribution marginal rate.

Population-level distribution in cross-tab form

The following table reproduces the Quintile × Household Type intersection from the NC on Benefits appendix, with all values £bn at the steady-state NC rate

schedule used in the main report.

Quintile	Pensioners	WA No Children	Lone Parents	Couple w/children	Multi-adult	Total
Q1	£0.10	£1.61	£0.20	£0.19	£0.22	£2.32
Q2	£2.22	£0.74	£0.14	£0.12	£0.36	£3.58
Q3	£1.17	£0.88	£0.07	£0.22	£1.24	£3.58
Q4	£0.80	£0.98	£0.03	£0.19	£0.95	£2.95
Q5	£0.79	£1.07	£0.00	£0.28	£1.15	£3.29
Total	£5.09	£5.28	£0.45	£0.99	£3.92	£15.72

The same data viewed by share of total NC on benefits:

Quintile	Pensioners	WA No Children	Lone Parents	Couple w/children	Multi-adult	Total
Q1	1%	10%	1%	1%	1%	15%
Q2	14%	5%	1%	1%	2%	23%
Q3	7%	6%	0%	1%	8%	23%
Q4	5%	6%	0%	1%	6%	19%
Q5	5%	7%	0%	2%	7%	21%
Total	32%	34%	3%	6%	25%	100%

Three observations follow from this distribution.

Lone parents pay almost nothing. Across all quintiles, lone parents contribute £0.45 billion (2.4 per cent of total NC on benefits) despite their substantial taxable benefit base. The per-child allowance is doing exactly the work the design intends.

Couples with children pay little. £1 billion (6.5 per cent of total) across 5.4 million households. The same protection mechanism applies.

Pensioners (no per-child allowance, near-universal supplementary benefit receipt) and working-age childless adults (no per-child allowance, UC and ESA recipients) are the two single largest segments, each contributing approximately one-third of NC on benefits.

A common reader question: why does NC on benefits load so heavily on pensioners and working-age childless adults?

The answer is structural. These two segments receive supplementary benefits but cannot draw on a per-child allowance to shelter them. They are the segments where benefit income substitutes for, or supplements, the cost of meeting an adult-headed household's needs rather than meeting the additional cost of children. The programme design uses Universal Service to reduce the cost of living with the redirected expenditure from benefits..

Sensitivity to rate choice

The figures in the archetype tables and the cross-tab above are computed at a specific Base and Top rate configuration. As rates change, the NC marginal rate at each percentile changes, and the household's NC on benefits scales accordingly.

The methodology is rate-parametric: the allowance structure, taxable base, disability exemption, primary-adult percentile assignment and household

composition treatment are all independent of the rate schedule. Only the marginal rate applied to the excess-over-allowance changes when rates change.

The following sensitivity uses Archetype A8 (single pensioner with Pension Credit, Q2) as an illustration. At an excess over allowance of £4,408 and a primary adult percentile of 30, the marginal rate scales linearly with the Base rate (since percentile 30 is below P50). The Top rate does not affect this household because the percentile is below 90.

Base / Top rates	Marginal rate at P30	NC on benefits
18% / 42%	10.8%	£476
20% / 44%	12.0%	£529
22% / 46%	13.2%	£582
24% / 48%	14.4%	£635
26% / 50%	15.6%	£688

Above-P90 households would scale with the Top rate instead. Mid-distribution households (P50–P90) scale with a weighted combination of both rates depending on their percentile.

The aggregate NC on benefits figure scales approximately linearly with the rate schedule, weighted by where benefit-receiving households sit in the distribution. The blended effective rate on excess (NC on benefits divided by total excess over allowance) is in the region of 14 per cent at the rates used in the main report; this rises and falls with the Base rate roughly in proportion.

Phase-in dynamics

The phase-in for NC on benefits is compressed into a three-year schedule (Years 3 to 5 of NC operation) so that it completes within the five-year cashflow horizon of the report's fiscal modelling. The ramp adds approximately one-third of the steady-state rate per year, on the following schedule:

Year of NC operation	Phase-in fraction	Effective NC on benefits rate
Year 1	0%	No NC on benefits collected (PAYE and Self Assessment running on income-side NC only)
Year 2	0%	No NC on benefits collected
Year 3	33%	One third of steady-state values shown in the archetype tables
Year 4	67%	Two thirds of steady-state values
Year 5 onwards	100%	Steady-state (figures shown in archetype tables)

Three things to note about this schedule.

The two-year lag (Years 1 and 2) is deliberate. This gives time for the cost of living reductions from the Universal Services to take effect. It allows PAYE income-side NC and Self Assessment income-side NC to bed in before DWP begins source deductions on benefit income. It also allows the National Savings Bond inheritance mechanism to start receiving its first cohort of deposits without simultaneously imposing benefit deductions. The income-side NC framework can carry the revenue weight during the lag period.

The phase-in is uniform across all benefit-receiving households. It does not vary by quintile, household type, or absolute amount of NC on benefits. Its operational purpose is to limit the cost of any early calculation errors made by DWP source deductions and to give recipients time to adjust to the change in post-deduction benefit value. Its policy purpose is to make explicit that the transition is managed rather than abrupt.

The implication for the archetypes is straightforward: each "NC on benefits (steady state)" figure should be treated as zero for Years 1 and 2, one third for Year 3, two thirds for Year 4, and full from Year 5 onwards.

Cross-references

The following appendices provide complementary material:

- **NC Tax Model appendix** — the underlying percentile-level model, FRS dataset construction, uprating methodology, FRS coverage scalars, and income-side NC calculations.
- **NC on Benefits appendix** — the household-level methodology, the per-child allowance principle, the disability exemption, source deduction by DWP, and the population-level revenue and distribution figures.
- **NC Implementation appendix** — the legislative, technical and administrative pathway for introducing NC, including the timeline for DWP source deductions and the rationale for the phase-in.

The Effects section in the main report draws on all three.

Microdata file

The household-level analysis in this appendix is computed from [NC_on_Benefits_Households.csv](#), which contains one row per surveyed FRS 2022-23 household (16,754 records grossing to 28.78 million UK households). The file structure is documented in the NC on Benefits appendix. The archetype examples are real records from this file, identified by their [household_id](#) in the appendix backing notes.

RELATED

Complements: [National Contributions on benefit income at household-level \(Appendix\)](#)

Referenced by: [NC on Benefits \(Revenue Instrument\)](#)

The Fiscal Architecture

What the Programme Actually Does to the Public Finances

APPENDIX · economics

The Headline Numbers

At steady state, the Prosperity 2030 programme changes the UK's public finances as follows:

- Additional revenues from the private economy: **£100.4 billion (3.7% GDP)**
- Restructured benefit expenditure: **£16.0 billion (0.6% GDP)**
- New public service and infrastructure operating costs: **£65.4 billion (2.4% GDP)**
- Capital allocation (transport and housing construction): **£14.2 billion (0.5% GDP)**
- Discretionary fiscal space for national priorities: **£38.0 billion (1.4% GDP)**

These figures require explanation, because they diverge from the way in which the programme would be scored under standard national accounts conventions, and the divergence matters for understanding what the programme actually does to the economy.

The Conventional Score and Why It Misleads

Under standard System of National Accounts treatment, the programme would be scored as a **4.4% GDP increase in the tax-to-GDP ratio**. This is the number that the OBR, IFS, and HMRC would produce. It is arithmetically correct and economically misleading.

The 4.4% figure includes £16.0 billion (0.6% GDP) from the application of National Contributions to cash benefit payments at source. This is an internal government transaction. Under the current system, the Treasury raises taxes, transfers funds to DWP, and DWP pays out benefits. Under the reformed system, the Treasury raises the same taxes, transfers the same funds, DWP pays out the same gross benefit, and HMRC immediately deducts National Contributions at source before the net amount reaches the recipient.

The £16 billion does not increase the total flow of government money into the private economy. Under the current system, the government pays benefits which households spend at retail prices; on energy standing charges, water bills, bus fares, and telecoms contracts. Under the reformed system, the government pays for the same services at wholesale prices through direct procurement. The total government expenditure reaching the private sector is unchanged; only the channel and the unit cost change. What was a cash transfer spent at retail now becomes a service contract delivered at cost. Scoring this rerouting as "new revenue" inflates the tax-to-GDP ratio without reflecting any increase in the government's claim on private-sector resources.

The meaningful question is: **how much additional money does the programme take from the private sector?** The answer is £100.4 billion — 3.7% GDP, not 4.4%.

The Three Components of Fiscal Change

1. New Taxation of Private Income and Assets: 3.7% GDP

The programme introduces three categories of revenue instrument that extract genuinely new resources from the private economy:

National Contributions on earned income (2.8% GDP). A consolidated tax replacing Income Tax, Employee NICs, Capital Gains Tax, Dividend Tax, and Inheritance Tax. The rate structure (22% base, 46% top) generates approximately £75.5 billion more than the taxes it replaces. This figure accounts for voluntary NC contributions not made. NC revenue ramps over four years, reflecting the PAYE switchover timeline, Self Assessment collection lags, and the gradual accumulation of National Savings Bond inheritance cohorts, reaching full yield beyond the five year programme. The detailed implementation pathway and revenue trajectory are set out in the companion NC Implementation appendix.

National property tax (0.7% GDP). A 1% annual tax on private dwelling values replacing Council Tax and Stamp Duty Land Tax. Net additional revenue after replacing the abolished taxes: £18.1 billion. This is new money from property owners — though it replaces existing property-related taxes, the net extraction from the private sector increases by the £18.1 billion net figure. In the cashflow model, property tax gross revenue (£73.5 billion less £45 billion of replaced Council Tax = £28.5 billion) and the SDLT revenue loss (£10.4 billion) are shown as separate lines, reflecting the decision to treat SDLT replacement as a national fiscal question rather than a deduction from local property tax revenue.

Consumption and border taxes (0.3% GDP). Air Passenger Duty (tripled, inclusive of UK holiday VAT, +£8 billion), Aviation VAT on private travel (£0.3 billion), less the cost of Construction VAT equalisation (net -£1.5 billion). These are levied on specific activities (flying and construction) rather than on income. They raise approximately £6.8 billion in aggregate.

Together, these three categories extract **£101 billion (3.7% GDP)** of additional resources from the private economy. This is the honest measure of the programme's tax burden.

2. Restructured Benefit Expenditure: 0.6% GDP

The application of National Contributions to cash benefits at source represents a fundamentally different fiscal operation from taxation of private income. It does not bring new resources into the public sector. It redirects existing public expenditure.

Consider a household receiving £15,000 per year in Universal Credit. Under the current system, DWP pays out £15,000 and the household manages its own budget — paying for energy, water, transport, food, and communications out of that cash amount. Under the reformed system, DWP pays out £15,000, HMRC deducts NC at 22% (approximately £3,300), and the household receives £11,700 in cash. But the household no longer pays energy charges (saving up to ~£1,500), water standing charges (saving ~£220), bus fares (saving up to £1,560 for a regular bus user), TV licence (saving £180), and has access to free school meals and community food centres.

The NC rate applied to benefits incorporates a National Voluntary Contribution (NVC) allowance for each child in the household. A lone parent with three children receives an NVC threshold of three times the individual allowance — ensuring that the NC deduction on their benefits is substantially lower than it would be under a flat-rate application. This design choice protects the most vulnerable benefit-dependent families while still achieving the conversion from

cash benefits to service entitlements. The yield from NC on benefits (£16 billion) is derived from a separate micro-data model of household incomes and compositions, not from a macro-level assumption.

The £3,300 in NC is not a tax on the household's resources. It is a conversion of the government's own benefit expenditure from cash (which the household could spend on anything) to services (which guarantee access to essentials). The household's material standard of living, the combination of cash disposable income and free services received, is designed to be at least as high under the reformed system as under the current system, and for most benefit-dependent households, substantially higher.

This is why the £16 billion sits in the cashflow model as saved expenditure within the substitution category, alongside energy standing charges absorbed, bus fares abolished, and TV licence fees eliminated, rather than alongside earned-income taxation. It is a restructuring of the form in which public support reaches households, not an increase in the total amount extracted from the private economy.

The benefits phase-in (one-third per year from Year 3, with no tax on benefits in the first year of NC operation) is explicitly synchronised with the rollout of universal basic services, so that no household faces the NC deduction before the compensating services are available.

3. New Public Service and Infrastructure Expenditure: 2.4% GDP

The programme funds £65 billion of new public services and infrastructure programmes at steady state. This expenditure divides into three categories with different economic characteristics:

Substitution (0.9% GDP, £23.5 billion gross). Government absorbs costs that households currently pay from their own income: Universal Energy Service (£9.0 billion), Universal Water Service (£6.2 billion), bus fares (£3.55 billion), Universal Information Service (£4.0 billion), and school meal payments (£0.7 billion). These are direct, visible reductions in household bills, every household can see the line items disappear from their budget.

New service provision (1.1% GDP, £29.4 billion). Genuinely new public services that do not exist in the current system: Universal Transport Service (£6.4 billion), community food centres (£4.0 billion), Universal Digital Service (£4.0 billion), school meals reform (£2.7 billion), Universal Care Service (£7.0 billion), Democracy Revival (£2.04 billion), Right to Life (£1.0 billion), community housing refurbishment (£1.0 billion), local service hubs (£0.8 billion), and participating venue meals (£0.5 billion). These create value that households would otherwise need to purchase privately, or, more commonly, simply go without.

Infrastructure and transition programmes (0.5% GDP, £12.5 billion). Annual investment in national infrastructure and the energy transition, treated as operating expenditure because the assets either leave government (grants to homeowners and energy companies) or represent ongoing service contracts: Energy for the Future (£7.0 billion: heat pump grants and smart grid deployment), GB Energy Network (£2.5 billion: network infrastructure), and National Digital Service (£3.0 billion: data centres, public data platforms, and digital identity infrastructure).

Netting the restructured benefit expenditure (–£16 billion) against the gross operating costs, the **net additional operating expenditure** is £49.4 billion (1.8% GDP) at steady state. This is the actual additional resource cost of the programme, the amount of real goods and services that need to be produced and delivered beyond what the public sector currently provides.

The Value Returned to Households

The programme's fiscal cost to government and its value to households are not the same number. They diverge because centralised procurement achieves lower unit costs than individual household purchasing, and new services displace private spending at rates above their operating cost. The total value returned to households is **approximately £27.4 billion per year (1.0% GDP)**, after accounting for increased APD costs and the NC deduction on benefits. This figure is derived from detailed household-level modelling across eight service and tax line items, using differentiated take-up rates by income quintile. Care and end-of-life services (£8.0 billion at minimum cost of provision) are additional to this settled figure.

The settled household data model covers the six core universal services (transport, energy, water, information and digital, food, and school meals) and produces a **gross service value of £50.8 billion** before deductions. Deducting the APD increase (~~£8 billion, a cost to households concentrated in upper quintiles~~) and the NC on benefits (£16.0 billion, offset by the services received) gives the **net household value of £27.4 billion**. Adding the value of Care and end-of-life services at minimum cost of provision gives a **total gross service value of approximately £58.8 billion (2.2% GDP)**.

The six core services cost £42 billion to deliver and return £51 billion in household value, an efficiency ratio of approximately 1:1.21. Every £1 of government expenditure on these services generates £1.21 in reduced cost of living for households, because centralised procurement eliminates retail overheads and collection costs, and public provision displaces private spending that carries commercial margins. The detailed service-level analysis is presented in the companion service descriptions and distributional appendix.

The Net Burden on Households

The meaningful measure of a fiscal programme's impact is not what it costs the Exchequer but what it does to household living standards. The Prosperity 2030 programme involves three simultaneous effects on households: taxes paid, cash benefits reduced, and value received in eliminated bills and new services.

What Households Pay

New taxes on earned income and assets. The NC on earned income (£75.5 billion) and property tax (net £18.1 billion) are real costs borne by households. Combined: £93.6 billion, or 3.5% GDP.

Consumption taxes. Air Passenger Duty, Aviation VAT on private travel, and Construction VAT equalisation raise £6.8 billion in aggregate (0.3% GDP). For the purposes of this analysis, the full amount is conservatively attributed to households; in practice, a portion falls on businesses (see companion appendix on non-household tax incidence).

NC deducted from cash benefits. The £16 billion deduction at source reduces benefit recipients' cash income. Although the compensating services are designed

to leave recipients materially better off, the cash reduction is real and is counted here as a household cost.

Total household cost: approximately £116 billion (4.3% GDP).

What Households Receive

The programme returns approximately **£58.8 billion (2.2% GDP)** in gross service value to households, comprising £50.8 billion from the six core universal services (derived from the settled household data model with differentiated take-up rates) plus £8.0 billion from Care and end-of-life services (valued at minimum cost of provision). This figure is before netting APD costs and NC on benefits, which are already included in the cost side above.

Net Burden

	£B	% GDP
Total household cost (taxes + NC on benefits)	~116	4.3%
Less: gross value of services received	(~59)	(2.2%)
Net burden on households	~57	~2.1%

Households see approximately a **2.1% GDP** reduction in disposable income, for a programme that delivers 2.4% GDP in new public services and infrastructure, and 1.4% GDP in discretionary fiscal space for national priorities.

This is a conservative estimate. It attributes the full £6.8 billion in consumption taxes to households, whereas in practice a portion of these taxes falls on businesses. The actual household burden is therefore likely lower than 2.1% GDP; the companion appendix on non-household tax incidence discusses this in detail.

Cross-check. The same result can be reached from the settled household data model: household tax burden excluding APD (~£92 billion) less the net household value of the programme (£27.4 billion, which already accounts for APD and NC on benefits) less the additional value of Care and end-of-life services (£8.0 billion) = ~£57 billion (2.1% GDP).

What This Means in Practice

For context: the average UK household currently spends approximately 4.5% of gross income on energy and water alone. The programme eliminates most of this expenditure while funding itself primarily from earned income — where the NC rate structure at 22% base is lower than the current combined Income Tax basic rate (20%) plus employee NICs (8%) of 28%. The NC rate schedule sits below current combined IT/NICs rates for the broad middle of the income distribution. For most households between the 51st and 80th income percentiles, the programme is close to cost-neutral before accounting for any new services received.

The net burden of 2.1% GDP is not evenly distributed. It falls disproportionately on higher-income quintiles (who pay more NC and property tax, and fly more frequently) while the value of services received flows disproportionately to lower-income quintiles (who are more bus-dependent, more likely to use community food centres, and benefit most from eliminated standing charges as a proportion of their income). The distributional analysis in the companion appendix quantifies this progressive incidence.

Economic Transfers: The Full Picture

The preceding sections trace individual fiscal flows. This section assembles them into a single view of the economic transfers between households and the state.

What Households Pay

Flow	% GDP
New taxes on earned income (NC)	2.8%
New taxes on property (net)	0.7%
Consumption taxes (conservative, all to HH)	0.3%
NC deducted from cash benefits	0.6%
Total household cost	4.3%

What Households Receive

Flow	% GDP
Direct bill savings + new service value (from settled HH model, 6 core services)	1.9%
Care and end-of-life services (at minimum cost of provision)	0.3%
Total household value	2.2%

Net Household Burden: ~2.1% GDP

Where the Public Value Is Created

Source	% GDP	Mechanism
Net taxation of private economy	3.7%	New money from earnings, property, consumption
Internal restructuring (NC on benefits)	0.6%	Existing benefit spending redirected to services
Total public resources mobilised	4.4%	
Deployed to:		
New public services and infrastructure	2.4%	Substitution + new provision + infrastructure
Capital allocation (transport + housing)	0.5%	Self-funded from current revenue
Discretionary fiscal space	1.4%	Available for national priorities
Total deployed	4.4%	

The programme extracts 3.7% GDP from the private economy and imposes approximately 2.1% GDP of net cost on households (on the conservative assumption that all consumption taxes fall on households). The programme simultaneously delivers 2.4% GDP in new public services and infrastructure, 0.5% GDP in capital investment, and 1.4% GDP of discretionary fiscal space. The efficiency of service delivery, approximately 21% more value per pound than equivalent cash transfers, together with the 0.6% GDP benefits restructuring that is internal to government, allows the programme to offset approximately the tax increase with reduced costs of living for 44% of households.

Why the Programme Offsets the Tax Increase

The programme offsets new taxes with lower costs of living for approximately 44% of households. This is the result of two structural efficiencies that the programme captures.

First, procurement efficiency and elimination of commercial margins. The current system requires 28 million households to purchase essential services individually, negotiating energy contracts, paying TV licence collection costs, buying bus tickets at retail fares. The programme replaces this with centralised procurement at cost. The TV licence abolition saves households £5.0 billion while costing government £3.9 billion, because direct funding eliminates the £1.1 billion in collection, enforcement, and evasion costs embedded in the licence system. Community Food Centre meals cost the programme £2.40 to serve; the private-sector equivalent costs a household approximately £5.00. A bus trip costs £1.60 to operate on the expanded network; the equivalent private transport cost is approximately £2.12. Across the six core universal services, every £1 of government expenditure delivers approximately £1.21 of value to households. The 21% efficiency gain comes from eliminating retail overheads, collection costs, and commercial margins that are embedded in the current system of private provision.

Second, conversion of cash transfers to service entitlements. The current welfare system gives households cash, and they spend it on energy, water, transport, food, and communications at retail prices set by private monopolies and oligopolies. The programme replaces this cash-via-retail-market mechanism with direct service provision at wholesale cost. The £16.0 billion in NC on benefits appears as a cost to households (reduced cash income) and simultaneously as fiscal space for government but it does not represent a net loss to the economy, because the services that replace the cash cost less to deliver than the cash cost households to buy. The gap between what benefit recipients currently spend on essential services at retail prices and what those services cost to deliver publicly is captured as fiscal space. It is, in effect, the profit margin of essential service monopolies (energy standing charges, water bills, telecoms contracts) that the programme redirects from private shareholders to public purposes.

The combined effect is that the programme does not simply move money from households to government. It restructures how essential needs are met, replacing a system in which millions of individual transactions carry retail margins, collection costs, and commercial overheads with a system of centralised provision at cost.

The Fiscal Space and Capital Allocation

After funding all programme services and infrastructure, and absorbing the benefit restructuring, the current-budget surplus is **£52.2 billion (1.9% GDP)** at steady state. The programme then allocates **£14.2 billion (0.5% GDP)** to capital (the transport build programme and community housing construction) leaving **£38 billion (1.4% GDP)** of discretionary fiscal space for national priorities.

The Programme's Choice: Self-Funded Capital

The programme funds its capital allocation from current revenue rather than by borrowing. This is a deliberate design choice. The conventional approach to public capital investment, borrow now, repay over the asset's useful life, is appropriate when revenue is constrained. But Prosperity 2030 generates sufficient current revenue to fund both its operating expenditure and its capital

programme, with £38.0 billion remaining for national priorities. Borrowing for capital in these circumstances would increase national debt without fiscal necessity.

This choice reflects the programme's broader philosophy: that the UK's resilience and fiscal position are better served by funding investment from current revenue than by accumulating further debt obligations. The programme generates enough revenue to build what it needs and still leave substantial headroom for other priorities, including debt reduction, defence, or further investment.

The two capital items funded from current revenue are:

Transport build (£5.21 billion per year, Years 2–5). Bus fleet expansion, depot construction, road infrastructure, and IT systems. Government owns the resulting assets. After the four-year build phase, the transport capital line drops to fleet replacement at approximately £1.67 billion per year on a 15-year renewal cycle.

Community Housing (£9.0 billion per year at steady state). New social housing construction — approximately 100,000 units per year of dense, shared-facility housing for aged residents, homeless individuals, and citizens currently in temporary accommodation. This is funded through a national loan window with nationally guaranteed borrowing, awarded to local authorities on merit. Local government repays the national housing fund from property tax revenue (approximately £1.2 billion per year at steady state), partially offsetting the capital allocation. Housing refurbishment (£1.0 billion per year) is separately accounted within operating expenditure.

Traditional Presentation: Debt-Financed Capital

Under conventional government accounting, both capital items would be financed by borrowing, with only annual debt service entering the current budget. At the programme's assumed financing terms (5.5% over 30 years for housing; 6% over 10 years for transport), the annual debt service on both items at steady state is approximately **£1.9 billion**, dramatically lower than the £14.2 billion capital allocation.

This produces a higher fiscal space figure but at the cost of additional national debt:

Presentation	Capital in current budget	Fiscal space	New debt per year
Programme standard	£14.2B (full allocation)	£38.0B (1.4% GDP)	Zero
Traditional (debt-financed)	£1.9B (debt service only)	£50.4B (1.9% GDP)	£14.2B

The programme deliberately eschews the traditional presentation. A fiscal space of 1.9% GDP achieved by loading £14.2 billion per year onto the national debt is not a genuine improvement in the public finances, it is a deferral. The programme's 1.4% GDP fiscal space is the conservative figure: it represents what is genuinely available for new political choices after the programme has fully funded itself, including all capital, without any increase in national borrowing.

A government choosing to adopt the traditional approach, financing transport and housing construction through borrowing, would show the higher fiscal space

figure and could allocate the difference to other priorities. That is a legitimate policy choice, but it is not the programme's recommended approach.

Implementation Flexibility: Year 1

Year 1 of the programme is self-balancing. Consumption tax revenue (primarily Air Passenger Duty and Aviation VAT, which begin on Day 1) covers all Year 1 operating expenditure, including the early rollout of Community Food Centres, Service Hubs, free bus fares, Universal Information Service, and school meals reform, without drawing on National Contributions or property tax revenue, neither of which begins until Year 2.

This self-balancing design provides significant implementation flexibility. If the Year 2 start date for National Contributions and the correlated universal services needs to slip by 6 to 12 months, to allow additional time for payroll software development, DWP systems integration, or property tax valuation processes, Year 1 can be extended accordingly without fiscal disruption. The BBC TV Licence reserve fund (approximately £1.95 billion in pre-paid licence fees at the point of TV licence abolition) provides an additional buffer that can sustain the Year 1 operating position for up to 18 months beyond the planned Year 1 end date. The programme's fiscal viability does not depend on hitting an exact implementation date for the Year 2 reforms; it depends on sequencing them correctly, and Year 1 is designed to absorb reasonable implementation delays.

Summary: The Programme in One Table

Fiscal flow	£B	% GDP	What it is
New taxes on private income & assets	100.4	3.7%	Money taken from private sector
Restructured benefit expenditure	16.0	0.6%	Government internal reallocation
Total scored as "revenue" (conventional)	117.6	4.4%	Conventional tax-to-GDP measure
Substitution (HH bills absorbed)	23.5	0.9%	Govt takes over existing HH costs
New service provision	29.4	1.1%	Genuinely new public services
Infrastructure and transition programmes	12.5	0.5%	Energy, data, digital — assets leave govt or ongoing contracts
Saved expenditure (NC on benefits)	(16.0)	(0.6%)	Benefits bill reduction
Net operating expenditure	49.4	1.8%	Actual new resource cost
Current budget surplus	52.2	1.9%	Revenue less operating expenditure
Capital allocation (transport + housing)	14.2	0.5%	Self-funded from current revenue
Discretionary fiscal space	38.0	1.4%	Available for national priorities after all programme costs
<i>Memo: traditional (debt-financed) presentation</i>			
Capital debt service	1.9	0.1%	5.5% / 30yr (housing); 6% / 10yr (transport)

Fiscal flow	£B	% GDP	What it is
<i>Fiscal space (financed)</i>	50.4	1.9%	<i>Higher, but adds £14.2B/yr to national debt</i>
Gross value returned to households	58.8	2.2%	Eliminated bills + new service value
<i>of which: settled HH model (net of APD & NC on benefits)</i>	27.4	1.0%	<i>8-item model with differentiated take-up rates</i>
Total household cost (conservative)	~116	4.3%	All taxes + NC on benefits attributed to households
Less: gross value of services received	(~59)	(2.2%)	Bills eliminated + new service value
Net household burden	~57	~2.1%	Conservative; actual burden likely lower (see appendix)

A Note for Fiscal Economists

The treatment adopted in this analysis, classifying the NC on benefits as saved expenditure rather than revenue, will attract the objection that it is unconventional. It is. The conventional treatment would show a 4.4% GDP increase in the tax-to-GDP ratio and a correspondingly higher gross expenditure figure.

Both treatments produce the same bottom line. The fiscal space, the net borrowing position, and the debt dynamics are identical. The only difference is in the composition of the headline figures, and specifically in what the "tax-to-GDP ratio" is taken to mean.

The conventional treatment is designed for a world in which taxes are levied on the private sector and benefits are paid to the private sector, and the two transactions are independent. In that world, applying a tax to a benefit is straightforwardly an increase in the tax take. But Prosperity 2030 does not operate in that world. The NC on benefits is explicitly designed as a mechanism for converting cash transfers into service entitlements, it exists only because the UBS programme makes it possible, and it is phased in synchrony with the UBS rollout. Treating it as an independent revenue-raising measure misrepresents both its purpose and its economic effect.

The settled household data model produces a net value of £27.4 billion across eight service and tax line items, a figure derived from detailed household-level modelling with differentiated take-up rates by income quintile. The NC on benefits yield (£16.0 billion) is separately derived from a micro-data model of household incomes and compositions. Care and end-of-life services add a further £8.0 billion, valued conservatively at cost of provision. Presenting both components with their evidentiary basis allows the reader to choose their preferred level of conservatism. The cautious reader uses £27.4 billion (settled model only); the reader who includes Care and end-of-life at cost uses £35.4 billion. Both are defensible; neither requires accepting the other.

The net household burden estimate of ~2.1% GDP is itself conservative: it attributes the full £6.8 billion of consumption taxes to households, whereas in practice a portion of these taxes falls on businesses. The companion appendix on non-household tax incidence discusses this further.

The capital allocation treatment, funding from current revenue rather than borrowing, will attract a different objection: that it understates the programme's fiscal headroom relative to conventional practice. This is correct. Under conventional debt-financed capital treatment, the programme's fiscal space would be £50.4 billion (1.9% GDP) rather than £38.0 billion (1.4% GDP). The programme's self-funded treatment is deliberately conservative: it demonstrates that the UK can deliver a transformative public investment programme, including major capital, without adding to national debt. The traditional presentation is shown as a memo line for readers who prefer the conventional approach.

The question for the fiscal economist is not "which treatment is conventional?" but "which treatment gives the public and policymakers a more accurate picture of what the programme does to the economy?" A programme that extracts 3.7% GDP from the private sector and restructures 0.6% GDP of existing government expenditure is a different proposition from a programme that extracts 4.4% GDP from the private sector. A programme whose net household burden is ~2.1% GDP, offset by 2.2% GDP of returned value in services, is a different proposition from a programme that simply raises taxes by 4.4% GDP. The former is what this programme does. The latter is what conventional scoring would say it does. We have chosen accuracy over convention.

All figures in 2025 prices. GDP = £2,700 billion (2025 estimate). Cashflow model, service-level costings, and distributional analysis available in companion articles.

RELATED

Complements: [Non-Household Tax Incidence \(Appendix\)](#)

Appendices: [Non-Household Tax Incidence \(Appendix\)](#)

Referenced by: [Fiscal \(Fiscal\)](#), [Fiscal Highlights \(Fiscal\)](#), [Macro Cashflow \(Fiscal\)](#), [Macro Economic Overview \(Fiscal\)](#)

Non-Household Tax Incidence

A Note on Conservative Treatment

APPENDIX · economics

Context

The Fiscal Architecture analysis attributes the full £6.8 billion in consumption taxes to households when calculating the net household burden. This is a deliberately conservative treatment. In practice, a portion of these taxes falls on businesses rather than on UK households. This appendix sets out the reasoning and estimates the magnitude of the non-household incidence.

Why the Conservative Treatment Was Adopted

Tax incidence, the question of who ultimately bears the economic cost of a tax, is one of the most contested areas of public finance. The statutory incidence (who writes the cheque to HMRC) and the economic incidence (whose real income is reduced) often differ, and the split depends on demand and supply elasticities that vary by market, time horizon, and competitive structure.

Rather than embed contested incidence assumptions into the headline fiscal figures, the macro analysis conservatively attributes all consumption taxes to households. This overstates the household burden but has two advantages: it is arithmetically simple (the total household cost equals the conventional revenue score of £117.6 billion), and it cannot be accused of minimising the programme's impact on households. Any adjustment for non-household incidence would reduce the net household burden below the stated ~1.5% GDP, making the conservative figure a ceiling rather than a central estimate.

Estimated Non-Household Incidence

The following estimates are indicative. They are based on the statutory structure of each tax and qualitative assessment of likely pass-through rates. They have not been formally modelled and should be treated as illustrative rather than definitive.

Air Passenger Duty (£8.0 billion additional)

APD is levied per departing passenger (inclusive of UK holiday VAT) and is almost entirely passed through to ticket prices. The main non-household component is business travel — APD on flights taken by employees for work purposes is a cost to the employer, not the individual. Business travel accounts for approximately 15–20% of UK air departures.

Estimated household incidence: 80–85% (~~£6.4–6.8 billion~~). The remainder (£1.2–1.6 billion) falls on businesses as a cost of employee travel.

Aviation VAT on Private Travel (£0.3 billion)

Aviation VAT on private travel is levied on operators of private aircraft — maintenance, fuel, and operations. The incidence falls primarily on high-net-worth individuals and corporate operators. Pass-through to passengers is limited because private aviation is not a competitive market in the conventional sense.

Estimated household incidence: 50–70% (~~£0.15–0.21 billion~~). The remainder (£0.09–0.15 billion) is absorbed by corporate operators and charter companies.

Construction VAT Equalisation (net –£2.0 billion)

This is a net revenue loss (the cost of reducing renovation VAT from 20% to 5% exceeds the gain from taxing new builds at 5%). The benefit flows almost entirely to households (lower renovation costs) and homebuilders (lower new-build tax, partially passed to buyers). The non-household incidence is minimal.

Behavioural Offset (£0.5 billion)

The cashflow includes a small positive adjustment for informal recapture effects and demand responses to programme-wide tax changes. This is a modelling adjustment rather than a discrete tax, and its incidence is distributed across the same activities as the underlying taxes. For conservatism, it is attributed entirely to households.

Summary

Tax	Total (£B)	Estimated HH share	HH incidence (£B)	Non-HH incidence (£B)
APD (additional)	8.0	80–85%	6.4–6.8	1.2–1.6
Aviation VAT (private)	0.3	50–70%	0.15–0.21	0.09–0.15
Construction VAT	(2.0)	~100%	(2.0)	—
Behavioural offset	0.5	~100%	0.5	—
Total	6.8		~5.1–5.5	~1.3–1.8

Central estimate of non-household incidence: **approximately £1.5 billion (0.1% GDP)**.

The non-household incidence is dominated by a single item: business travel APD. The remaining consumption taxes (Aviation VAT on private travel, Construction VAT, behavioural offset) have minimal non-household incidence either because they are small in absolute terms or because their benefits flow directly to households.

Effect on Net Household Burden

If the non-household incidence were deducted from the household cost side, the net household burden would fall from the stated ~£41 billion (~1.5% GDP) to approximately ~£40 billion — remaining at approximately 1.5% GDP after rounding. The adjustment is modest because the programme's consumption tax base is relatively small (£6.8 billion, or 0.3% GDP) and falls predominantly on households. This adjustment has not been made in the main fiscal analysis in order to maintain a conservative posture.

Limitations

These estimates are qualitative and based on economic reasoning rather than formal general-equilibrium modelling. The actual incidence depends on market-specific elasticities, competitive structures, and time horizons that cannot be determined without detailed empirical analysis. In particular, the long-run incidence may differ from the short-run incidence as markets adjust.

The estimates also assume no behavioural response to the taxes. In practice, APD increases may reduce the number of flights (reducing revenue and the associated

household burden). These behavioural effects would further reduce the household burden but are not quantified here.

This appendix is intended as a technical note for readers of the Fiscal Architecture section. All figures are in 2025 prices. Incidence estimates are illustrative and should not be cited as modelled results.

RELATED

Complements: [The Fiscal Architecture \(Appendix\)](#)

Referenced by: [The Fiscal Architecture \(Appendix\)](#)

UK Public Spending Baseline 2023-24

APPENDIX · economics

1. Purpose

Support the data used for the break down of spending in Macro Economic Overview in the Program Overview.

This appendix establishes the baseline decomposition of UK Total Managed Expenditure (TME) for 2023-24, the most recent year for which full outturn data are available. The analysis categorises public spending into three functional types — cash transfers, public services, and other — to provide a reference framework against which the spending effects of the Prosperity 2030 programme can be assessed.

All figures are expressed in £ billions to two decimal places unless otherwise stated. The primary year of analysis is 2023-24 (outturn). Autumn Budget 2024 plans for 2024-25 are noted where available but a full COFOG breakdown is not yet published for that year.

2. Sources and Methodology

2.1 Data Sources

Source	Coverage	Used For
PESA 2024, Table 1.1	TME by budget classification, 2019-20 to 2024-25	High-level TME structure; AME component detail
PESA 2024, Table 5.2	Expenditure on services by COFOG sub-function, 2019-20 to 2023-24	Functional decomposition; cash vs. services split within social protection
PESA 2024, Table 5.4	Current and capital expenditure by COFOG function	Current/capital split by function
PESA 2024, Annex E	Reconciliation of departmental budgets to TES	Accounting adjustments detail
OBR Fiscal Supplementary Tables, Table 3.7 (November 2023)	Welfare spending breakdown by benefit type	Cross-reference for cash transfer estimates
Autumn Budget 2024, Tables C.1/1.7 and Annex D	TME overview and functional spending chart; revised 2024-25 plans	Revised TME totals; forward spending context

2.2 Classification Method

TME is decomposed into three categories:

- 1. Cash transfers:** Direct monetary payments to individuals, comprising all COFOG 10 (Social Protection) spending *excluding* personal social services, plus public sector pension payments classified under COFOG 1.7 (Public Debt Transactions).
- 2. Public services:** COFOG functions that deliver domestic civilian services directly to the public: health, education, transport, public order and safety, personal social services, general public services (ex debt transactions),

housing and community amenities, environment protection, and recreation/culture/religion.

3. **Other:** Debt interest payments (COFOG 1.7 excluding public sector pensions); accounting adjustments reconciling TES to TME; defence; economic affairs excluding transport (industrial subsidies, energy support, agricultural support, R&D, employment programmes); and EU transactions. These items are excluded from "public services" either because they do not deliver services directly to the domestic public (defence, EU), because they are primarily subsidies or transfers to firms rather than service provision (economic affairs ex transport), or because they are financial/accounting items (debt interest, adjustments).

This classification follows the approach used in comparative public finance literature (cf. Bharti, Gethin, Piketty et al., 2025) for distinguishing between cash redistribution and service provision within aggregate public expenditure.

2.3 Key Definitional Notes

TME vs TES: PESA reports both Total Expenditure on Services (TES = £1,095.43bn) and Total Managed Expenditure (TME = £1,216.77bn). The difference (£121.34bn in accounting adjustments) arises from the reconciliation between departmental budget classifications and national accounts definitions. TME is used throughout this appendix as the comprehensive measure of public spending.

PESA vs Autumn Budget TME: PESA 2024 reports 2023-24 TME outturn as £1,216.77bn. The Autumn Budget 2024 (October) reports £1,222.70bn for the same year, a £5.93bn upward revision reflecting later data. Both are noted; the PESA figure is used for the detailed COFOG decomposition as it is the source of the functional breakdown.

Public sector pensions: PESA classifies gross public sector pension payments (£17.44bn) under COFOG 1.7 (Public Debt Transactions) rather than COFOG 10 (Social Protection). These are reclassified here as cash transfers, since they represent regular income payments to retired individuals and are functionally equivalent to state pension payments.

OBR welfare total vs COFOG social protection: The OBR's welfare spending aggregate (£295.37bn forecast for 2023-24, Table 3.7) uses a narrower definition than the COFOG-based figure derived here (£332.02bn). The gap (~£37bn) reflects: (a) the inclusion of locally-financed social protection spending in COFOG but not in the OBR budget classification; (b) the reclassification of public sector pensions from COFOG 1.7; and (c) definitional differences between the DWP/HMRC-administered benefits captured by the OBR and the broader COFOG statistical classification.

3. TME Baseline: Three-Way Decomposition, 2023-24

3.1 Summary

Category	£bn	% of TME
Cash transfers	332.02	27.3%
Public services	557.67	45.8%
Other	327.08	26.9%
TME	1,216.77	100.0%

3.2 Cash Transfers: £332.02bn

Cash transfers comprise direct monetary payments from the state to individuals, primarily through the social security and pension systems.

Component	£bn	Notes
Social protection cash transfers	314.58	COFOG 10 minus personal social services
State and public pensions (COFOG 10.2, ex PSS)	140.64	Includes basic state pension, additional state pension, new state pension
Incapacity, disability and injury benefits (COFOG 10.1, ex PSS)	60.23	ESA, PIP, DLA, industrial injuries
UC, income support and tax credits (COFOG 10.7, ex PSS)	64.08	Universal Credit (excluding jobseeker element), Working/Child Tax Credits, income support
Housing benefit (COFOG 10.6)	17.18	Housing benefit and housing element of UC
Family benefits and tax credits (COFOG 10.4, ex PSS)	16.09	Child Benefit, Sure Start maternity grants, statutory maternity/paternity pay
Social protection n.e.c. (COFOG 10.9)	13.79	Cost-of-living payments, Household Support Fund, other
Survivors benefits (COFOG 10.3)	1.36	Bereavement benefits
Unemployment benefits (COFOG 10.5, ex PSS)	1.21	JSA, UC jobseeker element
Public sector pensions	17.44	Reclassified from COFOG 1.7

Derivation: COFOG 10 total (£360.91bn) minus personal social services (£46.33bn) = £314.58bn, plus public sector pensions from COFOG 1.7 (£17.44bn) = £332.02bn.

Cross-reference: PESA Table 1.1 reports social security benefits (£280.27bn) plus tax credits (£7.46bn) = £287.73bn in the budget classification. The £44bn gap to the COFOG-derived figure reflects locally-financed social protection, public sector pensions, and classification differences.

3.3 Public Services: £557.67bn

Public services comprise spending that delivers domestic civilian services directly to the public: healthcare, education, transport, policing, social care, housing, environmental protection, and general administration.

COFOG Function	£bn	% of TME	Current (£bn)	Capital (£bn)
7. Health	220.97	18.2%	208.84	12.14
9. Education	111.48	9.2%	99.30	12.18
3. Public order and safety	47.75	3.9%	44.06	3.69
10. Personal social services	46.33	3.8%	46.33	—
4.5 Transport	46.16	3.8%	17.31	28.85
1. General public services (ex 1.7)	36.80	3.0%	30.16	6.64
6. Housing and community amenities	19.89	1.6%	4.27	15.62
5. Environment protection	15.33	1.3%	9.50	5.83
8. Recreation, culture and religion	12.96	1.1%	9.66	3.30
Total	557.67	45.8%	469.43	88.25

Transport (£46.16bn): Extracted from COFOG 4 (Economic affairs) and retained in services as direct public infrastructure and service provision. Comprises national roads (£6.12bn), local roads (£6.05bn), railway (£26.81bn), local public transport (£4.90bn), and other transport (£2.28bn). The remainder of economic affairs is reclassified to "other" (see §3.4).

Current vs capital split: Of the £557.67bn in services, approximately £469.43bn (84.2%) is current expenditure and £88.25bn (15.8%) is capital. Transport is notably capital-heavy (63% capital), driven by rail and road infrastructure investment.

3.4 Other: £327.08bn

Component	£bn	Notes
Accounting adjustments	121.34	Reconciliation from TES to TME
Debt interest (COFOG 1.7 ex pensions)	103.64	
— Central government debt interest	78.24	Gilt interest, NS&I, Treasury bills
— Bank of England (APF)	23.93	Asset Purchase Facility losses, 2023-24
— Local government debt interest	0.94	
— Public corporation debt interest	0.54	
Defence (COFOG 2)	56.75	Military defence, foreign military aid, defence R&D
Economic affairs ex transport (COFOG 4 ex 4.5)	45.64	
— General economic, commercial and labour affairs	19.51	Business support, employment programmes, regulation
— R&D economic affairs	9.61	Government-funded research
— Fuel and energy	7.07	Energy bill support, net zero subsidies
— Agriculture, forestry, fishing and hunting	6.72	Agricultural support, market intervention
— Other (mining, manufacturing, communication, nec)	2.73	
EU transactions	-0.28	Net residual EU settlement payments

Rationale for reclassification: Defence (£56.75bn) is excluded from domestic public services on the grounds that it does not deliver services to the civilian public in the same sense as health, education, or transport. Economic affairs excluding transport (£45.64bn) is predominantly composed of subsidies, grants, and transfers to firms and institutions rather than direct service provision to individuals — energy bill support, agricultural market intervention, business support schemes, and publicly-funded R&D. These are better characterised as economic management and industrial policy than as public services in the Prosperity 2030 framework.

Accounting adjustments (£121.34bn): These reconcile departmental budgets (the "DEL plus AME" view) with the national accounts definition of TME. Principal components include: removal of intra-government grants to avoid double-counting; addition of locally-financed expenditure not captured in departmental budgets; depreciation reclassifications; financial transaction adjustments; and public corporations' own-financed capital expenditure. The adjustments are large

but are an artefact of the dual reporting framework, not a substantive spending category. They net to zero in whole-of-government terms.

Debt interest (£103.64bn): This represents the cost of servicing public sector debt, including the exceptional BoE/APF losses incurred as quantitative tightening crystallised losses on the gilt portfolio acquired during QE. The BoE component (£23.93bn) is volatile and was negative (-£10.97bn) as recently as 2019-20.

4. Structural Observations

4.1 The Cash-Services-Other Ratio

The UK's spending ratio under this classification is approximately 27:46:27 (cash:services:other). The relatively large "other" category (£327bn) reflects the decision to exclude defence, non-transport economic affairs, and accounting adjustments from the services definition, focusing "services" on domestic civilian provision that directly benefits the public.

Examining only the cash-to-services ratio within the two substantive categories (£332bn + £558bn = £890bn), the UK split is approximately 37:63 — broadly consistent with the European pattern identified by Bharti et al. (2025), where mature welfare states allocate around 41% to cash redistribution and 59% to services. The UK is slightly more service-heavy than this average, driven substantially by the NHS (£221bn alone = 25% of substantive cash + services spending).

4.2 Current vs Capital Expenditure

From PESA Table 5.4 and Table 1.1:

	£bn	% of TME
Public sector current expenditure (PSCE)	1,080.76	88.8%
Public sector gross investment (PSGI)	136.01	11.2%
TME	1,216.77	100.0%

The approximately 89:11 current-to-capital ratio reflects a structural bias toward consumption over productive investment. Net of depreciation (£65.14bn), public sector net investment is £70.87bn (5.8% of TME), though this figure is inflated by financial sector interventions and student loan disbursements classified as capital.

4.3 Revenue-Spending Gap

	£bn
TME (spending)	1,216.77
Public sector current receipts (approx.)	~1,100
Public sector net borrowing (PSNB)	~117

The deficit predominantly finances current services and debt interest rather than cash transfers. Cash transfers are demand-led (AME) and largely self-financing within the existing tax-benefit envelope. The DEL-heavy service functions — particularly health and education — are where fiscal pressure concentrates and borrowing fills the gap.

5. Data Reconciliation Notes

Item	PESA 2024 (£bn)	Autumn Budget 2024 (£bn)	Difference	Explanation
TME 2023-24	1,216.77	1,222.70	+5.93	Later revision of outturn data
TME 2024-25	1,226.35 (plans)	1,276.20 (plans)	+49.85	Autumn Budget policy measures and in-year pressures
Social protection 2023-24	360.91 (COFOG)	—	—	COFOG classification; no direct Autumn Budget equivalent
Total welfare 2023-24	—	~295.37 (OBR Nov '23 forecast)	—	Narrower OBR definition; forecast not outturn

Small discrepancies between PESA outturn and Autumn Budget figures for the same year are normal and arise from revision timing. PESA is the preferred source for functional breakdowns; the Autumn Budget is preferred for the most current TME totals and forward plans.

Sources

- HM Treasury, *Public Expenditure Statistical Analyses (PESA) 2024*, July 2024. Tables 1.1, 5.1, 5.2, 5.4, Annex E.
- HM Treasury, *Autumn Budget 2024*, October 2024. Tables C.1, 1.6, Annex B, Annex D.
- Office for Budget Responsibility, *Fiscal Supplementary Tables: Expenditure*, November 2023. Table 3.7.
- Bharti, N., Gethin, A., Piketty, T. et al. (2025), ‘Human Capital, Unequal Opportunities and Productivity Convergence: A Global Historical Perspective, 1800-2100’, *Journal of Public Economics* vol. 255, 2026.

RELATED

Referenced by: [Macro Economic Overview \(Fiscal\)](#)

Local Government Finance

APPENDIX · economics

Why the Current System Fails

English local government finance is a patchwork of mechanisms that delivers neither genuine local autonomy nor rational resource allocation. Council Tax, the only nominally local tax, is levied on property valuations frozen since 1991, meaning a Band D property in Hartlepool and a Band D property in Kensington pay within the same band despite a fivefold difference in market value. Central government caps annual Council Tax increases via a referendum threshold, removing what little autonomy the system nominally provides. Business Rates are set nationally, collected locally, and redistributed via a formula so complex that even local authority finance directors struggle to predict their annual settlement. Revenue Support Grant, once the backbone of local funding at £15 billion, has been cut to approximately £2 billion, leaving councils dependent on a revenue base (Council Tax) that was never designed to fund modern public services.

The result is a system in which approximately 35% of local revenue comes from a regressive, frozen-valuation local tax; 12% comes from a nationally-set business tax with a Byzantine redistribution formula; 31% comes from central government grants subject to annual political negotiation; and 22% comes from fees and charges. Councils have almost no genuine fiscal autonomy, and the relationship between what a council raises locally and what it needs to spend bears no consistent relationship to local circumstances.

Stamp Duty Land Tax (SDLT), meanwhile, is a purely national tax, collected by HMRC, flowing to the Treasury, that raises approximately £10.4 billion per year. It has no connection to local government funding. It is also one of the most economically distortionary taxes in the UK system, penalising housing transactions and suppressing labour mobility.

The Prosperity 2030 programme abolishes both Council Tax and SDLT and replaces them with a single national property tax. This appendix sets out the local government finance architecture that follows from that replacement.

The New Architecture

The National Property Tax

A 1% annual tax is levied on the assessed value of all private dwellings (owner-occupied and privately rented; social housing is exempt). The tax is **national** — set at a uniform rate by Parliament and collected by HMRC, not by local authorities. Gross revenue at steady state: approximately **£73.5 billion**.

The decision to make this a national tax collected centrally is deliberate. Under a locally-collected property tax, the revenue each authority generates would be a function of local property values, producing large surpluses in high-value areas (London, South East) and structural deficits in low-value areas (North East, parts of Wales). This would require an elaborate equalisation mechanism to redistribute revenue from surplus to deficit authorities, creating exactly the kind of formula-driven, politically-negotiated system that the reform is designed to eliminate.

A nationally-collected tax avoids this problem entirely. Revenue pools centrally and, after a national pre-emption for the Community Housing Fund (described below), is allocated to local government on a needs-based per-capita formula. The

link between local property values and local government funding is severed by design. Gateshead and Kensington receive funding based on their population and service obligations, not on the value of their housing stock.

Per-Capita Allocation to Local Government

Property tax revenue net of the Community Housing Fund pre-emption is allocated to local government on a per-capita basis, adjusted for service-need weighting factors. At steady state, the gross property tax pool is approximately **£73.5 billion**, of which **£10 billion** is pre-empted at the national level for the Community Housing Fund (see below), leaving approximately **£63.5 billion** for per-capita allocation to councils. This allocation covers both the existing service baseline (currently funded by Council Tax at ~£45 billion) and new programme services.

The baseline per-capita figure is derived from existing local government funding: total current expenditure funded by Council Tax, divided by population, gives a national average per-capita cost. This figure (approximately £670 per person) represents the cost of maintaining current local services (police, waste, highways, social services, planning, environmental health, and other statutory functions). Councils that deliver these services more efficiently than the national average will generate a surplus; councils that are less efficient will need to make changes. This is an intended consequence: the per-capita allocation creates a discipline on efficiency that the current system, with its complex and opaque grant formulae, does not.

The per-capita allocation is adjusted by weighting factors that reflect genuine differences in the cost of delivering services across different areas. These include age profile (areas with older populations have higher care costs), deprivation indices (more deprived areas have higher demand for social services), and rurality (sparse populations increase unit costs for service delivery). The weighting formula should be set in statute and overseen by an independent body; not subject to annual ministerial discretion. This provides local authorities with predictable, depoliticised funding that the current grant system conspicuously fails to deliver.

Independent Allocation Commission

The weighting that adjusts the per-capita allocation should be determined by an independent statutory body, referred to here as the Local Allocation Commission (a working name), established by the same primary legislation that creates the property tax and abolishes Council Tax. This is the institutional guarantee that national collection of the Property Tax does not become central control of local funding.

The Commission's remit is confined to one task: maintaining the formula by which the per-capita pool is distributed to councils. It has no role in the Community Housing Fund allocation, which is application-based and determined against published criteria, and none in central grants, fees and charges, or Business Rates, all of which are unaffected by this reform.

Its independence is modelled on the Office for Budget Responsibility, the independent statutory body that has produced the United Kingdom's official fiscal forecasts since 2011. The Commission's members are appointed for fixed, staggered terms, and both their appointment and their removal require the consent of the relevant House of Commons select committee rather than the

agreement of a minister. They are removable only for incapacity or misconduct, never for the conclusions they reach. Membership is drawn from public finance, local government, demography, and statistics, and the Commission holds a statutory right of access to the population, demographic, and deprivation data held by the ONS, HMRC, and the relevant department. A minister can change what the formula is required to reflect only by amending the statutory criteria through Parliament. A minister cannot change the formula itself, cannot adjust an individual authority's allocation, and cannot direct the Commission's methodology.

The statute fixes the criteria the formula must reflect: population first, then the need-weighting factors of age profile, deprivation, and rurality, with provision for Parliament to add or revise criteria over time. Within those criteria the Commission designs and publishes the methodology. The underlying data are refreshed annually, so allocations track demographic change without any change of method, while the methodology itself is reviewed on a fixed five-year cycle. Between reviews the formula is stable and predictable, and a damping mechanism limits the year-on-year change any authority can experience, so that demographic shifts feed through gradually rather than as sudden cliffs. This gives councils the multi-year planning certainty that the current annual settlement conspicuously denies them.

Every data input, the methodology, and every authority's resulting allocation are published in full. The Commission lays an annual report before Parliament, and its members appear before the select committee to account for it. Authorities may make representations and may appeal where they believe the formula has been misapplied to their data, but that route corrects factual and computational error; it is not a channel for case-by-case lobbying, because there is no ministerial discretion for lobbying to influence. The distribution follows the published formula, and the formula follows the statutory criteria.

This institutional form is neither novel nor untested. Australia has distributed its principal shared revenue among the states on an independent, needs-based footing for decades through the Commonwealth Grants Commission, a standing statutory body whose recommendations on fiscal equalisation are made transparently and adopted by convention. The Local Allocation Commission applies the same principle to a simpler problem: not equalising between governments with different tax bases, but distributing a single national pool to councils on transparent, depoliticised, needs-weighted terms. It is the mechanism that distinguishes this reform from the system it replaces. Under the current settlement the formula is the minister's to set and reset behind closed doors; under this reform it is the Commission's to determine and publish, and the minister's only to follow.

New Programme Services: Local Obligations

The per-capita allocation funds not only the existing service baseline but also the new programme services that local government is obligated to deliver under the Prosperity 2030 legislation. These are:

Service	Annual cost at steady state	Allocation basis
Universal Care Service	£7.00 billion	Per capita, weighted for age

Service	Annual cost at steady state	Allocation basis
Community Food Centres	£4.03 billion	Per capita, with minimum one per outward postcode
Democracy Revival	£2.04 billion	Per council (382 councils × 50 councillors)
Right to Life	£1.00 billion	Per capita
Local Service Hubs	£0.80 billion	Per capita, with minimum one per outward postcode w/CFCs
Total new programme	£14.87 billion	

Community Food Centres and Local Service Hubs are allocated on a per-capita basis at approximately 3 CFCs and 1 hub per 20,000 population. To guarantee geographic access in low-density areas, every outward postcode area receives a minimum of one combined CFC and Service Hub facility regardless of population. This minimum floor accounts for approximately 500–800 of the smallest facilities in the estate; the remaining allocation follows population. The first CFC and Service Hub in each postcode area are typically co-located as a single combined establishment, reducing premises costs and creating a visible public service presence in every community.

The per-capita allocation formula for new programme services aligns naturally with the per-capita property tax distribution, because most programme services are inherently per-capita in character: care is delivered per person, food services per meal, democratic representation per citizen. This alignment means the property tax allocation mechanism and the service delivery model reinforce each other rather than pulling in different directions.

Community Housing: A National Capital Allocation Fund

The Community Housing programme is funded from property tax revenue but operates through a separate mechanism from the per-capita operating allocation: a **national Community Housing Fund** administered by central government and allocated to local authorities on the basis of demonstrated need and delivery readiness.

At steady state the programme totals £10 billion per year, comprising approximately £9 billion of new-build capital and approximately £1 billion of refurbishment of existing empty stock (an indicative split, adjustable). Under the canonical fiscal presentation, the entire £10 billion is expensed from current property-tax revenue each year; the £9 billion new-build line appears in the Macro Cashflow under Capital Allocation and the £1 billion refurbishment line under Operating Expenditure. **The fund itself does not borrow.** This honours the Prosperity 2030 commitment that the programme as a whole adds nothing to UK national debt. The cashflow includes an alternative presentation that restates the position as if the £10 billion were debt-financed, included for completeness for readers who prefer conventional debt-financing accounting; that is not the operating model.

Local authorities receiving capital allocations from the fund carry 30-year amortising repayment obligations back to the fund, repayable at a notional cost-of-capital rate equal to the prevailing gilt rate plus a small administrative margin. This obligation is the structural discipline that keeps bids honest: without it, every council would have an incentive to bid the maximum every year regardless of

genuine need or delivery capability. With it, councils bid only for capital they can responsibly absorb and repay, and the fund's allocation criteria become meaningfully competitive because applicants bear consequence. The repayment obligation exists in both the canonical and alternative national presentations because it is internal to the Prosperity 2030 architecture and not affected by the national-side accounting choice.

Awards are made on merit against published criteria — specifically, evidence of local need for shared-facility housing for the qualifying populations (older people whose housing has stopped supporting them, care leavers entering adulthood, survivors of domestic abuse moving on from refuge, households in temporary accommodation, and others passing through similar life transitions); demonstrated delivery readiness through the council's chosen mix of in-house, partnership, or contracted delivery model; and fit with the framework's design and quality standards.

Housing built or acquired through the programme is held by local councils as public assets, accountable to council electors and protected from disposal except under defined conditions. Construction, maintenance, building services, and operational support may be delivered through any mix of public, charitable, social-enterprise, and private providers operating under public-benefit terms appropriate to the activity. The framework does not prescribe a single delivery model; what it requires is that the resulting assets remain in public ownership and that delivery partners accept the public-service obligations attached to the housing.

Councils have two sources from which to service their Community Housing repayment obligations. They may absorb the obligation within the per-capita property-tax allocation they receive from the national pool. Alternatively, they may levy a precept above the national 1% property tax rate (subject to local democratic approval through the council's reformed assembly procedures, e.g. an additional 0.1%) to fund repayment obligations directly without drawing on the per-capita allocation that supports baseline and programme services. The precept option places the cost of housing decisions visibly on the property-tax bills of residents in the area benefiting from the housing — improving democratic accountability. The choice between funding sources is for the council to make.

This structure separates the capital investment decision (national, merit-based) from the operating revenue allocation (local, per-capita) and from the care delivery flow (Universal Care Service via age-weighted per-capita). All three flows reach the same council and may operate within the same physical buildings, but they are accounted separately. The housing programme cannot distort the per-capita funding formula. Care delivered in Community Housing buildings is funded from the care budget, not the housing budget. Capital ambition cannot crowd out recurrent service funding.

Local Government Budget at Steady State

Revenue

Source	£B	Status	Notes
Per-capita allocation from national property tax pool	63.50	New	Net of £10B national pre-emption for Community Housing Fund

Source	£B	Status	Notes
Government grants (RSG, specific grants)	~40.00	Unchanged	Central discretion; not affected by this reform
Fees, charges, commercial income	~28.00	Unchanged	Genuinely local; not affected by this reform
Total local operating revenue	~131.50		Plus precept revenue where levied

Expenditure (property-tax-funded component)

Category	£B	Notes
Existing baseline services (replacing CT-funded)	45.00	Police, waste, highways, social services, etc.
New programme services	14.87	Care, CFCs, Democracy Revival, Right to Life, Service Hubs
Community Housing repayments to national fund	1.19	Council 30-year obligations on accumulated allocations
Total property-tax-funded expenditure	61.06	

Local Current Balance (Property Tax Component)

	£B
Per-capita allocation	63.50
Less: property-tax-funded expenditure	(61.06)
Local balance from per-capita	2.44

The Community Housing repayment line of £1.19 billion is the steady-state amortisation across all vintages of past capital allocations from the national fund. Councils may choose to fund this line from the per-capita allocation (as shown in the table) or from a local property tax precept levied above the national 1% rate. Where councils levy a precept to fund repayments, the local balance from per-capita allocation is correspondingly larger, with the cost shifted to the precept revenue stream and visible to residents on their property tax bills.

The £2.44 billion balance from per-capita allocation (approximately 4% of the per-capita revenue) is available for absorbing cost differentials between the national per-capita average and genuinely higher-cost areas (via the weighting factors), and providing a buffer against revenue fluctuation as property values change over time.

Grant-funded services (£40 billion) and fee-funded services (£28 billion) continue alongside the property-tax-funded component under existing arrangements, unaffected by this reform.

SDLT: A National Revenue Question

The abolition of Stamp Duty Land Tax removes approximately £10.40 billion of national revenue. This is a national fiscal question, not a local government funding question. SDLT was always a national tax, collected by HMRC and flowing to the Treasury, with no connection to local service delivery. It is not funded from the property tax. As the allocation above shows, the entire £73.50 billion property-tax pool is committed to local purposes: £63.50 billion allocated per-capita to councils, and £10.00 billion pre-empted for the Community Housing Fund. None

of it is available to backfill the national SDLT loss. The £10.40 billion is absorbed within the wider national revenue framework, where National Contributions and the programme's other national instruments raise far more than enough to cover it.

The SDLT phase-out (33% per year from Year 2, abolished in Year 4) is synchronised with the Council Tax phase-out and the property-tax phase-in, so that total public property-related revenue rises smoothly throughout the transition.

Council Tax Transition

Council Tax is phased out over three years, synchronised with the phase-in of the property tax. Both complete their transition in Year 4:

	Y1	Y2	Y3	Y4	Y5 (SS)
TOTAL PROPERTY-RELATED REVENUE					
Council Tax (declining; 33% discount/yr from Y2)	45.00	30.00	15.00		
Property Tax (national, phasing in at 1/3 per year)		24.50	49.00	73.50	73.50
Community Housing preemption	(0.10)	(3.53)	(6.97)	(9.60)	(10.00)
TOTAL REVENUE	44.90	50.97	57.03	63.90	63.50
Net change vs 2025 baseline	-	6.07	12.13	19.00	18.60
ALLOCATION: NATIONAL from LOCAL					
Community Housing (repayments)	-	(0.44)	(0.88)	(1.19)	(1.19)
LOCAL GOVERNMENT EXPENDITURE					
Existing baseline services	45.00	45.00	45.00	45.00	45.00
New programme services:					
Local Service Hubs	0.08	0.20	0.40	0.60	0.80
NFS: Community Food Centres & School kitchens	1.00	2.20	3.45	4.10	4.03
Democracy Revival		2.04	2.04	2.04	2.04
Universal Care Service		2.33	4.67	7.00	7.00
Right to Life		1.00	1.00	1.00	1.00
New programme subtotal	1.08	7.77	11.56	14.74	14.87
Total local operating expenditure	46.08	53.21	57.44	60.93	61.06
LOCAL CURRENT BALANCE	(1.18)	(2.24)	(0.41)	2.97	2.44

[Property Tax Revenues & new Services]

The Council Tax discount structure (33% reduction per year from Year 2) is administratively straightforward — applied as a universal percentage discount to all bands, requiring no revaluation or restructuring of the existing CT system during the wind-down period.

Government grants (~~£40 billion~~) and fees and charges (£28 billion) continue throughout the transition at existing levels, unaffected by the property tax reform. The total local government funding picture is therefore stable and improving in every year.

New programme services begin phasing in from Year 1, synchronised with the revenue ramp. Local government is not asked to deliver new services at a scale that exceeds available funding in any year of the transition.

Local Fiscal Autonomy

The per-capita allocation model funds the mandated baseline and programme services. Authorities have two autonomous revenue instruments for additional purposes:

Local property tax precept. Local authorities may levy precepts above the national 1% property tax rate. Precepts are approved by council vote under the reformed assembly voting structure established by the Democracy Revival legislation, in which each representative votes with the weight of their vote count (including both first-choice and reallocated second-choice votes). A quorum is reached when representatives present hold a combined vote weight of 75% of total votes cast at the last election. Revenue from local precepts is retained entirely by the levying authority. The precept serves two functions: funding local priorities beyond the per-capita allocation (additional community facilities, enhanced local transport, environmental improvements), and funding Community Housing repayment obligations where the council has chosen to draw substantially on the national fund. By funding repayments from the precept rather than from the per-capita allocation, councils preserve the per-capita allocation for baseline services and new programme services and place the cost of housing decisions visibly on the property-tax bills of residents in the area benefiting from the housing.

Business Rates supplement. Business Rates continue in their current form under this programme. Local authorities retain existing powers over Business Rates, including the ability to set supplementary rates on commercial properties. Business Rates revenue remains locally collected and locally retained, providing a second autonomous revenue stream that reflects local economic activity.

Together with fees, charges, and commercial income (~£28 billion nationally under the current system), these autonomous instruments give local authorities a meaningful non-central revenue base. The per-capita allocation provides the stable, predictable foundation; the autonomous instruments provide the flexibility.

Revenue Streams Unchanged by This Reform

For clarity, the following local government revenue streams are **not affected** by the Prosperity 2030 Property Tax reform:

Government grants (~£40 billion). Revenue Support Grant, Social Care grants, Public Health Grant, education-related grants (DSG), and all other specific and formula grants from central government continue under existing arrangements. These are funded from national taxation and allocated under existing formulae and ministerial discretion. The Prosperity 2030 programme does not propose changes to the central government grant system, though the significantly increased per-capita allocation from property tax reduces councils' dependence

on discretionary grants for core service delivery — a structural improvement in funding predictability.

Fees, charges, and commercial income (~£28 billion). Planning fees, parking charges, leisure centre income, commercial property rents, and all other locally-generated non-tax revenue continues as current. These are genuinely local income streams under local authority control, unaffected by the property tax reform.

Business Rates (~£15 billion retained locally). The Business Rates system (national rate, local collection, complex retention and redistribution formula) continues in its current form. The Prosperity 2030 programme does not reform Business Rates at this stage, though the local precept power on residential property tax provides a cleaner and more democratically accountable mechanism for local revenue-raising than the current Business Rates supplement system.

The combined effect is that approximately **£83 billion** of existing local government revenue continues unchanged, alongside the new **£73 billion** per-capita allocation from the national property tax pool. Total local government revenue at steady state is approximately **£156 billion** before any precept revenue.

Design Principles

The local government finance model rests on the following principles:

- 1. National tax, local allocation.** Property tax is a national tax collected by HMRC at a uniform rate. Revenue pools centrally and, after a national pre-emption for the Community Housing Fund, is allocated to local government on a needs-weighted per-capita basis, not on the basis of local property values. This eliminates the equalisation problem by design.
- 2. Equalisation is structural, not redistributive.** Because allocation is per-capita rather than per-property-value, there is no mismatch between local revenue and local need that requires a redistribution mechanism. The architecture achieves equalisation without an explicit transfer.
- 3. Per-capita services, per-capita funding.** Most Prosperity 2030 services are inherently per-capita in character: care per person, meals per person, transport per trip, digital access per citizen. The per-capita funding mechanism aligns with the per-capita service delivery model.
- 4. Geographic access floors.** Where physical service presence is required (CFCs, Service Hubs), a minimum of one combined facility per outward postcode area guarantees geographic access in low-density areas. Above this floor, allocation follows population.
- 5. Efficiency incentive.** Per-capita allocation rewards councils that deliver services efficiently (they retain the surplus) and disciplines councils that do not (they must improve or reduce costs). This replaces the current system's perverse incentives, where grant formulae reward demonstrated need regardless of efficiency.
- 6. Capital separated from operating, no national borrowing.** The Community Housing programme operates through a national Community Housing Fund that disburses capital from current property-tax revenue and does not borrow. Capital allocations to councils are awarded on merit and treated by councils as 30-year obligations to the fund, repayable on standard amortisation terms from per-capita allocation, precept revenue, or a mix at council discretion. This separates the

capital investment decision (national, merit-based) from the operating revenue allocation (local, per-capita), prevents capital ambition from distorting recurrent service funding, and ensures housing investment flows to demonstrated need without adding to UK national debt. Care and support delivered in Community Housing buildings is funded separately through the Universal Care Service, again via per-capita allocation. Three accounted flows, one council, one set of buildings.

7. Public asset accumulation, mixed delivery. Housing built or acquired through Community Housing is held by local councils as public assets, accountable to council electors and protected from disposal except under defined conditions. Construction, maintenance, building services, and operational support may be delivered through any mix of public, charitable, social-enterprise, and private providers operating under public-benefit terms appropriate to the activity. The framework does not prescribe a single delivery model; what it requires is that the resulting assets remain in public ownership and that delivery partners accept the public-service obligations attached to the housing.

8. Genuine local autonomy. Local property tax precepts and Business Rates supplements provide revenue sources that central government cannot touch. These are approved through reformed local democratic processes, not capped by central government referendum thresholds.

9. Predictable, depoliticised funding. The per-capita formula is set in statute and overseen by an independent body (see above). It is not subject to annual ministerial discretion or Spending Review negotiation. This provides the funding certainty that the current system's annual grant-setting process conspicuously fails to deliver.

10. Unchanged where unnecessary. Government grants, fees and charges, and Business Rates are not reformed. The programme changes what needs changing (the regressive, frozen-valuation Council Tax and the distortionary SDLT) and leaves alone what is either working adequately or better addressed in a separate reform.

The No-Debt Commitment

The Prosperity 2030 programme as a whole adds nothing to UK national debt. The local government finance architecture honours this commitment in structural ways.

First, the £10 billion annual Community Housing capital allocation is funded from current property-tax revenue under the canonical presentation. There is no national borrowing.

Second, the council-side repayment obligation, while structurally similar to debt service from a council perspective, sits on local authority balance sheets, which are already in the public sector under ONS classification. There is no contingent liability of substance against national accounts and no balance-sheet manoeuvre.

The cumulative effect: local government emerges from the transition with a stable, predictable, depoliticised funding base; with substantially greater autonomy than under the current grant-driven system; with a permanent capital flow for shared-facility housing that grows the public stock indefinitely; with internal fiscal discipline through the council repayment obligation; with the precept option as a relief valve where councils choose to use it; and with no inheritance of national debt accumulated to fund the reform.

All figures in 2025 prices. GDP = £2,700 billion. Property tax revenue and Council Tax baseline figures are derived from the companion property tax validation model and DLUHC Council Tax statistics. Service costs and phasing are from the programme-level cashflow model and detailed service descriptions.

RELATED

Referenced by: [Democracy Revival \(Structural Measure\)](#), [GB Housing Reform \(Structural Measure\)](#), [Local Property Tax \(Revenue Instrument\)](#), [Local Service Hubs \(Universal Service\)](#), [Right to Life \(Structural Measure\)](#)

Property Tax, Stamp Duty and house prices

APPENDIX

The most common objection to abolishing Stamp Duty is that it does not help buyers at all: in a market constrained by supply, the saving is captured by sellers through higher prices, so abolition becomes a transfer to existing owners. The objection is correct as far as it goes, but it describes the abolition of Stamp Duty on its own. The Prosperity 2030 programme does not abolish Stamp Duty in isolation. It replaces it with a recurring annual tax on the value of the property, and that changes the incidence entirely. This appendix sets out the objection in its strongest form, explains the capitalisation mechanics that answer it, and works the numbers through on a representative home.

The objection as commonly presented

Stamp Duty is widely judged one of the most economically damaging taxes in the system, and the case against it is well established. Because the supply of housing is inelastic in the short run, the economic incidence of a transaction tax falls largely on the seller rather than the buyer. The clearest evidence is Australian: Davidoff and Leigh (2013) find that the full incidence of stamp duty changes falls on prices, so a higher duty lowers the price the seller receives by roughly the amount of the tax. The mirror image is that cutting the tax tends to raise prices. United Kingdom evidence from the 2008 to 2009 stamp duty holiday points the same way: Besley, Meads and Surico (2014) find that a substantial share of the temporary cut was capitalised into higher prices rather than retained by buyers.

The same pattern undermines reliefs aimed at first-time buyers. HM Revenue and Customs' own evaluation of the 2010 to 2012 first-time buyer relief concluded that it had no significant effect on affordability and that most of its value fed through into higher prices, a finding the Office for Budget Responsibility later repeated. The Institute for Government summarises the consensus plainly: most economists regard sellers, not buyers, as the principal beneficiaries of a Stamp Duty cut.

This is why simply abolishing Stamp Duty would, on the evidence, hand much of the gain to those who already own. The Mirrlees Review reached exactly this conclusion in 2011, recommending that Stamp Duty be abolished but warning against giving up the revenue or handing windfall gains to current owners, and so proposing replacement with a recurring tax proportional to up-to-date property values rather than abolition alone. The objection, in short, is an objection to abolition in isolation. It is not an objection to the reform proposed here.

Why replacement is not abolition

The Prosperity 2030 reform removes Stamp Duty and, in the same step, introduces a recurring tax of 1% on the value of the property. The two are phased over the same three years. The incidence argument that makes abolition-in-isolation a windfall for sellers does not survive the substitution, because a recurring holding tax acts on prices in the opposite direction to a transaction tax. The correct comparison is therefore not a one-off cut against nothing, but one recurring stream against another.

How capitalisation works

A recurring tax attached to an asset is capitalised into the price of that asset. A rational buyer will pay less for a property that carries an annual liability than for one that does not, by the present value of the liability they expect to bear. This is one of the oldest established results in public finance, demonstrated empirically by Oates (1969), and it is the same mechanism that makes the seller bear the incidence of a transaction tax.

Two points follow, and both matter for measuring the price effect correctly.

First, the right horizon is infinite, not the length of one owner's stay. The liability does not expire when the current owner sells; it passes with the property. The price a buyer can expect on resale is itself reduced by the tax the next owner will face, and so on down the chain, so the entire future stream is priced into the value today. An individual's expected tenure determines how much tax that person pays, but not how much is capitalised into the price they pay to acquire the asset.

Second, the comparison must be like for like. Stamp Duty is also capitalised, because it recurs every time the property changes hands. Comparing a single Stamp Duty payment against a perpetual Property Tax overstates the effect. The honest comparison sets the perpetual stream of the new tax against the perpetual stream of the Stamp Duty it replaces, with the latter falling due at each sale.

On that basis the recurring Property Tax capitalises a larger negative into the price than the Stamp Duty it removes, so the net effect on prices is downward, not upward. The reform cannot be a handout to sellers. If anything it transfers value towards buyers and movers. The direction is unambiguous; the magnitude depends on the discount rate and on the degree of capitalisation, which in practice is partial rather than full, and is further softened where owners take up deferral.

Worked example: a £500,000 home

Take a £500,000 home, the value of a typical family house in London or the South East. Under the 2025/26 Stamp Duty rates a standard buyer pays £15,000 once, at purchase. Under the reform they pay 1% of value, £5,000 a year. Because the Property Tax replaces Council Tax, which on a home of this value runs at about £1,750 a year, the net new charge is £3,250 a year.

Effect on price

Capitalising both taxes as the perpetual streams they are, and assuming the home changes hands about every ten years, at a real discount rate of 3% to 5%:

Capitalised value (perpetuity)	3%	4%	5%
Property Tax increment (£3,250/yr)	£108,000	£81,000	£65,000
Stamp Duty (£15,000 every 10 yrs)	£59,000	£46,000	£39,000
Net downward pressure on price	£49,000	£35,000	£26,000

Removing a recurring Stamp Duty worth £39,000 to £59,000 in present value, and replacing it with a recurring Property Tax worth £65,000 to £108,000, leaves a net downward pressure on price of roughly £25,000 to £50,000.

Effect on the individual owner

Length of tenure answers a different question: what one owner pays between moves. The relevant figure is how long owners actually hold before selling,

around nine to ten years, not the roughly twenty-one-year average tenure of the standing stock, which is inflated by owners who never move. Over a normal hold the recurring tax costs the owner more than Stamp Duty did:

Holding period	Property Tax, undiscounted	Property Tax, present value at 4%	Compared with £15,000 Stamp Duty
10 years	£32,500	£26,400	about £11,000 more
15 years	£48,750	£36,100	about £21,000 more
20 years	£65,000	£44,200	about £29,000 more

This is the intended trade-off, not a flaw. The burden moves off the act of moving and onto length of tenure: away from frequent movers and from first-time buyers at the threshold, and towards long-settled owners, who hold disproportionately more of the appreciating and under-occupied stock.

Set against the Stamp Duty no longer paid

Amortising the £15,000 of Stamp Duty over a ten-year hold gives about £1,850 a year. The annual position for that owner is therefore the £5,000 Property Tax, less £1,750 of Council Tax replaced, less £1,850 of amortised Stamp Duty, a net additional cost of about £1,400 a year. This sits close to the £1,200 national average increase quoted in the main text, which is the expected result once the headline charge is set against everything it replaces.

All figures are illustrative, use 2025/26 Stamp Duty rates and a central real discount rate of 4%, and ignore deferral, which would reduce the effective cost further for any owner who elects it.

No Property Tax for recent buyers during the switchover

The worked example treats Stamp Duty already paid as amortised over the hold, and for most owners that is the right way to see it. It understates one group only: those who paid Stamp Duty just before the Property Tax begins, who meet the full one-off charge under the old system and the new recurring charge almost immediately, with no interval for the first to amortise before the second arrives. This is a question of timing rather than of the tax base, and the programme answers it in the simplest way available. Any owner-occupier who has paid Stamp Duty on their principal residence within the previous two years pays no Property Tax while the new tax is phasing in, and joins it at the full rate along with everyone else once the phase-in is complete. The measure is restricted to principal residences, on the same basis as deferral, so buy-to-let and second homes are excluded and the obvious gaming route is closed.

The exemption has no bearing on the price argument above. It does not alter the base, the 1% rate, or the incidence of the recurring charge. It removes, for a defined transitional cohort, the coincidence of paying the old transaction tax and the new recurring tax within the same transition window, and nothing more. Because it is a straightforward exemption rather than a calculated offset, there is no rate, cap, or carry-over to define: an eligible household simply pays nothing under the new tax until the phase-in ends. The declining CT charge remains. It also removes any reason to postpone a purchase merely to avoid the onset of the new tax during the switchover, since a recent buyer is held harmless from it, which supports transaction volumes through the transition.

The cost is bounded and one-off. Restricted to owner-occupiers, the recent-buyer cohort would otherwise have paid Property Tax of about £2 billion in the first phase-in year and £4 billion in the second, so the exemption costs on the order of £6 billion in all, and nothing once the tax reaches its full rate. It falls entirely in the two years when Council Tax is still being collected alongside the new tax, leaving net Property Tax over Council Tax at about £8 billion and £15 billion in those years, so it is absorbed within the transition without drawing on the fiscal space the programme commits elsewhere.

The programme's housing reforms reinforce the direction

The worked example isolates the tax swap, but it does not stand alone. Three further reforms act on the same prices, and all push in the same direction.

Community Housing commits £10.00 billion a year to new public housing and to returning more than 500,000 long-term empty homes to use. Compulsory purchase reform allows land to be acquired at its use-value, before planning uplift, lowering the cost of assembling land for housing. Both add to effective supply. This bears on the objection as much as on the price: the claim that abolishing Stamp Duty inflates prices rests on supply being fixed, and these reforms are designed precisely to loosen that constraint. As supply becomes more responsive, prices face direct downward pressure and less of any tax change is capitalised into price rather than quantity.

That last point is also a caution against double counting. The capitalisation effect in the worked example is strongest when supply is inelastic, which is the condition the supply reforms are meant to relax. The two mechanisms are partial substitutes, not additive: to the extent the supply reforms succeed, they do the work that capitalisation would otherwise do. What matters is that both point downward, so the conclusion that the reform is not a windfall for sellers is over-determined rather than dependent on any single channel.

Compulsory purchase reform and the Property Tax also form a coherent approach to land value. The Property Tax capitalises into lower prices, most of which is land, while compulsory purchase reform caps the price at which the state acquires land by removing hope value. Both act on the land component of house prices, one by taxing its holding, the other by capping its acquisition cost. The programme therefore captures part of the benefit a land value tax is designed to deliver, without adopting a full land value tax.

The Right to Sell works at the other end. An owner who cannot meet the Property Tax and does not wish to defer is not forced into a distressed sale: the council buys the home at a set price and grants a secure tenancy, with any shortfall on the mortgage or a first-time-buyer deposit converted into long bonds. Alongside universal deferral, this provides an exit and downside protection that the tax reform alone does not, preventing the reform from triggering forced sales at the vulnerable end of the market.

Two second-order effects should be acknowledged. Lower prices slightly reduce the 1% Property Tax base, and stock that moves into Community Housing or is acquired through the Right to Sell leaves that base entirely, since social housing is excluded. Both effects are modest against the modelled £18.10 billion, and the first is the intended direction of travel in any case, but the revenue figures are built on the current stock and would soften marginally as these reforms scale.

Sources and further reading

1. Tax Policy Associates (D. Neidle), *Stamp duty is a terrible tax. We should abolish it, but there's a price*, June 2024.
https://taxpolicy.org.uk/2024/06/09/stamp_duty_terrible_how_to_abolish/
2. J. Mirrlees et al., *Tax by Design: The Mirrlees Review*, Institute for Fiscal Studies and Oxford University Press, 2011, ch. 16. <https://ifs.org.uk/books/tax-design>
3. I. Davidoff and A. Leigh, *How Do Stamp Duties Affect the Housing Market?*, Economic Record, 2013, 89(286), 396 to 410 (IZA Discussion Paper 7463).
<https://www.iza.org/publications/dp/7463/how-do-stamp-duties-affect-the-housing-market>
4. T. Besley, N. Meads and P. Surico, *The incidence of transaction taxes: evidence from a stamp duty holiday*, Journal of Public Economics, 2014, 119, 61 to 70.
<https://eprints.lse.ac.uk/59637/>
5. A. Bolster (HM Revenue and Customs), *Evaluating the Impact of Stamp Duty Land Tax First Time Buyer's Relief*, HMRC Working Paper 13, November 2011.
<https://assets.publishing.service.gov.uk/media/5a7dcf51e5274a5eaea6677a/sdlftb-workingpaper.pdf>
6. Office for Budget Responsibility, *A new tax relief for first-time buyers*, November 2017. <https://obr.uk/box/a-new-tax-relief-for-first-time-buyers/>
7. W. Oates, *The Effects of Property Taxes and Local Public Spending on Property Values*, Journal of Political Economy, 1969, 77(6), 957 to 971.
<https://www.journals.uchicago.edu/doi/10.1086/259584>
8. Institute for Government, *Stamp Duty Land Tax* (explainer), 2025.
<https://www.instituteforgovernment.org.uk/explainer/stamp-duty-land-tax>
9. Zoopla, *How long people stay in their homes before moving*, 2024, and Land Registry transaction analysis (transaction-weighted holding period of nine to ten years; standing-stock average of about twenty-one years).
10. HM Government, *Stamp Duty Land Tax rates* (standard residential rates from 1 April 2025). <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>

RELATED

Referenced by: [Local Property Tax](#) (Revenue Instrument), [Property Tax effects](#) (Household Effect)

Property Tax: Revenue Methodology and Data Sources

APPENDIX · economics

Overview of the Validation Exercise

This appendix documents the data sources, calculation methodology, assumptions, and remaining limitations for each component of the revenue model.

Data Sources

Five primary data files underpin the validation, each drawn from official UK government statistical publications.

House Price Statistics for Small Areas (HPSSA), Dataset 9 (ONS). This dataset provides median house prices by local authority and English region for the year ending March 2023. It is the most granular official source for regional house price medians. The national weighted median of approximately £290,000 was computed by weighting each region's median price by its share of private dwelling stock. The London and South East weighted median of £453,398 and the Rest of England weighted median of £234,373 were derived using the same weighting procedure. Median prices were used rather than mean prices because they are more resistant to distortion by very high-value outliers, though this choice means the aggregate stock valuation is conservative relative to a mean-based estimate.

Live Table 109: Dwelling Stock by Tenure (DLUHC). This table provides the number of dwellings by tenure type (owner-occupied, private rented, local authority, housing association) for each English region, updated annually. The private dwelling count (owner-occupied plus private rented) totals 21.4 million for England. The UK-wide estimate of 25.2 million private dwellings incorporates published Scottish and Northern Irish totals and an estimate for Wales based on national housing statistics. The dwelling stock figures are used both as the tax base (number of properties subject to the new tax) and as the weighting variable for computing regional median prices and aggregate stock values.

Stamp Duty Land Tax Statistics 2024–25, Tables 5a and 6a (HMRC). Table 5a provides residential SDLT transactions, property values, and receipts by English region and Northern Ireland. Table 6a provides the total residential and non-residential breakdown by price band. The key finding is that London and the South East account for 60.0% of residential SDLT receipts (£6,225 million of £10,380 million).

Council Taxbase Statistical Collection, October 2025 (DLUHC). Three tables from this collection were used. Table 1.01 provides the total number of dwellings on the Council Tax valuation list by band (A through H) for each English local authority, aggregated to regional level. The England total is 25,817,220, which serves as an independent cross-check against the dwelling stock estimates from Live Table 109. Table 1.07 provides the number of chargeable dwellings adjusted for disabled relief. Table 1.11 provides the count of second homes by region (267,894 in England). This dataset enables both the median Council Tax calculation and the second home surcharge revenue estimate.

SDLT Elasticity Research (OBR, 2017). The OBR's 2017 analysis of Stamp Duty elasticities provides the principal evidence base for estimating potential

behavioural responses to SDLT abolition. While the current model uses static revenue estimates, this research suggests that abolishing SDLT could increase housing transactions by between 8% and 20%, depending on price band and region. This represents an omitted upside factor in the current estimates, noted but not incorporated.

Calculation Methodology

Aggregate Stock Valuation

The aggregate value of the private housing stock is estimated using a bottom-up regional approach:

For each of the nine English regions, the regional median house price (from HPSSA Dataset 9) is multiplied by the regional private dwelling count (from Live Table 109). The nine regional products are summed to produce the England-wide median-basis stock value. This yields approximately £7.35 trillion. The UK-wide figure adjusts for Scotland, Wales, and Northern Ireland using national-level median prices and dwelling estimates.

A conservative policy assumption of £7.0 trillion is adopted for the headline revenue calculations. This represents a 5% discount to the median-basis estimate, providing a margin against valuation uncertainty and the possibility that median prices overstate the value of the lower end of the distribution while understating high-value properties in ways that may not net out precisely.

The dwelling count of 25.2 million (UK-wide) is explicitly "owner-occupied plus privately rented". The housing stock valuation was derived by taking the ONS total residential value (£8.5–9T) and deducting roughly £1.2–1.5T for social housing; the median-basis calculation yields £7,346 billion. Residential SDLT revenue in HMRC data shows £10.4 billion. The SDLT regional split is 60% London and South East. The median effective Council Tax is £1,689. The net fiscal surplus validated figure is £19 billion.

The latest whole-market estimate puts the total value of UK housing stock at a record £9.10 trillion at end-2024 (Savills), above the £8.50 to £9.00 trillion ONS-derived figure used here. Applying the same social-housing deduction and 1 per cent rate to that higher stock value yields net new revenue of approximately £20.00 billion. The net figure is therefore best read as a range of £18.00 billion to £20.00 billion, with the published £18.10 billion at the conservative end, consistent with the median-basis valuation and the 5 per cent policy discount adopted throughout.

Property Tax Revenue

Gross annual revenue is calculated as the product of the tax rate (1%) and the aggregate stock value. On the conservative basis: £7,000 billion $\times$ 0.01 = £70.0 billion. On the validated median basis: £7,346 billion $\times$ 0.01 = £73.5 billion.

The regional split is computed by applying the 1% rate to the regional stock values. London and the South East (aggregate stock value £2,998 billion on the median basis) generate £30.0 billion. The rest of England (£4,348 billion) generates £43.5 billion.

Taxes Replaced

Council Tax revenue of £45 billion is taken from DLUHC Council Tax statistics for 2024–25. The regional split is estimated by weighting each region's dwelling count

by its effective median Council Tax (see below), producing £12.8 billion for London and the South East and £32.2 billion for the rest of England.

Residential SDLT revenue of £10.4 billion and its regional split (£6.2 billion London and South East, £4.2 billion rest of England) are taken directly from HMRC Table 5a.

Median Council Tax Calculation

The effective median Council Tax is derived from the band distribution of dwellings in each region using the following procedure:

1. The number of dwellings in each Council Tax band (A through H) is extracted from Table 1.01 of the Council Taxbase collection for each English region.
2. The Council Tax charge for each band is calculated by applying the statutory band ratio to the regional Band D rate. The ratios are: Band A = 6/9 of Band D; Band B = 7/9; Band C = 8/9; Band D = 1; Band E = 11/9; Band F = 13/9; Band G = 15/9; Band H = 2. Band D rates used are: London £1,899; South East £2,152; national average £2,065.
3. The median band is identified as the band containing the cumulative 50th percentile of the dwelling distribution. For England as a whole, this is Band B. For London, it is Band D. For the South East, it is Band C.
4. The median Council Tax charge is the Band D rate multiplied by the median band ratio for each region.
5. An 8% effective discount is applied to derive the amount actually paid. This discount reflects the fact that approximately 33% of households receive a 25% single-person discount, yielding an effective average discount of 8% across all dwellings.
6. Regional aggregates (London plus South East, rest of England) are computed as dwelling-weighted averages of the constituent regional medians.

The resulting effective median Council Tax figures are: England £1,689 per year; London and South East £1,754; rest of England £1,571.

Household-Level Impact

The median annual increase for each regional grouping is calculated as the difference between the new property tax (regional median house price $\times$ 1%) and the effective median Council Tax currently paid. This calculation does not incorporate the loss of Stamp Duty, which is a transaction tax paid only on purchase and therefore does not directly offset the annual property tax at the household level (though it does affect the net fiscal position at the aggregate level).

Second Home Surcharge Revenue

The surcharge revenue is estimated by multiplying the count of second homes in each region (from Table 1.11) by the regional median house price (from HPSSA Dataset 9) and by the surcharge rate. At an example surcharge factor of 2 (meaning second homes pay 2% total — the standard 1% plus an additional 1%), the estimated surcharge revenue is approximately £0.9 billion for England. This is a lower bound because second homes are likely to have above-median values.

Remaining Data Gaps

Four data gaps remain, none of which is critical to the core fiscal analysis:

Scotland and Northern Ireland official dwelling counts by tenure are not available in the same format as the English Live Tables. The current estimates use published national totals with assumed tenure splits based on English proportions. Wales Council Tax equivalent data is treated similarly. These gaps affect the UK-wide totals but not the English regional analysis, which drives the distributional conclusions.

Actual mean house prices by region would provide a more accurate aggregate stock valuation than median prices, which by construction understate the contribution of the right tail of the price distribution. ONS and OBR publish aggregate statistics that could support a mean-based estimate, but this has not been incorporated in the current version.

Behavioural responses to SDLT abolition have not been modelled. The OBR's 2017 elasticity research is available in the project data files and could support a dynamic revenue estimate in future iterations. This would likely show additional revenue from increased transaction volumes and associated taxes (VAT on moving services, income tax on estate agent and solicitor fees, etc.).

Collection rates and administrative costs for the new property tax have not been estimated. Council Tax collection rates in England average approximately 97%, and there is no strong reason to expect a materially different rate for a property tax levied through the same billing infrastructure, but this assumption has not been formally tested.

Source File Reference

File	Source	Period	Used For
hpssadataset9median_reduced.xlsx	ONS HPSSA Dataset 9	Year ending Mar 2023	Regional median house prices
L109_Stock_reduced.xlsx	DLUHC Live Table 109	2024	Private dwelling counts by region
L100_dwellings_2024.xlsx	DLUHC Live Table 100	2024	Total dwelling counts (cross-check)
StampDuty_regions_202425.xlsx	HMRC SDLT Statistics	2024–25	Regional SDLT receipts (Tables 5a, 6a)
CT_LA_2025_reduceddataonly.xlsx	DLUHC Council Taxbase	October 2025	Band distribution, second homes (Tables 1.01, 1.11)
SDLTelasticities_OBR_2017.xlsx	OBR	2017	SDLT behavioural elasticities (not yet incorporated)

RELATED

Referenced by: [Local Property Tax \(Revenue Instrument\)](#)

Property Tax: Valuation Methodology

APPENDIX · economics

A Practical Approach Using Existing Infrastructure

The core proposal

This section sets out a valuation methodology for a 1% annual property tax on all private dwellings in England. The approach is designed to be deliverable within one to two years using infrastructure that already exists, accepted methods already in use by government, and data sources already collected as a matter of routine. It avoids any requirement for physical inspection of properties, new primary legislation on valuation, or the creation of new institutional capacity.

The methodology rests on a simple hierarchy: where a property has been sold and the price recorded by HM Land Registry, that transaction price — adjusted only for the passage of time using the published UK House Price Index — provides the assessed value. Where no transaction record exists, the property's existing 1991 Council Tax valuation, adjusted forward using the same index, serves as the default. In both cases, the assessed value is then fixed until the next revaluation cycle or until the property is sold again, whichever comes first.

Why this is feasible now

Three developments have moved property valuation from theoretical possibility to demonstrated practice.

First, HM Land Registry's Price Paid Dataset now contains more than 24 million transaction records dating back to January 1995, covering residential sales across England and Wales at full market value. This is a comprehensive, continuously updated, open-data resource that records the actual price paid for every registered residential sale.

Second, the Valuation Office Agency has developed and deployed an Automated Valuation Model to support the 2028 Council Tax revaluation of all 1.5 million domestic properties in Wales. This model uses Land Registry transaction data, property characteristics, and spatial modelling to produce first-pass valuations for the vast majority of properties without physical inspection. The International Association of Assessing Officers, the recognised global authority on mass appraisal, reviewed the VOA's model and concluded that the findings were "more than satisfactory" and should give the VOA "confidence in the quality of the new valuation project conducted in Wales." The VOA estimates the approach reduces the cost of revaluation by one-third compared to manual methods.

Third, the government has already committed to using desk-based automated valuation for the High Value Council Tax Surcharge (the "mansion tax") announced in the November 2025 Budget, under which the VOA will assess approximately 150,000–200,000 properties worth over £2 million during 2026, using market data, property attributes, and Land Registry sales records — with no programme of physical inspections.

The principle that government can value residential properties at scale, using transaction records and statistical models rather than surveyors visiting every home, is no longer a matter of debate. It is current government practice.

The valuation hierarchy

The proposed methodology assigns each dwelling an assessed value through a two-tier system, applied in order:

Tier 1 — Last Land Registry transaction price, adjusted to valuation date. Where a property has a recorded sale in the Land Registry Price Paid Dataset (from January 1995 onwards), the most recent transaction price is adjusted forward to the valuation date using the ONS/Land Registry UK House Price Index for the relevant region. This yields an estimate of current market value anchored in an observed arm's-length transaction.

Tier 2 — 1991 Council Tax valuation, adjusted to valuation date. Where no Land Registry transaction exists — because the property has not been sold since before 1995, or is otherwise absent from the dataset — the property's existing Council Tax band midpoint value (based on the 1991 valuation) is adjusted forward using the same regional HPI series. Every property on the Council Tax valuation list already has an assigned band. The midpoint of that band, expressed in 1991 prices, provides a starting value that can be indexed forward using the cumulative house price change from 1991 to the valuation date.

In both tiers, once the assessed value is established at the valuation date, it remains fixed for the duration of the revaluation cycle (proposed at ten years), unless the property is sold. A sale during the cycle resets the assessed value to the transaction price, which then remains fixed until the next scheduled revaluation.

Coverage analysis: how much of the stock does each tier capture?

The practical viability of this approach depends on what proportion of England's 25.6 million dwellings fall into each tier. This determines both the accuracy of the aggregate tax base and the administrative burden on the system.

Tier 1 coverage — properties with a Land Registry transaction since 1995

The Land Registry Price Paid Dataset records all residential sales at market value lodged for registration since January 1995 — a span of 30 years. The dataset contains more than 24 million individual transaction records. However, because many properties have been sold more than once in this period, the number of *unique* properties with at least one recorded sale is substantially lower than the total transaction count.

Residential transaction volumes have varied significantly over the period. In peak years (2006–07, 2021), England saw upwards of 1.1 million transactions per year. In trough years (2009, 2023), volumes fell to around 800,000. A reasonable average over the full 30-year period is approximately 900,000–1,000,000 transactions per year in England alone.

At a turnover rate of roughly 4% of the dwelling stock per year, the probability that any individual property has been sold at least once over 30 years is approximately:

$$1 - (0.96)^{30} \approx 0.71, \text{ or roughly } 70\text{--}75\%$$

This estimate is consistent with the Land Registry's own figure of 24 million cumulative transactions against a stock of 25.6 million dwellings (acknowledging that repeat sales inflate the transaction count while new-build additions expand the denominator over time). A reasonable central estimate is that **approximately**

18–19 million dwellings in England have at least one Land Registry transaction record, with the most recent sale providing a directly observed market price.

These properties fall into Tier 1. For the large majority, the most recent transaction will be within the last 10–15 years, meaning the HPI adjustment required to bring the price to the valuation date is modest and well-calibrated by a robust regional index.

Tier 2 coverage — properties relying on indexed 1991 valuations

The remaining approximately 6–7 million dwellings have no recorded sale since 1995. These are predominantly properties that have been held by the same owner (or within the same family) for more than 30 years. They are disproportionately:

- older housing stock, particularly pre-war terraces and semi-detached homes in lower-value areas;
- properties inherited and retained within families;
- social housing transferred to housing associations before the Land Registry recording period;
- some rural and agricultural dwellings.

For these properties, the 1991 Council Tax valuation provides the only available administrative benchmark. Every dwelling on the Council Tax valuation list (25.8 million properties in England as at October 2025, per the DLHC Council Taxbase) has an assigned band, and the midpoint of that band expressed in April 1991 values is a known quantity.

The adjustment from 1991 values to the valuation date is substantial — national median house prices have risen from approximately £55,000 in 1991 to approximately £290,000 by 2023, a factor of roughly 5.3 — but the regional HPI series published by ONS provides a well-established, externally validated index for making this adjustment at regional level, with data available at local authority level for finer calibration.

Comparison of approaches: transaction-only versus hybrid

To assess whether the hybrid approach (Tier 1 + Tier 2) is necessary, or whether a simpler transaction-only methodology could work, this section compares the two approaches across the key dimensions of coverage, accuracy, and revenue impact.

Approach A — Transaction-only (last Land Registry sale price, adjusted)

Under this approach, only properties with a Land Registry record would receive an assessed value. Properties with no recorded transaction would either receive no assessment (and pay no tax), or would need to be valued through some alternative mechanism — individual self-assessment, VOA desk-based valuation, or deferral.

Coverage: Approximately 70–75% of dwellings, or 18–19 million out of 25.6 million.

Strengths: Every assessed value is anchored in an actual arm's-length transaction. The data is comprehensive, publicly available, and continuously updated. HPI adjustment is straightforward. There is minimal scope for dispute over the starting price.

Weaknesses: The 25–30% of dwellings without a transaction record — some 6–7 million properties — would be excluded entirely. This creates both a fairness

problem (long-term owners of valuable property pay nothing) and a revenue problem. Furthermore, the unrecorded properties are not randomly distributed: they are concentrated among older, longer-held properties, including some of the most valuable family homes in southern England. The revenue shortfall from excluding these properties would be material. If the excluded properties had a median value similar to the national average, the lost tax base would be roughly £1.5–2 trillion, corresponding to approximately £15–20 billion in foregone annual revenue at a 1% rate.

Verdict: A transaction-only approach is administratively simple but fiscally unacceptable and creates perverse incentives to avoid selling.

Approach B — Hybrid (transaction price where available, indexed 1991 value as default)

Under this approach, every dwelling on the Council Tax valuation list receives an assessed value: either from its most recent Land Registry transaction (Tier 1) or from its indexed 1991 Council Tax band midpoint (Tier 2).

Coverage: 100% of dwellings on the valuation list — approximately 25.8 million properties.

Strengths: Universal coverage from day one, using only data that government already holds. No property escapes assessment. No new data collection required for initial valuation. The 70–75% of properties valued through Tier 1 have assessments anchored in observed transactions. The 25–30% valued through Tier 2 have assessments that, while less precise, are based on a consistent national framework that has operated for over 30 years and is familiar to every household.

Weaknesses: The Tier 2 valuations are less accurate at the individual property level. The 1991 bands were broad (Band D covered properties valued at £68,001–£88,000 in 1991), and indexing forward using a regional average HPI cannot capture individual property improvements, extensions, or local micro-market variation. Some properties will be over-assessed relative to their true market value; others will be under-assessed. However, the direction of error is broadly neutral across the stock — and the system corrects itself automatically over time as properties are sold and move into Tier 1.

Revenue comparison: At a 1% annual rate on approximately 25.6 million dwellings with a total stock value of approximately £7.4 trillion (based on validated model estimates), the hybrid approach yields gross revenue of approximately £73.5 billion per year. A transaction-only approach, covering roughly 70–75% of the stock by value, would yield approximately £50–55 billion — a shortfall of nearly £20 billion that would eliminate the fiscal surplus on which the Universal Services programme depends.

Revaluation cycle

The proposed revaluation cycle is ten years. Between revaluations, assessed values are fixed unless a property is sold, in which case the transaction price becomes the new assessed value for the remainder of the cycle.

This approach has three advantages. First, it provides certainty to households: the annual tax bill is predictable and does not fluctuate with short-term market movements. Second, it minimises administrative cost: the VOA does not need to maintain a continuous valuation programme for all 25.6 million dwellings. Third, it creates a natural self-correcting mechanism: with approximately 4% of the

stock transacting each year, roughly 40% of all properties will have updated transaction-based valuations within a single ten-year cycle, progressively improving the accuracy of the overall tax base without any administrative intervention.

At each ten-year revaluation, the same hierarchy applies: properties with a recent transaction use that price; remaining properties have their previous assessed value updated using the cumulative regional HPI change over the intervening period.

Over successive cycles, the proportion of properties in Tier 2 (indexed 1991 values) will decline steadily as the stock turns over. Within two or three revaluation cycles, the vast majority of properties will have transacted at least once during the era of comprehensive Land Registry records, and the system will converge toward near-universal transaction-based assessment.

Legal and institutional basis

This methodology requires no new primary legislation for the valuation mechanism itself. The key enabling provisions already exist:

- **Council Tax (New Valuations for England) Act 2006** gave the Secretary of State power to order revaluations via secondary legislation (subject to the affirmative procedure). IPPR has confirmed that "revaluation can be achieved under existing legislation, meaning it could be passed quickly if the government chooses to act."
- **HM Land Registry Price Paid Data** is already published as open data under the Open Government Licence, freely available for any purpose including taxation.
- **The UK House Price Index** is an official National Statistic produced jointly by ONS, Land Registry, and the VOA, providing the regional and local authority adjustment factors the methodology requires.
- **The Valuation Office Agency** already maintains the Council Tax valuation list, operates the Automated Valuation Model deployed in Wales, and is preparing to value 150,000–200,000 properties for the High Value Council Tax Surcharge during 2026. The institutional capacity and technical infrastructure exist.

New primary legislation would be required for the property tax itself – establishing the 1% rate, an enabling power for local authorities to levy a second-home or additional-property surcharge, collection mechanisms, deferral provisions, and the replacement of Council Tax and Stamp Duty. But the valuation methodology can operate entirely within existing powers and data infrastructure.

Implementation timeline

The following timeline assumes a decision to proceed in Year 1 of the programme (coinciding with the political sequencing set out elsewhere in this paper, in which visible Universal Services benefits are delivered before the tax reform is announced).

Months 1–6: The VOA matches the Council Tax valuation list against the Land Registry Price Paid Dataset to classify every dwelling as Tier 1 or Tier 2. For Tier 1 properties, the most recent transaction price is identified. For Tier 2 properties, the 1991 band midpoint value is extracted. This is a data-matching exercise using

existing administrative databases — conceptually straightforward, operationally intensive at scale but well within the VOA's demonstrated capability.

Months 6–12: Regional HPI adjustment factors are calculated and applied. Each property receives a provisional assessed value. The VOA applies its existing AVM capability — proven at scale in Wales — to sense-check the results, flagging statistical outliers and properties at band margins for review. Provisional assessments are published.

Months 12–18: A formal challenge and review period allows homeowners to dispute their assessed value. The challenge process mirrors existing Council Tax band challenge procedures. To prevent frivolous or speculative disputes, challenges must assert a discrepancy of more than 10% of the provisional assessed value. Within that threshold, challenges are essentially limited to arguing that the recorded transaction was not at market value, that the property has been materially altered since the transaction, or that the Council Tax band allocation was incorrect.

Month 18–24: Final assessments are confirmed. The first annual property tax bills are issued. The system is operational.

This timeline is consistent with the VOA's own schedule for the Wales revaluation, where a valuation phase beginning September 2026 is expected to produce confirmed bands in time for April 2028 — a comparable 18-month window for 1.5 million properties. Scaling to 25.6 million English properties is more demanding, but the methodology proposed here is substantially simpler than the full AVM-based revaluation being undertaken in Wales, because it does not require model-based estimation for most properties — it simply reads an observed price from the Land Registry and multiplies by a published index.

Precedent and consensus

The approach proposed here is consistent with the direction of travel across the full range of recent reform proposals:

- **Fairer Share** (Andrew Dixon) proposes annual automated valuations linked to market data, arguing that "concerns about valuations are a red herring" and that with 77% of households seeing lower bills, "most people will take their cash and run before they worry about their valuation."
- **IPPR** (2021, 2025) confirms that "most revaluation work today is done using robust statistical modelling rather than on-the-ground inspections, and there is valuable experience to draw from the work undertaken by the Valuation Office Agency in Wales."
- **Onward** (Tim Leunig, 2025) advocates "a more efficient property valuation process," noting that below £500,000 homes are simpler to value because they are more homogeneous.
- **John Muellbauer** (Oxford, 2025) points to "the Automated Mass Valuation model based on transactions data from the Land Registry (currently being applied in Wales by the VOA)" as offering "considerably lower costs and greater speed of valuation per property."
- **The Mirrlees Review** (IFS, 2011) proposed a Housing Services Tax proportional to up-to-date values, and the broader IFS position has long been that transaction-based data provides the foundation for modern property taxation.

- **The UK government itself**, through the High Value Council Tax Surcharge, has committed to automated, desk-based valuation using Land Registry data and the VOA's AVM for implementation in 2028.

The question is no longer whether automated, transaction-based valuation is technically feasible. The government is already doing it. The question is whether the political will exists to apply the same proven methodology to the full dwelling stock.

Summary

The proposed valuation methodology requires no new data collection, no physical inspections, no new institutional capacity, and no new primary legislation for the valuation process itself. It uses the Land Registry Price Paid Dataset — the world's largest open property transaction database — combined with the UK House Price Index and the existing Council Tax valuation list, to assign an assessed value to every dwelling in England within 12–18 months of a decision to proceed.

For approximately three-quarters of dwellings, the assessed value is anchored in an observed market transaction. For the remainder, the existing 1991 Council Tax valuation, indexed forward using a nationally consistent methodology, provides a reasonable and defensible starting point that improves automatically as the stock turns over.

The approach is conservative, transparent, and challengeable. It builds on infrastructure and methods already accepted and deployed by government. It achieves universal coverage without the cost, delay, or political controversy of a full physical revaluation. And it produces a tax base sufficient to fund the fiscal programme set out in this paper.

RELATED

Referenced by: [Local Property Tax \(Revenue Instrument\)](#)

Property Tax: Deferral Provisions

APPENDIX · economics

Rationale

A uniform annual property tax assessed on current market values will, by design, create obligations that some owner-occupiers cannot meet from current income. The most politically salient cases involve long-term owners — particularly elderly homeowners — who purchased at historically low prices and now occupy properties whose assessed values generate tax liabilities substantially exceeding their household budgets. A reform that forces the sale of family homes to meet tax obligations would be both unjust and politically unsustainable.

The deferral mechanism proposed here addresses this by allowing qualifying owner-occupiers to defer annual tax payments as a registered charge against the property, settled on eventual sale or transfer. The deferred amount accrues simple interest at a rate linked to prevailing monetary policy, ensuring the public finances are not subsidising private asset retention while keeping the cost of deferral proportionate and predictable for the homeowner.

This approach draws on established precedent. Several North American jurisdictions operate property tax deferral schemes along comparable lines. Oregon's Senior and Disabled Property Tax Deferral Programme permits qualifying homeowners to defer property taxes as a lien against the property at a fixed interest rate. British Columbia's programme extends eligibility to any homeowner over 55, regardless of income, at a rate of prime plus two percentage points. In the United Kingdom, the Inheritance Tax Acts (IHTA 1984, ss.227–228) already provide for instalment payment of tax attributable to certain property, with interest accruing over a ten-year period. Council Tax hardship relief under s.13A of the Local Government Finance Act 1992, while operating as a discretionary write-down rather than a deferral, establishes the principle that inability to pay a property-based tax from current income warrants accommodation. The mechanism proposed here is more systematic than any of these precedents but rests on well-established legal and administrative foundations.

Eligibility

Deferral is available exclusively to owner-occupiers of a principal private residence. This single criterion eliminates the majority of potential avoidance structures while targeting relief precisely at the cases where it is needed and politically justified.

Properties held through trusts of any kind — whether bare trusts, life interest trusts, or discretionary trusts with a permitted occupier — are excluded. Second homes and additional properties are excluded. The surcharge applicable to second and additional homes, which under this reform is a matter for local government, operates under a separate system with its own administrative provisions.

Where a property is held in shared ownership — whether as joint tenants or tenants in common — the deferral operates at the level of the property, not the individual owner. A single deferral election covers the entire annual tax liability for that dwelling, and the resulting charge is registered against the property as a whole. All co-owners are jointly and severally bound by the election. This avoids

the administrative complexity of apportioning deferred and non-deferred fractions of a single tax liability across multiple owners, and ensures that the charge on the title is clear and undivided.

No means test applies. Any qualifying owner-occupier may elect deferral regardless of income, savings, or other assets. This is a deliberate design choice. Means testing would introduce administrative complexity disproportionate to any targeting benefit, would require intrusive disclosure from homeowners already in difficult circumstances, and would create cliff-edge effects at income thresholds. The interest charge on deferred amounts provides a natural economic incentive to pay where an owner can do so; owners with sufficient income will generally prefer to pay the tax rather than accumulate an interest-bearing charge against their home. The scheme is thus self-targeting without requiring bureaucratic oversight.

Terms of Deferral

Existing owner-occupiers at introduction

All owner-occupiers in residence at the date the tax comes into force may elect deferral with no term limit. The deferral continues until the property is sold, the owner elects to settle voluntarily, or the owner dies without a qualifying successor (see below). This open-ended provision is essential to the political viability of the reform. Existing owners made purchasing decisions under a different tax regime and cannot reasonably be expected to have planned for an annual liability assessed on current market values. An elderly homeowner who purchased a property forty years ago at a fraction of its current value should not face a time-limited window after which payment becomes compulsory regardless of their circumstances.

Post-introduction purchasers

Any property acquired after the tax comes into force carries a maximum deferral allowance of ten tax years. The limit attaches to the property under a given ownership, not to the individual owner. The ten deferred years need not be consecutive: an owner might defer for three years following redundancy, resume payment for several years, and elect deferral again on the same property following retirement, provided the cumulative total of deferred years on that property does not exceed ten. This accommodates genuine hardship arising from changes in circumstances without permitting indefinite deferral by owners who could otherwise plan to meet the obligation.

Since the full deferred balance is settled on sale (see below), each new acquisition resets the allowance. An owner who uses all ten years of deferral on one property, sells, and purchases a new principal residence receives a fresh ten-year allowance on the new property. The settlement at each transaction ensures that accumulated liabilities never extend beyond ten vintages, providing a natural ceiling on the deferred balance regardless of how frequently or infrequently an owner elects deferral over the course of their housing career.

Once ten years of deferral have been used on a given property, no further deferral is available for that dwelling under that ownership. Annual tax becomes payable in the normal way. Deferred amounts accumulated during the years of deferral continue to accrue interest until settled. The exhaustion of the deferral allowance does not accelerate settlement of previously deferred amounts; it simply ends the availability of new deferrals.

Spousal succession and relationship breakdown

Where a property passes to a spouse or civil partner on the death of the deferring owner, the deferral continues on the same terms without interruption. This does not constitute a new transaction. If the deceased owner held an open-ended deferral as an existing owner at introduction, the surviving spouse inherits that open-ended status. This mirrors the logic of the Inheritance Tax spouse exemption: the economic unit of the household has not changed, merely the identity of the surviving member.

The same principle applies on divorce or dissolution of a civil partnership. Where one party retains the property following a court order, the existing deferral continues uninterrupted. The retention of the property by one former partner does not reset any term limit or constitute a new transaction for the purposes of these provisions.

Interest

Calculation method

Interest accrues as simple interest, calculated on a vintage year basis. Each annual deferred amount is treated as a separate obligation, accruing interest individually from its own due date. On settlement, the total payable is the arithmetic sum of all vintages and their respective accrued interest.

This approach is chosen for administrative simplicity. Under compound interest, the outstanding balance must be recalculated at each compounding interval, generating path-dependent totals that are difficult for homeowners to verify independently. Under simple interest with vintage tracking, each year's liability is a straightforward multiplication: the deferred amount, multiplied by the applicable rate, multiplied by the number of years elapsed. A solicitor handling a conveyance can verify the total settlement figure with basic arithmetic.

Applicable rate

The interest rate for each vintage is fixed at the Bank of England base rate prevailing on the due date for that year's tax, plus one percentage point. Once set, the rate for a given vintage does not vary — it is locked for the life of that obligation. This eliminates the need to track daily or quarterly rate changes across multiple vintages and gives homeowners certainty about the cost of each year's deferral at the point the election is made.

Illustrative example

An owner deferring £3,000 per year with a prevailing rate of 5.5% (base rate of 4.5% plus one percentage point) would, after five years, owe:

Vintage	Deferred amount	Years elapsed	Interest accrued	Subtotal
Year 1	£3,000	5	£825	£3,825
Year 2	£3,000	4	£660	£3,660
Year 3	£3,000	3	£495	£3,495
Year 4	£3,000	2	£330	£3,330
Year 5	£3,000	1	£165	£3,165
Total	£15,000		£2,475	£17,475

Under compound interest at the same rate, the total after five years would be £17,691 — a modest difference over this period, but one that grows substantially over longer horizons. Over twenty years of continuous deferral at £3,000 per year and 5.5%, simple interest produces approximately £52,500 in total interest charges compared with approximately £62,800 under compounding.

Partial Settlement

An owner may elect at any time to settle individual vintages, beginning with the earliest outstanding. This serves two practical purposes. First, it allows owners whose circumstances improve to reduce their accumulated liability without being required to settle the entire balance. Second, it provides a mechanism for owners who wish to remortgage or otherwise borrow against the property to clear sufficient deferred tax to restore headroom in the property's equity, since the deferred charge ranks senior to mortgage debt (see below).

Partial settlement is voluntary and carries no obligation to continue settling further vintages. An owner who clears three years of deferred tax is not thereby committed to clearing any subsequent years.

Charge on Property

Registration

The deferral is registered against the property through the Land Registry as a restriction at the point deferral is first elected: the title cannot be sold or remortgaged without settlement of the deferred balance through NS&I. The restriction appears on standard conveyancing searches, so every lender, purchaser, and other party with an interest in the title knows a deferred charge exists and that the state must be settled at any transaction. The balance itself is not published. A lender advancing against the property obtains the figure as lenders obtain every other element of a borrower's position, by requiring sight of the borrower's NS&I statement as a condition of the advance, and a purchaser is protected by redemption at completion. This preserves the full protective force of registration while keeping a household's deferred tax off the public record: the register announces that the state must be paid, not what a family owes.

Priority

The deferred tax charge ranks senior to all other charges on the property, including mortgages, local authority deferred payment agreements under the Care Act 2014, and any other secured debts. On sale, the settlement waterfall is: deferred tax (including accrued interest), then mortgage redemption, then other secured charges, then the owner.

Where a property carries deferred charges of more than one kind, they rank in a fixed order: the real-gain charge arising at a transfer first, then charges on sheltered receipts, then deferred Property Tax, all ahead of any private charge. A mortgage lender left short at a sale by the senior public charges is protected by the same mechanism the Right to Sell provides, conversion of the uncovered balance into long bonds, so that public seniority reorders the settlement queue without extinguishing the lender's claim.

This priority reflects the nature of the obligation. The annual property tax funds public services including the Universal Care Service that supplements the current social care funding system. A tax charge that ranked behind commercial lending

would create perverse outcomes in which mortgage lenders were effectively given priority over the public revenue, and would undermine the fiscal integrity of the deferral scheme by introducing credit risk that the public finances should not bear.

The practical consequence is that mortgage lenders will factor the existence and potential growth of deferred tax charges into loan-to-value calculations when extending credit to properties where deferral is active. This is not an unintended side effect but a desirable feature of the scheme: it creates natural market discipline against over-leveraging on properties with active deferrals and ensures that lending decisions are made with full visibility of the property's encumbrances.

No portability

Deferred amounts are not transferable to a new property. On sale of the charged property, the full outstanding balance — all vintages plus accrued interest — must be settled from the sale proceeds. If the owner purchases a new principal residence, they receive a fresh ten-year deferral allowance on that property. Years of deferral used on a previous property have no bearing on the new allowance. There is no mechanism for rolling accumulated deferred liabilities from one property to another.

Transfer to Public Ownership

The Crown's recovery is bounded by the property itself. In the unlikely event that the accumulated deferred balance comes to equal the value of the home, which would require a combination of very long deferral, sustained high interest rates, and significant price decline, the accommodation concludes in acquisition rather than pursuit: the property transfers into public ownership in satisfaction of the debt, the occupier is offered a secure tenancy, and any junior lender is made whole through the Right to Sell's bond mechanism. No personal liability attaches to the owner, their estate, or any successor, and no household is put out of its home; the occupant's maximum exposure is the equity in the property, and their tenure survives the equity's exhaustion. The Exchequer's position concludes in an asset added to the social housing stock rather than a write-off, at a net acquisition cost near zero, since the property is taken in satisfaction of tax already owed.

Interaction with Other Legal Frameworks

Means-tested benefits and care cost assessments

For the purposes of any capital assessment conducted under means-tested benefit rules or the Care Act 2014 care cost charging provisions, the assessable value of a property subject to a deferred tax charge is its current market value less the outstanding deferred balance. This ensures that the deferral mechanism does not inadvertently disadvantage owners in interactions with other parts of the welfare and care system. An owner who is deferring precisely because they are on a low income should not be treated as holding more assessable capital than they effectively do.

Mortgage lending

No consent from an existing mortgage lender is required to elect deferral. The charge is statutory in nature, analogous to a tax lien, and arises by operation of law when the owner makes the election. Lenders are notified through the Land Registry charge registration, which appears on standard title searches. This is

consistent with existing practice for other statutory charges — lenders are not asked to consent to a charging order obtained by HMRC for unpaid tax, for example, and the principle is the same here.

Lenders may, of course, take the existence of a deferred tax charge into account in their ongoing risk assessment of the mortgage. This is expected and appropriate. A lender who considers that a growing deferred tax charge materially affects the security of their mortgage may adjust their terms at the next available opportunity, subject to the regulatory framework governing mortgage conduct. What they may not do is prevent the owner from exercising a statutory right to defer a tax obligation.

Administration

The scheme is administered by HMRC as part of the annual property tax assessment process. Election of deferral is made on the annual return or through a simple notification process. HMRC maintains the vintage ledger for each deferring property, recording the deferred amount, applicable interest rate, and accrued interest for each tax year. On settlement — whether through sale, voluntary payment, or death — the conveyancer or personal representative obtains a settlement statement from HMRC specifying the total payable, and the charge is released on the Land Registry title upon confirmation of payment.

The administrative burden is modest. The vintage ledger is a simple tabular record. Interest calculations require only arithmetic. The annual update — adding one new vintage row and incrementing the elapsed years on existing rows — is trivially automatable. The scheme piggybacks on existing Land Registry and HMRC infrastructure without requiring new institutional arrangements.

Aggregate Deferral Exposure and Exchequer Cash-Flow Impact

The deferral mechanism is designed for individual hardship, but its aggregate fiscal consequences must be assessed. If a substantial fraction of owner-occupiers elect to defer, the Exchequer faces a gap between assessed revenue and cash collected. This section models that gap across the programme's transition period and demonstrates that the fiscal architecture absorbs it comfortably in every scenario.

The deferral population

Not all owner-occupiers are plausible deferrers. The scheme is restricted to principal private residences, excluding all landlords and second-home owners. Mortgagors face a strong disincentive: the deferred charge ranks senior to the mortgage, is visible on the title, and reduces assessable equity, meaning mortgage lenders will effectively discourage deferral through loan-to-value constraints. The realistic deferral population therefore consists predominantly of outright owners on low current incomes — a group concentrated in the first and second income quintiles, comprising an estimated 1.4 million and 1.8 million households respectively, of whom the large majority are retired.

Not all of these households will elect deferral. Some will have sufficient pension income or savings to prefer paying the tax over accumulating a charge on their home. Some will have properties of sufficiently low value (particularly in the North East and North West, where the steady-state median property tax is £1,525 to £2,000 per year) that the annual charge is manageable even on a modest pension. The central estimate is that approximately 2.5 million households will

defer at steady state, with a plausible range of 1.5 to 3.5 million. The deferring population itself ramps over two to three years as households assess the new tax against their circumstances — not everyone elects immediately.

The transition context

The property tax does not arrive as a single event. It phases in over three years alongside a corresponding decline in Council Tax and Stamp Duty Land Tax:

Year	Council Tax (£B)	Property Tax (£B)	SDLT Loss (£B)	Total Property Revenue (£B)
Y1	45.00	—	—	45.00
Y2	30.00	24.50	-3.43	51.07
Y3	15.00	49.00	-6.86	57.14
Y4	—	73.50	-10.40	63.10
Y5	—	73.50	-10.40	63.10

Deferral applies only to the new property tax, not to Council Tax. During Years 2 and 3, Council Tax continues to be collected at £30.00 billion and £15.00 billion respectively, with no deferral mechanism. This provides a substantial cash buffer during the transition. The per-household property tax liability is also lower during the phase-in — one-third of the steady-state rate in Year 2 and two-thirds in Year 3 — reducing both the incentive and the amount available to defer.

Cash-flow profile under three scenarios

The following table shows total property-related cash revenue (Council Tax plus property tax net of deferrals plus SDLT loss) for the central scenario over ten years, compared with the pre-reform baseline of £45.00 billion. Recoveries assume that approximately 4% of the deferring stock settles annually through sales, downsizing, and estate settlement. Interest accrues at 5.5% (base rate 4.5% plus one percentage point). The deferring population ramps from 1.2 million in Year 2 to 2.5 million at steady state from Year 4.

Year	Deferrers (M)	Tax per HH (£)	New Deferrals (£B)	Recovered (£B)	Outstanding Balance (£B)	Total Cash Revenue (£B)	Surplus over Baseline (£B)
Y1	—	—	—	—	—	45.00	—
Y2	1.2	967	1.16	—	1.22	49.91	+4.91
Y3	2.0	1,933	3.87	0.05	5.32	53.32	+8.32
Y4	2.5	2,900	7.25	0.21	13.01	56.06	+11.06
Y5	2.5	2,900	7.25	0.52	20.78	56.37	+11.37
Y6	2.5	2,900	7.25	0.83	28.59	56.68	+11.68
Y7	2.5	2,900	7.25	1.14	36.43	56.99	+11.99
Y8	2.5	2,900	7.25	1.46	44.29	57.31	+12.31
Y9	2.5	2,900	7.25	1.77	52.14	57.62	+12.62
Y10	2.5	2,900	7.25	2.09	59.99	57.94	+12.94

Total cash revenue = Council Tax collected + property tax collected (net of deferrals, plus recoveries) + SDLT loss. Surplus = total cash revenue less pre-reform CT baseline of £45.00B.

The low and high scenarios produce the following Year 5 and Year 10 positions:

Metric	Low (1.5M)	Central (2.5M)	High (3.5M)
Y5 outstanding balance (£B)	12.55	20.78	29.21
Y5 cash surplus over baseline (£B)	+14.07	+11.37	+8.68
Y10 outstanding balance (£B)	36.51	59.99	83.76
Y10 cash surplus over baseline (£B)	+14.94	+12.94	+10.87

Property-related cash revenue exceeds the pre-reform baseline in every year and every scenario, from Year 2 onward. The programme never falls below breakeven on a cash basis.

Why the early years are the safest

The phase-in creates a natural hedge against deferral risk. In Year 2, three factors combine to minimise the cash-flow impact of deferrals. First, the property tax is at one-third of its steady-state rate, so the maximum deferral per household is approximately £967 rather than £2,900. Second, the deferring population has not yet fully materialised — households need time to assess the new liability and elect deferral. Third, Council Tax is still being collected at £30.00 billion with no deferral mechanism, providing a cash floor that has no equivalent in the steady-state model. Even in the high scenario, Year 2 deferrals total just £1.74 billion — less than 1% of total property-related revenue of £52.76 billion.

By Year 4, when the property tax reaches its full rate and Council Tax has been fully abolished, the deferral amounts are larger — but by then the programme has accumulated two years of cash surplus and the first recovery flows from property sales are beginning to materialise. The transition mechanics and the steady-state deferral risk never coincide at their worst points.

The outstanding balance as a public asset

The deferred balance — which reaches approximately £21 billion by Year 5 and £60 billion by Year 10 in the central scenario — is not lost revenue. It is a pool of interest-bearing receivables secured against residential property. Each vintage accrues simple interest at base rate plus one percentage point, and the charge ranks senior to all other encumbrances on the title. In accrual accounting terms, the fiscal position is unchanged by deferral: assessed revenue equals cash collected plus accrued receivables. The effect is purely one of cash timing.

The outstanding balance can also be securitised if the cash-flow gap were ever to become operationally inconvenient. A pool of government-guaranteed, interest-bearing, property-secured receivables with predictable recovery characteristics is a straightforward candidate for bond issuance, analogous to the student loan securitisation programme. This option exists as a backstop but is unlikely to be needed given the comfortable cash surplus in all scenarios.

Conclusion

Mass deferral is a manageable cash-timing feature of the reform, not a structural vulnerability. The three-year phase-in of the property tax — with Council Tax continuing to provide a cash floor during the transition and per-household liabilities rising gradually — means that the period of greatest theoretical deferral risk (when the full steady-state rate applies) does not arrive until the programme has already built a substantial cash cushion. The property tax generates a sufficient surplus over the pre-reform baseline to absorb deferral rates well

beyond any realistic estimate, while the deferred balance itself constitutes a growing pool of interest-bearing, property-secured public assets that will settle through the normal housing transaction cycle.

RELATED

Referenced by: [Local Property Tax \(Revenue Instrument\)](#), [Property Tax effects \(Household Effect\)](#)

Equalisation of VAT on Residential Construction

A Unified 5% Reduced Rate on New Builds and Renovations

APPENDIX · economics, business

Policy Proposal for the United Kingdom

1 Executive Summary

This appendix sets out a proposed reform to the Value Added Tax treatment of residential construction in the United Kingdom. The policy replaces the current regime — in which new residential construction is zero-rated and renovation, repair and maintenance work is charged at the standard rate of 20% — with a unified reduced rate of 5% on both categories of residential construction output.

Certain categories of publicly-funded or socially-directed construction activity are excluded from the new rate and remain zero-rated or exempt. These exclusions are: public heritage buildings (listed buildings under public ownership or charitable stewardship); social housing provided by local authorities; housing association development and maintenance; hospices and palliative care facilities; and properties purchased under government equity loan schemes (Help to Buy and successor programmes).

The policy is designed to be approximately revenue-neutral to the Exchequer, eliminating a long-standing distortion in the tax treatment of the built environment while preserving the fiscal position.

2 The Problem: A Perverse Incentive Structure

2.1 Current VAT Regime

The UK applies three distinct VAT rates to residential construction activity, as set out in HMRC VAT Notice 708 and the Value Added Tax Act 1994:

Zero rate (0%) applies to the construction of new dwellings, relevant residential buildings (care homes, student halls), and buildings used solely for qualifying charitable purposes. The zero rate extends to building materials ordinarily incorporated into a qualifying building when supplied and installed by the contractor.

Reduced rate (5%) applies in limited circumstances: renovation or alteration of residential premises that have been unoccupied for two or more years; conversions that change the number of dwellings (e.g. a house into flats); conversion of non-residential buildings to residential use; and installation of qualifying energy-saving materials (temporarily zero-rated until 31 March 2027).

Standard rate (20%) applies to all other construction work on existing buildings, including routine repairs, maintenance, renovation of occupied dwellings, extensions, and alterations that do not qualify for the reduced rate.

2.2 The Distortion

The differential creates a tax wedge of 20 percentage points between building new and renovating existing stock. A homeowner or developer choosing between demolishing an existing dwelling and constructing a replacement (zero-rated)

versus renovating the same dwelling (standard-rated) faces a powerful fiscal incentive to demolish and rebuild. This incentive operates against several established policy objectives:

Environmental policy. Renovation and retrofitting of existing buildings typically involves substantially lower embodied carbon than demolition and new construction. The Institution of Structural Engineers estimates that retrofitting an existing building generates 50–75% less embodied carbon than new-build replacement. The VAT differential therefore acts as a carbon subsidy for demolition.

Heritage and placemaking. The character of established neighbourhoods, high streets and town centres depends on the maintenance and adaptive reuse of existing building stock. A tax penalty on renovation accelerates the replacement of characterful built fabric with generic new construction.

Housing supply efficiency. The UK has approximately 700,000 long-term empty homes (DLUHC, 2024). Bringing empty stock back into use through renovation is typically faster and less land-intensive than equivalent new-build, yet the VAT regime penalises this route.

Construction sector capacity. The renovation and repair sector supports a larger number of smaller and medium-sized enterprises, many operating locally. The tax differential channels activity toward larger-scale new-build developers with greater capacity to absorb VAT complexities.

2.3 Post-Brexit Sovereign Discretion

Prior to withdrawal from the European Union, the UK's discretion over VAT rates was constrained by EC Directive 2006/112/EC (the Principal VAT Directive), which required a standard rate of at least 15% and limited the scope and level of reduced rates. The UK's existing zero rate on new residential construction was maintained as a historical derogation (a "standstill" provision), but extending zero-rating or reduced rates to renovation was not straightforward under EU law.

Following Brexit and the end of the transition period on 31 December 2020, the UK has full sovereign discretion over VAT rate structures. There is no longer any legal impediment to applying a uniform reduced rate across all categories of residential construction. The European Commission's own January 2018 proposals to liberalise VAT rate flexibility — which were not fully implemented before the UK's departure — are now moot as regards UK policy design.

3 The Policy: Unified 5% Reduced Rate

3.1 Rate Structure

The proposed reform establishes a single reduced rate of 5% VAT on all residential construction activity in the United Kingdom, encompassing:

1. **New residential construction** — all new dwellings, flats and apartments, relevant residential buildings, and associated building materials and services that currently qualify for zero-rating under VAT Notice 708, Sections 3–6.
2. **Renovation, repair and maintenance of residential property** — all work on existing residential buildings that is currently charged at the standard rate of 20%, including routine repairs, maintenance, alterations, extensions, refurbishment and retrofitting.

3. **Conversions** — work currently qualifying for the 5% reduced rate (empty dwellings of 2+ years, changes in dwelling number, non-residential to residential conversion) continues at 5%.

The rate of 5% is chosen as the approximate revenue-neutral point, as demonstrated in Section 4 below.

3.2 Excluded Categories (Retained at Zero Rate)

The following categories of construction activity are excluded from the 5% rate and remain zero-rated (or exempt as applicable), on the grounds that applying VAT would either circulate revenue within public spending or conflict with specific social policy objectives:

Public heritage buildings. Construction, renovation, repair and maintenance work on buildings that are (a) statutorily listed under the Planning (Listed Buildings and Conservation Areas) Act 1990, and (b) owned by, or held in trust for, public bodies or registered charities whose primary purpose is heritage conservation. This preserves the existing heritage policy intention of the 2012 removal of VAT zero-rating on approved alterations to listed buildings (which moved to 20%), by applying a lower rate to genuine public heritage work while avoiding subsidisation of private listed property owners at the expense of broader renovation incentives.

Social housing provided by local authorities. New construction, renovation, repair and maintenance of dwellings owned and managed by local authorities as part of their Housing Revenue Account stock. VAT charged to local authorities on these activities would simply circulate within the public sector; zero-rating avoids the administrative burden and cash-flow cost of this circulation.

Housing association development and maintenance. Construction, renovation, repair and maintenance carried out by or for Registered Providers of Social Housing (as defined by the Regulator of Social Housing) on dwellings forming part of their social and affordable housing stock. Housing associations already benefit from zero-rating on new construction under the existing regime; extending the exemption to renovation and repair of their existing stock removes a perverse incentive that currently encourages housing associations to demolish and replace rather than refurbish.

Government equity loan schemes. New dwellings sold under Help to Buy or successor government equity loan schemes remain zero-rated to preserve the effectiveness of these first-time buyer support programmes. The exemption is limited to properties where the government holds an equity stake at the point of first sale.

Hospices and palliative care facilities. New construction, renovation, repair and maintenance of hospice buildings operated by NHS trusts, local authorities or registered charities whose primary purpose is the provision of palliative or end-of-life care. Hospices qualify as "relevant residential purpose" buildings under VAT Notice 708 because they provide residential accommodation with personal care, and new hospice construction is currently zero-rated under the existing regime. This exemption retains zero-rating for both new-build and renovation of hospice facilities, on three grounds. First, the overwhelming majority of UK hospices (approximately 200 inpatient units in England) are independent charities that cannot recover input VAT because they do not make taxable supplies; irrecoverable VAT on construction is therefore a real cost that reduces the

effective value of both NHS commissioning income (which typically covers only 30–35% of hospice operating costs) and charitable donations. Second, there is an established and pressing need for capital investment in the hospice estate, much of which dates from the 1980s and 1990s and requires substantial refurbishment to meet modern clinical and patient-experience standards; subjecting this renovation work to any VAT rate would reduce the reach of investment programmes. Third, hospice care is a core component of the right to dignified end-of-life treatment; zero-rating construction of these facilities is consistent with the broader principle that essential health and care infrastructure should not bear consumption taxes that cannot be recovered.

3.3 Scope and Definitions

Residential property takes its existing meaning from VAT Notice 708: a building designed or adapted for use as a dwelling, or as a number of dwellings, or for a relevant residential purpose (care homes, student accommodation, armed forces accommodation, religious communities, etc.).

Renovation, repair and maintenance encompasses all construction work carried out on an existing residential building, including but not limited to: structural repairs, roof replacement, rewiring, replumbing, kitchen and bathroom installation, window replacement, external and internal redecoration, damp treatment, energy efficiency retrofitting (insulation, heat pumps, solar panels, double glazing), extensions, loft conversions, and routine maintenance.

Building materials follow the existing HMRC definition of goods "ordinarily incorporated" into a building, with the same rules on contractor-supplied versus separately purchased materials.

4 Revenue Analysis

4.1 Construction Output Base

The revenue analysis draws on ONS Construction Output data (current prices, seasonally adjusted) and HMRC VAT receipts statistics. All figures reference the 2023 calendar year as the most recent full year with complete outturn data, cross-referenced against 2023-24 fiscal year data where appropriate.

Total UK construction output (2023, current prices): approximately £205 billion

This decomposes into the following broad categories:

Sector	Approximate Annual Output (£bn)	Current VAT Rate
Private new housing	39–42	0% (zero-rated)
Public new housing	5–7	0% (zero-rated)
Private housing R&M	33–37	20% (standard)
Public housing R&M	4–5	20% (standard)
Non-housing new work (infrastructure, commercial, industrial)	72–80	20% (not affected)
Non-housing R&M	38–42	20% (not affected)

Residential construction base relevant to this policy: approximately £85–91 billion

Of which:

- New residential construction: £44–49 billion (currently zero-rated)
- Residential renovation, repair and maintenance: £37–42 billion (currently at 20%)

4.2 Revenue Under Current Regime

VAT revenue from residential renovation, repair and maintenance at the headline 20% rate would imply gross receipts of approximately £7.4–8.4 billion on the £37–42 billion output base. However, several factors reduce the effective yield:

Input tax recovery. VAT-registered businesses carrying out work on commercial or mixed-use properties can recover input tax, reducing net receipts.

Informal economy. HMRC and academic estimates suggest that 20–30% of domestic residential repair and maintenance work is conducted informally (cash-in-hand), outside the VAT system entirely. This is partly a direct consequence of the high marginal rate: the 20% VAT charge represents the difference between formal and informal pricing, creating a powerful incentive for evasion.

Small business exemption. Businesses below the VAT registration threshold (£90,000 from April 2024) do not charge VAT. A significant proportion of small-scale residential repair work is carried out by sole traders and micro-enterprises below this threshold.

Adjusting for these factors, the effective VAT collected on residential renovation, repair and maintenance is estimated at **£5.0–6.5 billion** annually.

4.3 Revenue Under Proposed Regime

New revenue from new residential construction at 5%:

Total new residential output of £44–49 billion, less excluded categories:

- Social housing (local authority): approximately £2.5–3.5 billion
- Housing association new build: approximately £3.0–4.5 billion
- Help to Buy and successor schemes: approximately £1.0–2.0 billion (declining as schemes wind down)
- Hospices and palliative care facilities: approximately £0.1–0.2 billion

Taxable new residential base: approximately £35–42 billion

VAT at 5%: **£1.75–2.10 billion**

Reduced revenue from renovation at 5% (down from 20%):

Total residential R&M of £37–42 billion, less excluded categories:

- Local authority housing R&M: approximately £3.0–4.0 billion
- Housing association R&M: approximately £1.5–2.5 billion
- Public heritage (estimated): approximately £0.5–1.0 billion
- Hospices and palliative care facilities: approximately £0.1–0.2 billion

Taxable residential R&M base: approximately £30–35 billion

VAT at 5%: **£1.50–1.75 billion**

Revenue forgone from rate reduction (20% to 5%): approximately £3.5–4.75 billion in *headline* terms. However, the effective loss is substantially smaller because:

1. **Informal economy recapture.** Reducing the rate from 20% to 5% dramatically reduces the incentive for informal working. At 5%, the saving from avoiding VAT on a £10,000 job falls from £2,000 to £500 — insufficient to justify the legal risk for most consumers and tradespeople. Conservative estimates suggest 30–50% of currently informal work would move into the formal economy, expanding the taxable base by £7–12 billion and generating £0.35–0.60 billion in additional receipts at the 5% rate.
2. **Demand stimulus.** Lower effective prices for renovation work would increase demand for home improvement, energy retrofitting and property upgrading. Elasticity estimates from European countries that have applied reduced VAT rates to renovation (notably France's 5.5% *taux réduit* for housing renovation and Sweden's temporary ROT-avdrag deduction) suggest demand effects of 10–20%, expanding the taxable base.
3. **Reduced VAT fraud and avoidance.** The complexity of the current multi-rate system generates significant compliance costs and creates opportunities for rate misclassification. A uniform 5% rate on all residential construction simplifies compliance and reduces error.

4.4 Net Revenue Position

Revenue Component	Current Regime (£bn)	Proposed Regime (£bn)
VAT on residential R&M (effective)	5.0–6.5	1.5–1.75
VAT on new residential construction	0.0	1.75–2.10
Informal economy recapture	—	0.35–0.60
Demand stimulus effect (5% rate)	—	0.15–0.35
Estimated net VAT receipts	5.0–6.5	3.75–4.80

Central estimate of net Exchequer cost: £1.0–2.0 billion per annum

This represents less than 0.5% of total VAT receipts (£197 billion in 2024-25 per Autumn Budget 2024, Chart D.1) and less than 0.1% of Total Managed Expenditure (£1,226.35 billion in 2024-25 per PESA Table 1.1). The policy is described as "approximately revenue-neutral" on the basis that the combination of base-broadening (taxing currently zero-rated new builds), informal economy recapture, and demand effects brings the net fiscal cost within the range of normal forecasting uncertainty for construction-sector VAT, and well within the margin that could be absorbed by modest behavioural adjustments or compensating measures.

5 European and International Comparisons

The UK is not unique in applying differential VAT treatment to construction. However, Brexit has given the UK discretion that EU member states lack, and which several have sought:

France applies a reduced rate of 5.5% (*taux réduit*) to renovation and energy-efficiency work on dwellings more than two years old, alongside a 10% intermediate rate on general improvement works. New residential construction for social housing is at 5.5%; market housing is at 20%. France's experience with the reduced renovation rate since 1999 provides the strongest empirical base for estimating demand and formalisation effects.

Belgium applies 6% VAT to demolition-and-rebuild of dwellings in designated urban areas (expanded nationally during COVID-19 and subsequently made permanent), alongside 21% on most renovation and 6% on renovation of dwellings older than 10 years.

Ireland applies 13.5% (reduced rate) to most construction work including renovation, with a 0% rate on new residential construction — a structure closer to the UK's but with a smaller differential.

Sweden introduced a temporary tax deduction for renovation labour costs (ROT-avdrag) in 2009, which has been made permanent. While technically a tax credit rather than a VAT reduction, its effect is to reduce the effective tax burden on renovation by approximately 30%, and it has been credited with reducing informal construction activity by an estimated 20–30%.

The proposed UK policy of 5% on both new-build and renovation would create the most level playing field of any major European economy, eliminating the demolish-versus-renovate distortion entirely.

6 Implementation

6.1 Legislative Basis

The reform requires amendment to Schedule 8 (zero-rating) and Schedule 7A (reduced rating) of the Value Added Tax Act 1994, together with consequential amendments to the VAT (Input Tax) Order 1992 and the Value Added Tax Regulations 1995. The zero-rating provisions in Schedule 8, Group 5 (construction of dwellings) would be replaced with reduced-rate provisions at 5%, with carve-outs for the excluded categories detailed in Section 3.2.

6.2 Transitional Provisions

A transitional period of 12 months is recommended to allow:

- Revision of existing construction contracts with VAT-related pricing adjustments
- HMRC guidance updates to VAT Notice 708 and associated notices
- Software and accounting system updates for construction businesses
- Industry training and awareness

Work commenced under existing contracts before the effective date would be charged at the rate applicable at the date of supply. Work straddling the effective date would follow the existing HMRC rules on time of supply for construction services (Regulation 93, VAT Regulations 1995).

6.3 Compliance Simplification

The policy significantly simplifies VAT compliance for the residential construction sector. Under the current regime, a single project may involve three separate VAT rates (zero, 5%, and 20%) depending on the precise nature of each element of work. Under the proposed regime, virtually all residential construction work is charged at a single 5% rate, with zero-rating limited to the clearly-defined excluded categories. This reduces the risk of rate misclassification, simplifies invoicing, and reduces the administrative burden on HMRC and businesses alike.

7 Distributional and Economic Effects

7.1 Households

The reduction from 20% to 5% on renovation reduces the cost of home improvement by approximately 12.5% (the difference between 120% and 105% of the net price). For a typical £20,000 kitchen and bathroom renovation, this represents a saving of approximately £2,500. This saving is progressive in incidence: lower-income homeowners are more likely to live in older properties requiring maintenance, and the reduced rate makes formal, quality-assured work more accessible relative to informal alternatives.

The introduction of 5% VAT on new-build purchases increases the cost of a new home by 5% on the construction element (which represents approximately 40–60% of the total purchase price, the remainder being land). For a £300,000 new-build home with a £150,000 construction cost, this represents an additional £7,500. This impact is mitigated by the exclusion of social housing, housing association, and Help to Buy properties; and by the separate operation of Stamp Duty Land Tax (which already differentiates between first-time buyers and additional property purchasers following the Autumn Budget 2024 increase in the Higher Rates for Additional Dwellings surcharge from 3% to 5%).

7.2 Construction Industry

The policy is expected to be net-positive for construction sector employment, for two reasons. First, the renovation and maintenance sub-sector, which employs a higher proportion of SMEs and sole traders per pound of output than new-build, benefits from a 15 percentage point reduction in its VAT burden. Second, the formalisation effect brings currently informal workers and businesses into the regulated economy, improving quality standards, consumer protection, and tax compliance.

7.3 Environmental

By removing the tax incentive for demolition-and-rebuild over renovation, the policy supports the UK's net zero commitments. Combined with the existing temporary zero-rating on energy-saving materials (to March 2027), the 5% rate on renovation labour and other materials creates a favourable regime for whole-house energy retrofitting — a key component of the government's heat and buildings strategy.

8 Data Sources

- **HM Treasury**, *Public Expenditure Statistical Analyses 2024*, Tables 1.1, 1.3, 5.2 — Total Managed Expenditure and functional spending classifications (2023-24 outturn, 2024-25 plans)
- **HM Treasury**, *Autumn Budget 2024*, Tables C.1–C.6, Annex D — Revenue forecasts, departmental expenditure limits, and housing investment commitments
- **Office for Budget Responsibility**, *Fiscal Supplementary Tables: Expenditure* (November 2023), Table 3.7 — Welfare spending breakdown including housing benefit
- **Office for National Statistics**, *Construction Output in Great Britain* (December 2024 release) — Sector-level output values at current prices
- **Office for National Statistics**, *Construction Statistics, Great Britain: 2023* (November 2024) — Annual construction industry overview

- **HMRC**, *VAT Notice 708: Buildings and Construction* — Current VAT rate structure and definitions
- **HMRC**, *Estimated Costs of Tax Reliefs* — Cost of zero-rating on new residential construction
- **House of Commons Library**, *VAT on Construction* (Research Briefing SN00587, October 2025) — Legislative history and policy context.
<https://commonslibrary.parliament.uk/research-briefings/sn00587/>
- **European Commission**, EC Directive 2006/112/EC — Principal VAT Directive and Annex III reduced rate provisions <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32006L0112>
- **Regulator of Social Housing**, *Global Accounts of Housing Providers* — Housing association financial data <https://www.gov.uk/government/publications/2025-global-accounts-of-private-registered-providers>
- **DLUHC**, *Empty Dwelling Management Orders and Long-Term Empty Homes Statistics* — Empty property counts.
<https://www.gov.uk/government/statistics/dwelling-stock-estimates-in-england-2024/dwelling-stock-estimates-england-31-march-2024>

9 Conclusion

The proposed reform replaces a distortionary, complex and environmentally counterproductive VAT structure with a simple, uniform 5% rate on all residential construction — new-build and renovation alike. By carving out social housing, housing associations, public heritage, hospices and government equity loan schemes, the policy protects the social objectives served by zero-rating while eliminating the perverse incentive that currently penalises renovation relative to demolition-and-rebuild.

The estimated net fiscal cost of £1.0–2.0 billion per annum is modest in the context of a £1,226 billion expenditure budget and £197 billion annual VAT take, and is substantially offset by formalisation of informal construction activity, demand effects from lower renovation costs, and compliance simplification. Dynamic fiscal effects — reduced housing benefit expenditure from increased supply, increased economic activity, lower carbon emissions — would narrow this gap further over the medium term.

The UK's post-Brexit sovereign discretion over VAT rate structures creates a unique opportunity to implement this reform, which EU member states have long sought but been unable to achieve under the constraints of the Principal VAT Directive. The policy aligns tax incentives with environmental objectives, housing supply strategy, heritage conservation, and construction sector growth — delivering a more rational tax treatment of the built environment at negligible fiscal cost.

Prepared as part of ongoing analysis of UK public expenditure, fiscal policy and productive capacity. All monetary values expressed in pounds sterling at current prices. Construction output figures reference ONS 2023 calendar year data; fiscal figures reference PESA 2024 and Autumn Budget 2024 publications for the 2023-24 and 2024-25 fiscal years.

RELATED

Referenced by: [Equalise VAT on new house sales and renovations \(Structural Measure\)](#)

P2030 Inflation Effects

APPENDIX · economics

Scope

This appendix examines the channels through which the programme touches prices, and whether any of them would require the Bank of England to respond. It states directions, not magnitudes. The figures it uses are programme figures from the cashflow, or are drawn from public record; it does not put a point estimate on the change in measured inflation, because that depends on the ONS basket weights and index methodology in force at implementation. Where an asset-price effect is established in direction but not in size, the appendix refers to the relevant report appendix.

Headline results

- **The programme is net deflationary, not inflationary.** Removing bus fares, standing charges, the TV Licence and other administered prices from the household basket lowers the measured price level during the rollout. This is a one-off level effect, not a change in the ongoing inflation rate, and it is the kind of shift the Bank's remit directs it to look through.
- **Whether it withdraws demand depends on how the fiscal space is used.** It raises about £101B and reallocates £16B of benefits, spending £79B on services and capital. The unspent £38B is a net withdrawal of up to 1.4% of GDP if it is banked or used to reduce debt; spending it re-injects that demand, in full if the whole is spent on something like defence (a balanced-budget operation, broadly demand-neutral), in part if some is returned as cash benefits. No allocation is strongly expansionary.
- **Lower measured inflation slows the growth of indexed entitlements.** Benefit uprating, the triple lock, and index-linked gilt costs all grow more slowly, a fiscal gain the programme does not score.
- **The lasting effects push the same way.** Lower essential costs ease wage pressure, the care, transport and skills reforms expand labour supply, and the housing programme bears on rents.
- **Renters are taken out of property tax altogether.** The 1% Property Tax is levied on owners, 8.7 million renting households stop paying Council Tax, and a holding cost on landlords falls mainly on property values and landlord returns, with limited pass-through to rents.
- **The one inflation risk is sectoral and managed.** Construction and transport wages are likely to tighten during the build-out, partly offset by a Skills Centre pipeline that recruits from one million young people currently outside work and training.
- **No interest rate response is implied.** A one-off level shift is what the remit instructs the Committee to look through, and the demand stance is contractionary-to-neutral; if anything, rates can sit lower during the rollout.

A natural assumption about any programme that raises taxes by 3.7% of GDP and launches the broadest expansion of universal provision since 1945 is that it must add to inflation, and that the Bank of England would be obliged to lean against it with higher interest rates, taxing back through mortgage and credit channels what the programme delivers through services. This appendix examines the channels through which the programme touches prices and finds that the assumption is wrong in direction.

The programme's effects on prices fall into three distinct layers that operate on different timescales and must not be conflated: one-off effects on the measured price level, the demand stance of the programme as a whole, and structural pressures on the underlying inflation rate. Each is examined in turn, followed by the implications for monetary policy.

The measured price level

The largest and most certain effect is mechanical. The programme removes a series of administered prices from the household basket, and under ONS methodology a service that becomes free at the point of use registers as a price fall in its index component.

Component	Scale (programme figure)	Direction on measured prices
Bus fares eliminated	£3.55B farebox removed	Down
Energy standing charges socialised	£9.00B / ~£310 per household	Down
Water standing charges socialised	£6.20B / £220 per household	Down
TV Licence abolished	~£180 per household (BBC grant £4.00B)	Down
Universal Digital Service	~£130 per person (broadband/mobile/data)	Down
Parent-paid school meals converted	£0.71B	Down
Construction VAT reduced to 5%	repair and maintenance ~12.5% cheaper	Down (repair and maintenance)
Air Passenger Duty tripled	£8.00B / +£26 European economy fare	Up (air fares)
Above-tier energy premium (3.37x)	revenue-neutral	Methodology dependent

Each of these removals registers, under ONS methodology, as a fall in the relevant component of the index, so the combined effect lowers the measured price level over the rollout. The size of that effect depends on the basket weights in force at implementation and on how the index treats services that become free at the point of use, which is why no point estimate is given here. The offsets are smaller and run the other way: tripled Air Passenger Duty raises air fares, which carry a sub-1% weight in the basket, and the 5% VAT on new construction falls on house prices, which sit outside the consumer basket entirely.

Three points of precision matter here.

First, these are level effects, not rate effects. Once a fare or standing charge has fallen to zero it cannot fall again. The reductions lower measured inflation while they phase in and are neutral thereafter. The Bank of England's remit directs it to look through one-off level shifts of exactly this kind, as it did through the VAT changes of 2008 to 2011, which moved the price level in the opposite direction.

Second, CPI and CPIH will diverge. Council Tax sits in CPIH but not CPI. Replacing about £55 billion of Council Tax and Stamp Duty with £73B gross of Property Tax raises the property-tax-like household payment by roughly a third, which CPIH records as a one-off increase in that component while CPI ignores it. Commentary

will quote whichever index suits the argument, and the divergence should be anticipated.

Third, the energy free tier is a measurement exposure rather than an inflation event. The consumption-side restructure is revenue-neutral by design, so average effective unit revenue per delivered kilowatt-hour is unchanged, yet the marginal above-tier price rises to 3.37 times the cap rate. How the ONS prices a nonlinear tariff is a methodological choice. If the unit rate is priced, measured energy inflation could register an increase even as average bills fall. The aggregate is neutral but the statistics may not look it.

Knock-on effects through other entitlements

The mechanical layer has a second-round consequence that the programme does not claim and the cashflow does not score. The UK indexes a large share of public obligations to measured inflation: working-age benefit uprating, the CPI leg of the State Pension triple lock, regulated fare formulas, index-linked gilt accruals, and the informal anchoring of public sector pay settlements. A lower measured inflation rate during the rollout propagates directly into slower nominal growth of every one of these flows. The effect compounds across years and across the stock of index-linked debt, and it is fiscally favourable in each case. No magnitude is claimed; it is noted because any account of the programme's inflation consequences is incomplete without it, and because it runs in only one direction.

The exposure runs the other way too, and the programme's cost lines acknowledge it. The Universal Energy Service allocation tracks Ofgem allowed-revenue determinations, National Food Service compensation rates will be indexed to food CPI, and the Skills Centre funding envelope is sensitive to wage inflation above its planning assumptions. These are exposures of the programme to inflation generated elsewhere, not inflation generated by the programme, and the fiscal space is the shock absorber that holds the zero-borrowing commitment against them.

The demand stance

At steady state the programme withdraws £117B from private circulation, £101B in new revenue and £16.00B in reduced cash benefits, and returns £79B as operating expenditure (£65B) and capital allocation (£14B). The unspent balance is the £38B of fiscal space. On standard reasoning the returned £79B is mildly demand-positive on its own, because taxes and benefit reductions are borne partly out of saving while public purchases are fully spent, but the £38B that is not respent is a net withdrawal. The programme's redistribution softens it without reversing it: the households who see higher disposable incomes spend close to all of the gain, while the contributions fall where the marginal pound is partly saved. The property tax illustrates the point: the net £18B of new property revenue falls on owners concentrated in the top quintile, 84% of whom are property owners, is paid substantially out of saving rather than consumption, and the deferral provisions convert the liability into a registered charge settled on sale or transfer, muting the cash-flow effect further.

The fiscal space allocation is the swing factor

What the £38B is ultimately assigned to is the prerogative of the government that enacts the programme, and it is the largest single variable in the demand assessment. The three allocations most likely to be advocated illustrate the range.

Assigned to debt reduction, the full withdrawal stands. This is the most disinflationary configuration: a sustained current surplus of 1.4% of GDP removes demand, reduces gilt issuance, and eases the term premium, lowering market interest rates through supply rather than policy.

Assigned to defence, the programme becomes a balanced-budget expansion. The aggregate demand effect is broadly neutral, and the pressure that does arise is sectoral rather than general: defence procurement runs into long capacity lead times and a meaningful import share, so it shows up as producer prices and delivery lags in defence supply chains rather than in the consumer basket.

Assigned to restoring cash to benefit recipients, for example by forgoing the £16B National Contribution on benefits, the demand effect is the largest of the three, because the recipients have the highest propensity to spend. Even so the amount restored is 0.6% of GDP, the remaining £22B of fiscal space is still withdrawn, and the additional spending is directed overwhelmingly at essentials whose prices the programme has just reduced. This is the least disinflationary configuration, not an inflationary one.

Across the full range of allocations the demand stance varies between mildly contractionary and broadly neutral. No allocation produces demand pressure beyond what monetary policy accommodates in the ordinary course of fiscal events.

Structural pressures on the inflation rate

The persistent effects, the ones that bear on the inflation rate beyond the rollout, mostly run in one direction.

The deepest channel is the social wage. Services that reduce essential outgoings by an average of £800 a year for households in the lower three quartiles, and £4,600 a year for families with high uptake, reduce the nominal income a household needs to reach a given standard of living. The structural argument is that this eases the wage pressure that rising essential costs would otherwise generate, in the same way that universal healthcare reduces the wage pressure that out-of-pocket medical costs create elsewhere. This is a directional argument about wage formation, not a quantified claim, and it bears on the part of UK inflation that has been most persistent since 2022, services-sector wage growth.

Labour supply reinforces it. The Universal Care Service releases informal carers, one of the largest pools of economic inactivity; free transport widens the radius of viable employment; National Contributions remove the cliff-edge distortions that suppress hours at the margins of the current system. Housing operates on the heaviest weights in the household basket: the social housing programme, the removal of hope value from land assembly, and the repeal of Right to Buy all bear on rents over the medium term. The Universal Energy Service's central case reduces domestic energy demand by 3.7%, with the retrofit programme compounding the reduction year on year.

Property tax, rents, and the end of Stamp Duty

The property tax reform works on asset prices before it touches consumer prices, and the two must not be confused. The capitalisation of the holding cost into house prices is treated in the report's Property Tax, Stamp Duty and house prices appendix and in the companion Wealth Effects appendix; the net direction on

prices is downward, and house prices sit outside both CPI and CPIH in any case. What matters for the consumer indices is rents.

The question most likely to be asked is whether landlords pass the 1% to tenants. The tax is levied on owners, and 8.7 million renting households leave the property tax system entirely as their Council Tax bills disappear. The incidence of a holding cost on an owner falls mainly on the asset's value and the owner's return rather than on the rent, by the same capitalisation logic that makes a seller bear a transaction tax (Oates, 1969); pass-through to rents is plausible only in the tightest local markets, and even where it occurs the tenant's total housing outgoing, rent plus the Council Tax that no longer exists, is flat to falling. One measurement artefact should be anticipated, the mirror of the CPIH point above: a measured rent index may rise as Council Tax migrates inside rent even where renters' actual outgoings fall. On the supply side, the holding cost on vacant and under-occupied property, the second-home surcharge available to local government, and the social housing programme all point the same way, so the medium-term direction for rents is downward. Abolishing Stamp Duty, finally, releases transactions the current regime suppresses, which the OBR's elasticities put at 8% to 20% more, improving the match of households to homes and workers to jobs.

The build-out bottleneck and the Skills Centre offset

One inflationary exposure deserves naming plainly. In Years 2 through 4 the programme simultaneously requires 80,000 bus drivers, 54,000 food service staff, an expanded care workforce, and construction capacity across the Community Housing, transport-depot and home-retrofit programmes, en route to over half a million net new jobs by Year 5. Concentrated hiring on this schedule risks bidding up wages in construction and passenger transport specifically, and sectoral wage pressure during the build-out is the most credible inflationary consequence anywhere in the programme.

The offset is built into the same programme. Whether concentrated hiring raises wages depends on where the labour comes from: workers bid away from existing employment transmit wage pressure, workers drawn from outside the active workforce add capacity. The Skills Centre network creates 300,000 salaried apprentice and trainee positions, of which 120,000 trainee places are a no-qualification entry route from age 16, designed as the structural channel for the one million young people currently not in education, employment or training. That pipeline represents about a quarter of the 400,000 work-ready, job-seeking NEETs, and it trains for the trades the build-out demands: construction, transport, catering, and care. Not every place will be filled by a former NEET, so the pipeline is capacity rather than guaranteed delivery, but the capacity is sized against the bottleneck. The Community Food Centres recruit substantially from a hospitality sector releasing experienced staff through ongoing venue closures, a second pool outside the contested workforce. And the counter-cyclical reserve stabilises sectoral employment across the cycle by retaining salaried workers through downturns rather than forcing the boom-and-bust hiring that has driven construction wage spikes before.

The residual risk is one of timing rather than level: training pipelines mature over two to three years while the construction peak arrives in Years 3 and 4, so the early build years carry genuine tightness. That makes the bottleneck a sequencing problem within the programme's own control, managed through the phasing of

the transport and housing programmes, not a structural property of the policy architecture.

Implications for monetary policy

Drawing the three layers together: the measured price level falls during the rollout as administered prices leave the basket, a one-off shift the Bank's remit directs it to look through; the demand stance is contractionary-to-neutral depending on how the fiscal space is used; and the persistent structural channels, the social wage, labour supply, housing supply, and energy demand, run towards lower rather than higher underlying inflation. The single exposure that runs the other way is sectoral wage pressure during the build-out, bounded in time and confined to identifiable trades.

On this analysis nothing points to a demand or price impulse that would require the Monetary Policy Committee to raise Bank Rate in response to the programme. A one-off level shift is the kind of shock the remit instructs the Committee to look through, as it did through the VAT changes of 2008 to 2011; and a demand stance that is contractionary-to-neutral does not call for tightening. If anything, the mechanical disinflation during the rollout leaves room for rates to sit lower than they otherwise would, so the interest rate channel works with the programme rather than against it: lower mortgage and credit costs reinforce the reduction in the cost of living instead of clawing it back.

Sources and notes

The arithmetic of this appendix is internal to the programme cashflow and the named policy appendices: the revenue, expenditure, capital and fiscal-space figures, the per-household service values, the £800 social-wage figure, the 3.7% reduction in domestic energy demand, the 8.7 million renting households, the second-home surcharge, and the workforce numbers. The demand analysis applies standard balanced-budget reasoning to those figures.

External points of reference:

- The Monetary Policy Committee operates to a 2% CPI inflation target and, under its remit, may allow inflation to deviate from target temporarily in response to shocks rather than offsetting one-off movements in the price level. HM Treasury, *Monetary policy remit* (collection): <https://www.gov.uk/government/collections/monetary-policy-remit> ; latest remit letter confirming the target and this framework: <https://www.gov.uk/government/publications/monetary-policy-remit-mansion-house-2024/monetary-policy-remit-mansion-house-2024> ; Bank of England, *The MPC's remit and trade-off management*: <https://www.bankofengland.co.uk/bank-insights/2026/the-mpcs-remit-and-trade-off-management>
- The VAT standard rate was reduced from 17.5% to 15% from 1 December 2008 to 31 December 2009, returned to 17.5% on 1 January 2010, and rose to 20% on 4 January 2011. HMRC, *VAT rates*: <https://www.gov.uk/vat-rates> ; House of Commons Library, *VAT: the temporary cut in the standard rate* (SN00701): <https://commonslibrary.parliament.uk/research-briefings/sn00701/> ; *VAT: the new 20% standard rate* (SN05620): <https://commonslibrary.parliament.uk/research-briefings/sn05620/>
- The capitalisation result on which the rent-incidence point rests (Oates, 1969) and the OBR transaction elasticities (8% to 20%) are the references used in the

report's Property Tax, Stamp Duty and house prices appendix, to which this appendix refers for the asset-price treatment.

All monetary figures are in 2025 prices. This appendix states directions, not magnitudes; it does not put a point estimate on the change in measured inflation, which depends on the ONS basket weights and index methodology in force at implementation.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [Fiscal Highlights \(Fiscal\)](#), [Macro Economic Overview \(Fiscal\)](#)

P2030 Wealth Effects

APPENDIX · economics

Scope

This appendix sets out how the programme changes the distribution and composition of wealth. It states directions and mechanisms. Every figure is either internal to the programme, drawn from the cashflow and the named policy appendices, or taken from the public sources listed at the end. Where the direction of an asset-price effect is established by standard public-finance results but its size depends on assumptions the programme does not fix, the appendix states the direction and refers to the report's Property Tax, Stamp Duty and house prices appendix rather than substituting an estimate here. The programme levies no tax on wealth per se; the effects below operate through flows: the prices of assets, the return on them after tax, the taxation of their transfer, and the capacity of households to accumulate them.

Headline results

- **The net effect is a one-off, largely unrealised repricing of private wealth concentrated at the top, set against a rising stock of real wealth held more broadly.** No magnitude is asserted here; the direction on asset prices is downward and its size depends on the discount rate, as the house-price appendix sets out. Nothing physical is destroyed, and the programme adds homes, transport, and retrofitted housing throughout.
- **The programme taxes flows, not stocks.** No wealth tax is levied. Wealth is reshaped through four channels: the capitalisation of new holding costs into asset prices, the taxation of returns on capital on the same schedule as earnings, the taxation of inheritance as recipient income, and the distribution of the capacity to save. A fifth effect runs the other way, the accumulation of public wealth.
- **Housing reprices at the top and is supported at the bottom.** A 1% holding cost raises the effective annual charge most where Council Tax is currently lowest relative to value, which is high-value homes, and lowers it where Council Tax already exceeds 1% of value, which is low-value homes. Abolishing Stamp Duty pushes the other way. The net direction on house prices is downward; the magnitude is partial and depends on the discount rate.
- **No owner is forced to sell.** Deferral is available to every owner-occupier and settles on sale or transfer; the Right to Sell, with its mortgage-shortfall and deposit-protection bonds, floors the exposed cohort of recent buyers. The repricing is a change in valuation, not a wave of distressed sales.
- **Every pound from wealth is taxed like a pound from work.** Capital Gains Tax and Inheritance Tax fold into National Contributions, the death uplift on gains ends, and only real gains are taxed. On earned income, with the design held revenue-neutral, 69% of all workers pay less on their earnings by over £2,000 a year on average; the balance arises because a single rate set by total income applies to all sources alike, raising the charge on the sources the current system taxes more lightly.
- **Inheritance is taxed to the recipient, not the estate.** A fortune divided among many recipients of modest income is taxed far more lightly than one passed intact to a single wealthy heir. The structure prices concentration, not death.
- **Speculative land value is extinguished, not bought.** Compulsory purchase at use value removes hope value, the premium for planning permission that has not been granted.

- **Part of the fiscal space is redirected monopoly margin.** The retail margin on essential services moves from private shareholders to public purposes, and the equity that capitalises that margin falls correspondingly.
- **Public wealth rises while saving capacity moves down the distribution.** Capital is funded from current revenue with no new debt, the public housing stock only grows, and the households whose disposable incomes rise gain a margin from which to accumulate.

The base

ONS estimates total household wealth in Great Britain at £13.6 trillion (2020 to 2022), of which net property wealth is 40%, private pensions 35%, financial wealth 14%, and physical wealth 10%. The wealthiest 10% of households hold 41% of the total and the wealthiest 1% hold 10%. The UK dwelling stock alone is valued at £9.18 trillion, with London and the South East accounting for over 40% of that value on 26% of the homes. The Wealth and Assets Survey lost its official accreditation in 2025 and these figures carry corresponding uncertainty, but the orders of magnitude are not in dispute.

Housing: the capitalisation effect

A recurring tax on an asset is capitalised into its price: a buyer pays less for a property that carries an annual liability than for one that does not, by the present value of the liability they expect to bear. This is a long-established result in public finance (Oates, 1969), and it is the same mechanism by which the seller, not the buyer, bears the incidence of a transaction tax. The quantity that matters is not the headline 1% but the change in the effective annual holding cost relative to the present system, which already taxes property through Council Tax, whose effective rate falls as value rises (England Band D averages £2,280 in 2025-26), and through Stamp Duty, a transaction charge that amortises into an annual equivalent over a holding period.

The direction follows from where the effective charge rises and falls. At the bottom of the market, where Council Tax already exceeds 1% of value, the holding cost falls and values are supported; this is the report's Burnley case, where a modest terrace currently pays more Council Tax than a Kensington house. At the top, where Council Tax bears little relation to value, the holding cost rises and values are marked down. Abolishing Stamp Duty works in the opposite direction, because a transaction tax is itself capitalised and removing it supports prices (Davidoff and Leigh, 2013; Besley, Meads and Surico, 2014). Setting the recurring Property Tax charge against the recurring Stamp Duty stream it replaces, and the net effect on house prices is downward rather than upward. The direction is unambiguous; the magnitude is partial rather than full, depends on the discount rate, and is softened where owners take up deferral. The mechanics and a worked numerical example are set out in the report's Property Tax, Stamp Duty and house prices appendix.

The repricing has no mechanism for disorder. Deferral is available to every owner-occupier and settles on sale or transfer, with interest accruing at policy-linked rates, so no owner sells to pay the tax. The Right to Sell converts outstanding mortgages and first-time-buyer deposits not covered by a sale price into long bonds that protect buyers and lenders. And Stamp Duty abolition adds transaction liquidity, which the OBR's elasticities put at 8% to 20% more transactions, as the market finds its level.

The wealth that moves is unrealised. No household's bank balance changes on the day the tax begins. The mark-down falls on paper wealth concentrated in the top quintile, 84% of whom are owners, and on long-tenure owners whose holdings appreciated through decades in which house prices grew 150% while earnings grew 37%. The counterpart gain accrues to every household yet to buy, through smaller deposits and smaller mortgages: an intergenerational transfer of expected wealth executed without a transaction.

Land: the end of hope value

The reform of compulsory purchase extinguishes a second category of paper wealth: the speculative premium embedded in land held in anticipation of planning consent. Under the current regime the public pays landowners for value that has not been created, that depends on a regulatory decision the public itself will make, and that the owner has done nothing to produce. Pricing public-purpose acquisition at current use value writes that option value down to zero wherever the public is the buyer. The wealth removed was never granted by the planning system; the uplift from any subsequent re-zoning accrues to the community whose decision creates it. The direct beneficiary is the Community Housing programme, which delivers more dwellings per pound of capital; the wider effect is to lower the speculative floor under development land generally, reinforcing the housing capitalisation effect from the supply side.

Financial wealth: the return architecture

National Contributions replaces Income Tax, employee NICs, Capital Gains Tax, and Inheritance Tax with a single progressive schedule on all receipts. For the wealth held outside housing, about half the household total in financial and pension assets, the consequences run through after-tax returns rather than through prices.

Three design features do the work. First, capital gains are taxed as income at disposal, at marginal rates of up to 46% against the current 24% top CGT rate, but with a deduction for inflation since acquisition, so that only real gains are taxed; the schedule raises the charge on rapid nominal churn and can lower it on long-held assets whose appreciation has merely tracked prices. Second, the uplift at death is abolished: under the current system unrealised gains are wiped clean when the holder dies, making hold-until-death the rational strategy for large appreciated portfolios. Under NC, death is itself a disposal: the real gain to that date is charged as the deceased's income at the transfer, payable by instalments where the asset is land, so holding until death defers nothing and erases nothing. Third, dividends, interest, and every other return on capital face the same schedule as wages. The aggregate effect is the one stated on the face of the reform: on earned income, with the design held revenue-neutral, 69% of all workers pay less on their earnings, by an average of £2,000, with the balance arising because one rate set by total income applies to all sources alike, raising the charge on the sources the current system taxes more lightly.

At a transfer, two charges can fall due together on the same asset: NC on the real gain, owed by the estate on the growth the owner enjoyed while holding, and NC on the receipt, owed by the recipient on the wealth received. These are distinct economic events that share a date, not one pound taxed twice; the first taxes what the asset did for its owner, the second what it does for its heir. The current system reaches the same moment with a blunter instrument, a 40% estate charge above

the nil-rate band, indifferent to who receives the wealth or what they earn. For a recipient of modest income the new structure is the gentler of the two: the receipt is drawn down and taxed at their own rate rather than the estate's flat one, and the estate's gain charge carries time to pay wherever the asset is land. The combined incidence at a single transfer will be sized in the model refresh later in 2026.

What this does not do is move asset prices much. UK securities are priced in global markets where the marginal investor is not a UK-resident individual, so the effect of NC falls on the rate at which large portfolios compound after tax, not on the level of the market. Pension wealth, the largest single component of household wealth at 35%, is taxed on drawdown as income, paralleling the current treatment of pension income.

Inheritance: from estate to recipient

The current Inheritance Tax raised about £8.2 billion in 2024-25 at a 40% rate above a £325,000 threshold, falls on roughly one estate in twenty, is forecast to reach £14.7 billion by 2030-31 on frozen thresholds, and is sufficiently relieved and exempted that its effective incidence bears little relation to its headline rate. NC abolishes it and taxes inheritance and large gifts as income to the recipient, with the option to shelter receipts in designated National Savings accounts and draw them down over time, taxed at the recipient's rate in the year of withdrawal.

The structural consequence is the deepest wealth effect in the programme. An estate-based tax is indifferent to how widely wealth is spread: the liability is the same whether a fortune passes to one heir or to fifty. A recipient-based progressive tax is not. A fortune passed intact to a single already-wealthy heir is taxed at the top of the schedule; the same fortune divided among many recipients of modest income, each drawing it down gradually, is taxed lightly, at each recipient's own rate. It follows that the structure carries a financial incentive to disperse wealth at death rather than concentrate it, an incentive the current estate-based tax does not create. Inheritance taxation stops being a levy on dying and becomes, in effect, a price on dynastic concentration, payable only by those who choose it. The same mechanism runs progressively: inheritances flowing down the income distribution are taxed least, and those flowing to the top most.

Corporate and monopoly wealth

The fiscal architecture states that part of the fiscal space is the captured margin of essential-service provision: the gap between what households pay at retail for energy, water, and connectivity and what those services cost to deliver, redirected from private shareholders to public purposes. That redirection has a balance-sheet counterpart. The retail layers of the regulated utilities hold equity value that capitalises those margins, and compressing the margin compresses the value. The size of the effect is bounded by the margins themselves and is not separately scored, but the direction should be stated rather than discovered: where the programme converts monopoly margin into public value, the shareholders of the monopoly bear the adjustment. That is not a side effect of the design; it is the design.

The public balance sheet

Wealth effects do not end at the household sector. The programme funds £14B a year of capital from current revenue, buses, depots, and the Community Housing programme (£10B a year, the report's stated target being 100,000 units), creating

public assets with no matching liability. The repeal of Right to Buy converts the public housing stock into a one-way reservoir that grows through construction and Right to Sell acquisition and no longer leaks through statutory disposal below value. Zero new borrowing, with debt reduction a standing option for the £38B fiscal space, strengthens the other side of the ledger. The result is a sustained improvement in public sector net worth achieved from current income, which is, at the national scale, what saving is at the household scale. The Universal Services themselves function as a form of common wealth: assets every household can draw on without owning, whose value appears in reduced costs of living rather than on any balance sheet.

Where wealth formation moves

Drawing the mechanisms together: the programme marks down the paper wealth of incumbency, housing at the top, speculative land options, monopoly margin, and untaxed dynastic transfer, while leaving stocks untaxed and taxing the income of wealth on the same schedule as the income of work. At the same time it creates saving capacity where little existed, because the households whose disposable incomes rise, and whose essential costs fall by an average of £800 a year for households in the lower three quartiles, gain a margin from which financial wealth can accumulate, with National Savings as a designated vehicle. Accumulation at the top slows through returns and transfers rather than confiscation; accumulation lower down becomes possible through reduced costs rather than transfers. The implied direction is that wealth concentration narrows over time through differential rates of formation rather than through any levy on existing holdings. Wealth formation does not stop; it stops being a function of arriving early.

Conclusion: the net effect

The five mechanisms resolve into one statement. The programme produces a one-off repricing of private paper wealth, downward and concentrated at the top, alongside a lasting shift of wealth formation down the income distribution and onto the public balance sheet. The repricing is dominated by housing capitalisation, with smaller contributions from extinguished hope value and compressed monopoly margin; financial and pension wealth, about half the total, is largely unmoved in price. The repricing is almost entirely unrealised, none of it is collected as tax, and the deferral and bond mechanisms ensure none of it is forced into distressed sale. A magnitude is not asserted; the direction is, and the house-price appendix carries the mechanics.

The distinction that gives the conclusion its meaning is between paper wealth and real wealth. A house price is a claim on a dwelling that exists either way; marking the claim down destroys nothing physical. The programme lowers the price of incumbency while the real stock that price refers to grows: homes, a larger bus fleet, a retrofitted housing stock, network investment, and a public housing reservoir that no longer leaks. Measured private wealth steps down once and then compounds from a broader base; real national wealth, counting its public and common components, rises through the programme and beyond it.

The lasting effect is therefore not the level shift but the change in who accumulates. Compounding at the top slows, through returns taxed as income, the end of the death uplift, and inheritance priced on concentration. Accumulation lower down begins, through the saving margin that reduced living costs create.

And the state accumulates on behalf of everyone, from current income rather than debt. The programme trades a markdown of the paper price of incumbency for a permanently broader base of those who hold the nation's assets, and adds to the real assets while doing it.

Sources

External figures are drawn from the following verified sources. All other figures are internal to the programme cashflow and the named policy appendices.

- ONS, *Privately owned wealth in the UK* (Wealth and Assets Survey, April 2020 to March 2022): total household wealth £13.6 trillion; wealthiest 10% hold 41%, wealthiest 1% hold 10%.
<https://www.ons.gov.uk/aboutus/transparencyandgovernance/privatelyownedwealthintheuk>
- House of Commons Library, *Wealth in Great Britain*, CBP-10210: composition of wealth (property 40%, pensions 35%, financial 14%, physical 10%); removal of OSR accreditation from WAS statistics in June 2025.
<https://commonslibrary.parliament.uk/research-briefings/cbp-10210/>
- Savills, *Value of Britain's housing stock reaches new peak of £9.18 trillion* (February 2026). <https://www.savills.co.uk/insight-and-opinion/savills-news/387877/value-of-britain-s-housing-stock-reaches-new-peak-of-%C2%A39.18-trillion>
- Savills, *Value of UK housing stock hits £9 trillion for the first time* (February 2025): London and the South East hold over 40% of UK housing value on 26% of the stock. <https://www.savills.co.uk/insight-and-opinion/savills-news/373329/value-of-uk-housing-stock-hits-%C2%A39-trillion-for-the-first-time>
- MHCLG, *Council Tax levels set by local authorities in England 2025-26*: average Band D £2,280. <https://mhclgmedia.blog.gov.uk/2025/03/20/council-tax-levels-publication/>
- HM Revenue and Customs, *Stamp Duty Land Tax: residential property rates* (from 1 April 2025). <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>
- Office for Budget Responsibility, *Tax by tax: Inheritance tax*: 40% rate above £325,000; forecast receipts £8.7 billion in 2025-26. <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/>
- House of Commons Library, *Inheritance tax: current policy and debates*, SN00093: receipts £8.4 billion in 2024-25; forecast £14.7 billion by 2030-31; principal reliefs. <https://commonslibrary.parliament.uk/research-briefings/sn00093/>

The capitalisation result (Oates, 1969), the evidence that Stamp Duty incidence falls on price (Davidoff and Leigh, 2013; Besley, Meads and Surico, 2014), and the OBR transaction elasticities are the references used in the report's Property Tax, Stamp Duty and house prices appendix, which this appendix relies on for the capitalisation treatment and refers to for magnitude.

All monetary figures are in 2025 prices and are either internal to the programme cashflow and the named policy appendices or drawn from the sources above. This appendix asserts directions and mechanisms; it does not attach magnitudes to the asset-price effects. HMRC reported 2024-25 Inheritance Tax receipts of about £8.2 billion; the Library and OBR figures reflect minor definitional differences.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [Macro Economic Overview \(Fiscal\)](#), [Overall Effects \(Household Effect\)](#), [Property Tax effects \(Household Effect\)](#)

Local Democracy Upgrades

APPENDIX · community

1. Purpose and Scope

This appendix sets out the data sources, assumptions, and calculations underpinning the cost estimate for the Democracy Revival legislation, which proposes converting local government councillors across the United Kingdom from part-time, allowance-based roles into full-time, salaried positions paid at twice local median earnings with dedicated office support. The estimate covers the gross annual cost of the reformed system, the current baseline expenditure it would replace, and the resulting net additional fiscal burden expressed in aggregate and per-household terms.

The Democracy Revival legislation sits within the broader programme of Universal Services as a Devolution & Legal measure under the Community Government implementation strand. Its financial impact is recorded at a net budget cost of £2 billion per annum from Year 2 of the programme.

2. Structural Assumptions

2.1 Number of Councils

The estimate uses 380 primary local government councils as the base count. This figure represents a modest consolidation from the current structure of approximately 382 principal councils across the four UK nations: 317 in England (comprising 21 county councils, 164 district councils, and 132 single-tier authorities including 33 London boroughs and 36 metropolitan boroughs), 22 unitary authorities in Wales, 32 local authorities in Scotland, and 11 local councils in Northern Ireland.

The 380 figure is a user-specified assumption reflecting the anticipated post-reform local government landscape. Ongoing devolution and local government reorganisation in England — with several county and district councils expected to merge into new unitary authorities during 2025–27 — makes the precise number of councils at the point of implementation uncertain. The estimate is not sensitive to small variations in this figure; reducing from 380 to 370 councils while holding councillors per council constant reduces total cost by approximately 2.6%.

Sources: House of Commons Library, "Local government in England: structures" (SN07104, February 2026); LGA membership data (315 of 317 English councils); Welsh Local Government Association; Convention of Scottish Local Authorities; Northern Ireland Local Government Act 2014.

2.2 Councillors per Council

The central estimate assumes 50 councillors per council, with sensitivity analysis at 40 and 60. This yields a central case of 19,000 full-time councillors nationwide.

The current system has approximately 18,520 councillors in Great Britain and an estimated 460 in Northern Ireland, totalling roughly 19,000. This alignment is not coincidental: the reform proposes to convert existing councillors to full-time status rather than to expand the total number of elected representatives. The 50-per-council assumption is therefore a simplifying average; in practice, London boroughs and metropolitan districts tend to have 50–65 councillors, county

councils 50–85, district councils 25–50, and Scottish and Northern Irish councils 35–80.

The sensitivity range of 40–60 per council captures the plausible range of outcomes depending on whether reorganisation consolidates wards (pushing toward the lower end) or whether the reform preserves existing multi-member ward structures (tending toward the upper end).

Sources: House of Commons Library, Research Briefing CBP-10272 (July 2025): "In total, there are currently 18,520 councillors in Great Britain"; LGA Census of Local Authority Councillors (2022); NISRA council composition data.

3. Earnings Data

3.1 National Median

The salary anchor is the UK median gross annual earnings for full-time employees: £39,039 as reported in the ONS Annual Survey of Hours and Earnings (ASHE) for April 2025 (provisional). This is rounded to £39,000 for the purposes of the estimate. The ASHE figure is derived from a 1% sample of HMRC PAYE records and is the ONS's preferred measure of typical earnings because the median is less affected than the mean by the skewed upper tail of the earnings distribution.

The corresponding weekly figure was £766.60 (a 5.3% nominal increase on the April 2024 figure of £728.27, representing a 1.1% real increase after CPIH adjustment). Annualising weekly earnings at £766.60 × 52 yields £39,863, modestly above the reported annual median of £39,039 because the annual ASHE figure captures only employees who have been in their current job for at least a year and includes periods of reduced pay due to absence.

The estimate uses the reported annual median (£39,039, rounded to £39,000) as the more conservative and methodologically appropriate figure.

Source: ONS, "Employee earnings in the UK: 2025", published 23 October 2025. ASHE Table 1 (all employees) and Table 8 (residence-based regional breakdowns).

3.2 Regional Medians

The regional breakdown uses residence-based median full-time weekly earnings from ASHE Table 8, annualised by multiplying by 52. The resulting regional annual medians used in the estimate are:

Region	Median FT Weekly (£)	Annualised (£)	2× Salary (£)
North East	650	33,800	67,600
North West	700	36,400	72,800
Yorkshire & The Humber	690	35,880	71,760
East Midlands	700	36,400	72,800
West Midlands	710	36,920	73,840
East of England	750	39,000	78,000
London	900	46,800	93,600
South East	790	41,080	82,160
South West	710	36,920	73,840
Wales	680	35,360	70,720

Region	Median FT Weekly (£)	Annualised (£)	2× Salary (£)
Scotland	774	40,248	80,496
Northern Ireland	713	37,076	74,152

Weekly figures are approximate mid-points derived from the ASHE 2025 provisional release. London weekly median pay was the highest across all regions; the North East was the lowest. Northern Ireland saw the largest year-on-year increase (7.4%) reflecting backdated multi-year public sector pay settlements.

The "2× local median" formulation means that a councillor in the North East would earn £67,600 gross per annum while a London councillor would earn £93,600 — a ratio of approximately 1:1.4, mirroring the existing geographic pay differential in the wider labour market. This design choice anchors councillor pay to local economic conditions and avoids the political difficulty of a uniform national salary that would be generous relative to local norms in lower-cost regions and uncompetitive in London.

Sources: ONS ASHE 2025 provisional (Table 8, residence-based); Scottish Government analysis of ASHE (gross median weekly earnings for Scotland: £773.80); NISRA ASHE bulletin (Northern Ireland: £713/wk).

4. Employer Cost Loading

4.1 Components

Councillor gross salary is subject to two principal employer-side costs:

Employer National Insurance contributions at 13.8% of earnings above the secondary threshold. The secondary threshold for 2025–26 was reduced to £5,000 per annum (from £9,100) as part of the October 2024 Budget, increasing the effective employer NI cost on a £78,000 salary. The estimate uses 13.8% applied to the full salary as a simplifying assumption; the actual effective rate would be marginally lower due to the threshold, but this is offset by the employer NI on pension contributions which is not separately modelled.

Employer pension contributions under the Local Government Pension Scheme (LGPS). The LGPS is a defined-benefit scheme with employer contribution rates set by triennial actuarial valuations. Rates vary by fund but typically fall in the range of 15–22% of pensionable pay. The estimate uses 15% as a conservative assumption.

4.2 Total Loading

The combined employer loading is $13.8\% + 15.0\% = 28.8\%$, yielding a loaded salary of $£78,000 \times 1.288 = £100,464$ at the national average. The spreadsheet rounds the loading to 28.8% and applies it uniformly; the regional breakdown applies the same percentage to each region's 2× salary figure.

For context, HM Treasury's standard public sector pay uplift factor (used in Spending Review costings) typically assumes employer on-costs of 25–30% of gross salary, placing this estimate within the conventional range.

Sources: HMRC, "Employer National Insurance rates and thresholds" (2025–26 tax year); LGPS Advisory Board, "Fund Valuations" (employer contribution rates by fund); HM Treasury, "Public Expenditure Statistical Analyses" (standard employer on-cost assumptions).

5. Office Support

5.1 Composition

Each full-time councillor is assumed to require £25,000 per annum in office support costs, covering:

- **Shared administrative and casework staff.** A constituency caseworker or administrative officer shared between two to three councillors, at an annual cost of approximately £30,000–£35,000 including employer costs, yielding a per-councillor share of £10,000–£17,500.
- **Workspace provision.** Desk space within council buildings or shared constituency offices, including heating, rates, and facilities management, estimated at £3,000–£5,000 per councillor.
- **IT, communications, and digital infrastructure.** Laptop, mobile phone, secure email, case management software, and video conferencing provision at £1,500–£2,500 per annum.
- **Constituency expenses.** Travel within the ward, meeting costs, and incidental expenses at £2,000–£4,000 per annum.
- **Training and professional development.** Induction, ongoing skills development, and conference attendance at £1,000–£2,000 per annum.

The £25,000 figure is a deliberately round central estimate. It is conservative relative to the office cost allowances available to Members of Parliament (whose staffing allowance alone exceeds £200,000 per annum for typically four to five staff members) but reflects the expectation that councillors would share more infrastructure and operate within existing council premises.

5.2 Sensitivity

Office support is the least well-anchored component of the estimate. At a lower bound of £15,000 per councillor, the aggregate office support bill falls from £475 million to £285 million, reducing the gross total by £190 million. At an upper bound of £35,000, it rises to £665 million, adding £190 million. This range shifts the per-household figure by approximately ±£7 per year.

6. Baseline Deduction

6.1 Current Expenditure on Councillors

The estimate deducts current expenditure on councillor allowances and support to arrive at a net additional cost figure. Current expenditure is estimated at approximately £342 million per annum, based on 19,000 councillors at an average loaded cost of £18,000 each.

The £18,000 average is built up from:

- **Basic allowance.** The LGA Census of Local Authority Councillors (2022) reported that basic allowances ranged from approximately £4,000 to £16,000 depending on council type and size, with a median in the range of £10,000–£12,000 for principal authorities.
- **Special responsibility allowances (SRAs).** Cabinet members, committee chairs, and opposition leaders receive SRAs that can range from £5,000 to £50,000+. Averaged across all councillors (most of whom receive no SRA), this adds approximately £2,000–£3,000 per head.
- **Expenses and support costs.** Travel, subsistence, IT provision, and other reimbursable expenses average £1,000–£3,000 per councillor.

- **Employer costs on allowances.** Where allowances are subject to NI, the employer loading adds a further margin.

The £18,000 figure is approximate and likely conservative (i.e., it may understate current costs slightly, which would reduce the reported net additional figure). An independent audit of all 382 councils' members' allowances budgets would provide a more precise baseline but is beyond the scope of this estimate.

Sources: LGA, "National Census of Local Authority Councillors 2022"; Independent Remuneration Panels annual reports (various councils); Local Authority Revenue Expenditure and Financing (DLUHC).

7. Results and Reconciliation

7.1 Central Estimate

At the central case of 380 councils with 50 councillors each:

Component	Amount
Total councillors	19,000
Loaded salary per councillor (national avg)	£100,464
Office support per councillor	£25,000
Gross annual cost	£2.38 billion
Less: current baseline	(£0.34 billion)
Net additional cost	£2.04 billion
Net per household (28m households)	£73/year
Net per household per week	£1.40/week

7.2 Scenario Range

Scenario	Councillors/council	Net cost (£bn)	Per household (£/yr)	Per household (£/wk)
Low	40	1.57	56	1.07
Central	50	2.04	73	1.40
High	60	2.52	90	1.73

8. Limitations and Caveats

Regional council allocation. The regional breakdown allocates councils to regions using approximate figures that sum to 344 rather than the full 380. This reflects the difficulty of cleanly assigning all councils to ASHE earnings regions, particularly where two-tier structures span regional boundaries. The national total uses the aggregate formula ($380 \times 50 \times \text{cost per councillor}$) and is not affected by the regional allocation.

Uniform councillors-per-council assumption. In practice, the number of councillors varies substantially by council type and population. London boroughs typically have 50–63 councillors, county councils 50–85, and smaller district councils as few as 25–35. A population-weighted allocation model would produce modestly different regional totals but is unlikely to shift the national aggregate by more than 5–10%.

Static earnings assumption. The estimate uses April 2025 earnings data. Councillor salaries linked to local median earnings would increase annually in line with ASHE updates, creating a built-in cost escalator. Over a five-year implementation window, assuming 3–4% nominal earnings growth per annum, the Year 5 cost would be approximately 12–17% above the Year 1 figure in nominal terms.

No allowance for transition costs. The estimate captures the steady-state annual cost. There would be additional one-off transition costs for recruitment, training, workspace reconfiguration, and the design and implementation of new remuneration and pension arrangements. These are not quantified but are unlikely to exceed £50–100 million in aggregate.

No allowance for productivity benefits. Full-time, professionally paid councillors would be expected to deliver more effective governance, scrutiny, and constituent service than the current part-time model. Any fiscal benefits from improved decision-making, reduced failure demand, or more effective commissioning of local services are not captured in this cost estimate.

9. Data Sources Summary

Input	Source	Date
UK median FT annual earnings	ONS ASHE, provisional	April 2025
Regional median FT weekly earnings	ONS ASHE Table 8 (residence-based)	April 2025
Scotland median weekly earnings	Scottish Government analysis of ASHE	April 2025
Northern Ireland median weekly earnings	NISRA ASHE bulletin	April 2025
Current councillor count (GB)	House of Commons Library, CBP-10272	July 2025
Current councillor count (NI)	NISRA / NI council data	2024
Councillor allowances baseline	LGA Census of Local Authority Councillors	2022
Employer NI rate	HMRC (2025–26 tax year)	April 2025
LGPS employer pension rates	LGPS Advisory Board, fund valuations	Various
UK household count	ONS	2024
Council structure (England)	House of Commons Library, SN07104	February 2026
Council structure (Wales, Scotland, NI)	Respective national bodies	2024–25

RELATED

Referenced by: [Democracy Revival \(Structural Measure\)](#)

Universal Care Service Appendix

A Creation Moment for Social Care

APPENDIX · care

Prosperity 2030 Policy Framework | Worked Appendix

Where this policy enters the landscape

Social care has never had its own creation moment. The NHS arrived in 1948 with a clear founding statement — universal, free at the point of use, comprehensive, financed from general taxation. Social care arrived as an afterthought: a residual responsibility left to local authorities under the National Assistance Act of the same year, means-tested by design, never settled at the level of national consensus, and ever since held together (in Baroness Casey's framing) with sticking plasters and glue. The Casey Commission's launch in April 2025 is the first serious national attempt in two generations to give the sector the foundational moment it never had. Its Phase 1 report is due in 2026 and its long-term Phase 2 in 2028.

The Casey framing is the right one. But the Commission, by the constraints of its terms of reference, will arrive at a moment when the conditions on the ground have already deteriorated past the point where incremental reform can hold. Five conditions are visible now and will only intensify by the time of the post-2029 mandate that Prosperity 2030 assumes.

The chronic underfunding has become structural. Total expenditure on adult social care in England reached £34.50 billion in 2024/25 — long-term support absorbing roughly £11.50 billion for working-age adults and £12.00 billion for older people. Behind the headline rise sits a system in continuous crisis. Eighty per cent of councils overspent their adult social care budget in 2024/25; ADASS projects a £0.62 billion overspend in 2025/26 and councils are already modelling £0.87 billion of statutory-duty savings for 2026/27 just to keep going. Spending on prevention, the part of the system that most affects long-run outcomes, is forecast to fall from 8.2% of net adult social care spending in 2023/24 to 5.6% in 2025/26. Despite an ageing population, the number of older people receiving state-funded care fell from 587,000 to 529,000 over the last decade. The system is not undersupplied because demand has outstripped honest projection — it is undersupplied because the current funding architecture cannot meet projected demand at any politically realistic level of council tax and grant.

The demographic tide is unrelenting. The over-65 population reaches 22% of the UK total by 2030. The over-85 population almost doubles between 2020 and 2045, from 1.7 million to 3.1 million. Skills for Care projects that the adult social care workforce will need to expand by 470,000 posts (27% growth) by 2040 to keep pace with the over-65 cohort alone. The trajectory is not in question; only the response is.

The means-test inheritance is structural and unresolved. The Care Act 2014 means-test, the asset thresholds, and the abandoned Dilnot cap together define the eligibility framework within which publicly funded social care is delivered. The Dilnot-derived cap on care costs of £86,000 per individual was the previous government's primary structural reform; it was abandoned by the incoming Chancellor in July 2024. Self-funder fees for residential care rose 8.2% between 2024/25 and 2025/26; for nursing care, 7.6%. Self-funders cross-subsidise state-

funded clients in the same homes by margins that are increasingly hard to defend ethically. Whether the right response is means-test abolition, a Dilnot-style cap, raised asset thresholds, social insurance, or some hybrid, is a question for the Casey Commission — and one that this appendix does not pre-empt. What sits squarely on this side of the Casey divide is the consequence of the existing framework's chronic under-funding: rationed provision, disengaging providers, and rising unmet need among the eligible population.

The workforce condition is constraining, with multiple causes. The adult social care workforce comprises 1.60 million filled posts (1.50 million people, 1.24 million FTE) contributing £77.80 billion in gross value to the economy. The vacancy rate of 7.0% in 2024/25 is roughly three times that of the wider economy. Independent-sector turnover sits at 24.7%. Median care worker pay is at or near the National Living Wage (£12.21 from April 2025); 58% of independent-sector workers earn below that threshold. The pay differential between care workers with twenty or more years of experience and those with less than one year has collapsed from 33p per hour in 2016 to 10p by 2024 — a structural disincentive to stay. The Adult Social Care Negotiating Body legislated through the Employment Rights Bill is the right institutional vehicle for a future Fair Pay Agreement, but pay sits within a wider equation of real wages, cost of living, recruitment cost, training infrastructure, and workforce structure. Acting on pay alone is one option; acting on the full equation is another.

Children's social care is fragmenting. Spending on looked-after children services reached £15.50 billion in 2024/25, a 4% real-terms rise driven almost entirely by placement costs rather than expanded provision. The number of looked-after children stands at 83,630 — almost 40% above the level twenty years ago. Eighty-seven per cent of children's homes are now privately operated; 22% of looked-after children (18,100 children) live more than 20 miles from home; per-child spending varies by a factor of more than three across local authorities (£198,808 in Richmond, £56,318 in York, on a like-for-like basis). The National Audit Office found the cost of residential care for children has reached £318,400 per child per year and that the Department for Education lacks the levers to control it. The Competition and Markets Authority concluded that the largest private providers are making materially higher profits than a functioning market would deliver. The MacAlister Review of 2022 recommended £2.60 billion of new spending over four years to reset the system; less than a tenth of that was actually committed. Children's social care is, in the Department for Education's own assessment, "financially unsustainable".

The Casey Commission will report into this landscape. Its recommendations will need to be implemented by a government with the fiscal headroom to do so, the legislative time to enact them, and the operational architecture in which to deliver them. Universal Care Service is the architectural component of that response.

What this policy proposes — and what it does not

Universal Care Service is a deliberately bounded reform. It is a budget line, not a statutory framework. It does not redefine what social care is; it does not legislate for a National Care Service; it does not abolish the means-test; it does not pre-determine the eventual funding settlement that emerges from Casey. It does three specific things, and stops there.

First, it adds **£7.00 billion per year permanently** to the funding envelope for adult and youth social care, allocated to local authorities through the per-capita allocation from the property-tax pool, age-weighted to reflect demographic structure. This is approximately a 12% uplift on UK-wide social care spending of around £61.00 billion per year, and roughly a 25% uplift on the long-term care components most directly affected by the policy (~£28.00 billion across the UK).

Second, it **routes the additional funding through local authorities** alongside their existing baseline social services budget, on the same democratic and operational footing as Community Housing, Local Service Hubs, the National Food Service, and the Right to Life programme. The same democratic body, with the same accountability structures, holds the budget for housing, food, end-of-life support, and social care — at the same table, in the same building, in the same financial year.

Third, it **focuses that additional funding on three specific problem domains**: expanded capacity for currently rationed populations within the existing Care Act eligibility framework; a children's social care market reset; and the restoration of prevention and early-intervention provision that has been hollowed out since 2010. It does so within the existing means-test and eligibility architecture — leaving the substantive reform of those structures to the Casey Commission and to the next government's response.

These three moves, together, prepare the ground without dictating what comes next.

Programme architecture

Budget and trajectory

Year	Universal Care Service uplift	Notes
Y1	£0.00B	Existing system continues; legislation in passage
Y2	£2.33B	Phase-in begins alongside property tax uplift
Y3	£4.67B	Two-thirds of steady state
Y4	£7.00B	Full steady state
Y5+	£7.00B	Steady state, recurring permanently

The £7.00 billion is a permanent uplift, not a programme with an end-date. It is the first standing budget item dedicated to closing the gap between social care need and social care provision since the 2014 Care Act. Like the other Prosperity 2030 service lines, it is a recurring property-tax-funded allocation rather than a time-limited grant tranche.

Funding source: the property-tax pool

The £7.00 billion is funded from the national property-tax pool. The pool yields £73.50 billion at 1% of private dwelling value across the UK, of which baseline existing local services absorb £45.00 billion (replacing Council Tax UK-wide) and the new universal-service allocations absorb the balance. Universal Care Service is one of the new-allocation items, alongside Community Housing operations, Right to Life, Local Service Hubs, and Local Democracy Revival.

The structural significance: care funding is no longer dependent on the volatile and politically constrained mix of central grant, council tax precept, ASC precept, Better Care Fund, and improved Better Care Fund that characterises the current

settlement. It draws on a single national pool with a stable yield, allocated to councils on a per-capita, needs-weighted basis. The cumulative value of the Adult Social Care precept — approximately £3.50 billion of council tax revenue earmarked for ASC by virtue of the 2% annual precept compounding since 2016/17 — is preserved inside the £45.00 billion baseline allocation; the funding stays in the system. What disappears is the *mechanism* — the political device by which councils were expected to keep raising local taxes to plug central funding gaps. The national grant lottery in which competing council priorities are settled annually in the spending review also disappears.

What the £7.00 billion buys: capacity within existing eligibility

The headline question is what the £7.00 billion actually pays for. The answer, deliberately, is operational capacity within the existing Care Act 2014 eligibility framework — not a new entitlement architecture.

It pays for **provider fee uplift toward cost of care**. Councils currently set fees that providers report as below cost, with the result that providers either cross-subsidise from self-funders, withdraw capacity, or hand back contracts. The 61% of directors who reported in the 2025 ADASS Spring Survey that providers in their area had closed, ceased trading, or handed back contracts since April 2025 are reporting on a market that is rationally responding to a price ceiling that is below cost. UCS gives councils the funded headroom to commission cost-of-care fees, stabilising the provider base without changing who is eligible.

It pays for **expanded capacity within the existing eligibility framework**. The 10% fall in older people receiving state-funded care over the last decade — from 587,000 to 529,000 against a rising over-65 population — is a function of capacity rationing, not eligibility tightening. Many of the people now going without are people who would qualify for council-funded support if the council had the capacity to deliver it. UCS funds that capacity directly.

It pays for **the children's social care market reset** — recurring revenue that supports the DfE's existing reform direction (profit caps, regional commissioning co-operatives, expanded in-house and voluntary-sector residential capacity), described in detail in the children's reset section below.

It pays for **prevention and early-intervention restoration**. Spending on prevention is forecast to fall from 8.2% of net adult social care spending in 2023/24 to 5.6% in 2025/26; equivalent figures in children's services show even sharper declines in early help and family support since 2010. The MacAlister Review identified prevention collapse as a primary driver of the rising looked-after population. UCS includes specifically funded provision to restore the front-end of the system that has been hollowed out under successive austerity rounds.

What UCS does *not* pay for, and is not designed to pay for, is the abolition of the means-test. Means-test reform — whether toward abolition, toward an extended Dilnot cap, toward higher asset thresholds, or toward a fundamentally different funding architecture — is properly Casey Commission territory and properly the next government's question. Self-funders continue to self-fund under existing rules; the means-test continues to determine eligibility for council-funded care; the asset thresholds continue to apply. UCS expands what the council-funded service can deliver to those who already qualify; it does not change who qualifies.

Per-capita, age-weighted allocation to councils

The allocation logic is the same as the Local Government Finance design: a national pool, distributed to councils on a per-capita basis, weighted by need. For Universal Care Service the principal weighting variable is age structure — a council with 28% of its population over 65 receives proportionally more than a council with 14% over 65, because the relevant care need is heavily age-correlated. Secondary weights cover deprivation, child population structure (for the children's services component), and rurality (which affects domiciliary care delivery costs).

The "equalisation problem" — the long-running tension in local government finance between authorities with low local revenue and high need — does not arise. The pool is national; the allocation is by need; there is no per-property-value link between local revenue and local entitlement. Gateshead receives the same per-capita-per-need-band funding as Kensington.

Local authorities retain their existing baseline social services funding (~£45.00 billion in the cashflow model, replacing current Council Tax revenues UK-wide) and add the per-capita Universal Care Service share to it. The combined funding stream covers existing statutory duties under the Care Act 2014 and the Children Act 1989, with the £7.00 billion uplift covering provider fee uplift toward cost of care, expanded capacity within existing eligibility, the children's social care market reset, and the prevention-side investment that has been hollowed out under successive austerity rounds.

The problem set: what UCS does and does not own

Honest sizing matters. The full social-care problem set, taken at the scale that responsible analysts (IFS, Health Foundation, Skills for Care, MacAlister) have suggested would be required to address each domain in isolation, runs to approximately £15.00 to £22.00 billion per year. UCS at £7.00 billion covers part of that envelope. The remainder is variously addressed by other Prosperity 2030 framework lines, deferred to the Casey Commission, or sequenced for later treatment once the framework has bedded in.

The decomposition:

Problem domain	Indicative scale	Where addressed
Means-test reform	£6.00–9.00B	Casey Commission — out of scope for UCS
Fair Pay Agreement (immediate full implementation)	£4.00–6.00B	Sequenced for later — see Workforce section below
Capacity for currently rationed populations (older adults, working-age adults)	£2.50–3.50B	UCS
Children's social care reset	£3.00–4.00B	UCS , alongside DfE's existing reform trajectory
Prevention and early-intervention restoration	£1.00–2.00B	UCS
Demand growth / workforce capacity expansion	£2.00–3.00B	Skills Centres carry the workforce expansion; UCS funds deployment
Care leavers (continuity)	£0.30–0.50B	Distributed: UCS social-work continuity + Community Housing + Skills Centres + National Digital Service + Service Hubs

Problem domain	Indicative scale	Where addressed
End-of-life provision	£1.00B	Right to Life (separate £1.00B per year line)
Older adult housing	£10.00B	Community Housing (separate £10.00B per year capital + operating)

UCS at £7.00 billion is therefore sized to cover the lower-middle of the £6.50 to £9.50 billion range required for the three problem domains it specifically owns: capacity expansion, the children's reset, and prevention restoration. Coverage of the specifically-scoped problem set is high — perhaps 75% to 100% — even as coverage of the full problem set is much lower.

The wider Prosperity 2030 framework absorbs the rest of the social-care-adjacent commitment through dedicated budget lines: Right to Life (£1.00 billion per year), Community Housing operations (£1.00 billion per year of refurbishment plus £9.00 billion per year of new build capital, the latter being capital not operating), Service Hubs (£0.80 billion per year), Local Democracy Revival (£2.04 billion per year), and shares of National Digital Service (£3.00 billion per year) and Skills Centres (separately budgeted) attributable to social-care-relevant activity. Taken together, the integrated programme commits something on the order of £15.00 billion per year of operating expenditure to the social-care-adjacent reform agenda — substantially understating its commitment when read as a single £7.00 billion line item.

What is deliberately *not* attempted: a stand-alone all-of-the-above social care fix. Means-test reform waits for Casey. Fair Pay Agreement waits for the cost-of-living rebalance. The rest of the reform-of-everything ambition is left for the next government to build on whatever foundations have been poured by 2030.

What Universal Care Service covers

The legislation extends locally delivered social care to four primary populations, across in-home and residential settings, within the existing Care Act 2014 and Children Act 1989 eligibility frameworks. Where a person currently qualifies for council-funded care, UCS funds expanded capacity, faster access, and provider fee uplift toward cost of care. Where a person currently falls outside the means-test, they continue to do so under the current rules — the eligibility question is Casey's to take up.

Older adults whose care needs the home no longer meets. This is the largest cohort by spend. It comprises domiciliary care for older people remaining in their own homes (the policy preference, both for individual wellbeing and for fiscal efficiency); residential and nursing care where remaining at home is no longer viable; and the integration of care delivery with Community Housing for residents in shared-facility public housing of the Community Housing type. The Universal Care Service per-capita allocation pays for the care that is delivered to these residents; it does not pay for the housing they live in (which is funded separately through the Community Housing budget).

Working-age adults with disabilities or long-term conditions. A substantial and growing cohort. ADASS reported a 30% rise between 2024 and 2025 in the number of 18- to 24-year-olds receiving care packages worth £7,000 a week or more, driven by transitions from children's services into adult provision and by the increasing complexity of needs. England spending on long-term support for working-age

adults (£11.50 billion) now nearly matches spending on older people (£12.00 billion), which would have been unthinkable a generation ago. Universal Care Service funds independent-living support, supported housing care components (with the housing itself funded through Community Housing), specialist domiciliary provision, and the residential settings appropriate to higher-need cases.

Children's social care. Family support, kinship care arrangements, foster care, residential placements, leaving-care support, and the pathway from children's services into adult provision at 18. The Universal Care Service uplift specifically targets the components of children's social care most affected by the broken market: residential placement costs, the ratio of in-house to externally commissioned provision, and early intervention and family support, which has been disproportionately squeezed by the placement-cost spiral. The *Children's social care: the market reset* section below sets out the detail.

People nearing the end of life. Care delivered to people in the last year of life sits at the boundary of social care, NHS continuing healthcare, and hospice provision. Universal Care Service funds the social care component; the Right to Life appendix sets out the parallel £1.00 billion per year line that funds counselling, hospice operations, and end-of-life-specific provision. The two budget lines sit alongside each other in the council's per-capita allocation, enabling integrated commissioning and the avoidance of the boundary disputes that currently delay or deny care at the end of life.

What Universal Care Service does not cover is also worth stating explicitly. It does not cover NHS continuing healthcare (CHC), which remains a national NHS responsibility, although the structural divide between CHC and social care closes substantially through the integration mechanisms set out in *Integration with the wider Prosperity 2030 framework* and *Closing the health-social care divide structurally* below. It does not cover acute medical care or rehabilitation following hospital discharge (NHS responsibility, with reablement at the boundary). It does not cover hospice operations (Right to Life). It does not cover the housing in which care is delivered (Community Housing). The clarity of these boundaries matters: each adjacent budget line has its own funding source and democratic accountability, and Universal Care Service is one element of an integrated set rather than an attempt to consolidate everything into one line.

Integration with the wider Prosperity 2030 framework

Universal Care Service is not a stand-alone reform. Its design depends on, and reinforces, several adjacent components of the Prosperity 2030 framework. The integration is what produces the "creation moment" character of the package; viewed in isolation, the £7.00 billion is just more money for a familiar system.

Community Housing. The Community Housing programme builds permanent public housing of a shared-facility type — small private rooms with shared communal facilities, mixed across age and need — for older people whose existing housing has stopped working, care leavers, survivors of domestic abuse moving on from refuge, and households in temporary accommodation. The buildings are owned by councils as public assets. Care and support delivered to residents flows through Universal Care Service via the same council's age-weighted per-capita allocation. Two budgets, the same council, the same physical building, accounted separately. This is the structural answer to the long-standing health-and-social-

care divide: when housing capital and care revenue are budgeted by a single democratically accountable body for both, the divide closes by design. The separation also means that Community Housing scale is not constrained by available care budget, and care delivery is not constrained by available housing capital; each can scale on its own logic while operating in concert at the council level.

Local Service Hubs. The 9,500 community service hubs co-located with Community Food Centres provide the geographical anchor for care navigation, social work intake, family support, and the daily operational interface between residents and the services they need. A person seeking care does not need to know which budget line it sits on, which delivery partner runs it, or which national or local body sets the rules. They go to their service hub. The hub knows who they are, what they are entitled to, and how to make it happen. The 3,000 outward postcodes' worth of geographical coverage means that no household is more than a short walk or short bus ride from the place that holds their care relationship.

Skills Centres. The Skills Centres policy in the wider framework provides apprentice training and labour-pool capacity for priority sectors, with care explicitly named alongside construction. Apprentices are employed by the Centre and made available to providers on demand. As Skills Centres scale, the care workforce capacity grows in step. The 470,000-post expansion that Skills for Care projects is needed by 2040 is not, under the current dispensation, a credible target — but it becomes one when the Skills Centres carry the recruitment, training, and absorption-cost burden that individual providers currently cannot. The same logic applies to children's services: kinship-care support workers, residential children's home staff, and specialist family workers all draw on the same regional Skills Centre apprentice pool.

Right to Life. The £1.00 billion per year for end-of-life counselling, hospice operations, and palliative-care infrastructure sits alongside Universal Care Service in the council's per-capita allocation. Together they enable integrated commissioning across the social care / hospice / palliative care boundary that currently produces the worst-of-both-worlds experience that families describe at the end of life. The MND fast-track care passport that Casey requested in her March 2026 speech is deliverable inside this framework — the social-care passport sits on the National Digital Service identity infrastructure, integrates with NHS systems, and authorises both care entitlement and palliative-care entitlement from a single record.

Local Democracy Revival. Salaried full-time councillors at 2× local median earnings, with proper office support, change the political economy of council care commissioning. The current system's problem is not that councillors are ill-intentioned but that they are part-time, under-resourced, and structurally unable to hold complex commissioning decisions to account. A council that holds £100 million-plus of annual care spend, deployed across dozens of providers covering thousands of clients, with statutory duties to children and adults that carry significant legal liability, is not credibly governed by part-time members supported by an over-stretched scrutiny function. The democracy reform creates the scrutiny capability that the financial reform requires.

National Digital Service. The digital identity, audit-trail, and entitlement-management infrastructure underpins the operational delivery of council-

commissioned care. A care passport, a kinship-care record, a foster-care file, a continuing healthcare entitlement, a Care Act eligibility determination — all of these become credentials on a single citizen identity, with cryptographic audit and citizen-side data ownership. The Casey Commission's call for a National Safeguarding Board for vulnerable adults, and for fast-track care passports for specific conditions, runs onto the same infrastructure as everything else the citizen interacts with.

The integration is the point. Universal Care Service is not a £7.00 billion uplift to a system that otherwise looks like 2025; it is a £7.00 billion uplift to a system that is being redesigned around it.

Closing the health–social care divide structurally

Casey's diagnosis of the deep divide between health and social care is correct, but the divide is structural rather than attitudinal. NHS funding flows from the Treasury through NHS England to Integrated Care Boards and on to providers; social care funding flows through MHCLG and council tax to local authorities and on to providers. The two flows have different commissioning bodies, different democratic accountabilities, different statutory frameworks, different workforce regulators, different IT systems, and different time horizons. Boundary disputes — most visibly around Continuing Healthcare eligibility — produce the family-navigation problem Casey describes. The same families face the same questions regardless of which side of the boundary the answer falls on; the system answers the questions in two places, with two budgets, two timetables, and two sets of forms.

Prosperity 2030 does not propose to merge the two systems into a single unified national service. It does something simpler: it brings them into structural cohesion at the point of delivery, through the council. Community Housing capital and Universal Care Service revenue sit in the same per-capita line. End-of-life provision sits adjacent. Service Hubs hold the citizen relationship. Local Democracy Revival provides the accountability. The NHS continues to operate as the NHS, with its own commissioning and its own budget, but the social care side of the boundary is no longer the under-resourced, fragmented partner. The boundary disputes do not vanish, but they happen between two adequately resourced and democratically accountable systems rather than between one well-resourced national service and one chronically starved local one.

Whatever the Casey Commission concludes about the long-term integration question — full unification, partial pooled budgets, hypothecated levy, social insurance, or some hybrid — the council-routed delivery architecture that Universal Care Service establishes can carry it. The £7.00 billion is the first concrete step; it does not pre-empt later steps.

Workforce: a different angle on the pay problem

The pay-and-retention crisis in social care is real, well-documented, and not solved by Universal Care Service. The median care worker earns at or near the National Living Wage (£12.21 from April 2025); 58% of independent-sector workers earn below that threshold. The pay differential between care workers with twenty or more years of experience and those with less than one year has collapsed from 33p per hour in 2016 to 10p by 2024. The Adult Social Care Negotiating Body legislated for in the Employment Rights Bill is the right institutional vehicle to

address this; a Fair Pay Agreement, when it eventually settles, will need to lift floor pay, restore progression, and improve sick pay and pension provision.

Prosperity 2030 does not fund the Fair Pay Agreement directly, and does not claim the Adult Social Care Negotiating Body as its instrument. What it does is act on the same problem from a different angle, on a different timetable, through different levers.

Cost-of-living rebalance through universal services. The combined effect of free local public transport, the elimination of energy and water standing charges, the National Food Service, the Universal Information Service (TV licence abolition and BBC zero-rating), and the Universal Digital Service is to remove approximately £2,000 to £3,000 per year of essential household expenditure from a typical low-income household. For a care worker earning at or near the National Living Wage, this is the equivalent — in real disposable income terms — of a meaningful pay rise, delivered without provider fee uplift, without Treasury negotiation over a wage settlement, and without the inflationary pass-through that direct wage rises inside an inadequate fee structure would produce. The real wage of care workers rises because the cost of being a care worker falls.

Skills Centres workforce pipeline. The Skills Centres policy provides apprentice training and labour-pool capacity for priority sectors, with care explicitly named alongside construction. Apprentices are employed by the Centre and made available to providers on demand, with the Centre carrying the recruitment, training, and absorption-cost burden that individual providers currently cannot. The 470,000-post expansion that Skills for Care projects is needed by 2040 averages 30,000 net additional posts a year — within the historical growth rate of 1.6 to 1.9 per cent per year — and becomes credibly achievable when the Skills Centres carry the pipeline rather than each provider competing for scarce recruits in a low-pay market.

UCS provider fee uplift. Within UCS specifically, the uplift toward cost-of-care fees that councils can pay to providers eases the structural pay ceiling that current under-funded fees impose. This is not the same as funding a Fair Pay Agreement, but it removes the most acute fee-related disincentive to provider sustainability and to modest, organic pay improvement.

The sequencing is deliberate. The Prosperity 2030 first-term programme delivers the cost-of-living rebalance and the Skills Centres pipeline before a Fair Pay Agreement is asked to settle at full scale. A Fair Pay Agreement that arrives at the back end of the first term, or in the early part of the second term, settles into a workforce that is already healthier — vacancy rates closer to the wider economy average, retention strengthening, real disposable incomes rising — and against a cost-of-living base that is substantially lower than 2025. The political and fiscal terms of the eventual pay settlement are dramatically more tractable than they would be if attempted as a year-one delivery commitment.

This is not a workforce strategy. It is a complementary set of interventions on real wages, workforce supply, and provider sustainability that addresses the pay-and-retention problem from angles that the Fair Pay Agreement alone cannot reach. The Skills for Care Workforce Strategy of July 2024 remains the right blueprint for the sector-side reform; UCS, Skills Centres, and the wider universal services together provide the conditions in which that blueprint becomes implementable.

Children's social care: the market reset

The children's social care market is not, in any normal sense, a market. Eighty-seven per cent of children's homes are privately operated; the four largest private chains hold a substantial share of the residential market; provision is geographically misaligned with need (the North West holds 26% of children's homes but only 18% of looked-after children come from there); placement costs vary by a factor of more than three across local authorities for similar levels of need. The CMA found "materially higher profits than would be expected were the market functioning effectively". The NAO concluded the system is financially unsustainable. The DfE's own 2024 strategy — *Keeping Children Safe, Helping Families Thrive* — acknowledges the diagnosis but commits funds at a fraction of the MacAlister Review's recommended level.

Universal Care Service does not, on its own, fix the children's residential care market. But it changes the conditions under which the market reform that DfE is already pursuing becomes possible. The components are:

Capacity expansion. The £0.56 billion Spending Review allocation for 2026–29 to refurbish and expand the children's home estate is the seed. Universal Care Service provides recurring revenue for the resulting in-house provision. Councils that increase their share of public-sector and voluntary-sector residential capacity, away from the high-margin private chains, can do so without the fee-recovery pressures that currently force them back into the market they are trying to exit.

Profit caps and regional commissioning co-operatives. The Children's Wellbeing and Schools Bill provides for both. Regional commissioning co-operatives become operationally viable when councils have funded headroom rather than year-on-year overspend pressure; profit caps on private providers are tractable when the alternative is a council-led or voluntary-sector option that can actually take placements. Universal Care Service makes both work in practice.

Early intervention restoration. The MacAlister Review identified the collapse of early help and family support — which has fallen disproportionately within children's services budgets as residential placements consumed every marginal pound — as a primary driver of the rising looked-after population. Universal Care Service includes specific funded provision for the family-support and prevention components of children's services, restoring the front-end of the system that has been hollowed out since 2010.

Care leavers. Care leavers receive a specific entitlement under Universal Care Service, intersecting with Community Housing (which provides the housing itself), Service Hubs (which hold the relationship), and Skills Centres (which provide the apprentice route into work). The current pathway, in which care leavers are 25% of the adult homeless population and 25% of the adult prison population, is a failure of the integration that Universal Care Service makes possible. The integration appendix (Community Housing) sets out the housing side; the workforce and education sides are covered in the Skills Centres appendix; Universal Care Service holds the social-work continuity that connects them.

The DfE's reform programme is broadly the right reform programme. Universal Care Service is the funding architecture inside which it can succeed.

Delivery: public, charitable, social enterprise, private

Care is a service, not an asset. Where Community Housing is structured around the principle of public asset accumulation under democratic accountability — the *what gets built* matters — Universal Care Service is structured around democratic commissioning of services to be delivered to citizens. The asset principle does not apply in the same way; the question is whether the right care reaches the right person at the right time, not what is owned by whom.

The framework therefore takes a permissive view of delivery. Universal Care Service does not require council in-house delivery, does not exclude any particular sector, and does not pre-determine the mix. What it requires is that:

- Commissioning is transparent and democratically accountable through the council's reformed assembly structure
- Providers operate under public-benefit terms appropriate to the activity — no cream-skimming, no asset-stripping, no withdrawal at scale to force fee uplift, transparent cost structures, public-service obligations on quality and access
- Quality and outcomes are reported and scrutinised through the same public accountability mechanisms that apply to housing, food, and information services
- Profit caps apply where the CMA, the children's services market study, or the equivalent adult-social-care work identifies market failure that requires regulatory remedy
- Workforce terms reflect the Fair Pay Agreement once it is in force, regardless of provider type

Within these constraints, councils may commission from in-house teams (where they exist; many do not, having outsourced through the 1990s and 2000s), from large national third-sector providers (Age UK, Mencap, Barnardo's, the Children's Society, Together for Short Lives, hospices), from regional and local charities, from social enterprises, from co-operatives (the Equal Care Co-op model is a working precedent), from community-interest companies, and from private providers willing to operate on the public-benefit terms above. The mix will differ by council, by service type, by population. That is acceptable. What is not acceptable — and what the framework specifically rules out — is a delivery architecture that reproduces the children's residential care market: high-margin private providers operating in conditions of structural under-supply, with councils as price-takers rather than commissioners.

The same logic applies to children's services. The DfE's existing trajectory toward profit caps, regional commissioning co-operatives, and expanded in-house and voluntary-sector provision is consistent with the framework's commissioning principles and is supported by Universal Care Service rather than displaced by it.

How this complements the Casey settlement

The Casey Commission's Phase 1 report is due in 2026 and its Phase 2 final report by 2028 — comfortably ahead of the post-2029 mandate that Prosperity 2030 assumes. The two timelines are complementary rather than competitive.

Casey's substantive recommendations on the funding model — whether toward a National Care Service funded from general taxation, a hypothecated social care levy, social insurance, an extended Dilnot cap, or a hybrid — will define the long-term settlement. Universal Care Service does not pre-empt any of these. The £7.00 billion property-tax-funded uplift is structurally compatible with all of them: a National Care Service can be funded from the property-tax pool plus other

sources; a social care levy can be added to or partially substitute for the property-tax funding; a Dilnot-style cap can sit on top of the universal-service floor (as a safety net for catastrophic costs against private assets, which the universal-service principle has rendered largely irrelevant for care delivered through the public system).

What Universal Care Service does provide is the **delivery infrastructure** that any plausible Casey conclusion will need:

- A democratically accountable commissioning body at the local level (the council, with reformed scrutiny capability)
- A funded workforce capable of expanding at the rate Casey's recommendations will require
- An integrated relationship with housing, food, end-of-life, and digital identity infrastructure
- A transparent, mixed-delivery provider ecosystem operating under public-benefit terms
- A national pool with stable, predictable yield from which incremental Casey-derived spending can be drawn or to which Casey-derived levy revenue can be added

Casey's six immediate-action recommendations from the March 2026 Nuffield Trust speech — scaling dementia trials, appointing a Dementia Tsar, establishing a National Safeguarding Board, fast-track care passports for MND, and the others — are deliverable inside the Universal Care Service framework without requiring further structural reform. The dementia and MND recommendations sit in the integrated care record on the National Digital Service. The National Safeguarding Board sits at the intersection of Universal Care Service (for the operational scrutiny of care delivery to vulnerable adults), Local Democracy Revival (for the accountability mechanism), and the equivalent national bodies for adult safeguarding that already exist in skeleton form. The fast-track passport is a credential on the digital identity infrastructure.

The political logic is also helpful. A government that proposes Casey's long-term recommendations in 2028 or 2029 enters that debate having already delivered, through the post-2029 mandate, a £7.00 billion permanent uplift to social care, a children's market reset, a Community Housing programme, a cost-of-living rebalance for the whole population including the care workforce, and a digital identity infrastructure that makes integrated entitlement management possible. The political ground for the deeper structural reform — including means-test reform and the eventual full Fair Pay Agreement — is prepared by the practical reform that comes first.

Risks and Treasury concerns addressed directly

"It's just more money for a broken system." The £7.00 billion is necessary but not sufficient, and the appendix is honest about both. It is paired with: the property-tax funding architecture (which provides stable yield); the per-capita allocation (which removes the equalisation problem); the integration with Community Housing, Service Hubs, Skills Centres, Right to Life, Local Democracy Revival, and the National Digital Service (which closes the structural gaps that have undermined every previous reform); and the cost-of-living rebalance from the wider universal services (which addresses care worker real wages from a different angle than direct pay reform). The deeper structural reforms — means-test

reform, the Fair Pay Agreement at full scale, the eventual statutory architecture — are properly Casey Commission territory and are deliberately deferred. The system that emerges from this first-term programme is not the current system with more money; it is a partially redesigned system in which the foundations for the further reform are in place.

"Councils can't deliver." The framework does not require councils to deliver in-house. It requires public-benefit commissioning under democratic accountability. Existing capability sits in the voluntary sector, in social enterprises, in surviving in-house teams, and in those parts of the private sector willing to operate on the public-benefit terms the framework specifies. Local Democracy Revival rebuilds the council scrutiny capability that the procurement-and-stewardship role requires; Service Hubs provide the operational layer; Skills Centres provide the workforce.

"How does this fit with NHS reform?" Universal Care Service does not propose a unified National Health and Social Care Service. It brings the social care side into structural cohesion with NHS provision at the point of delivery, through the council, with Community Housing, Right to Life, and Service Hubs as the integration mechanisms. NHS Continuing Healthcare remains an NHS responsibility; the boundary disputes that currently dominate family experience become disputes between two adequately resourced systems rather than between one functioning service and one chronically starved one. Whatever NHS reform path the Casey Commission and the government pursue, Universal Care Service is consistent with it.

"What about the means-test?" Universal Care Service does not abolish, modify, or reform the means-test. The eligibility framework under the Care Act 2014 — including the asset thresholds, the fair-access-to-care criteria, and the cross-subsidy effect of self-funder fees on state-funded clients — continues to operate as it does today. UCS expands what the council-funded service can deliver to those who already qualify; it does not change who qualifies. Means-test reform is properly Casey Commission territory — the Phase 1 report in 2026 and the Phase 2 final report in 2028 will set out the substantive options, ranging from abolition through extended Dilnot caps to higher asset thresholds. The post-Casey government takes that question forward; UCS prepares the operational architecture inside which any Casey conclusion can be delivered.

"Workforce can't expand at this rate." The 470,000-post expansion projected by Skills for Care to 2040 averages 30,000 posts per year, well within historical growth rates. Skills Centres carry the apprentice pipeline; cost-of-living reductions through the wider universal services improve the real disposable income of new and existing care workers without provider fee inflation; UCS provider fee uplift toward cost of care eases the structural pay ceiling. The eventual Fair Pay Agreement, when it settles, sits on top of these foundations rather than being asked to deliver the entire workforce settlement at once. The international recruitment route remains available for specific high-skill roles. The expansion is a multi-year project, not a year-one delivery commitment.

"Council financial sustainability risk." The current per-capita allocation through the property-tax pool is structurally more stable than the current mix of council tax, ASC precept, Social Care Grant, Better Care Fund, and improved Better Care Fund. The 80% of councils currently overspending their adult social care budget are doing so because demand exceeds the funding envelope they are given; the

new envelope is sized to cover the demand. The exceptional financial support regime continues to operate as a backstop for genuinely idiosyncratic council failures, but the structural condition that has produced 30 councils on EFS in 2025/26 is removed.

"The £7.00 billion is too small for the scale of the problem." It is too small to address the entire social care problem set, and the appendix says so explicitly. The full envelope to address every domain in isolation runs to £15.00 to £22.00 billion per year. UCS is sized to cover its specifically-scoped problem set — capacity for currently rationed populations within existing eligibility, the children's social care market reset, and prevention restoration — at roughly 75% to 100% coverage of that domain. Adjacent domains are addressed elsewhere in the framework (Community Housing, Right to Life, Skills Centres, Service Hubs, the cost-of-living rebalance from the wider universal services), or are deferred to Casey (means-test reform), or are sequenced for later implementation as the framework beds in (full Fair Pay Agreement settlement). The aggregate operating commitment to social-care-adjacent reform across the integrated programme is on the order of £15.00 billion per year — substantially more than the £7.00 billion line item alone.

"This adds to public spending." Yes, by £7.00 billion per year permanent. Against the existing trajectory of overspends (£0.62 billion in 2025/26), service rationing (the 10% fall in older people receiving state-funded care), prevention collapse, workforce attrition, and children's market dysfunction, the alternative is not a stable status quo but a continuing managed decline of significant fiscal cost. The displacement of NHS continuing healthcare overflow back into NHS care, the avoidance of crisis admissions through restored prevention, the reduction in hospital delayed discharge, and the long-run displacement of crisis-driven children's residential placements through restored early intervention all carry quantifiable savings that offset part of the £7.00 billion. The Department of Health and Social Care's own 2021 evidence review estimated each pound of preventive social care investment returns £3.17 in downstream savings. The fiscal case does not depend on these returns being fully realised — the £7.00 billion is funded from the property-tax pool regardless — but the net effect on combined health-and-social-care spending is materially less than the gross figure.

"This adds to public debt." No. The £7.00 billion is funded from current property-tax revenue. The Prosperity 2030 programme as a whole adds nothing to UK national debt; Universal Care Service honours that principle by drawing entirely from current revenue.

Conclusion

Universal Care Service does not fix social care. The Casey Commission has been asked to do that, and will report by 2028. UCS is the funded foundation that any plausible Casey outcome will need: more provision within the existing eligibility framework, restored prevention and early intervention, a children's social care market reset, and an integrated framework with housing, end-of-life, food, digital identity, and democratic accountability built around it. Means-test reform, the eventual Fair Pay Agreement at full scale, and the substantive statutory architecture of social care are properly Casey's, properly the next government's, and properly sequenced after this one has bedded in.

The Beveridgean parallel that Casey reaches for is exact. Beveridge's 1942 report named Five Giants and proposed the structural reforms — National Insurance, the

NHS, the welfare state apparatus — that eventually became the post-war settlement. The settlement was not delivered in a single Act; it was delivered across the late 1940s in a sequence of legislation that built on the foundation Beveridge had laid. Casey's creation moment is the equivalent foundation for social care. What is built on it is the question of the next decade. Prosperity 2030 proposes that the foundation be poured now — a permanent £7.00 billion budget line, a council-routed delivery architecture, and an integrated framework of adjacent reforms — so that whatever Casey concludes in 2028 has somewhere ready to land.

References

Casey Commission and adjacent reform

- Casey, L. (2026) *Baroness Casey calls for a moment of reckoning on adult social care*. Speech to the Nuffield Trust Summit, 5 March. Available at: <https://caseycommission.co.uk/baroness-casey-calls-for-a-moment-of-reckoning-on-adult-social-care/>
- DHSC (2025) *Independent Commission into Adult Social Care: Terms of Reference*. <https://www.gov.uk/government/publications/independent-commission-into-adult-social-care-terms-of-reference>
- DHSC (2024) *Reforming adult social care charging: distribution of funding 2023 to 2024*. <https://www.gov.uk/government/consultations/adult-social-care-charging-reform-distribution-of-funding-2023-to-2024>
- HM Treasury (2024) *Autumn Budget 2024*. The Stationery Office.
- HM Treasury (2025) *Spending Review 2025*. The Stationery Office.

Adult social care: spending and finance

- DHSC (2025) *Adult social care finance report, England: 2024 to 2025*. <https://www.gov.uk/government/statistics/adult-social-care-finance-report-england-2024-to-2025>
- ADASS (2025) *ADASS Spring Survey 2025*. Association of Directors of Adult Social Services. <https://www.adass.org.uk/wp-content/uploads/2025/07/ADASS-Spring-Survey-Final-15-July-2025.pdf>
- ADASS (2025) *ADASS Autumn Survey 2025*. <https://www.adass.org.uk>
- House of Commons Library (2025) *Adult social care funding in England* (CBP-7903). <https://commonslibrary.parliament.uk/research-briefings/cbp-7903/>
- NAO (2023) *Reforming adult social care in England*. National Audit Office, November.
- NAO (2025) *Local government financial sustainability*. National Audit Office, February.
- Institute for Government (2025) *Performance Tracker 2025: Adult social care*. <https://www.instituteforgovernment.org.uk/publication/performance-tracker-2025/local-services/adult-social-care>
- King's Fund (2025) *Social Care 360: Expenditure*. <https://www.kingsfund.org.uk/insight-and-analysis/long-reads/social-care-360-expenditure>
- IFS (2024) *Adult social care in England: what next?*. Institute for Fiscal Studies, October.

Adult social care: workforce

- Skills for Care (2025) *The state of the adult social care sector and workforce in England 2025*. <https://www.skillsforcare.org.uk>
- Skills for Care (2025) *The Size and Structure of the Adult Social Care Sector and Workforce in England 2024/25*. <https://www.skillsforcare.org.uk>
- Skills for Care (2024) *A Workforce Strategy for Adult Social Care in England*. July. <https://www.skillsforcare.org.uk>
- Skills for Care (2025) *Pay in the adult social care sector in England, as at December 2024*. March.
- House of Commons Library (2025) *Adult social care workforce in England* (CBP-9615). <https://researchbriefings.files.parliament.uk/documents/CBP-9615/CBP-9615.pdf>
- King's Fund (2025) *Social Care 360: Workforce and Carers*. <https://www.kingsfund.org.uk/insight-and-analysis/long-reads/social-care-360-workforce-carers>
- Nuffield Trust (2024) *New horizons: What can England learn from the professionalisation of care workers internationally?*

Children's social care

- DfE (2025) *Children looked after in England including adoptions: Reporting year 2025*. <https://explore-education-statistics.service.gov.uk/find-statistics/children-looked-after-in-england-including-adoptions/2025>
- DfE (2024) *Keeping Children Safe, Helping Families Thrive*. CP 1200, The Stationery Office.
- NAO (2025) *Managing children's residential care*. National Audit Office, September. HC 1290 of session 2024–26.
- House of Commons Education Committee (2025) *Children's social care*. Fourth Report of Session 2024–25, HC 430.
- MacAlister, J. (2022) *The Independent Review of Children's Social Care: Final Report*.
- CMA (2022) *Children's Social Care Market Study: Final Report*. Competition and Markets Authority.
- LGA (2025) *Costs and complexity in care: The real drivers of high-cost placements for children in care*. Local Government Association, May 2025 (restricted). <https://www.lgcplus.com/services/children/more-than-620000-children-referred-to-social-care-17-04-2025/>
- Institute for Government (2025) *Fixing the children's social care market*. <https://www.instituteforgovernment.org.uk/publication/performance-tracker-local/childrens-social-care-market>
- Larkham, J. and Ren, A. (2025) *A long road to recovery: local authority spending on early intervention children's services 2010/11 to 2023/24*. Pro Bono Economics for the Children's Charities Coalition.
- Ofsted (2025) *Main findings: children's social care in England 2025*. <https://www.gov.uk/government/statistics/childrens-social-care-in-england-2025>

Demographic and demand projections

- ONS (2022) *National population projections: 2020-based interim*. Office for National Statistics.
- Care Policy and Evaluation Centre (2020) *Projections of Adult Social Care Demand and Expenditure 2018 to 2038*. PSSRU, London School of Economics, December.

- Centre for Ageing Better (2024) *The State of Ageing 2023-24*. <https://ageing-better.org.uk/our-ageing-population-state-ageing-2023-4>

Poverty and household conditions

- JRF (2026) *UK Poverty 2026: The Essential Guide to Understanding Poverty in the UK*. Joseph Rowntree Foundation. <https://www.jrf.org.uk/uk-poverty-2026-the-essential-guide-to-understanding-poverty-in-the-uk>
- JRF (2025) *No let-up for millions of families in hardship: JRF's cost of living tracker, winter 2025*. <https://www.jrf.org.uk/cost-of-living/jrfs-cost-of-living-tracker-winter-2025>

International and comparative

- McDougall, M., Kazmin, A., Storbeck, O. and Abboud, L. (2026) 'Can Europe still afford its generous state pensions?', *Financial Times*, 15 January. <https://www.ft.com/content/9c3c1ec8-9ccf-46bb-977d-e877dcf564e6>
- OECD (2023) *Pensions at a Glance 2023*. <https://www.oecd.org/publications/pensions-at-a-glance>

All figures in 2025 prices. Cross-references: Community Housing appendix (housing infrastructure for shared-facility care delivery), Right to Life appendix (end-of-life provision), Local Government Finance appendix (property-tax pool and per-capita allocation mechanism), Skills Centres appendix (workforce pipeline), Service Hubs appendix (geographical anchor and citizen relationship), National Digital Service appendix (digital identity and entitlement infrastructure), Local Democracy Revival appendix (council accountability reform).

RELATED

Referenced by: [Universal Care Service \(Universal Service\)](#)

Community Housing Appendix

Operations, Delivery, and Stewardship

APPENDIX · care, community

Prosperity 2030 Policy Framework | Worked Appendix

Where this policy enters the landscape

By 2030 the housing and social-care environment will be shaped by four conditions that are visible now and will only intensify.

The demographic shift. The over-65 population reaches 22% of the UK total by 2030. The over-85 population almost doubles between 2020 and 2045, from 1.7 million to 3.1 million. By 2043 nearly 4.5 million people aged 65 and over will be living alone. Rural and coastal local authorities are most affected; some already have a third of their population aged 65 or over. The National Housing Federation estimates 38,000 new homes for older people are needed each year, of which roughly a third should be extra care or sheltered. Current delivery is well below that.

The temporary accommodation crisis. As of June 2025, 132,410 households were in temporary accommodation in England, including 172,420 children. Council spending on TA reached £2.84 billion in 2024–25, more than doubling in five years. The London boroughs alone face a £740 million annual shortfall between TA costs and housing benefit reimbursement (which has been frozen at 2011 LHA rates). Seven London boroughs already rely on Exceptional Financial Support; Birmingham among others has cut hundreds of millions in services to fund homelessness duties.

The care leaver gap. Around 12,000 young people leave care each year on reaching 18, with about 50,000 care leavers aged 17–21 in England at any one time. They are 25% of the adult homeless population. Almost 25% of the adult prison population have been in care. Forty per cent of care leavers aged 19–21 are NEET. The state acts as their corporate parent until 25 but the housing pathway it offers is a thin set of supported accommodation places that do not approach the scale of the cohort.

The Casey settlement. The Independent Commission on Adult Social Care reports its medium-term recommendations in 2026 and its long-term recommendations in 2028. Baroness Casey's framing — that social care needs "its own creation moment" — is now the operating consensus. The direction of travel is towards a National Care Service. Whatever specific funding model emerges, the housing dimension of social care reform is non-negotiable: care needs places to happen.

The £39 billion Social and Affordable Homes Programme. Labour's flagship housing intervention runs from 2026–27 to 2035–36 with a target of 300,000 social and affordable homes, of which at least 60% (180,000) social rent. The programme is a step change but is widely acknowledged as too small for the scale of the problem. Critically, the SAHP delivers predominantly nuclear-household social rent housing through housing associations and councils as direct grant applicants. It does not target the shared-facility, mixed-use, life-transition stock that Community Housing is designed for. The two programmes operate in different lanes and complement each other rather than competing.

Community Housing enters this environment as a permanent capital line, modest in annual scale relative to the SAHP but durable across decades and structurally different in what it builds.

Programme architecture

Budget

£10 billion per year, permanent, allocated from the property-tax pool to a national Community Housing fund. The fund is not a programme with an end-date; it is a recurring line in the public-investment architecture, accumulating public housing stock indefinitely. The split between new build and refurbishment is approximately £9 billion to new build and £1 billion to refurbishment of existing empty stock, with that split adjustable annually based on advice from the fund's governing body.

The £10 billion is **capital and stewardship only**. Operating costs — care, support work, case management for residents who need it — are funded separately through the Universal Care Service via the council's age-weighted per-capita allocation. Maintenance and capital renewal of the housing stock sits in the Community Housing budget; care delivered to people living in it does not.

The financing model: no national borrowing

The Prosperity 2030 programme as a whole adds nothing to UK national debt. Community Housing honours this principle in a specific way that is worth setting out clearly because it differs from the conventional public-housing financing model.

The national Community Housing Fund disburses capital to local authorities each year from current property-tax revenue. **The fund does not borrow**. It allocates from cash on hand.

Local authorities, however, treat capital allocations as 30-year obligations to the national fund — repayable over time at a notional cost-of-capital rate equal to the prevailing gilt rate plus a small administrative margin. These obligations sit on local authority balance sheets in the standard way (Housing Revenue Account or equivalent) and are repaid from the council's per-capita property-tax allocation as part of its normal operating budget.

The recycling effect is significant. As repayments flow back to the national fund, they recycle as new capital allocations — additional to the £10 billion of new property-tax money each year. After ten years the fund's annual deployment capacity exceeds £15 billion; after twenty years it approaches £25 billion. The asset base accumulates at a much faster rate than a pure grant model would deliver, while the national balance sheet remains untouched. After 30 years the programme is essentially self financing.

For ONS classification, this is straightforward. National public spending is £10 billion per year — the cash actually disbursed from current revenue. Local authority obligations to the national fund sit on local authority balance sheets, which are already in the public sector. There is no off-book element, no contingent liability of substance, no balance-sheet manoeuvre. The Treasury can examine this model in any depth and find it austere.

What £10 billion per year delivers

The honest delivery range depends on unit cost, which depends on the mix between refurbishment and new build, between simple shared-facility units and more complex extra-care provision, and between modular and traditional construction methods.

Working from current UK benchmarks:

- **Refurbished empty homes:** £40,000–£80,000 per unit, depending on condition. Long-term empty stock is now 303,000 in England (October 2025) and rising; the supply is not the constraint. Refurbishment delivers at 50–80% lower embodied carbon than new build and can scale faster because the buildings already exist.
- **Modular shared-facility units:** £80,000–£150,000 per unit. The UK modular construction sector is growing (Scotland's affordable housing programme already at 90% MMC penetration; ZED PODS, Laing O'Rourke and others operating at scale). Modular is well-suited to repeated unit types — small private rooms with shared communal facilities — that Community Housing predominantly builds.
- **Traditional construction shared-facility units:** £120,000–£180,000 per unit, depending on location and complexity.
- **Extra care and complex specialist provision:** £180,000–£250,000 per unit, with care infrastructure and 24-hour staffing requirements adding to base cost.

The dominant typology in Community Housing is modest: a private bedroom and en-suite shower/toilet of around 18–22 square metres, accessed from shared kitchen, dining, living, and laundry spaces serving 6–10 residents. Communal areas are generous because they substitute for the in-unit space conventional housing provides. This typology lends itself to modular construction and to the conversion of existing empty buildings (large family homes, redundant office space, surplus institutional buildings).

A working assumption for the early-years mix:

Category	Share	Indicative unit cost	Notes
Refurbishment of empty stock	25%	£60,000	Funded from refurbishment leg
Modular shared-facility (basic)	35%	£110,000	Standard typology
Modular shared-facility (specialist)	15%	£140,000	Adapted for older or disabled residents
Traditional shared-facility	15%	£150,000	Where modular not viable
Extra care / complex specialist	10%	£210,000	For populations needing more support

Average all-in cost on this mix: approximately £125,000 per unit. £10 billion of annual capital, after a small national fund administrative cost, delivers approximately 75,000–80,000 new units per year at this mix, growing as the recycling effect adds repayment-funded capacity. Over a decade the public stock accumulates at perhaps 800,000 to 1 million units — a substantial public asset, though smaller than the previous draft's loan-financed projection.

These numbers are working assumptions and will adjust with experience, construction-sector capacity (see section below), and the actual cost outcomes of early projects. The policy is not committed to a specific delivery number; it is

committed to a permanent budget and to building as much housing as that budget can buy at any given time.

The stock accumulates indefinitely

This is structurally different from a programme with an end-date. There is no Year 10 review at which Community Housing might be wound down. There is no "completion" of the public stock. Each year the budget renews and the stock grows, with maintenance and capital renewal funded inside the same line. The right way to think about Community Housing is as a permanent feature of the public infrastructure, comparable in conceptual status to local libraries, leisure centres, or refuse collection: a thing the state does, indefinitely, as part of being the state.

This is also why the policy does not need to deliver at any specific scale to be successful. A first decade that adds half a million units of public shared-facility housing is enormously valuable. A second decade that adds another half a million is more so. The accumulation is the policy.

The buildings: what gets built

The unit standard

Each resident has a private bedroom of around 18–22 square metres, with private en-suite shower and toilet. The room is the resident's private space — locked, theirs, with their belongings, their bed, their desk if they want one, their photographs on the wall. This is non-negotiable. The dignity of having a place that is one's own is the foundation of what the policy provides.

Shared facilities serve clusters of 6–10 private rooms: a kitchen with full cooking facilities, a dining area, a living room with sofas and a television, a laundry. The communal facilities are designed to be genuinely usable rather than minimal — the substitution for in-unit space is what keeps total construction cost down, and that only works if the shared spaces are actually pleasant places to be.

Around the residential clusters sit broader communal facilities at the building scale: a larger meeting and event space, a guest suite or two for visiting family, a garden where the site permits, accessible WC and shower facilities for visitors. The architecture is closer to a small-scale almshouse, a high-quality co-housing scheme, or a well-designed student hall than to either a hostel or a bedsit. The reference points for what good looks like are international (Finnish Housing First buildings, Dutch supported-housing developments) and historical (the better English almshouses).

Mixed use, mixed age, mixed need

A single Community Housing building is designed to serve multiple cohorts simultaneously and to flex over time as demand shifts. The building does not declare in advance whether it is "for older people" or "for care leavers" or "for domestic abuse move-on". It is for whichever of the qualifying populations needs a room in this council's area at the time the room becomes available.

Three reasons this matters operationally:

Stigma reduction. A building that houses only one type of resident becomes labelled as that type of building. A "care leavers' hostel" becomes a place that signals to the wider community that its residents are at-risk young people. A mixed building does not carry that signal.

Demand smoothing. No single cohort is consistent in its housing demand from year to year. Mixing cohorts in the same stock means a council can absorb a higher-than-expected number of care leavers in one year and a higher-than-expected number of older people the next, without having built the wrong type of building.

Social goods. The loneliness that older people in single-occupancy housing experience and the isolation that care leavers experience are problems that mixed living arrangements partially solve. An older resident with knowledge and time and patience is a meaningful presence in the life of a young resident finding their way; a young resident with energy and enthusiasm is a meaningful presence in the life of an older resident. This is not contrived. It is how human communities have worked through most of human history; the segregation of housing by age is a recent and unhappy invention.

There are limits to mixing. Some residents — survivors of male-perpetrated domestic abuse, for example — should be housed in single-gender provision. Some buildings or wings of buildings will be designated accordingly. Some residents have support needs (severe mental illness, active addiction, complex behavioural needs from prior trauma) that require either specialist provision or careful matching with other residents. The mixing principle is the default, not the rule, and councils retain discretion about specific allocations.

Cost discipline: refurbishment first

The empty-homes refurbishment leg matters disproportionately to cost discipline. England's long-term empty stock is 303,000 dwellings as of October 2025 — a 14% increase on 2024 and over 50% above 2016 levels. The total of all empty and underused dwellings exceeds one million. The supply is not the constraint; the funding mechanism, the council capacity, and the regulatory framework for compulsory purchase and remediation are.

The £1 billion annual refurbishment leg should be deployed with broader applicant eligibility than the new-build leg: housing associations operating under public-benefit terms, Community Land Trusts, registered charities specialising in empty-homes recovery (Action on Empty Homes, the Empty Homes Network and members), and councils themselves. The unit cost is lower; the carbon footprint is dramatically lower; and the delivery capacity is more dispersed across organisations that have been working in this space for decades.

Where empty homes are clustered in particular areas — and they are: the North East, parts of the North West, some coastal authorities — refurbishment can do the heavy lifting in those areas. New build dominates in areas with low empty-home stock.

The four cohorts and how the buildings serve them

Older people whose housing has stopped working

The cohort. People in their late seventies or above who are still in the family home — usually in a property too large for them, with stairs they struggle to manage, in a neighbourhood where they have outlived friends and family, often alone. They are not yet in need of residential care; they may not need any care at all. What they need is somewhere to live that is the right size, the right shape, and surrounded by neighbours.

What Community Housing offers them: a private room of their own, en-suite shower and toilet (level-access, properly equipped), a shared kitchen and living space where neighbours are present, a building that includes residents younger than them. Where their care needs are higher, an extra-care variant of the building includes 24-hour staffing funded through the Universal Care Service. Where their care needs are lower, they live in the standard mixed building and access UCS care as outpatients of the wider council care system.

What this displaces: extended family-home occupation by an older person whose home no longer suits them; entry into the residential care market for reasons that are housing failures rather than care failures; delayed hospital discharge when they enter hospital and cannot return home safely.

Care leavers entering adulthood

The cohort. Around 12,000 young people leaving care each year on reaching 18; 50,000 in the care-leaver cohort aged 17–21 at any one time. Outcomes are catastrophic: 25% of adult homeless population, near 25% of adult prison population, 40% NEET among 19–21 year olds.

What Community Housing offers them: a private room with en-suite shower and toilet, in a building that includes other residents — including adults at later life stages who are not threats and not other care leavers. The room is theirs, with no time limit imposed by the housing itself, until they choose to move on. The shared facilities mean they cook with neighbours, eat with neighbours, watch television with neighbours. They are not alone. Their council Personal Adviser remains their formal point of contact for care-leaver duties; the housing is not the support service, it is the place the support service can find them.

What this displaces: care leavers in unsuitable shared HMOs, care leavers in supported accommodation that becomes unsuitable at 21 or 25, care leavers who become homeless because the support cliff at 21 catches them, care leavers who enter the criminal justice system because their housing instability cascades into wider instability.

Survivors of domestic abuse moving on from refuge

The cohort. Women and (less commonly) men leaving refuge accommodation after the immediate crisis has passed but before they are ready or able to enter conventional housing. Currently this cohort is stuck: refuges are blocked because there is nowhere to move on to, which means new arrivals to refuge cannot be accommodated.

What Community Housing offers them: a private room (or in the case of women with children, a self-contained family suite within the same building) in a designated wing or building that operates on women-only or single-gender terms, with the option to move into mixed Community Housing once the survivor is ready. The accommodation is not refuge — it does not have the same security infrastructure or the same support intensity — but it is private, safe, and not time-limited.

What this displaces: women remaining in refuge for months longer than they need to be, refuge-turnover rates that prevent new arrivals being accepted, women returning to abusive partners because no housing alternative is reachable.

People in temporary accommodation

The cohort. The 132,410 households in TA in England, including 172,420 children, many of them in B&Bs and nightly-paid private accommodation that is dangerous to their health, education, and safety.

What Community Housing offers them: permanent or long-term tenancies in a building of dignity, at a cost the council determines, replacing the existing TA placement. For families with children, family-suite formats within the building. For single adults and adult couples, standard shared-facility units.

What this displaces: the £2.84 billion annual TA bill at the national level. Even a modest displacement is a substantial saving against current TA spending — and the displacement is permanent, not just for the year. Each TA household moved into Community Housing reduces the TA bill in every subsequent year as well.

Delivery: where the constraints actually are

Public asset, mixed delivery

The Prosperity 2030 framework is specific about ownership and silent on delivery model. The housing stock built or acquired through Community Housing is held by local councils as public assets, accountable to the council's electors and protected from disposal except under defined conditions. That is non-negotiable. *How* the housing gets designed, built, maintained, and serviced is open. Councils may deliver in-house through revived direct labour organisations; through housing-association partnerships on public-benefit delivery terms; through Local Housing Companies wholly owned by the council; through combined-authority delivery vehicles serving groups of districts; through Community Land Trusts and registered charities (particularly for the empty-homes refurbishment leg); through social-enterprise contractors; or through conventional private contractors operating to the public-service standards the council specifies.

The same mixed-delivery principle applies to maintenance, building services, and the operational support residents need. Care delivered to residents flows through the Universal Care Service and is itself subject to the same mixed-delivery openness — public providers, charities, social enterprises, and private operators all eligible, with the council commissioning to the standards and pricing it determines. Building maintenance, repairs, grounds, security, communal-area services, and so on follow the same logic.

What the framework does require is that:

- The asset itself is owned by the council and remains in public ownership
- Delivery partners operate under public-benefit terms appropriate to the activity (no asset disposal, no rent-regime changes, transparent cost structures, public-service obligations on quality and access)
- Procurement is transparent and follows democratic accountability through the council's reformed assembly structure
- Private providers that take on Community Housing work do so with eyes open to the low margins and the public-service obligations the work carries

This openness matters operationally. Most English councils transferred their housing stock through Large-Scale Voluntary Transfer between the late 1980s and 2010 and lost their development capability in the process. Q3 2025 housebuilding statistics show 190 dwellings started by councils nationally in the quarter — against 7,960 by housing associations and 23,270 by private enterprises. A delivery model that required councils to do everything in-house would face a capability

constraint that would take years and substantial investment to overcome. The mixed-delivery model uses existing capability where it sits — in housing associations, in social enterprises, in some private contractors — while keeping the resulting assets public and the resulting accountability democratic.

The pace of delivery follows council capability and the available delivery partner ecosystem rather than the capital envelope driving an unrealistic capacity expansion. Some councils — typically those in metropolitan and unitary authorities that retained housing functions or that have built up Local Housing Company capability since 2010 — will be ready in Year 1 and can deploy capital at scale immediately. Others will need time to develop the procurement, partnership, and stewardship capabilities the model requires. Combined-authority delivery vehicles will work for groups of smaller districts. Some councils will be slow starters; they will deliver less in early years and more later. That is acceptable. A first year deploying perhaps 30,000 units across the most ready councils, growing to 60,000–80,000 by Year 5, is a realistic trajectory. The £10 billion annual budget is the steady state; the early years will spend less and accumulate balances in the national fund for use in subsequent years.

Construction labour

Construction-sector labour-force capacity is handled through the Skills Centres policy in the wider framework. Community Housing does not propose its own construction-capacity strategy; the framework already has one. Skills Centres provide geographic nodes of trained apprentices employed by the Centre and available to firms on demand, with construction as one of the named priority sectors.

The relevance to Community Housing: as Skills Centres scale, the labour available to deliver Community Housing schemes grows in step. Skills Centres deliberately serve the same geographic areas that Community Housing serves, which means the labour is local and the apprentices are likely to be from the same communities the housing is serving. This is one of the reinforcing loops of the wider framework — the policies do not just coexist, they enable each other.

Where labour shortage in particular trades or particular regions binds in early years, modular construction is an explicit fallback. Modular delivery requires factory labour rather than on-site labour and can substitute for skilled site trades during periods of constraint.

Land

Most Community Housing sites will be either:

- Existing council-owned land currently underused (surplus depots, redundant buildings, brownfield holdings)
- Acquired through compulsory purchase reform (separate framework policy) where private owners hold long-term empty or undeveloped land
- Refurbished existing buildings (the empty-homes leg)

Greenfield acquisition for Community Housing should be rare. The policy is not designed to add to urban sprawl or to compete with private developers for the relatively small pool of consented housing land. It is designed to use council land, public land, and existing buildings.

Regulatory environment

The current planning system is poorly adapted to shared-facility housing of the type Community Housing builds. Use Class C2 (residential institutions) covers some of it; Use Class C3 (dwellinghouses) covers some of it; sui generis applies to some specialist forms. The policy proposes a new use-class designation specifically for shared-facility public housing of the Community Housing type, with appropriate density and design standards baked in. This is a separate piece of regulatory work but is essential to fast and consistent planning consent.

Operations: who does what

Capital flow

National property-tax revenue → national Community Housing Fund (£10 billion per year) → council capital allocations (assessed against published criteria for need, deliverability, and fit with the cohort framework) → council-led or council-with-HA-partner delivery → completed housing held on council balance sheet.

Council allocations are notional 30-year obligations to the national fund, repaid from the council's per-capita property-tax allocation. Repayments recycle as new capital allocations, growing the fund's annual deployment capacity over time. The fund itself does not borrow.

Operating

Once built, the housing is owned and stewarded by the council. Maintenance, capital renewal, voids management, and lettings are funded from the Community Housing maintenance line (part of the £1 billion within the total £10 billion budget, although with growing stock this line will need to grow as a proportion).

The actual delivery of these functions is open: councils may operate through in-house teams, contracted housing associations, social enterprises, Tenant Management Organisations, or private contractors, in any combination that suits local circumstances and capability. The asset stays public; the delivery model is for the council to determine.

Care and support delivered to residents — visiting care for older residents, support work for care leavers, case management for survivors of domestic abuse, mental health support for residents who need it — is funded through the Universal Care Service via the council's age-weighted per-capita allocation. The housing budget does not pay for care; the care budget does. They are operationalised in the same building by the same council, but they are accounted separately and may be delivered by entirely different organisations under separate council commissioning arrangements.

Tenancies and rent

The form of tenancy is for the council to determine within statutory frameworks. Likely models include long-term assured tenancies, shorter-term licensing arrangements for cohort-specific accommodation (e.g., a six-month move-on placement for a survivor of domestic abuse), and indefinite occupancy for older residents who are likely to remain until end of life.

Rent is at council discretion. The principle of the policy is that shelter is a basic right; the operationalisation is a local question. Some councils may charge a low stewardship contribution that covers a portion of maintenance costs and signals the value of what is provided. Others may operate the stock on a no-rent basis for some or all residents — particularly the populations whose income is lowest (care

leavers in early years, older residents on minimal pensions). The Finnish reference point is informative: in Helsinki, residents pay rent that housing benefit covers in full for most of them, and the stewardship model is not tied to the rent. Councils will discover what works for their populations.

Relationship to the existing landscape

The Social and Affordable Homes Programme

Community Housing complements the SAHP rather than substituting for it. The two programmes operate in different lanes:

Dimension	SAHP (£39bn / 10yr)	Community Housing (£10bn/yr permanent)
Funding instrument	Capital grant	Capital allocation (recycling)
Applicants	Councils + housing associations	Councils (with HA delivery partnership)
Unit type	Predominantly nuclear-household	Predominantly shared-facility
Tenure	Social rent / affordable rent	Council discretion
Target population	General social housing waiting list	Specific cohorts the market does not serve
Time horizon	10-year programme	Permanent

There is no duplication; there is no need to choose between them. Both can run in parallel and they target different populations and unit types.

The Affordable Homes Programme legacy and PWLB

The Public Works Loan Board, the Affordable Homes Programme, and the various predecessors continue to operate as conventional grant and loan instruments for general social and affordable housing. Community Housing does not displace any of them. It adds a specific instrument for a specific purpose.

The Casey Commission and the National Care Service

The Independent Commission's Phase 1 recommendations (2026) and Phase 2 long-term recommendations (2028) will shape the national settlement on adult social care. Community Housing is not contingent on any particular outcome from the Commission; it provides housing infrastructure that any plausible National Care Service will need. The policy can be operationalised whether the eventual care funding model is general taxation, social insurance, hypothecated levy, or some combination. The housing is what care happens in.

Risks and Treasury concerns addressed directly

"This adds to public spending." Yes, by £10 billion per year. The displacement of existing costs in temporary accommodation, NHS delayed discharge, criminal justice from care-leaver instability, and unsuitable housing for older people is substantial and growing. The policy does not claim a specific scale of saving; the existing costs are large enough that any reasonable rate of displacement is fiscally meaningful. The costs the public sector is currently absorbing through bad temporary accommodation, blocked hospital beds, and life-cost downstream effects of care-leaver homelessness are not abstract; they show up in the same spending review the Community Housing line shows up in.

"This adds to public debt." No. The national Community Housing Fund disburses from current revenue and does not borrow. Council obligations to the fund sit on local authority balance sheets, which are already in the public sector. There is no net change in the national debt position. This is a structural design feature, not an accounting trick.

"Councils can't deliver." Councils don't have to deliver in-house. The framework requires public ownership of the resulting assets and democratic accountability through the council's reformed assembly structure; it does not require councils to design, build, or maintain the housing themselves. Existing capability in housing associations, Local Housing Companies, social enterprises, and competent private contractors is available to be commissioned. Where council readiness is genuinely a constraint, it is a constraint on procurement and stewardship capability rather than on construction capability — and the procurement-and-stewardship gap is more tractable than rebuilding direct labour organisations would be. Skills Centres provide the labour-force expansion the wider construction sector needs; modular construction substitutes where on-site labour is short.

"The unit cost is unrealistic." Section 2.3 sets out a working mix and an indicative blended cost of approximately £125,000 per unit. This is achievable with the typology described — small private rooms, generous shared facilities, modular and refurbishment delivery dominant. It is lower than NHF supported-housing benchmarks (£184,000–£253,000) because the typology is more modest than full extra-care provision, which is a small share of the mix. The actual delivered cost will vary; the budget is fixed and the unit count adjusts.

"It's just 1960s council housing." Five structural differences set out in the framing document: different cohort (life-transition populations, not nuclear families), different built form (shared-facility, not house-replication), different finance (recycling capital allocation, not subsidised grant), different democratic basis (under Democracy Revival reforms), and different integration with care (UCS funded in the same council). The "it's just council housing" attack survives only if the critic refuses to engage with how the policy is actually designed.

"Why councils, not housing associations as direct applicants?" Because the framework intends to accumulate public assets under democratic accountability, and housing associations were reclassified as private sector by ONS in 2017. HAs have a substantial role in delivery — designing, building, and where commissioned by the council, maintaining and managing the resulting housing — but the asset itself remains in public ownership and the public-service obligations attach to the asset rather than to any particular delivery partner. The same logic applies to social enterprises, charities, and private contractors that take on Community Housing work: deep engagement with delivery, no claim on the asset. For the empty-homes refurbishment leg, where the unit type is more dispersed and the specialist expertise sits more in dedicated charity and social-enterprise providers, eligibility is broader (see section 3.3).

"It crowds out private development." Not in any meaningful sense. Community Housing serves populations the private market does not serve; the unit type is one the private market does not build. There is some second-order competition for materials and skilled labour, but Skills Centres expansion of the construction workforce mitigates this directly. Pulling people who would otherwise be in the conventional rental and purchase market out of those markets reduces demand

pressure on private development; the net effect on private housebuilding is plausibly positive.

"The recycling model is opaque." It is not. Each year, the national fund disburses £10 billion of new capital from current revenue. Each year, councils repay part of their accumulated allocations from prior years. Repayments are added to the new £10 billion to give the fund's annual deployment capacity. The accounting is standard and transparent; it is publishable in a single page.

"What if councils default on their obligations to the fund?" The fund's claims on councils are senior and are part of the council's normal operating budget commitments. Council default on these obligations would be a section 114 event, with the standard MHCLG response (Exceptional Financial Support, possibly intervention). The fund's losses in such a scenario would be a small write-down against the recycling pool, not a contingent liability on the national balance sheet. The structural risk is low and is contained at local authority level.

References

Statutory and policy sources

- HM Government (2025). *Delivering a Decade of Renewal for Social and Affordable Housing*. <https://www.gov.uk/government/publications/delivering-a-decade-of-renewal-for-social-and-affordable-housing>
- HM Government (2025). *Social and Affordable Homes Programme 2026 to 2036*. <https://www.gov.uk/government/collections/social-and-affordable-homes-programme-2026-to-2036>
- HM Government (2025). *A National Plan to End Homelessness*. <https://www.gov.uk/government/publications/a-national-plan-to-end-homelessness>
- HM Government (2026). *Adult social care priorities for local authorities: 2026 to 2027*. <https://www.gov.uk/government/publications/adult-social-care-priorities-for-local-authorities/adult-social-care-priorities-for-local-authorities-2026-to-2027>
- DHSC (2025). *Independent Commission into Adult Social Care: Terms of Reference*. <https://www.gov.uk/government/publications/independent-commission-into-adult-social-care-terms-of-reference>
- Casey Commission (2026). *Baroness Casey calls for a moment of reckoning on adult social care* [Nuffield Trust speech, 5 March 2026]. <https://caseycommission.co.uk>
- DfE (2025). *Children looked after in England including adoptions: Reporting year 2025*. <https://explore-education-statistics.service.gov.uk/find-statistics/children-looked-after-in-england-including-adoptions/2025>
- MHCLG (2025). *Housing supply: net additional dwellings, England: 2024 to 2025*. <https://www.gov.uk/government/statistics/housing-supply-net-additional-dwellings-england-2024-to-2025>
- MHCLG (2025). *Improving access to social housing for victims of domestic abuse: statutory guidance*. <https://www.gov.uk/government/publications/improving-access-to-social-housing-for-victims-of-domestic-abuse>
- DHSC (2021). *Domestic Abuse Support (Relevant Accommodation and Housing Benefit) Regulations 2021*. <https://www.legislation.gov.uk/uksi/2021/991>

Parliamentary research and statistical sources

- House of Commons Library (2025). *Support for care leavers* (CBP-8429). <https://commonslibrary.parliament.uk/research-briefings/cbp-8429/>
- House of Commons Library (2026). *Temporary accommodation in England: Issues and government action* (CBP-10421). <https://commonslibrary.parliament.uk/research-briefings/cbp-10421/>
- House of Commons Library (2024). *Capacity pressures in health and social care in England*. <https://commonslibrary.parliament.uk/capacity-pressure-in-health-and-social-care-in-england/>
- House of Commons Library (2025). *Empty housing (England)*. <https://commonslibrary.parliament.uk/research-briefings/sn03012/>
- ONS (2022). *National population projections: 2020-based interim*. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>

Sector and academic sources

- Shelter England (2025). *Bill for homeless accommodation soars by 25%, hitting £2.8bn*. https://england.shelter.org.uk/media/press/_release/bill_for_homeless_accommodation_soars_by_25_percent_hitting_2_8bn
- LSE / London Councils (2025). *£740m Black Hole: London's Temporary Accommodation Crisis*. <https://www.lse.ac.uk/news/london-boroughs-face-740-million-temporary-accommodation-shortfall>
- Crisis (2025). *The Homelessness Monitor: England 2025*. <https://www.crisis.org.uk/about-us/crisis-media-centre/england-monitor-2025/>
- Local Government Association (2025). *£3bn temporary accommodation funding black hole*. <https://www.local.gov.uk/about/news/new-lga-analysis-ps3bn-temporary-accommodation-funding-black-hole>
- Centre for Ageing Better (2024). *The State of Ageing 2023-24*. <https://ageing-better.org.uk/our-ageing-population-state-ageing-2023-4>
- National Housing Federation (2024). *Supported housing to 2040*. <https://www.housing.org.uk/globalassets/files/supported-housing/report---nhf-need-for-supported-housing.pdf>
- National Housing Federation. *Making the case for specialist homes for older people*. <https://www.housing.org.uk/resources/making-the-case-for-specialist-homes-for-older-people/>
- Action on Empty Homes (2025). *Council Taxbase 2025: Empty Homes in England*. <https://www.actiononemptyhomes.org/>
- Empty Homes Network (2025). *Council Taxbase 2025: England's Empty Homes Statistics*. <https://ehnetwork.org.uk/>
- Nuffield Trust (2025). *Delayed discharges from hospital*. <https://www.nuffieldtrust.org.uk/resource/delayed-discharges-from-hospital>
- The Lowdown (2025). *Patients unable to leave hospital cost the NHS £2bn a year*. <https://lowdownnhs.info/hospitals/patients-unable-to-leave-hospital-cost-the-nhs-2bn-a-year/>
- Home for Good (2025). *Fostering & Adoption Statistics UK*. <https://homeforgood.org.uk/statistics>
- Housing LIN (2015). *Cost Model: Extra Care Housing*. https://www.housinglin.org.uk/_assets/Resources/Housing/Support/_materials/Reports/CostModel/_E

International reference

- Centre for Public Impact. *Eradicating homelessness in Finland: the Housing First programme*. <https://centreforpublicimpact.org/public-impact-fundamentals/eradicating-homelessness-in-finland-the-housing-first-programme/>

- World Habitat (2025). *Helsinki is still leading the way in ending homelessness*. <https://world-habitat.org/blog/helsinki-is-still-leading-the-way-in-ending-homelessness-but-how-are-they-doing-it-2/>
- OECD (2021). *Finland's Zero Homeless Strategy: Lessons from a Success Story*. <https://oecdoscope.blog/2021/12/13/finlands-zero-homeless-strategy-lessons-from-a-success-story/>
- Pathfinders / SDG16+. *Housing First Policy: Finland*. <https://www.sdg16.plus/policies/housing-first-policy-finland/>

Modular construction and delivery

- Cambridge Centre for Housing & Planning Research (2021). *Deploying modular housing in the UK*. https://www.landecon.cam.ac.uk/sites/default/files/2024-05/Modular%20Housing%20Report%20250621_Final.pdf
- Mordor Intelligence (2026). *UK Prefabricated Buildings Market Analysis*. <https://www.mordorintelligence.com/industry-reports/united-kingdom-prefabricated-buildings-market>

All figures in 2025 prices. The financing architecture of this programme depends on the property-tax reform set out in the Local Government Finance appendix

RELATED

Referenced by: [Community Housing \(Structural Measure\)](#)

GB Housing Reform Appendix

APPENDIX · community

GB Housing Reform is the structural measure through which the Prosperity 2030 programme repositions residential property as shelter rather than investment. It is enacted as a single statutory package — a Housing and Land Acquisition Act — comprising three reforms that together establish a consistent rule for how housing and land move into and out of the public housing stock: the public sector pays for what assets currently are, not for what they might become, and does not dispose of public housing stock at less than that price.

The three reforms operate in different directions but share the same underlying valuation principle. Right to Sell creates a household-initiated route for owner-occupiers to convert to social tenancy at use value. Reformed compulsory purchase narrows the basis of compensation for community-initiated land assembly to current planning status. Repeal of Right to Buy closes the only remaining mechanism through which the public housing stock disposes of property at below-market value. Within a programme that establishes an annual holding cost on residential property through the property tax, these three reforms make the framework symmetrical: holding costs at use value, voluntary disposal at use value, directed acquisition at use value, public-stock retention complete.

This is a structural reform with no operating budget line in the cashflow model. Marginal financial flows are absorbed within the Community Housing programme, which carries a £10.00 billion capital allocation sized to absorb both the substantive housing investment commitment and the modest acquisition-cost flows arising from the mechanisms set out here.

The current housing market: three concurrent failures

The reform addresses three failures of the current UK housing market that operate concurrently and reinforce one another.

Speculative pricing of land. Under the existing compulsory purchase regime, compensation is calculated on the basis of "hope value" — the prospective value the land could attain if planning consent for a higher-value use were granted. This requires the public sector to pay landowners for value that has not yet been created, that depends on a regulatory decision the public itself will make, and that the landowner has done nothing to produce. The mechanism inflates the cost of public-purpose land assembly, suppresses the rate of housebuilding, and rewards landowners for holding land out of productive use in anticipation of future planning gain.

Distress without exit. Owner-occupier households facing financial difficulty have effectively two options under the existing market: continue to bear the costs and obligations of ownership, or sell on the open market at a price that may not clear the outstanding mortgage. Households entering the market in recent years on the prevailing advice of the period — including first-time buyers who deployed life savings or family contributions as deposits — are exposed to the full downside of any future correction in house prices, with no managed route to convert their position into security of tenure rather than continued financial obligation. Recent first-time buyers in particular have limited equity cushion against any subsequent price movement and limited ability to absorb the consequences of a forced open-market sale.

Net depletion of the public housing stock. The Right to Buy scheme has, since its introduction in 1980, produced cumulative sales of around 2.04 million social housing dwellings. Replacement has consistently fallen short of disposal: roughly 110,000 sales between 2012 and 2022 against approximately 44,000 replacement homes. JLL has identified a net loss averaging 24,000 social homes per year since 1991, against a current waiting list of 1.287 million households. Around 40% of former council homes had moved into private rented sector ownership by 2015 — converting public housing assets first into owner-occupied private homes and then, in a substantial proportion of cases, into private rental investments. Reductions in the maximum cash discount in late 2024 to between £16,000 and £38,000 (depending on region) have substantially reduced the rate of disposal but have not removed the statutory right or the political mechanism by which discounts can be re-inflated by future legislation.

These three failures share a common feature: the public sector is exposed to private speculative pricing on both the acquisition and disposal sides of the market. The unified reform addresses each failure with a mechanism appropriate to its mode of transaction, while applying a single underlying valuation rule across all three.

Component 1: Right to Sell

Right to Sell creates a statutory route through which an owner-occupier household can apply to sell its dwelling to the local community and remain in the property as a secure social tenant. The application is considered by the local housing authority, which may decline to purchase or make an offer at a price the authority determines. Where an offer is made and accepted, the mechanism delivers two outcomes simultaneously: the household exits a financial obligation it no longer wishes to bear or can no longer sustain, and the public housing stock acquires an additional dwelling without the speculative premium that an open-market purchase would carry.

Eligibility. Right to Sell is available to all owner-occupier households, with no minimum tenure requirement and no income test. The purchasing authority has a duty to consider all applications received and to respond within a defined statutory window. The authority is not obligated to make an offer; where it declines to purchase, it provides reasons — typically that no current Community Housing demand exists for the dwelling type or area, that the dwelling is not suited to the local housing strategy, or that the local capital programme has insufficient headroom in the relevant period. The household has no right of appeal against a decision not to offer. The mechanism is voluntary on both sides: the household chooses whether to apply, and the local community chooses whether to purchase, with no obligation on either party. Where the authority does make an offer, the household is free to accept, decline, or negotiate.

Offer price methodology. The offer price reflects current condition and current authorised use, and is set by the local housing authority based on local market evidence and dwelling characteristics. The methodology applies a single binding constraint and a single procedural feature.

The offer price cannot exceed what it would cost the local authority to construct an equivalent housing unit, where "equivalent" recognises that a larger dwelling can be subdivided after transfer to provide multiple smaller units. A four-bedroom dwelling that would yield two two-bedroom units after subdivision is

valued against the construction cost of two two-bedroom units, not one four-bedroom unit. The cap establishes that Right to Sell can never produce a worse outcome for the public purse than building new — the alternative the local authority always retains. With typical new-build social housing construction costs in the range of approximately £200,000 to £330,000 per unit (excluding land, with regional variation principally between northern England and London), this cap is binding only on higher-value properties in higher-value regions, but its presence ensures that the mechanism cannot be used to convert speculatively-priced private dwellings into public housing at a premium to construction.

Below the build-cost cap, the offer price is not constrained against any particular relationship with the seller's outstanding mortgage debt or original purchase price. A seller whose outstanding debt is well below the offer price is free to retain the residual cash yield from the transaction; a seller in negative equity is protected by the mortgage shortfall and deposit protection mechanisms set out below. The mechanism does not seek to deny capital gains where they exist; it seeks to offer an honest use-value price within a public-purse ceiling, and to leave the household whole in the cases where current market conditions would otherwise leave them exposed.

The offer price valuation is performed by the local housing authority, drawing on the more effective local governance arrangements that come into effect in Year 2 of the programme through the Local Democracy reforms. Professionalised local councillors with adequate analytical support are positioned to set valuations that reflect genuine local conditions rather than the methodology of an arms-length valuation profession trained in open-market pricing conventions.

Mortgage shortfall protection. Where the offer price is below the outstanding mortgage balance on the property, the lender is compensated through 30-year National Property Bonds at a regulated coupon rate, issued for the difference. Lenders absorb the time-value of recovery but do not absorb loss of principal. This treatment avoids the moral hazard of fully insulating lenders from the consequences of their lending decisions while also avoiding the systemic risk that would arise from forcing immediate cash write-downs at scale during a period when many households simultaneously exercise the option.

Deposit protection for recent first-time buyers. Where a first-time buyer who purchased within the previous ten years exercises Right to Sell, verified deposit contributions from original purchase records are converted to 30-year National Property Bonds at a 2.00% coupon, paid to the individual over the bond's life. This addresses an equity concern: where the offer price is below the original purchase price, the household has typically already contributed a substantial deposit (often the proceeds of life savings or family contributions) that would otherwise be written down to zero. The mortgage shortfall mechanism protects the lender's interest in such cases; the deposit protection mechanism applies the same principle to the household's own original equity contribution, on the basis that first-time buyers entering the market in recent years did so on the prevailing advice and prevailing prices and should not be left worse off than later cohorts when they choose to convert to social tenancy. The mechanism is bounded by definition: it applies only to a defined cohort of recent first-time buyers, and the cohort ages out of eligibility ten years after each individual's original purchase.

Tenancy conversion. On completion of the sale, the seller becomes a secure social tenant of the dwelling at a regulated social rent. Tenancy rights are subject to the

terms of the local authority's purchase, which may include subdivision of the property into multiple housing units where the dwelling's size and layout permit. Where the purchase is conditional on subdivision, the seller's tenancy applies to a single unit within the post-subdivision arrangement that is sufficient for the household's housing need, with the remaining units allocated through the wider Community Housing waiting list. Where no subdivision is contemplated under the purchase terms, tenancy applies to the dwelling as a whole.

Subdivision-conditional purchases are not the default and are used only where the local authority's housing strategy identifies a specific need for smaller units in the area and the dwelling is reasonably suited to subdivision. The household is informed of any subdivision condition before accepting the offer and retains the option to decline the sale on those terms.

Tenancy is heritable on the same terms as other social tenancies. The dwelling, or its post-subdivision constituent units, enters the public housing stock and is administered as part of the Community Housing portfolio. Right to Buy is not available against the dwelling, on the principle that public stock acquired under one statutory mechanism cannot be disposed of under another.

Component 2: Reformed compulsory purchase

The reform of compulsory purchase narrows the basis of compensation. The existing regime requires acquiring authorities to compensate landowners on the basis of the highest-value use to which the land could plausibly be put if planning consent were granted, even where that consent has not been granted and where the acquiring authority is itself the planning authority. The reformed regime requires compensation reflecting the property's current planning status — its value under the regulatory regime as currently established, not under a speculative future regime that the acquiring authority itself controls.

Compensation methodology. Compensation is calculated against current authorised use. A holding currently zoned for agricultural use is compensated at agricultural value, even if the acquiring authority intends to bring the land forward for residential development following acquisition. The uplift from any subsequent re-zoning accrues to the community whose decisions create it, not to the previous landowner.

The reform does not abolish compulsory purchase compensation, nor reduce it below current use value. Owners continue to receive fair market compensation for what they currently hold under the planning regime as it actually exists. What changes is that they no longer receive a premium for a use to which the land has not been authorised and which they have not produced.

Scope. The reformed methodology applies to all public-purpose acquisitions: housing land assembly for the Community Housing programme, transport and energy infrastructure, public realm, and any other acquisition by a public authority where compulsory purchase powers are engaged. The principle is that public-purpose acquisition pays the community-determined value of the asset, not a private speculative claim against future community decisions.

Process. Standard compulsory purchase procedures continue to apply: confirmation by the appropriate Secretary of State, public inquiry where required, statutory rights of objection, valuation by an independent assessor against the new use-value methodology, and settlement of compensation through the

National Property Bond infrastructure where the cash flow involved would otherwise create concentration risk for the acquiring authority's capital programme.

Component 3: Repeal of Right to Buy

The statutory Right to Buy, the Preserved Right to Buy applying to stock transferred from local authorities to private registered providers, and the Right to Acquire are all repealed by the Housing and Land Acquisition Act. The repeal is comprehensive: it closes all statutory routes through which sitting tenants of social housing can purchase the property they occupy at below the price that would be established between independent parties in an open market.

Rationale. The case for repeal rests on three considerations.

The first is consistency with the wider housing reform framework. The programme establishes that the public sector pays for what assets currently are, on both the acquisition side (Right to Sell, reformed compulsory purchase) and the holding side (the 1.00% annual property tax). Retaining a statutory mechanism through which the public sector disposes of its own housing stock at below market value is inconsistent with that framework, regardless of the level of discount currently in force.

The second is the political ratchet. The Right to Buy maximum cash discount has been adjusted repeatedly over four decades — from £50,000 in the late 1980s, regionalised down to £16,000–£38,000 in 1999–2003, raised to £75,000 / £100,000 in 2012–2013, indexed to CPI thereafter to reach £102,400 / £136,400 by 2024, then returned to the £16,000–£38,000 range from late 2024. The discount-setting mechanism became indexed annually to the Consumer Price Index from 2014 onwards. Two governments can re-inflate the cap in a single budget cycle. A reform programme that depends on the discount remaining at current levels is exposed to reversal by any future government willing to use the housing portfolio as an instrument of electoral politics. Statutory repeal removes that exposure.

The third is precedent and political feasibility. Right to Buy was abolished in Scotland from 1 August 2016 under the Housing (Scotland) Act 2014, and equivalent provisions have been removed in Wales. England and Northern Ireland remain the outliers within the United Kingdom. The constitutional and political tests have been run elsewhere in the same jurisdiction with no meaningful adverse consequence, providing a tested template for the GB-wide approach.

Volumes affected. Right to Buy sales in England in 2024-25 were 9,236, of which 7,580 were of local authority stock and 1,656 of private registered provider stock. The figure was inflated by an applications spike during the 21-day window between the November 2024 discount-reduction announcement and its implementation, with most completed sales in 2024-25 relating to applications made before the policy change. The settled post-cut volume is expected to run at approximately 4,000 to 5,000 sales per year. The repeal therefore closes a mechanism that, at the date of enactment, is already operating at substantially reduced volume relative to its historical peak.

Transitional treatment. Applications already submitted and being processed as at the date of repeal are honoured under the rules in force at the time of application. This reflects standard administrative practice, removes legal-challenge surface, and is consistent with the transitional approach used when the November 2024

discount changes were introduced. Applications submitted after the date of enactment are not eligible. Existing tenants of social housing retain all other statutory rights — security of tenure, succession, transfer between properties — that exist independently of Right to Buy.

How the three mechanisms achieve programme objectives

The three mechanisms together advance five objectives, each of which requires the combination to be fully achieved.

Use-value as the universal basis of public housing transactions. Each mechanism applies the same valuation principle in the direction relevant to the transaction it governs. Voluntary household-to-public transfer (Right to Sell) prices at use value with a build-cost cap. Directed private-to-public transfer (compulsory purchase) prices at use value with hope value excluded. Public-to-private transfer (Right to Buy) is closed entirely, on the principle that the public sector should not transfer assets at less than their use value. The framework is internally consistent across all three transaction directions.

Expansion of the public housing stock through complementary supply channels.

The Community Housing programme requires both existing dwellings and development land. Right to Sell provides an existing-dwelling channel that is voluntary, household-initiated, and self-selecting toward households that genuinely benefit from the conversion to social tenancy. Reformed compulsory purchase provides a development-land channel that is community-initiated, directed, and capable of unlocking sites that have been held out of productive use in anticipation of speculative gain. Both channels operate at use value, complementing the Community Housing programme's direct construction activity.

A managed route out of owner-occupation where the local community chooses to provide it. Owner-occupation in the current market is a one-way commitment for many households: the financial obligations are continuous, and the only routes out are continued ownership, open-market sale at whatever price the market currently supports, or repossession. Right to Sell creates a third route, where the local community chooses to operate it — conversion to secure social tenancy in the same property — available to households whose dwellings the local authority is willing to bring into the public stock. The mortgage shortfall and deposit protection bond mechanisms ensure that, where the local authority does decide to purchase, the route remains accessible to households whose equity position would otherwise prevent it, including recent first-time buyers exposed to any subsequent movement in market prices.

Removal of the speculative premium from public-purpose land assembly.

Reformed compulsory purchase reduces the unit cost of land acquisition for housing, transport, energy, and public-realm projects relative to the current regime. The savings accrue to the acquiring authority — most commonly the Community Housing programme — which can therefore deliver more housing units per pound of capital allocation than under the current regime. This is the primary mechanism through which the £10 billion Community Housing budget is rendered sufficient to deliver the housebuilding volumes the programme requires.

Long-term retention of the public housing stock. Repeal of Right to Buy ensures that stock acquired through Right to Sell, through Community Housing direct

construction, and through other channels remains in public ownership across generations. The public housing stock becomes a one-way reservoir, growing through acquisition and construction, no longer leaking through statutory disposal at below-market value. The programme's investment in the stock therefore compounds over time rather than being eroded.

Relationship to other programme components

GB Housing Reform sits at the intersection of three other programme components.

Community Housing. Both the existing-dwelling channel (Right to Sell) and the development-land channel (reformed compulsory purchase) feed the Community Housing programme. The £10 billion Community Housing capital budget covers the acquisition costs of dwellings under Right to Sell, the compensation costs of land acquired under reformed compulsory purchase, and the construction costs of new dwellings. Marginal financial flows from the GB Housing Reform mechanisms — the small ongoing cost of bond servicing for mortgage shortfall and deposit protection bonds, the modest receipts from foregone Right to Buy sales — are absorbed within this capital allocation without separate fiscal scoring.

Property tax. The 1.00% annual property tax under the wider fiscal architecture establishes a holding cost on residential property, replacing Council Tax and Stamp Duty Land Tax with a single instrument that applies consistently across the dwelling stock. Right to Sell provides a managed route through which households for whom continued ownership is no longer the right arrangement — for any reason, financial or personal — can convert to secure tenancy. The two instruments work in complementary directions: the property tax establishes that ownership has an annual cost, and Right to Sell ensures that exit from ownership remains a real option for any household.

Local Democracy reform. The Local Democracy upgrade comes into effect in Year 2 of the programme, professionalising councillor roles and creating substantively more capable local governance. This is the institutional framework within which Right to Sell offer-price valuations are made. Professional councillors, supported by adequate analytical capacity, are positioned to apply the offer-price methodology with the local market knowledge and the political accountability that produces robust valuations. The Year 2 commencement of the Local Democracy reforms aligns with the Year 2 commencement of full Right to Sell operations, and the alignment is deliberate: the valuation function is best discharged by a renewed local democratic infrastructure rather than by the local authority arrangements that the wider programme reforms.

Implementation timeline

GB Housing Reform is enacted as a single Housing and Land Acquisition Act in Year 1 of the programme. The three mechanisms commence on different schedules reflecting their different infrastructure requirements.

Year 1. The Housing and Land Acquisition Bill is introduced in the first session, with publication of draft technical specifications for offer-price methodology, build-cost cap calibration, bond-issuance procedures, and the new compulsory purchase compensation methodology alongside the Bill text. Royal Assent is targeted for Month 9. Reformed compulsory purchase commences immediately on Royal Assent, applying to all confirmation orders made after that date. This

requires no new infrastructure beyond updated valuation guidance and is operationally bounded. Repeal of Right to Buy also commences on Royal Assent, with applications received after that date not eligible. Applications received before Royal Assent are processed under the rules in force at the time of receipt, with administrative provision for typical processing windows of up to twelve months from application to completion.

Year 2. Right to Sell commences on a defined date in Year 2, aligning with the commencement of the Local Democracy reforms that establish the local valuation governance framework. A pilot phase in Year 1, limited to a defined cohort of households at imminent risk of repossession, provides early demonstration ahead of full operational rollout.

Year 3 onwards. Steady-state operations across all three mechanisms. The build-cost cap under Right to Sell is recalibrated annually based on local authority construction tender data. The use-value methodology under reformed compulsory purchase is reviewed periodically to ensure it remains current with the planning regime as it evolves. Applications for Right to Buy received before repeal complete their administrative processing by the end of Year 2, with no further new applications under the closed scheme.

Five-year budget expectation

GB Housing Reform does not carry a separate budget line in the cashflow model. The marginal financial flows from the three mechanisms are absorbed within the £10 billion Community Housing capital allocation and within the existing operations of the Treasury and HMRC. For information, the indicative five-year expectation is as follows.

Right to Sell acquisition flows are absorbed within the Community Housing capital programme. Acquisitions under Right to Sell substitute for an equivalent volume of new construction in the Community Housing pipeline, on a one-for-one basis up to the build-cost cap, leaving the £10 billion allocation broadly neutral. Where the Right to Sell offer price is below the cost of equivalent new construction, the Community Housing programme delivers more total housing units within the same allocation. The bond servicing cost for mortgage shortfall and deposit protection bonds in steady state is bounded by the volume of Right to Sell exercise, which depends on household preferences and on the specific market conditions prevailing at the time. The deposit protection component, in particular, is structurally bounded: it applies only to first-time buyers within ten years of original purchase, and the eligible cohort ages out over time.

Reformed compulsory purchase is fiscally positive at the project level. The reduction in compensation costs relative to the current regime — the difference between hope value and current use value — accrues to the acquiring authority, most commonly the Community Housing programme. This effect is one of the principal reasons the Community Housing capital allocation is sized at £10 billion rather than the substantially higher figure that would be required to deliver equivalent housing volumes under the current land-acquisition regime.

Repeal of Right to Buy produces a small reduction in local authority capital receipts relative to the current scheme. In 2024-25, local authorities received £798 million in receipts from 7,494 eligible sales, an average of £106,500 per dwelling, which translates to approximately £0.80 billion in steady-state receipts pre-repeal and a likely £0.40 billion to £0.50 billion under the post-November-2024 discount

regime. The corresponding offset is the avoided capital cost of replacement housing under the one-for-one replacement obligation, which under the current scheme is consistently below the disposal volume. Net steady-state effect at the local authority level is broadly neutral over a thirty-year window once continued rental revenue from retained stock is taken into account, and modestly positive in years beyond that horizon as the avoided maintenance and depreciation cycles of disposed stock would have continued.

The aggregate five-year financial impact across all three mechanisms is, on a conservative estimate, between negative £0.50 billion and positive £1.00 billion relative to the no-reform counterfactual, with the range driven principally by the take-up rate under Right to Sell. Given that this range is well within the natural variance of the £10 billion Community Housing allocation, GB Housing Reform is treated for cashflow purposes as fiscally neutral and is scored under structural reforms without a discrete budget line.

Special conditions and transitional protections

Several conditions and protections are built into the design to address specific concerns that arise from the mechanisms' interaction with existing market arrangements.

Build-cost cap on Right to Sell offer prices. The offer price under Right to Sell cannot exceed the local authority's construction cost for an equivalent new housing unit, with equivalence assessed against the post-subdivision potential of the property. This protects the public purse against any scenario in which Right to Sell could be used as a vehicle for the conversion of speculatively-priced private dwellings into public housing assets at a premium to construction. The cap is binding only on higher-value properties; in most areas of the country and for typical dwellings, current use value sits well below the cap.

Mortgage shortfall bond seniority. Bonds issued to lenders under the mortgage shortfall mechanism rank as senior debt of the issuing public authority, with statutory backing equivalent to gilts. This treatment provides lenders with regulatory capital relief equivalent to direct government exposure and avoids the regulatory complexity that would arise if the bonds were treated as commercial paper.

Deposit protection eligibility verification. Eligibility for deposit protection bonds requires verified contemporaneous evidence of original deposit contribution. Standard mortgage and conveyancing records held by HMRC, the Land Registry, and lenders are sufficient for verification. Cases where deposit contributions came from family members or other third parties are eligible only where the contribution was documented at the time of original purchase.

No retrospective application. Reformed compulsory purchase applies only to confirmation orders made after Royal Assent; orders confirmed before that date complete under the previous methodology. Repeal of Right to Buy applies only to applications received after Royal Assent; applications received before are processed under the rules in force at the time of receipt. Right to Sell is available from the commencement date in Year 2 and is not retrospective.

Devolved competence. The reforms apply to England as a matter of reserved competence over property law and tax. Scotland and Wales have already legislated to abolish Right to Buy in their respective jurisdictions; equivalent Right to Sell

and compulsory purchase reform measures in Scotland and Wales are matters for the Scottish Parliament and Senedd respectively. Northern Ireland remains within the scope of the Westminster Bill on the same basis as other UK-wide property law measures, with consequential amendments to Northern Ireland legislation included in the Schedule.

Cross-protection against gaming. The eligibility rules for Right to Sell deposit protection are bounded to first-time buyers within ten years of original purchase to prevent the mechanism being used as a route through which property investors recover speculative losses on investment portfolios. The eligibility rules for Right to Sell more generally exclude properties used as investment lets within the previous five years, on the same principle.

Supporting proposals and references

GB Housing Reform implements proposals that have been advanced in published policy research and in earlier UK government schemes. Three sources in particular have advanced specific elements of the design and are acknowledged here.

Reboot: building a housing market that works for all. This contribution to the UK housing policy debate sets out a comprehensive analysis of the consequences of sustained house price inflation — declining homeownership, increased poverty, wealth inequality, and a dysfunctional housebuilding system — and proposes a coordinated package of reforms in response. Two of its core recommendations are directly implemented in GB Housing Reform.

The first is a Mortgage Rescue Scheme under which social landlords purchase homes from distressed homeowners, with government covering any negative equity, and beneficiaries becoming social renters without retaining equity or Right to Buy entitlement. The author identifies that this design — broader eligibility than statutory homelessness prevention, no retained equity, no future Right to Buy — reduces moral hazard while extending support to a wider population than the existing safety net reaches. Right to Sell as set out in this appendix is a direct development of that proposal. Three extensions to the original recommendation are made: the mechanism is universal rather than limited to households in distress; explicit deposit protection bonds are added for recent first-time buyers; and negative equity compensation is delivered through long-dated government bonds rather than cash, deferring the cash-flow impact across the bond's life.

The second is the case for moving away from policies that encourage speculative house price growth, including through tax reforms that replace Council Tax and Stamp Duty with a Proportional Property Tax. The wider Prosperity 2030 programme implements the property tax recommendation in its fiscal architecture; GB Housing Reform applies the same underlying principle to the asset side, with use-value as the basis of public-purpose acquisition.

The demand for housing as an investment. This work analyses the financialisation of UK housing — how mortgage credit liberalisation, financial innovation, and government policy have privileged investment demand over need-based provision over four decades — and concludes that marginal reforms are insufficient. It argues for coordinated structural interventions across planning, mortgage regulation, and property taxation. Two of its specific recommendations are directly implemented in GB Housing Reform.

The first is reform of compulsory purchase rules to remove the speculative premium from public-purpose land assembly. Component 2 of GB Housing Reform implements this recommendation in full: hope value is abolished as a basis of compensation, with compensation calculated against current authorised use under the planning regime as it actually exists. The second is the introduction of a proportional annual property tax (implemented in the wider programme's fiscal architecture), supporting the same underlying objective of reorienting the housing market away from investment demand and toward housing need.

The work also recommends giving social landlords first refusal on properties — a mechanism that operates in the same direction as Right to Sell, providing a public-sector acquisition route at use value that complements rather than competes with open-market transactions.

Mortgage rescue: Government mortgage to rent. This earlier UK government scheme established the basic operational template that Right to Sell builds on. Under the scheme, a housing association purchases the home of a homeowner at risk of repossession; the homeowner remains in the property as a tenant on a fixed contract; rent is set below market rates by an independent surveyor and may be supported by housing benefit; sale proceeds clear the mortgage and any feasible additional debt; the seller does not retain equity in the property and is not eligible for Right to Buy discounts; and where the homeowner is in negative equity, the government may fund the gap. The housing association becomes responsible for property maintenance and repairs.

Right to Sell takes this template and develops it in three directions consistent with the wider programme. Eligibility is broadened beyond households at imminent risk of repossession to all owner-occupiers (with purchase decisions remaining at the local authority's discretion). The negative equity gap is funded through long-dated government bonds rather than ad hoc cash provision, deferring the cash-flow impact to predictable annual coupon and final principal payments funded as national debt. Deposit protection is added for recent first-time buyers, addressing an equity gap not covered by the original scheme. The "no retained equity, no future Right to Buy" features are preserved unchanged, as is the principle that the property maintenance obligation transfers to the public sector.

On Right to Buy repeal. None of the three references above explicitly proposes statutory repeal of Right to Buy in England. The case for repeal in this appendix rests on the operational precedent established by Scotland (Housing (Scotland) Act 2014, abolition from August 2016) and Wales (Abolition of the Right to Buy and Associated Rights (Wales) Act 2018), and on the internal logic of the unified GB Housing Reform package — that public-purpose acquisition at use value is incompatible with public-purpose disposal at below market value. The Reboot analysis frames the policy environment that makes repeal coherent (moving the housing market away from speculative house price growth and toward affordability and security) but does not call for repeal as a specific policy.

Where GB Housing Reform extends beyond the linked references. Three design features of GB Housing Reform are not present in the linked references and are introduced here. The build-cost cap on Right to Sell offer prices, with subdivision-aware equivalence, is a public-purse protection not specified in the source proposals. The bilateral discretion model — local authorities not obligated to make an offer, with reasons given for declining — extends the original mortgage rescue template's targeted eligibility into a general framework where the local

community decides which acquisitions fit its housing strategy. The integration of the Local Democracy reforms (commencing in Year 2) as the institutional locus for offer-price valuations is specific to the Prosperity 2030 programme architecture and was not anticipated in the source literature.

On the bonded compensation mechanisms. The bonds issued under Right to Sell (mortgage shortfall, deposit protection) and under reformed compulsory purchase are conventional long-dated government debt instruments — Treasury-issued bonds with defined maturity (30 years for the Right to Sell variants), defined coupon rates, and statutory backing equivalent to gilts. They are funded as national debt: cash flows for coupon payments and final principal redemption are met from the Consolidated Fund through annual debt service. There is no separate institutional infrastructure required to issue them beyond the Debt Management Office's existing capacity to issue gilts of varying maturities and structures. The "National Property Bond" name distinguishes them administratively for the purposes of investor reporting and parliamentary scrutiny, but their economic and operational character is that of any other long-dated government debt instrument.

The use of bonded compensation rather than cash is a debt-deferral mechanism, not a fiscal-magic one. The aggregate cost of the bonds — interest plus principal — is borne by the Consolidated Fund over the bond's life. The advantage of bonded compensation is that it spreads the cash-flow impact across decades, avoiding the concentration risk that would arise if mortgage shortfall payments, deposit protection, or large compulsory purchase compensation flows had to be made from the current capital programme in the year of the transaction. This is a standard public-finance technique with extensive precedent in UK practice, including post-war nationalisation compensation, and the financial crisis bank recapitalisation arrangements.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [GB Housing Reform \(Structural Measure\)](#)

Universal Energy Service : Methodology

APPENDIX · energy

This appendix sets out the basis for the programme's allocation of £9.0 billion per annum (from Year 2) to eliminate domestic energy standing charges and provide fuel vouchers for off-grid heating households. The Exchequer pays network operators directly for the cost of maintaining and operating energy infrastructure, replacing the standing charge revenue stream that currently flows from households through suppliers to network operators. It should be read alongside the companion appendix on GB Energy Network (industrial and commercial transmission charges). All figures are expressed in 2025 prices unless otherwise stated.

Policy objective

Under the current energy billing system, every domestic household in Great Britain pays a daily standing charge on both electricity and gas, regardless of consumption. These charges recover the fixed costs of maintaining energy networks (transmission and distribution infrastructure), metering, supplier operating costs, policy levies, and Supplier of Last Resort (SOLR) costs accumulated during the 2021–22 supplier failure crisis.

Standing charges are inherently regressive. They represent a fixed cost that bears no relation to consumption and therefore take a proportionally larger share of income from lower-consuming and lower-income households. A household that uses no energy at all still pays approximately £328 per year in standing charges under the Q1 2026 Ofgem price cap (electricity: 54.7p/day; gas: 35.1p/day). For the lowest-income households, standing charges can represent over a quarter of their total energy bill.

The Universal Energy Service eliminates all domestic standing charges by transferring the underlying cost recovery to central government. The Exchequer pays network operators (the transmission owners, the six DNO groups, and gas transmission and distribution companies) directly for the cost of infrastructure that standing charges currently fund. Suppliers are removed from the network cost recovery chain: they no longer collect network costs from households via standing charges, and they do not receive Exchequer compensation for that lost pass-through revenue. Households pay only for the energy they consume, at unit rates determined by suppliers.

Composition of standing charges

Standing charges recover several distinct cost categories, each with different regulatory treatment and different payment destinations under the Universal Energy Service.

Network costs

The dominant component is network infrastructure costs, comprising both transmission (TNUoS) and distribution (DUoS) charges passed through to domestic consumers. Under the Ofgem price cap methodology, network costs account for great majority of the standing charge allowance. At aggregate level, this represents approximately £8 billion per year in network cost recovery from domestic standing charges.

These costs are regulated by Ofgem through the RIIO price control framework. Transmission allowed revenues are set by Ofgem for the transmission owners under RIIO-ET and recovered through the TNUoS tariffs that NESO administers; distribution allowed revenues are set by Ofgem for the six Distribution Network Operator (DNO) groups under RIIO-ED2 (2023–2028) and its successor RIIO-ED3 (from 2028). The government payment would be made to the transmission owners and the DNOs in line with those Ofgem determinations, replacing the standing charge revenue stream.

The domestic share of TNUoS demand charges is estimated at approximately £1.5–2.0 billion (the complement of the £2.0–2.5 billion non-domestic share identified in the GB Energy Network appendix, against total TNUoS demand revenue of £3.96 billion in 2025/26). The remainder of domestic network cost recovery is DUoS charges recovered through domestic electricity standing charges, plus the gas network equivalent recovered through gas standing charges.

Supplier and other costs

The remaining portion of standing charges covers supplier fixed costs (metering, customer service, billing infrastructure), policy levy pass-throughs (Warm Home Discount, Energy Company Obligation, Feed-in Tariff legacy costs), and SOLR levy costs from the 2021–22 supplier failure episode.

Under the Universal Energy Service, this supplier-attributable portion of standing charges is not compensated by the government. Instead, suppliers absorb these costs and recover them through unit consumption pricing. This is a deliberate design choice: it maintains suppliers' incentive to manage their own fixed costs efficiently, avoids creating a permanent government subsidy to supplier operating margins, and ensures that the fiscal cost of the intervention is limited to genuinely fixed network infrastructure costs that households cannot avoid or influence.

Fiscal cost derivation

The £9.0 billion annual fiscal cost comprises two components: the standing charge elimination (£8.3 billion) and the off-grid fuel voucher programme (£0.7 billion).

Standing charge elimination: £8.3 billion

Gross standing charge revenue

Total domestic standing charge revenue across electricity and gas is approximately £8.8 billion per year (ex-VAT), based on approximately 28.4 million domestic energy customers and average standing charges under the Ofgem price cap. The equivalent inclusive-of-VAT figure, which represents the gross household saving, is approximately £9.2 billion.

Eliminable costs

Of the £8.8 billion in ex-VAT standing charge revenue, approximately £1.0 billion represents costs attributable to suppliers (metering, billing, customer service) and collection overheads that are eliminable upon the removal of standing charges. These costs are not compensated by the Exchequer, suppliers absorb them into unit consumption pricing. The direct Exchequer payment to network operators is therefore approximately £7.7 billion (midpoint of a £7.6–7.8 billion range), paid to the transmission owners, DNOs, and gas network companies in proportion to their regulated allowed revenues.

Foregone VAT

Standing charges currently attract VAT at the reduced domestic energy rate of 5%. Eliminating standing charges removes this VAT base. The foregone VAT revenue is approximately £0.44 billion (5% of £8.8 billion).

Administration

Programme administration, including the payment mechanism to network operators, compliance monitoring, and transitional arrangements, is estimated at £0.15 billion per year (midpoint of a £100–200 million range).

Total: standing charge elimination

Component	£B	Counterparty
Direct payment to network operators	7.70	Transmission owners, DNOs, gas networks
Foregone VAT on standing charges	0.44	HMRC (lost revenue)
Administration	0.15	Warm Homes Agency
Standing charge elimination subtotal	8.30	

The gross household saving from standing charge elimination is £9.2 billion (inclusive of VAT). The difference of approximately £0.9 billion represents the combined effect of eliminated collection costs, removed VAT, and the transfer of supplier fixed costs into unit pricing, a net efficiency gain from the removal of a universal fixed charge administered through 28.4 million individual billing relationships.

Off-grid fuel voucher programme: £0.7 billion

Approximately 1.7 million households heat with non-grid fuels (oil, LPG, solid fuel) and cannot access the gas portion of the supplier-funded free consumption tier. These households receive an Exchequer-funded fuel voucher representing the non-electricity portion of the free tier, as set out in the off-grid fuel election section below. The annual cost is approximately 1.7 million households at about £410 per voucher (the heating portion of the tier, 76%, at the prevailing domestic gas unit rate) = £0.7 billion. This figure declines as the Energy for the Future programme electrifies off-grid homes and households transition from the fuel voucher to the standard electricity free tier.

Programme total

Component	£B
Standing charge elimination	8.30
Off-grid fuel voucher programme	0.70
Total Energy US fiscal cost	9.00

Household saving

The saving to each household depends on their current standing charge level, which varies by region, payment method, and meter type. Under the Q1 2026 Ofgem price cap:

Charge	Daily rate	Annual cost
Electricity standing charge	54.7p	£199.66
Gas standing charge	35.1p	£128.12
Total dual fuel	89.8p	£327.77

For dual fuel households paying by direct debit, the standing charge elimination saves approximately £328 per year. Households on quarterly credit billing face higher regional standing charges and would save more. Prepayment meter customers, who historically faced the highest standing charges, benefit proportionally.

The programme's headline figure of "up to £1,500 per year" in household energy savings encompasses both the standing charge elimination (up to ~£330) and the separate basic consumption tier provided under the Universal Energy Service's supplier-funded free allowance. The free tier design, including the annual recalibration mechanism and the enhanced allowance for vulnerable properties, is set out in the section below. This appendix addresses the standing charge component and the free tier design; the free consumption tier is funded through progressive unit pricing by suppliers and does not appear in the programme's fiscal cost.

Relationship to the GB Energy Network allocation

The Universal Energy Service and GB Energy Network together provide £11.5 billion in central government funding directed at the energy system:

Intervention	Annual cost (£B)	Counterparty	Cost category
Energy US (standing charges)	8.30	Transmission owners, DNOs, gas networks	Domestic network + system costs
Energy US (off-grid fuel vouchers)	0.70	Off-grid fuel suppliers via WHA	Non-grid heating households
GB Energy Network (C&I transmission)	2.50	Transmission owners	Non-domestic TNUoS
Total	11.50		

Of the combined £11.50 billion, the electricity transmission-specific component (domestic TNUoS via the US plus non-domestic TNUoS via GB Energy Network) totals approximately £4.0–4.5 billion, which approximates the full TNUoS demand-side allowed revenue of £3.96 billion in 2025/26 with headroom for within-period tariff growth.

The electricity distribution component (domestic DUoS via the US) is approximately £2.5–3.0 billion.

The gas transmission and distribution component (domestic gas standing charges via the US) is approximately £1.5–2.0 billion.

The remainder covers foregone VAT, administration, and the SOLR/policy levy residual within standing charges.

This decomposition matters for two reasons. First, it demonstrates that the combined package covers the full domestic network cost base across both electricity and gas, plus the non-domestic electricity transmission system, a comprehensive intervention in energy network financing, not a partial measure. Second, it identifies the gas network component explicitly, since the programme's clean energy transition measures will progressively reduce gas network utilisation, creating a potential stranded asset risk that the standing charge payment partially addresses by maintaining gas network revenue during the transition period.

Trajectory and price control risk

The fiscal cost of the Universal Energy Service is anchored to Ofgem's regulated allowed revenues for network operators. These are set through five-year price control periods (RIIO-ET for transmission, RIIO-ED for electricity distribution, RIIO-GD for gas distribution) and are subject to adjustment for inflation, investment delivery, and incentive performance.

The current price control periods are:

Network	Price control	Period	Approximate annual allowed revenue
Electricity transmission	RIIO-ET2 / ET3	2021–26 / 2026–31	£3–4B rising to £10B+
Electricity distribution	RIIO-ED2	2023–28	£4–5B
Gas distribution	RIIO-GD2 / GD3	2021–26 / 2026–31	£4–5B
Gas transmission	RIIO-GT2 / GT3	2021–26 / 2026–31	£1–2B

The principal trajectory risk is in electricity transmission, where RIIO-ET3 allowed revenues are projected to approximately double from the RIIO-ET2 baseline owing to the Clean Power 2030 investment programme. This risk is shared with the GB Energy Network allocation and is discussed in detail in that companion appendix. For the domestic share, the exposure is proportional: if domestic TNUoS demand charges rise from approximately £2.0 billion to £4.0 billion by 2030/31 in nominal terms, the Universal Energy Service's direct payment for the domestic transmission component would need to increase by approximately £2.0 billion in nominal terms (less in 2025 prices, depending on the inflation path).

The electricity and gas distribution price controls present lower trajectory risk. RIIO-ED2 total expenditure was set at approximately £22 billion over five years, and RIIO-GD2 at a similar order of magnitude. Real-terms increases in distribution allowed revenues have historically been modest (2–4% per annum) and are driven primarily by asset replacement, load growth from electrification, and smart grid investment, pressures that are material but not of the same magnitude as the transmission investment surge.

The programme's 2025-price calibration of £9.0 billion (£8.3 billion standing charges plus £0.7 billion fuel vouchers) therefore represents a defensible steady-state estimate for the current and near-term price control periods. A nominal escalator linked to Ofgem's allowed revenue determinations would be applied to the standing charge component in implementation, consistent with the treatment of all programme cost lines indexed to regulated prices. The fuel voucher component scales with the off-grid heating population (declining as electrification progresses) and the prevailing gas unit rate (determined annually).

Distributional impact

The standing charge elimination is progressive in two dimensions.

First, as a proportion of income. Standing charges are a fixed cost that is identical regardless of household income. For a household in the bottom income decile (gross income approximately £12,000), the £328 annual saving represents 2.7% of

gross income. For a household in the top decile (gross income approximately £100,000), the same saving represents 0.3%. The proportional benefit is approximately nine times greater for the poorest households.

Second, across consumption levels. Under the current system, low-consuming households pay a higher effective unit rate because the standing charge is spread across fewer units of consumption. A household using half the typical consumption level effectively pays 38% more per unit than a household at typical consumption, once standing charges are included. Eliminating standing charges removes this penalty on low consumption, which is itself correlated with lower income, smaller dwellings, and energy-efficient behaviour.

The intervention does not benefit households that are off the gas grid (approximately 4 million UK households) in respect of gas standing charges, since they do not pay them. These households save only the electricity standing charge component (~£200 per year) from the Exchequer-funded standing charge elimination. However, through the annual fuel election mechanism described below, off-grid heating households receive either the full electricity free tier or a cost-equivalent fuel voucher (the heating portion at the gas rate, about £400 to £600 by tier), ensuring that the consumption-tier benefit reaches them regardless of fuel type.

Substantiating the standard-tier anchor

This note sets out how the Universal Energy Service fixes the level of its standard free tier. The tier is anchored in an explicit, health-based comfort standard applied to a typical dwelling. The note explains what that standard is, what evidence supports it, what it is worth in kilowatt-hours, and what it means for the progressive pricing multiplier. The enhanced allowance for vulnerable and poor-fabric properties, and the standing-charge socialisation, are settled elsewhere.

The headline conclusion: the standard-tier anchor sits at roughly 13,800 kWh. This is the level that meets a recognised health standard of warmth in a typical-sized dwelling, sits within the bracket of published need studies, holds the supplier-funded progressive multiplier below its circuit breaker, and leaves the higher comfort standard to the enhanced allowance where it belongs.

The anchor is a normative choice, defended by evidence

Energy need is not a single number waiting to be measured. The published estimates of what a household needs span a wide range, from survival-level allowances to socially-deliberated standards of decent living, because each rests on a different judgement about what counts as adequate warmth and service. Setting the tier therefore means choosing an adequacy standard and defending it, in the manner of a national minimum, rather than computing an objective figure. What follows is that defence: the standard chosen, the authority for it, and the bracket of independent estimates within which the resulting figure sits. It is deliberately transparent about which steps are evidence and which are judgement.

The comfort standard: 18°C for the standard tier, 21°C reserved for the enhanced allowance

The standard tier is built to fund warmth at 18°C, the World Health Organization's recommended minimum indoor temperature in its 2018 Housing and Health Guidelines, which the guidelines state with high certainty is the threshold below which cold begins to harm health, and which Public Health England's review

independently endorsed as posing minimal risk to a healthy, suitably dressed occupant. The WHO guidance carves out a higher standard, around 20 to 21°C, for homes occupied by young children, elderly people, or those who are ill. That maps onto the programme's two-tier structure: the standard tier funds the 18°C health minimum for all households, and the extra per child allowance funds the 20 to 21°C protective standard.

Two points reinforce this rather than complicate it. First, 18°C is not an austere setting. UK homes already heat to roughly this level: the 2011 Energy Follow-Up Survey measured mean winter living-room temperatures of about 18.9°C and whole-dwelling temperatures of about 18.1°C in the coldest month. The standard tier therefore funds what households already treat as adequate, not a reduction below current practice. Second, the 21°C figure is a modelling and comfort standard sitting above observed behaviour, not a need. It is located in the enhanced allowance rather than universalised across all households.

What the temperature setting is worth, and what it is not

The fuel-poverty heating regime specifies 21°C in the living area and 18°C elsewhere; floor-area weighted, its effective whole-dwelling temperature is about 18.9°C. A flat 18°C standard lowers that by only about 0.9°C, because most rooms are already at 18°C under the existing regime. Against a heating-season inside-to-outside gap of roughly 11 to 12°C, and following the degree-day relationship confirmed by the Department of Energy and Climate Change's Cambridge Housing Model work, that reduces space-heating demand by something like 7 to 8%. Since space heating is roughly two-thirds of total energy, the whole-dwelling saving from moving the modelled standard from 21/18 to a flat 18°C is on the order of 5 to 7%. UCL's ¹ measured analysis of a typical 85m² home, finding roughly £130 of saving per degree between 22 and 18°C, is consistent with this once the unaffected hot-water load is netted out.

The conclusion is that the temperature setting confirms the standard rather than driving the number. The distance between the size-weighted mean and a sustainable-need anchor is not mainly a thermostat question, because observed behaviour is already near 18°C. It is a dwelling-size question.

The real lever: a typical dwelling, not the size-weighted mean

The all-dwelling mean is about 14,630 kWh. That mean is pulled upward by large dwellings, which consume disproportionately. The median household consumes about 12,720 kWh, in a smaller and more representative home, at the same observed 18 to 19°C behaviour. The gap between the two, roughly 1,900 kWh, is overwhelmingly a difference of dwelling size and household scale, not of warmth.

A universal floor should reflect a typical dwelling, not the largest. Anchoring on the mean would socialise the consumption of large homes as the universal entitlement; anchoring toward the median reflects what a typical home needs at the health standard. This, rather than the thermostat, is the principled basis for the anchor level, and it is what keeps the tier funding a need rather than an expectation.

The evidence bracket

The proposed anchor should sit within the range of independent, published estimates of household energy need, and it does. The bracket runs as follows:

Reference	Basis	All-dwelling kWh
NEF, National Energy Guarantee (2023)	Survival-level allowance	7,500
NEF, Warm Homes Cool Planet (2022)	Decent-living allowance (current base derivation)	10,000
Observed median	Typical dwelling at ~18 to 19°C	12,720
P2030 anchor	18°C health standard, typical dwelling	~13,800
Observed mean	Size-weighted dwelling stock at ~18 to 19°C	14,630
Fuel-poverty / MIS modelled need	21°C comfort standard (above observed)	~16,000+

The proposed anchor sits above the median, so that it does not chase the typical household below full coverage, and below the size-weighted mean and the 21°C comfort level, which are the expectations the tier should not universalise. It is comfortably above NEF's decent-living figure, so the base allowance remains generous rather than austere.

The household-scaled tiers on this anchor

Applying the formula, 66% of the anchor for the household's adults plus 15% per child to a maximum of two, gives the following standard-tier entitlements at an anchor of 13,800 kWh, with coverage shown against observed mean consumption by dwelling:

Household	Standard tier (kWh)	Observed need by dwelling	Coverage
Single or childless couple	9,108	8,648 (1-bed)	105%
One child	11,178	11,899 (2-bed)	94%
Two or more children	13,248	14,908 (3-bed)	89%

The base covers the smallest households in full, with headroom, and covers the typical low-income (Q1-median) household, which uses about 9,674 kWh. The two-child standard tier of 13,248 kWh sits just below the anchor and covers about 89% of an observed three-bed family's use, with the balance carried by the enhanced allowance for poor-fabric family homes, which lifts the entitlement to the full anchor of 13,800 kWh. Because every standard tier sits below the anchor, the enhanced allowance now adds real headroom for all household types rather than only for the smallest. The modest under-coverage at the family end is the deliberate consequence of anchoring on need rather than the inflated mean, and it is bounded, not open-ended, because the enhanced allowance and the annual recalibration both sit behind it.

The decisive practical consequence: the multiplier stays supplier-funded

The anchor level determines the progressive pricing multiplier required for revenue neutrality, because a lower tier leaves more consumption above the line to recoup from. The population-weighted figures are:

Anchor (kWh)	Base tier (66%)	Revenue-neutral multiplier	Multiplier (incl. standing-charge recovery)
12,720	8,395	2.76	2.90
13,500	8,910	3.08	3.32

Anchor (kWh)	Base tier (66%)	Revenue-neutral multiplier	Multiplier (incl. standing-charge recovery)
13,800 (P2030)	9,108	3.21	3.37
14,000	9,240	3.31	3.47

At the proposed 13,800 anchor the in-use multiplier is 3.37, leaving headroom of 0.63 to the 4.0 circuit breaker, so the free tier is fully supplier-funded through progressive unit pricing with no draw on general taxation. A materially higher anchor would push the multiplier toward and past the circuit breaker, converting the free tier into a standing Exchequer cost rather than a self-funded mechanism. At expected demand responses the free tier is fully supplier-funded through progressive unit pricing, with no draw on general taxation. The circuit breaker is the defined contingency: if a strong behavioural response pushes the cost-recovery multiplier above 4.0x in any year, the Exchequer meets the bounded difference. The free tier is therefore supplier-funded in the central case and capped, not open-ended, in the tail.

Because the multiplier is set in advance against forecast consumption, suppliers will each year collect slightly more or less than the revenue-neutral target, so the annual determination includes a symmetric reconciliation: actual multiplier revenue is trued up against the neutral target, with any over-recovery returned to households as a reduction in the following year's multiplier and any under-recovery added to it. Suppliers therefore cannot profit from the multiplier, which is a regulated pricing rule rather than a source of margin; any excess is returned to bill-payers by design. Because revenue neutrality holds at the system level, an inter-supplier settlement squares individual suppliers, whose customer books differ in their share of heavy above-tier users, to the system-neutral position, using the same mutualisation already established for the renewables obligation and supplier-of-last-resort costs.

How the cross-subsidy is distributed: within income groups, not between them

The progressive pricing recovers the free tier from above-tier consumption, and it is worth being precise about where that transfer falls. Domestic energy use varies far less across the income distribution than is commonly assumed. From the lowest to the highest income quintile, average household consumption rises by a factor of roughly 1.75, not the three- to five-fold gap often imagined, because energy use is driven mainly by dwelling size and household composition rather than by income, with the income-related part a modest intensity effect. The consequence is that the transfer between income groups is small. The great majority of the cross-subsidy, on the order of three-quarters of it, occurs within each household-type and income cell rather than between cells: it flows from the higher-using households of a given type and income to the lower-using households of the same type and income, not from rich to poor. The scheme's progressivity therefore rests less on a rich-to-poor transfer through consumption, which is modest, than on the flat free allowance and the flat standing-charge saving each being worth proportionally more to lower-income households, and on the heavy-using minority across all household types paying the multiplier. For the distributional model this means the between-quintile redistribution from the consumption cross-subsidy should not be overstated; the dominant distributional effect is the universal value of the allowance and the standing-charge saving as a share of income.

Trajectory and the comfort standard

Two design features sit behind the anchor and should be read with it. First, the annual recalibration pegs the anchor to the previous year's typical consumption, so that as the housing stock electrifies and average use falls, the anchor and the tier fall with it, holding the multiplier stable over time. The recalibration should peg the anchor, with the 66% base and 15%-per-child structure held fixed, and should floor the anchor at the modelled need standard so that it cannot track genuinely suppressed demand downward in a period of hardship. Second, the 21°C comfort standard is provided through the enhanced allowances, which gives the 100% comfort-level entitlement to vulnerable and EPC E-and-below households, consistent with the WHO guidance that places the higher temperature with exactly that population.

Seasonal distribution of the allowance

The annual free tier is not distributed uniformly across the year. UK domestic energy use is heavily seasonal: a household may use several times as much in January as in July. An equal monthly allocation would leave households deep in premium pricing through the winter heating months while wasting unused allowance in summer, precisely the wrong distribution for a policy designed to protect essential heating.

The annual allowance is therefore distributed across the twelve months in proportion to the Ofgem seasonal normal demand profile, which reflects the established seasonal pattern of domestic gas and electricity consumption across Great Britain. The monthly weights are applied to each household's own annual tier. The illustration below is shown at the 13,800 kWh anchor, which is both the enhanced allowance and the standard tier for a two-or-more-child household; a household on a smaller standard tier receives the same monthly shape scaled to its own total.

Month	Seasonal weight	Monthly allowance at 13,800 (kWh)
January	~13%	~1,790
February	~12%	~1,660
March	~10%	~1,380
April	~7%	~970
May	~5%	~690
June	~4%	~550
July	~4%	~550
August	~4%	~550
September	~5%	~690
October	~8%	~1,100
November	~12%	~1,660
December	~14%	~1,930

A household consuming within its tier in every month stays free year-round. The seasonal weighting ensures that the winter months, when heating is essential and consumption is highest, carry the largest share of the allowance, preventing households from exhausting the free tier before the heating season ends.

Unused allowance rolls forward within the billing year. If a household uses less than its monthly allocation in a mild October, the unused kWh carry into November as a buffer for colder months. At the annual reset (1 April, aligned with the energy billing year and the Ofgem price cap cycle), any remaining unused allowance expires. There is no accumulation across billing years; the allowance is an annual entitlement, not a savings account.

Annual determination. The free tier parameters are set once a year through a single integrated process. The regulator (or the Warm Homes Agency as the designated delivery body) publishes five metrics for the forthcoming billing year by 1 January, giving suppliers three months to update billing systems, consistent with the existing Ofgem price cap timetable:

1. **Anchor and household-scaled standard tier (kWh).** The anchor is the energy required to meet the health-based warmth standard in a typical dwelling. The standard tier is 66% of the anchor for the household's adults plus 15% per child to a maximum of two. At launch: anchor 13,800; base tier 9,108; one child 11,178; two or more 13,248.
2. **Electricity/heating split.** Fixed at 24:76. At the anchor this is 3,312 kWh electricity and 10,488 kWh heating, scaled to each household's tier. Every household receives the electricity portion on its meter; dual-fuel households receive the heating portion as gas; off-grid heating households may elect a fuel voucher for it.
3. **Seasonal monthly distribution.** The twelve-month weighting above, from the previous year's Ofgem seasonal normal demand profile, applied to both portions.
4. **Fuel voucher value.** The heating portion (76% of the tier) multiplied by the prevailing domestic gas unit rate. At the anchor, approximately £602; at the base tier, approximately £397.
5. **Enhanced allowance.** The full anchor for EPC E-and-below properties: 13,800 kWh at launch, split 3,312 electricity and 10,488 heating, fuel voucher approximately £602.

This cycle means every parameter of the free tier, its level, its fuel split, its seasonal shape, and the voucher value, adapts as the housing stock changes. As electrification progresses the heating share falls, the seasonal profile flattens, and the anchor declines. No legislative amendment is required; the annual determination simply reflects the evolving reality of household energy use.

Smart meter implementation. The seasonal allocation is operationally straightforward for the roughly 40 million smart and advanced meters already installed across Great Britain (about 70% of all meters as of September 2025), which track consumption in real time and can apply different rates within a billing period. For meters not yet smart, suppliers calculate the entitlement at the point of billing, applying the seasonal weights retrospectively. The smart meter rollout progressively simplifies this over time.

Annual recalibration

The free tier is pegged to the need anchor, not to a fixed figure. The anchor is the energy required to meet the warmth standard in a typical dwelling, and it is recalculated each year. As the housing stock electrifies, replacing gas boilers (efficiency about 0.9) with heat pumps (coefficient of performance about 3.0), the energy required to meet the same standard falls sharply, and the anchor and every tier fall with it.

A fully electrified home meeting the same warmth standard needs far less delivered energy. The heating portion that takes roughly 10,500 kWh of gas today is met by about 3,100 kWh of electricity through a heat pump, so a typical electrified home needs on the order of 6,000 to 6,500 kWh in total rather than 13,800. As heat pump penetration grows, the anchor declines toward that level.

Approximate period	Need anchor (kWh)	Base tier 66% (kWh)	Floor applies?
Launch (Year 2)	13,800	9,108	No
Year 7-8 (~6M heat-pump homes)	~11,000	~7,260	No
Year 12-15 (~12M heat-pump homes)	~8,500	~5,610	No
Year 18-20 (~18M heat-pump homes)	~6,500	~4,290	Floor near

The anchor tracks the recalculated need standard downward as the stock electrifies, and is floored at that modelled need so that it cannot track genuinely suppressed demand downward in a period of hardship. The 66% base and 15%-per-child structure is held fixed throughout; only the anchor moves. Using the previous year's recalculated need, rather than a multi-year rolling average, lets the anchor respond promptly to changes in the stock.

This recalibration neutralises the structural channel of pressure on the multiplier. Without it, a growing population of heat-pump homes would consume entirely within the free tier, contributing no above-tier revenue, while the remaining gas homes faced an escalating premium. With it, the tier falls in step with the decline in need, the laggard gas homes and, as the anchor reaches its floor, the electrified homes are held in the above-tier base, and the multiplier stays in a sustainable band through the transition: the cross-subsidy multiplier is about 3.21x at launch (3.37x in use once the standing-charge recovery is added), broadly stable as the tier and the above-tier base shrink together. This stability is what the need-peg delivers, and it is a claim about the structural channel alone.

The multiplier recovers cost, not a fixed revenue total

The recalibration cannot, by construction, offset a second source of pressure on the multiplier: the behavioural response to the premium itself. A household consuming above its tier may trim that consumption in response to the above-tier price, but its need has not changed; it is choosing to use less at the warmth standard, or to under-heat below it. Because the anchor tracks need and is floored, the tier does not move against this response, so the above-tier base shrinks with no offsetting fall in the threshold. Pegging the anchor to observed consumption instead of need would appear to self-correct this, but it would let rebound among below-tier households push the anchor upward and let a hard winter chase suppressed demand downward. The need-peg and the floor are retained deliberately, and the behavioural channel is handled instead through the basis on which the multiplier is set.

That basis is cost recovery, not fixed revenue. In each annual determination the premium on above-tier consumption is set to recover the cost of the energy the system actually supplies: the wholesale and other variable cost of the free below-tier energy, plus the residual fixed costs not already met by the standing-charge socialisation, together with suppliers' regulated margin. It is not set to reproduce a

frozen historical revenue total. The distinction is decisive once households respond. If a household trims consumption above its tier, that energy is no longer procured or delivered, and its cost leaves the recovery requirement with it. A fixed-revenue rule would hold the target constant and bid the multiplier up to collect the same total from a smaller base, paying suppliers for volume they no longer supply. The programme does not do this: suppliers recover the cost of what they supply plus margin and no more, so the demand response confers no windfall and the system funds no phantom volume.

This does not make the multiplier insensitive to the response. The free tier is a large cross-subsidy: at launch about £28.78B is given away below the tier against an above-tier base of about £13.00B, a gearing of roughly 2.2 to 1. The cost of the free below-tier energy does not fall when a heavy user trims above-tier consumption, since that energy was already free and is unaffected, so the same free-tier cost is recovered from a smaller paying base and the multiplier rises somewhat. The cost-recovery rule removes the windfall component of that rise; the residual reflects the genuine arithmetic of funding an unchanged free tier from fewer paying units, and is bounded by the circuit breaker below. The 20% supplier standing charge recovered through the multiplier behaves the same way: it is a fixed sum spread over the above-tier base, so it too is recovered from fewer units as demand falls, which is why the in-use multiplier of 3.37x rather than the 3.21x cross-subsidy figure is the correct starting point for the sensitivity below.

Multiplier circuit breaker

As a prudent safeguard, the programme specifies a maximum progressive pricing multiplier. If the cost-recovery multiplier required in any annual determination exceeds 4.0 times the prevailing Ofgem cap unit rate, the Exchequer backstops the difference through a direct payment to suppliers, and the multiplier is capped at 4.0x for the billing year.

Two forces move the multiplier and they must be distinguished. The first is structural: as the stock electrifies, need and the anchor fall together and the recalibration holds the multiplier in band, as set out above. The second is behavioural: households respond to the premium on their above-tier units, and the recalibration cannot offset this because it tracks need and the response does not change need. The behavioural force is contained by the cost-recovery basis, which strips out any windfall, and bounded by the circuit breaker, which caps the multiplier and backstops the remainder. At expected demand responses the backstop is not triggered; at the upper end of plausible elasticities it may be, and the cost in that case is bounded by the 4.0x cap and quantified in advance rather than open-ended.

At launch the in-use multiplier is 3.37x: the revenue-neutral 3.21x that funds the free-tier cross-subsidy, plus 0.16x that recovers the 20% supplier portion of the standing charge (about £2.08B) through above-tier consumption, the other 80% (£8.30B) being the Exchequer's network payment. That leaves headroom of 0.63x to the 4.0x ceiling, and the system is funded entirely from above-tier premiums with no draw on general taxation beyond the network standing-charge payment. The effect at the household level is progressive rather than flat: a household using around or below its tier pays little or no premium and keeps most of the free allowance, while only a household consuming well above its tier, roughly 45% above it at this multiplier, pays more than it does today. The standing-charge saving of about £310 applies to every household on top of this, so the typical

household, which uses less than its category's mean, comes out modestly ahead. A two-or-more-child family on the 13,248 tier using about 14,900 kWh pays the premium on roughly 1,650 kWh; a childless household on 9,108 using about 8,650 stays under tier and pays no premium at all. The free tier is therefore supplier-funded in the central case and capped, not open-ended, in the tail.

Sensitivity of the multiplier to the demand response

The multiplier was tested against the behavioural demand response under the cost-recovery basis. The response is modelled as a constant-elasticity trim on above-tier consumption, with the multiplier re-solved to the fixed point at which the cost-recovery requirement is met from the responded base. Two bases are shown. The first is the model's quintile-mean funding base. The second corrects for within-quintile dispersion: the floored above-tier quantity is convex in consumption, so the sum of households' above-tier blocks exceeds the block of the quintile mean and the mean base understates the true paying base. The correction uses a lognormal within-quintile spread at a coefficient of variation of 0.40, indicative pending a fit to the NEED consumption deciles. The fixed-revenue multiplier is shown alongside to quantify the supplier windfall that the cost-recovery rule removes. The launch multiplier is the in-use 3.37x (cross-subsidy plus standing-charge recovery) on the mean base, and the lower figure the dispersion-corrected base implies. Elasticities are a settled-baseline central of -0.10 , with -0.05 and -0.20 as low and high; the crisis-era -0.30 is excluded as already absorbed into the baseline.

Basis and elasticity	Above-tier trim	M* fixed-revenue	M* cost-recovery	Exchequer backstop
Mean base (launch M = 3.37)				
$\epsilon = -0.05$	~6%	3.60	3.56	nil
$\epsilon = -0.10$ (central)	~12%	3.86	3.77	nil
$\epsilon = -0.20$	~25%	4.57	4.33	£2.66B
Dispersion-corrected, CV 0.50 (launch M = 2.85)				
$\epsilon = -0.05$	~5%	3.01	2.98	nil
$\epsilon = -0.10$ (central)	~11%	3.20	3.12	nil
$\epsilon = -0.20$	~22%	3.70	3.50	nil

At the central elasticity the free tier is fully supplier-funded on either basis: the multiplier settles at 3.77 on the conservative mean base and 3.12 once dispersion is accounted for, in both cases inside the 4.0 ceiling with no Exchequer draw. Folding the standing-charge recovery into the multiplier has spent headroom, though, and it shows in the high case: at an elasticity of -0.20 on the mean base the cost-recovery multiplier now reaches 4.33 and triggers a backstop of about £2.66B, where on the giveaway-only multiplier it was marginal. That backstop disappears on the dispersion-corrected base, which is the more realistic one, since the true paying base is larger and the launch multiplier correspondingly lower at about 2.85. The reading is unchanged in shape but tighter in degree: the breaker is not triggered at the expected demand response, but the margin at the high elasticity now depends on the dispersion correction rather than surviving without it.

Enhanced allowance for vulnerable properties

The annual recalibration creates a transition risk: as the free tier declines, households not yet reached by the heating electrification programme (Energy for the Future) face a shrinking allowance while their consumption remains high. These are disproportionately low-income households in poorly insulated, hard-to-treat properties, the population least able to respond to the pricing signal through voluntary investment.

To address this, households in properties with an Energy Performance Certificate (EPC) rating of E or below (or the equivalent under any post-EPC assessment framework) receive an **enhanced free tier equal to the full anchor**, 13,800 kWh at launch, declining with the annual recalibration but always at the full anchor rather than the household-scaled fraction. Because every standard tier sits below the anchor, this lifts all household types: a childless household rises from 9,108 to 13,800 (an uplift of about 4,700 kWh), while a two-child family rises from 13,248 to 13,800 (about 550 kWh). This shelters the most vulnerable households, those in the worst-performing tenth of the stock, from above-tier pricing until their property is upgraded.

The enhanced allowance is linked to the **property**, not the occupant, determined by the EPC rating, an objective and verifiable measure. The allowance exists because the building cannot be heated efficiently, not because of the occupant's income or behaviour. A wealthy household buying a Victorian terrace at EPC E receives it; a low-income household in a newly insulated flat at EPC B does not. The property link avoids means-testing and its cliff edges and targets the physical cause of high consumption.

At launch the EPC E+ population is approximately 2.7 million homes, about a tenth of the stock, predominantly solid-walled pre-1930 properties, uninsulated rural homes, and the F and G-rated stock. The additional cost is the extra free consumption (the anchor less each household's standard tier) across this population, an average uplift of roughly 3,600 kWh per home, worth approximately £1.0 billion in aggregate. It is absorbed through the blended multiplier across all above-tier consumption, a modest increase from about 3.21x to about 3.25x, not through the Exchequer. The cost declines as retrofit under Energy for the Future shrinks the enhanced-allowance population.

Conditionality: retrofit offer and withdrawal

The enhanced allowance is explicitly transitional. It exists because the retrofit programme has not yet reached the household, not because the household has a permanent entitlement to higher consumption. To enforce this principle:

When a household in an enhanced-allowance property receives and declines a government-sponsored retrofit offer (through Energy for the Future, the Warm Homes Plan, or any equivalent scheme), **the enhanced allowance is withdrawn** and the property reverts to the standard tier from the following billing period.

"Decline" is defined narrowly: it means active refusal of a specific, funded offer of works, a concrete proposal with identified measures, a confirmed government subsidy, and a proposed installation timeline. It does not include failure to apply for a scheme (many households will not be aware of their eligibility until contacted), delay caused by legitimate scheduling, health, or access issues, or requests to defer to a more convenient date within a reasonable window. The

conditionality is triggered only when the household has been presented with a real offer and has actively refused it.

Tenant protections. Where the occupant is a tenant and the retrofit decision rests with the landlord, the tenant retains the enhanced allowance regardless of the landlord's decision. The conditionality cannot be applied to penalise a tenant for a decision they do not control. For **social housing**, where the landlord (local authority or housing association) is both the decision-maker and the beneficiary of the enhanced allowance (through reduced energy costs or reduced tenant arrears), the conditionality operates at the landlord level: a social landlord that declines a government-funded retrofit offer for a property or block loses the enhanced allowance revenue benefit across the affected units. This creates a direct financial incentive for social landlords to accept retrofit offers, consistent with the PRS/SRS MEES framework in the Warm Homes Plan which places energy efficiency obligations on landlords.

For **private rented sector** properties, the situation is more complex. The landlord controls the building fabric but does not directly benefit from the enhanced allowance (which reduces the tenant's bills, not the landlord's). The PRS MEES requirement to reach EPC C by 2030 provides the primary regulatory lever; the enhanced allowance conditionality operates as a secondary signal. A private landlord who declines a government retrofit offer while the property remains below EPC E faces both the MEES enforcement penalty and the loss of the enhanced allowance for their tenants, creating reputational and tenant-retention pressure alongside the regulatory stick.

Sequencing link to Energy for the Future

The conditionality mechanism is only meaningful if retrofit offers actually reach enhanced-allowance households within a reasonable timeframe. Energy for the Future's heating electrification stream (£4.0 billion per year at steady state, funding ~1.2 million installations per year) explicitly prioritises the highest-consuming, hardest-to-treat properties, the same population receiving the enhanced allowance. This sequencing ensures that the enhanced allowance does not become a permanent subsidy: the programme reaches these homes, makes the offer, and the household either accepts (and the property is upgraded, the EPC improves, and the enhanced allowance falls away naturally) or declines (and the enhanced allowance is withdrawn by conditionality).

The two policies, Universal Energy Service and Energy for the Future, are a coupled package. The free tier only works equitably if the retrofit programme reaches disadvantaged households fast enough. A reviewer examining the Universal Energy Service in isolation, without the Energy for the Future commitment to upgrade 1.2 million homes per year prioritised by vulnerability, would rightly identify the enhanced allowance as potentially regressive during the transition. The policies are designed to be read together.

The electricity/non-electricity split and off-gas-grid households

The annual free tier is divided into an **electricity portion** and a **heating portion**, fixed at a standard 24:76 split:

Portion	Share	kWh at the anchor (13,800)	Basis	Funding mechanism
Electricity	24%	3,312	lighting, appliances, cooking, and heat-pump	Supplier (progressive pricing on above-tier

Portion	Share	kWh at the anchor (13,800)	Basis	Funding mechanism
			electricity	electricity)
Heating	76%	10,488	gas or gas-equivalent heating	Gas supplier (progressive pricing) or Exchequer voucher
Total	100%	13,800		

The 24:76 standard reflects the typical household's mix of electricity to heating energy. It is a delivery parameter only: each household's actual bill is computed on its own dwelling mix, so the standard split governs how the allowance is apportioned, not how bills are charged. Both portions scale with the household's tier.

Every household receives the electricity portion on its electricity meter, seasonally distributed, regardless of how it heats. No household faces premium rates on electricity from the first kWh.

For **dual-fuel households**, the heating portion (76% of the tier) is consumed as gas and funded through progressive pricing on above-tier gas, administered by the gas supplier. No election or Exchequer funding is required.

For **off-grid heating households** (about 1.7 million homes on oil, LPG, or solid fuel), the heating portion cannot be delivered through a gas meter, so they make an **annual fuel election** between two treatments of the heating portion:

Option A, fuel voucher (default). The household receives a voucher worth the heating portion of its own tier at the prevailing gas unit rate, scaled by composition: approximately £397 at the base tier, £488 with one child, £578 with two or more children, and £602 at the full anchor. It is redeemable against any domestic fuel from any supplier registered with the Warm Homes Agency, and carries no tradeable value, consistent with the in-kind principle of Universal Basic Services. The household also keeps the electricity portion on its meter. The voucher is Exchequer-funded at a programme cost of approximately £0.7 billion per year.

Option B, full electricity allowance. The household declines the voucher and takes the whole tier as electricity on its meter, worth the full tier at the electricity rate, approximately £3,404 at the anchor and £2,247 at the base tier. This is the rational choice once heating is electrified.

The crossover, where Option B becomes more valuable than Option A, occurs once a household's electricity use exceeds roughly **3,800 kWh on the base tier and 5,750 kWh on the enhanced allowance**, which is the consumption of a moderately efficient heat-pump home. The election therefore tips at the point of electrification without any administrative nudge. The election is made once a year by 1 March; non-electing off-grid heating households default to Option A. It is property-linked, and the Warm Homes Agency administers the register and voucher issuance. As the recalibration declines, the crossover stays at approximately the consumption of a heat-pump home in relative terms.

Interaction with the enhanced allowance. An off-grid household in an EPC E+ property qualifies for both the enhanced allowance and the election: the electricity portion rises to about 3,312 kWh and the voucher to approximately

£602, with the full electricity option worth about £3,404. The election operates identically; only the amounts change.

Conditionality. The voucher is subject to the same conditionality as the enhanced allowance: it is withdrawn if the household declines a government-funded electrification offer, reverting to the standard electricity-only free tier on the meter. The household retains the electricity portion; the heating subsidy ends. The conditionality for tenants and social housing operates as described for the enhanced allowance.

Households already heating with electricity. About 2.3 million off-gas-grid homes already heat with electricity (storage heaters, direct electric, heat networks). They need no election: the whole tier applies as electricity. Storage-heater homes benefit most, since the electricity allowance covers the majority of a high all-electric consumption, and they are among the most fuel-poor in the country.

Caveats and limitations

Standing charge estimates are based on the Ofgem price cap methodology. The price cap sets maximum, not actual, standing charges. Suppliers may charge less than the cap, and competitive fixed-tariff products may bundle standing charges differently. The £8.8 billion gross standing charge revenue estimate assumes cap-level standing charges across the customer base, which marginally overstates the actual amount currently collected from households. This conservative assumption is deliberate: it provides a buffer against regional and payment-method variation without requiring household-level billing data. The Exchequer's direct payment to network operators (£7.7 billion) is derived from the network cost share of this gross figure and would in practice be calibrated to the network operators' actual regulated allowed revenues rather than to the standing charge estimate.

The 80/20 network-to-supplier cost split is an approximation. The precise split varies by region, payment method, and cap period. Network costs have constituted a rising share of standing charges since 2022 due to SOLR costs being loaded onto standing charges and subsequently being partially unwound. The 80% figure is a rounded central estimate for the programme period; the actual figure may be 75–85% depending on Ofgem's cap methodology decisions.

Gas network stranded asset risk. The programme's direct payment to gas network operators maintains their revenue during the energy transition. As gas consumption declines due to heat pump deployment and building electrification, the gas network faces long-term stranded asset risk. The direct Exchequer payment does not resolve this risk, it defers it by maintaining revenue while the underlying asset base depreciates. A separate policy framework for gas network decommissioning and managed decline will be required, and the direct payment should be understood as transitional support, not a permanent settlement of gas network financing.

Interaction with the free consumption tier. The standing charge elimination and the free basic consumption tier are distinct interventions with different funding mechanisms, as set out in the free tier design section above. The standing charge elimination is tax-funded at £8.3 billion per year. The off-grid fuel voucher is tax-funded at £0.7 billion per year. The electricity and gas free tiers are supplier-funded through progressive unit pricing on above-tier consumption and do not appear in the programme's fiscal cost. The enhanced allowance for EPC E+ properties increases the cost of the supplier-funded progressive pricing model by

approximately £0.83 billion (absorbed through a marginally higher blended multiplier, not through the Exchequer), and this cost declines as the retrofit programme reaches the enhanced-allowance population. The standing charge elimination, fuel vouchers, and consumption tiers are additive in their household benefit but should not be conflated in fiscal scoring.

Sources

- Few, J. and Oreszczyn, T. (2022) *Energy bills: how much money does turning down the thermostat actually save?*
- Ofgem, *Energy price cap (default tariff): 1 April to 30 June 2026, Final levelised cap rates model (Annex 9)* (February 2026).
- Ofgem, *Understand your electricity and gas bills* (2025).
- Ofgem, *State of the Market Report: Energy Retail Markets Highlights* (April 2025).
- House of Commons Library, *Energy standing charges*, Research Briefing CBP-10339 (updated April 2026).
- House of Commons Library, *Gas and electricity prices during the 'energy crisis' and beyond*, Research Briefing CBP-9714 (updated April 2026).
- NESO, *Transmission Network Use of System (TNUoS) Charges: 2025/26 Tariff Publications* (2025).
- NESO, *TNUoS Five-Year View* (January 2026).
- Ofgem, *RIIO-ED2 Final Determinations* (November 2022).
- Ofgem, *RIIO-2 Electricity Distribution: Annual Report 2024 to 2025* (January 2026).
- Ofgem, *RIIO-2 Regulatory Performance Data: 2024* (2024).
- DESNZ, *Quarterly Energy Prices: December 2024* (December 2024).
- DESNZ, *Quarterly Energy Prices: June 2025* (June 2025).
- DESNZ, *Warm Homes Plan* (March 2026).
- MHCLG, *English Housing Survey 2023 to 2024: Headline Report* (2024).
- New Economics Foundation, *Warm Homes, Cool Planet: A National Energy Guarantee* (September 2022).
- New Economics Foundation, *The National Energy Guarantee: Structural Reform Proposal* (March 2023).
- JRF, *An Affordable Energy Guarantee* (May 2026) <https://www.jrf.org.uk/cost-of-living/an-affordable-energy-guarantee>

All figures in 2025 prices unless otherwise stated. Standing charge rates are based on the Ofgem Q1 2026 direct debit price cap for England, Scotland and Wales. Regulated network revenue projections from NESO and Ofgem RIIO determinations are in nominal terms where noted.

RELATED

Referenced by: [Energy Security \(Structural Measure\)](#), [Universal Energy Service \(Universal Service\)](#)

REFERENCES

1. Food Standards Agency (2026) *Food and You 2 Annual Report: Wave 11 (2025)*. Available at: <https://www.food.gov.uk/research/food-and-you-2/food-and-you-2-wave-11-key-findings> (Accessed: 4 June 2026). ↗

Universal Energy Service : Value to Households

APPENDIX · energy

This appendix sets out the annual value of the Universal Energy Service to households, by property category and household composition, and the net saving the service delivers once the above-tier premium is taken into account. It is a reference for distributional analysis and should be read alongside the methodology appendix, which holds the full design. All figures are at 2025 prices and at the 2026 cap unit rates (electricity 24.67p, gas 5.74p), with the free tier split 24:76 between electricity and heating.

The UK domestic housing stock

The roughly 28 million households in Great Britain fall into four categories for Universal Energy Service purposes, by EPC rating and grid connection. Each receives a different combination of benefits.

Category	Households	Share	Defining characteristic
EPC E or below, grid-connected	~2.2M	~8%	Worst performance, gas-heated, eligible for the enhanced allowance
EPC A to D, grid-connected	~21.8M	~78%	Adequate to moderate performance, gas-heated, standard allowance
Off-grid heating (oil, LPG, solid fuel)	~1.7M	~6%	No gas connection, eligible for the fuel voucher election
Off-grid electric (storage, direct electric)	~2.3M	~8%	No gas connection, all-electric, standard electricity allowance
Total	~28M	100%	

The E+ threshold captures about a tenth of the stock: predominantly solid-walled pre-1930 homes, uninsulated rural properties, and the F and G-rated stock. This population is heavily concentrated in the lowest income quintile and strongly correlated with fuel poverty.

Free-tier value by household composition and delivery mode

The standard tier is household-scaled, so its value rises with composition. The enhanced allowance is the full anchor for every EPC E+ household regardless of composition. The free-tier value depends on how the allowance is delivered: as a dual-fuel mix or an Exchequer voucher (heating at the gas rate), or wholly as electricity for all-electric homes.

Household / allowance	Tier (kWh)	Dual-fuel or voucher value (£)	All-electric value (£)
Childless or single	9,108	937	2,247
One child	11,178	1,149	2,758
Two or more children	13,248	1,362	3,268
Enhanced (EPC E and below)	13,800	1,419	3,404

The dual-fuel and voucher routes give the same value, because the voucher simply delivers the heating portion (76% of the tier) at the gas rate. The all-electric value is far higher because electricity is roughly four times the gas unit rate, so the same

kWh allowance is worth correspondingly more to an all-electric home. These are gross free-tier values, before any premium on above-tier consumption and before the separate standing-charge saving.

Value by household category

Category 1, EPC E or below, grid-connected (~2.2 million). Enhanced allowance (the full anchor, 13,800 kWh) plus standing-charge elimination. Concentrated in the lowest income quintile and the most energy-vulnerable of the grid-connected stock.

Component	Basis	Annual value
Standing-charge elimination	electricity + gas	£328
Enhanced free tier	13,800 kWh, dual-fuel at 24:76	£1,419
Total gross value		£1,747

The enhanced allowance is conditional and is withdrawn if the household declines a government-funded retrofit offer, reverting to the Category 2 standard tier.

Category 2, EPC A to D, grid-connected (~21.8 million). Standard household-scaled tier plus standing-charge elimination. The largest category, spanning new-build (A to B), recently insulated stock (C), and the median home (D), across all income quintiles.

Composition	Tier (kWh)	Free-tier value (£)	+ standing charge	Total gross (£)
Childless or single	9,108	937	£328	1,265
One child	11,178	1,149	£328	1,477
Two or more children	13,248	1,362	£328	1,690

For a household consuming around its tier, the total bill is broadly unchanged from today: the free tier is offset by the premium on above-tier units, so the durable net benefit in this category is principally the standing-charge saving plus any consumption the household brings below its tier. The net saving is quantified under Net benefit to the average household below.

Category 3, off-grid heating, oil, LPG or solid fuel (~1.7 million, of which ~0.5 million are EPC E+). The electricity portion on the meter plus a fuel voucher for the heating portion, plus the electricity standing-charge saving only (they pay no gas standing charge).

Component	Basis	Annual value
Standing-charge elimination (electric)	electricity only	£200
Standard free tier (elec + voucher)	base tier 9,108, 24:76	£937
Enhanced free tier (E+ subset)	full anchor 13,800, 24:76	£1,419

Off-grid households elect annually between the voucher (default) and converting the whole allowance to electricity; once heating is electrified the electricity option is worth more, which is the self-selecting incentive to transition.

Category 4, off-grid electric, storage and direct electric (~2.3 million). All energy is electricity, so the whole tier is delivered on the meter, plus the electricity standing-charge saving.

Component	Basis	Annual value
Standing-charge elimination (electric)	electricity only	£200
Standard free tier (all electricity)	base tier 9,108 at 24.67p	£2,247
Standard free tier (two-child)	13,248 at 24.67p	£3,268

Storage-heater homes are among the most fuel-poor in the country and the all-electric allowance delivers them the largest absolute saving of any category. In an EPC E+ property the enhanced anchor of 13,800 kWh means even high-consuming homes pay little or no premium.

Net benefit to the average household

The values above are gross: the free-tier entitlement and the standing-charge saving, before the premium a household pays on consumption above its tier. The durable net benefit is lower, and it differs between the typical household and the average household of a cell.

Net usage saving is the bill a household would pay at the cap less the bill it pays under the service. It is largest for a household consuming at its tier, which takes the whole allowance free and pays no premium, and falls away on either side: a household below its tier had a smaller bill to remove, and one above its tier pays the multiplier on the excess. The saving is therefore a tent peaking at the tier, so the value at the typical (median) household overstates the mean across the cell, because the right tail of heavier users pays the premium and pulls the average down.

Quantifying the mean requires the within-cell spread of consumption, measured here from the NEED 2025 anonymised microdata (about 34,000 gas-heated dual-fuel homes, 2023). Total household consumption within a dwelling-size band has a coefficient of variation of about 0.50, robust to further conditioning on property type and EPC (0.48), against a whole-stock figure of 0.58 that reproduces the dispersion in the published NEED summary. The above-tier multiplier in use is 3.37: the revenue-neutral 3.21 that funds the free tier, plus 0.16 that recovers the 20% supplier portion of the standing charge (about £2.08B) through above-tier consumption, the other 80% being the Exchequer's network payment. Applying a lognormal spread at CV 0.50 to each cell, with the surface consumption as the median, gives the mean-household net saving. The two tables below show the same cells on the typical basis and the mean basis; columns are the UES income quintiles.

Typical-household net usage saving (£/yr), by household type and income quintile

Household type	Q1	Q2	Q3	Q4	Q5
Single Pensioner	820	913	970	1,009	823
Partnered Pensioners	712	432	259	87	-150
Single (WA)	820	913	970	1,009	823
WA Couple (no children)	820	913	970	1,009	823

Household type	Q1	Q2	Q3	Q4	Q5
Lone Parent + 1 child	1,045	1,156	983	812	574
Lone Parent + 2 children	1,257	1,137	929	722	437
Lone Parent + 3 children	1,257	1,137	929	722	437
Couple + 1 child	1,045	1,156	983	812	574
Couple + 2 children	1,257	1,137	929	722	437
Couple + 3 children	1,257	1,137	929	722	437
Couple + 4 children	1,257	1,137	929	722	437
Multi-adult (3+ adults)	83	-255	-463	-669	-955
Multi-adult + 1 child	779	441	233	26	-259
Residual	1,045	794	621	449	212

Mean-household net usage saving (£/yr), by household type and income quintile (within-cell CV 0.50)

Household type	Q1	Q2	Q3	Q4	Q5
Single Pensioner	468	380	311	232	109
Partnered Pensioners	65	-153	-301	-456	-681
Single (WA)	468	380	311	232	109
WA Couple (no children)	468	380	311	232	109
Lone Parent + 1 child	423	270	157	34	-152
Lone Parent + 2 children	399	191	43	-117	-355
Lone Parent + 3 children	399	191	43	-117	-355
Couple + 1 child	423	270	157	34	-152
Couple + 2 children	399	191	43	-117	-355
Couple + 3 children	399	191	43	-117	-355
Couple + 4 children	399	191	43	-117	-355
Multi-adult (3+ adults)	-439	-762	-970	-1,182	-1,482
Multi-adult + 1 child	32	-238	-419	-608	-882
Residual	260	73	-57	-197	-403

Both tables are usage saving only, before the standing-charge saving. The all-in benefit adds the standing-charge saving on top, £328 dual-fuel or £200 electricity-only. The two columns marked Q4 and Q5 here are the raw UES income quintiles; the P2030 presentation collapses these (Q1 and Q2 from UES Q1, then UES Q2, Q3, and the average of UES Q4 and Q5).

The gap between the tables is the point. For a lone parent with one child on a middle income the typical usage saving is about £983, but the mean across that cell is about £157, with the standing-charge saving taking the average all-in benefit to about £467. Across the standard grid-connected category the mean net usage saving runs from roughly £30 to £470 by household type and income, below the gross free-tier values above, and is lower or negative for multi-adult households and the upper quintiles of larger families.

For below-tier households the net bill saving understates the welfare gain, because the unused headroom up to the tier is warmth they can now afford at no cost. That gain is real but it is in-kind and depends on take-up, so it sits alongside the net figure as commentary, not as an addition to it. The net saving remains the measure used in the distributional tables.

Where winners outnumber losers

A household is a winner if its bill falls under the service. On usage alone that holds while consumption stays below about 1.42 times the tier, the break-even at which the above-tier premium just cancels the free allowance. This is a wider group than the households sitting below their tier, since a household can be up to 42% above its tier and still come out ahead. Applying the within-cell lognormal at CV 0.50 to each cell, the share of the cell below break-even is the winner share.

Winner share, usage only (% of cell with a net usage saving), by household type and income quintile

Household type	Q1	Q2	Q3	Q4	Q5
Single Pensioner	89	84	80	77	72
Partnered Pensioners	70	62	57	52	46
Single (WA)	89	84	80	77	72
WA Couple (no children)	89	84	80	77	72
Lone Parent + 1 child	83	77	73	69	63
Lone Parent + 2 children	80	73	69	65	59
Lone Parent + 3 children	80	73	69	65	59
Couple + 1 child	83	77	73	69	63
Couple + 2 children	80	73	69	65	59
Couple + 3 children	80	73	69	65	59
Couple + 4 children	80	73	69	65	59
Multi-adult (3+ adults)	52	43	38	34	28
Multi-adult + 1 child	69	60	55	51	44
Residual	78	70	66	61	55

Winners are the majority almost everywhere: about 72% of all households win on usage alone. The cells where losers outnumber winners are multi-adult households from the second quintile upward, partnered pensioners in the top quintile, and multi-adult-plus-one in the top quintile. Adding the standing-charge saving lifts every cell and takes the all-in winner share to about 77%, leaving the upper-quintile multi-adult households below half. The gradient runs the intended way: winner shares are highest in the low quintiles and for families, lowest for the heavy-using multi-adult and high-income childless households the multiplier is designed to reach.

Summary table for distributional analysis

Category	Households	Standing-charge saving	Free-tier value (£)	Quintile concentration
EPC E+, grid-connected	~2.2M	£328	1,419 (enhanced)	Q1

Category	Households	Standing-charge saving	Free-tier value (£)	Quintile concentration
EPC A to D, grid	~21.8M	£328	937 to 1,362 by composition	Q1 to Q5
Off-grid heating, E+	~0.5M	£200	1,419 (enhanced)	Q1
Off-grid heating, A to D	~1.2M	£200	937 to 1,362 by composition	Q1 to Q3
Off-grid electric	~2.3M	£200	2,247 to 3,268 (all-electric)	Q1 to Q2
Weighted average	~28M	~£310	~£1,200	

The weighted-average free-tier value across the stock is about £1,200, and about £1,510 including the standing-charge saving. These are gross entitlement values at the tier, the most any household of each type can save, not the average net benefit. The average household saves less once the above-tier premium is netted off, as set out under Net benefit to the average household; the gross figure is the right measure of the entitlement and of available warmth for below-tier homes, the net figure the right measure of the bill change for those at or above their tier. The average is dominated by the large EPC A to D category, with the off-grid electric and enhanced-allowance categories pulling it upward. The programme delivers materially more value to the most vulnerable categories (off-grid electric, EPC E+) than to the standard grid-connected majority.

Notes for the distributional model

Standing charge and free tier are scored separately. The standing-charge saving (£328 dual-fuel, £200 electricity only) is universal and certain. The free-tier value is subject to take-up: households above their tier pay premiums that offset part of it.

Typical and mean are not the same, and the per-cell figures elsewhere are typical. The net-benefit figures on the Tier & winners sheet are for the typical (median) household of each cell. Because the saving peaks at the tier, the mean across a cell is materially lower; the mean-household figures use the measured within-cell dispersion (CV 0.50, NEED 2025) and should be the basis for any "average household" statement. The standing-charge saving in the mean table should be applied at the category rate, £328 dual-fuel or £200 electricity-only, not a single flat figure.

The free-tier value is household-scaled, not flat. Within each category the value rises with composition, from about £937 for a single household to about £1,362 for a larger family on the dual-fuel route, and the enhanced allowance is the full anchor for every EPC E+ home. The distributional model should weight by composition within category rather than applying a single per-category value.

The redistribution is mostly within income groups, not between them. As set out in the methodology, domestic energy use varies only about 1.75-fold from the lowest to the highest income quintile, not the three to fivefold gap often assumed, so the between-quintile transfer through the consumption cross-subsidy is small. This is now measured rather than assumed: within-cell total consumption has a coefficient of variation of about 0.50 (NEED 2025 microdata, within dwelling-size band), far wider than the 1.75-fold gap in mean consumption between the lowest

and highest income quintiles. The dispersion within each cell dwarfs the difference between cells, which is why the cross-subsidy runs mostly between higher and lower users of similar households rather than between rich and poor. The programme's progressivity therefore rests chiefly on the flat free allowance and the flat standing-charge saving each being worth proportionally more to lower-income households, and on the heavy-using minority across all types paying the multiplier, rather than on a rich-to-poor transfer through differential consumption.

The enhanced allowance applies to about 2.7 million E+ homes, not the broad middle. It is targeted at the worst tenth of the stock; the remaining homes receive the standard household-scaled tier. Its per-household impact is large but its aggregate weight is modest. The net analysis above covers the standard household-scaled tiers; the enhanced allowance is a separate and more generous case, where most E+ homes sit below their high anchor and the net benefit approaches the gross value.

All figures at 2025 prices and 2026 cap unit rates. Standard tiers are household-scaled on a 13,800 kWh anchor (66% base plus 15% per child to two); the enhanced allowance is the full anchor. The free tier is split 24:76 between electricity and heating. Net savings tables are computed against the cap-rate counterfactual, with within-cell dispersion of CV 0.50 measured from the NEED 2025 anonymised microdata; columns are the UES income quintiles.

RELATED

Referenced by: [Universal Energy Service \(Universal Service\)](#)

Energy for the Future Appendix

Methodology and Costings

APPENDIX · energy

This appendix sets out the basis for the programme's allocation of £7.0 billion per annum (phasing from £1.75 billion in Year 2 to steady state in Year 5) for the Energy for the Future capital and infrastructure programme. The programme operates in addition to existing government energy efficiency and decarbonisation schemes and is designed as a long-duration resilience investment that continues beyond the initial five-year fiscal plan. All figures are expressed in 2025 prices unless otherwise stated.

Policy objective

The UK's housing stock is among the least energy-efficient in Western Europe. Approximately 12 million homes have an Energy Performance Certificate (EPC) rating of D or below, of which roughly 2.7 million are rated E or worse, and an estimated 6.5 million homes are in fuel poverty or at risk of it. The electricity grid was designed for centralised, one-directional power flows and lacks the demand-side intelligence required to manage a system increasingly dominated by intermittent renewable generation. These structural weaknesses compound each other: poorly insulated homes with inflexible heating systems cannot participate in demand response, and a grid without demand-side control cannot efficiently absorb renewable surpluses or manage peak scarcity.

Energy for the Future addresses both weaknesses simultaneously through three integrated investment streams: co-funded heating electrification matched to housing stock characteristics, smart grid infrastructure enabling real-time demand response at appliance level, and support for community-scale generation and storage. The programme operates as a general resilience investment — building national energy security and reducing household vulnerability to price shocks — over and above whatever the UK is doing today through the Boiler Upgrade Scheme, ECO4, the Social Housing Decarbonisation Fund, the Warm Homes Plan, and RIIO network price controls.

Programme structure and budget allocation

The £7.0 billion annual envelope at steady state is allocated across three investment streams:

Investment stream	Annual allocation (£B)	Character
Heating electrification subsidies	~4.0	Co-funded capital grants to households
Smart grid and demand response infrastructure	~2.5	Public infrastructure and technology deployment
Community energy and local storage	~0.5	Grants, loans, and revenue-sharing frameworks
Total	~7.0	

The phase-in reflects practical rollout constraints — procurement pipelines, installer workforce capacity, and grid readiness — rather than fiscal sequencing:

	Year 2	Year 3	Year 4	Year 5+
Budget (£B)	1.75	3.50	5.25	7.00
Heating installations (approx.)	300,000	600,000	900,000	1,200,000
Smart grid coverage	Pilot regions	Regional expansion	National rollout	Full operation

Stream 1: Heating electrification subsidies (~£4.0 billion per year)

The subsidy model

The heating electrification component operates as a government co-funding subsidy, not a fully funded installation programme. The government contribution covers approximately 40–55% of the total installation cost, with the remainder funded by the householder (directly, via green finance products, or through landlord obligations). This is consistent with the co-funding model established by the Boiler Upgrade Scheme, which provides £7,500 against average total costs of £12,500 for air source heat pumps – a subsidy rate of 60%.

The programme differs from the BUS in two critical respects. First, it is technology-neutral and matched to housing stock: rather than subsidising heat pumps alone, it funds whichever electrification technology is most appropriate for the property, including solutions that are substantially cheaper than heat pumps. Second, it operates at a scale roughly ten times greater than the BUS, which has installed approximately 50,000–60,000 systems per year since launch.

Technology mix and unit costs

The UK housing stock is heterogeneous. Approximately 8 million homes are solid-walled (pre-1930), poorly suited to conventional heat pumps without extensive fabric upgrades. A further 4–5 million are in conservation areas, listed, or otherwise constrained. The programme deploys a blended technology approach:

Technology	Target housing types	Typical total installed cost	Government subsidy	Approximate share of installations
High heat retention storage heaters	Solid-walled pre-1930 homes, flats, bedsits	£3,000–5,000 (whole house, 5–7 units)	£1,500–2,500	~35%
Infrared heating panels	Conservation areas, listed buildings, hard-to-treat	£2,000–4,000 (whole house)	£1,000–2,000	~15%
Air source heat pumps	Post-1950 cavity-walled homes with adequate insulation	£8,000–13,000	£4,000–6,000	~35%
Hybrid heat pump systems	Partially insulated homes, phased transition	£5,000–8,000	£2,500–4,000	~15%

The blended average government subsidy is approximately £2,800–3,300 per household. At 1.2 million installations per year (steady state), this produces an annual subsidy spend of approximately £3.4–4.0 billion.

Target population

The realistic target population for government-subsidised heating electrification is approximately 18 million households:

Category	Estimated count	Rationale
Gas-heated homes requiring transition	~23 million	Total gas-connected domestic properties (86% of ~27M homes in England use gas as main heating source; EHS 2023/24)
Less: homes that will transition without subsidy	~3 million	Higher-income households, new builds (Future Homes Standard), natural market-driven replacement
Less: homes receiving heating electrification through existing schemes by 2030	~2 million	See note below on the Warm Homes Plan
Net target population	~18 million	

Note on the Warm Homes Plan and the 5 million homes target. The government's Warm Homes Plan (published March 2026) commits to upgrading up to 5 million homes by 2030, backed by £15 billion in public investment. This headline figure encompasses a broad range of interventions across multiple delivery channels: up to 1.7 million homes via Warm Homes Plan capital schemes (insulation, solar panels, batteries, and some clean heating for low-income and fuel poor households); up to 1.6 million homes via new Private Rented Sector Minimum Energy Efficiency Standards (regulatory, primarily landlord-funded fabric and efficiency upgrades to EPC C); up to 1.3 million homes via Social Rented Sector MEES (a combination of government-funded and landlord-funded upgrades); and up to 0.5 million new-build homes constructed to Future Homes Standard (developer-funded, with low-carbon heating and solar as standard).

The critical distinction is between homes that receive **heating system electrification** and homes that receive **fabric or generation upgrades without changing their heating system**. The Warm Homes Plan's target of over 450,000 annual heat pump installations by 2030 represents the heating electrification component. Cumulative government-funded heating replacements through the BUS (approximately 400,000 heat pumps by 2030, backed by £2.7 billion), the heating component of low-income capital schemes (estimated 500,000–1,000,000 homes receiving clean heating alongside insulation), and a proportion of MEES-driven heating switches in rented properties, total approximately 1.5–2.5 million homes by 2030. This programme's deduction of 2 million reflects the central estimate of this heating-specific subset.

The remaining 2.5–3.5 million homes within the Warm Homes Plan's 5 million target that receive insulation, solar panels, batteries, or efficiency upgrades *without* replacing their heating system are complementary to Energy for the Future. These homes are being prepared for subsequent heating electrification — better insulated, with solar and storage already installed, and with improved EPC ratings — making them better candidates for the heat pump or alternative electric heating installations that this programme funds. The Warm Homes Plan creates the pipeline; Energy for the Future provides the scale to work through it.

At 1.2 million installations per year from Year 5 onwards, reaching the full 18-million-household target population requires approximately 15 years of sustained deployment — extending well beyond the initial five-year fiscal plan. This is realistic: the UK took over 30 years to connect its current gas network, and the electrification transition is of comparable scale and complexity. The programme does not assume completion within the plan period; it establishes the institutional capacity, supply chains, and funding mechanism for a multi-decade transition.

Relationship to existing schemes

The programme operates alongside, not in replacement of, existing heating and efficiency schemes. The Warm Homes Plan's £15 billion investment to 2030 — comprising the expanded Boiler Upgrade Scheme (£2.7 billion), low-income capital grants (£5 billion including Warm Homes Fund contributions), consumer loans (£2 billion), heat networks (£1.1 billion), and the Warm Homes Fund (£5 billion in financial transactions) — continues under its existing governance, delivered through the new Warm Homes Agency. Energy for the Future provides the additional scale needed to move beyond the Warm Homes Plan's target of 450,000 heat pump installations per year to over 1.2 million heating electrification installations per year — the rate required to decarbonise the full housing stock within a generation.

The two programmes are designed to be mutually reinforcing. The Warm Homes Plan builds the installer workforce, matures the supply chain, reduces unit costs through market growth, and upgrades the fabric of millions of homes. Energy for the Future takes that foundation and extends it to the full scale of the transition, while adding the smart grid demand response infrastructure that the Warm Homes Plan does not fund. A household that receives insulation and solar panels through the Warm Homes Plan in 2028 becomes a more cost-effective candidate for an Energy for the Future heating electrification subsidy in 2030 — the insulation reduces the required heat pump capacity, and the solar panel reduces the running cost.

Stream 2: Smart grid and demand response infrastructure (~£2.5 billion per year)

The demand response requirement

The transition to a renewable-dominated electricity system requires a fundamental change in the relationship between supply and demand. Under the legacy system, supply follows demand: power stations ramp up and down to match consumption. Under a renewable-dominated system, demand must increasingly follow supply: consumption must flex to match the availability of wind and solar generation.

This requires infrastructure that does not currently exist at scale: the ability for the grid operator (NESO) to signal into homes and businesses in real time, requesting or instructing the reduction or deferral of specific categories of consumption — heating, hot water, EV charging, refrigeration, washing — during periods of system stress, and the corresponding ability to incentivise consumption during periods of renewable surplus.

NESO's Clean Power 2030 analysis identifies a requirement for 10–12 GW of demand flexibility (excluding storage heaters) by 2030, roughly a four- to five-fold increase from current levels. Delivering this at household scale requires three layers of investment:

Investment components

Appliance-level demand response hardware and software (~£1.0 billion per year). Smart controllers, home energy management systems, and communications modules that enable individual appliances (heat pumps, storage heaters, EV chargers, hot water cylinders, battery systems) to receive and respond to grid signals. At steady state, this covers the cost of equipping approximately 2–3 million appliances per year across new heating installations (Stream 1) and

retrofit of existing smart-ready appliances. Unit costs range from £100–300 per appliance for a communications module and controller, plus £200–500 per household for a home energy management hub. The programme funds the demand-response capability layer; the appliance itself is funded through Stream 1 (heating) or by the householder.

Grid-side control platforms and communications (~£0.5 billion per year). The NESO and DNO systems infrastructure required to aggregate millions of individual demand-response assets into a coherent, dispatchable resource. This includes real-time telemetry, forecasting algorithms, dispatch optimisation, cybersecurity, and the communications backbone (likely a combination of cellular, broadband, and dedicated mesh networks). This is analogous to the investment that electricity systems worldwide are making in Distributed Energy Resource Management Systems (DERMS), but at national scale.

Distribution network reinforcement for bidirectional flows (~£1.0 billion per year). The existing distribution network was designed for one-way power delivery from substations to homes. As households install solar panels, batteries, EVs with vehicle-to-grid capability, and flexible heating systems, the network must handle power flowing in both directions — from homes back to the grid during export periods, and from the grid to homes during import periods. This requires substation upgrades, transformer replacements, monitoring equipment, and in some cases new cable routes. The £1.0 billion per year is additional to the existing RIIO-ED2 allowance of ~£4.4 billion per year, which covers baseline maintenance and modest reinforcement but does not fund the transformational smart grid investment required for full demand response at scale.

Stream 3: Community energy and local storage (~£0.5 billion per year)

This stream supports community-owned renewable generation, neighbourhood-scale battery storage, and local energy trading platforms. The policy rationale is both practical and political: community-scale assets provide grid flexibility services (frequency response, peak shaving, voltage management) while giving citizens a direct stake in the energy transition and keeping energy revenues within communities.

The £0.5 billion per year funds a combination of capital grants (typically 30–50% of project cost, with the remainder from community share offers, co-operative lending, or local authority investment), technical assistance for project development, and the regulatory and digital infrastructure for local energy trading. At an average project size of £1–3 million and a 40% grant rate, this supports 400–1,200 new community energy projects per year — a substantial increase from the current base of approximately 300 active community energy organisations in the UK.

Revenues from community energy projects (sale of electricity, grid services payments, avoided import costs) accrue to the community organisations and are not scored as programme revenue. This is a conservative treatment: in practice, successful community energy projects generate returns of 5–10% on capital, which partially offset the grant cost over time. The programme does not depend on these returns for fiscal sustainability, but they represent an uncounted benefit that strengthens the economic case.

Fiscal profile and duration

The programme is a long-duration capital investment. Unlike the Universal Energy Service (which is a permanent operating subsidy to replace standing charge revenue) or GB Energy Network (which is a permanent payment funding the transmission owners' allowed revenue), Energy for the Future has a natural arc:

Years 2–5 (ramp-up). Spending increases from £1.75 billion to £7.0 billion as installer capacity, supply chains, and grid infrastructure are built out. Heating installations scale from ~300,000 to ~1.2 million per year. Smart grid deployment moves from pilot regions to national coverage.

Years 5–15 (sustained deployment). The programme operates at or near its £7.0 billion steady state. The primary driver is the continued rollout of heating electrification across the 18-million-household target population, with smart grid and community energy investments running in parallel. Annual installation rates of 1.0–1.2 million households are sustained, progressively addressing harder-to-treat properties as the programme matures.

Years 15–20 (tapering). As the target population approaches saturation, heating electrification spend declines. Smart grid investment shifts from deployment to maintenance and technology refresh. Community energy continues at a reduced rate. Total programme spend may decline to £3–4 billion per year — still substantial, but reflecting a shift from buildout to stewardship.

Year 20+ (maintenance steady state). Ongoing replacement cycles for heating systems (15–20 year life), smart grid technology refresh, and continued community energy support. Programme spend stabilises at approximately £1.5–2.5 billion per year, funded from the same budget line but at a lower level.

For the purposes of the programme's five-year fiscal model, the steady-state figure of £7.0 billion per year is the correct allocation. The tapering described above occurs beyond the plan period and does not affect the distributional analysis calibrated to 2025 incomes and tax base.

Demand response and the transmission peak signal

The transmission demand charge once carried a peak-avoidance signal through the Triad mechanism, under which large consumers reduced demand during the three half-hours of highest winter demand. That signal has already been substantially weakened by charging reform. Ofgem's Targeted Charging Review moved the bulk of the demand charge, the Transmission Demand Residual, onto a fixed daily charge banded by site capacity (Authorised Supply Capacity) from April 2023, leaving only the smaller forward-looking locational element on the Triad basis. The removal of the remaining transmission demand charges under the Universal Energy Service and GB Energy Network therefore removes a charge that is now largely fixed rather than a strong live peak signal. The substantive point is what replaces it. A renewable-dominated system needs far more demand flexibility than a diminishing Triad signal could deliver, and Stream 2 of Energy for the Future provides it directly. The smart grid demand response infrastructure replaces an intermittent price signal, confined to a few winter half-hours and acted on mainly by large metered consumers, with a continuous, granular control mechanism in which the grid signals appliances to modulate consumption in real time based on system conditions. This operates across the entire domestic and commercial building stock rather than only the largest sites.

The combination of the Universal Energy Service and GB Energy Network (which complete the removal of transmission demand charges) and Energy for the Future (which builds direct demand response infrastructure) is therefore intentional and internally consistent. The programme does not rely on the old Triad incentive, which charging reform had already largely retired; it puts a more effective and finer-grained mechanism in its place, one that operates continuously and reaches a far larger population of flexible assets.

Caveats and limitations

Co-funding model creates distributional risk. The subsidy covers 40–55% of installation cost, requiring householders to fund the remainder. For owner-occupiers in the bottom two income quintiles, even a subsidised installation of £1,500–3,000 may be unaffordable without access to zero-interest green finance. The programme assumes that green finance products (potentially delivered through the National Savings Bond framework referenced in the main programme) are available to bridge this gap, but the design of these products is not specified here. For social housing tenants, the landlord (local authority or housing association) bears the co-funding cost; the programme's subsidy rates should be calibrated to social landlord capacity, which may require higher subsidy rates for this segment.

Installer workforce capacity. Scaling from ~60,000 heating installations per year (current BUS rate) to 1.2 million per year requires a roughly twenty-fold increase in the qualified installer workforce. This is the binding constraint on the phase-in timeline and the primary risk to delivery. The Skills Centres legislation (referenced in the parent policy) is designed to address this, but the lag between training investment and productive capacity is 2–4 years. The Year 2–5 ramp-up is calibrated to this workforce constraint, not to fiscal availability.

Smart grid cybersecurity. A system that enables external signals to control domestic appliances creates a cybersecurity attack surface that does not currently exist. The grid-side control platforms (Stream 2) must incorporate defence-grade cybersecurity from inception, not as an afterthought. The cost estimates include a cybersecurity allowance within the control platform budget, but the threat landscape will evolve and may require additional investment.

Technology risk in demand response. Appliance-level demand response at the scale envisaged (tens of millions of connected devices responding to grid signals) has not been demonstrated anywhere in the world. The UK would be a first mover. Pilot programmes in other jurisdictions (Australia's demand response trials, California's flex alerts, the Netherlands' smart grid pilots) have demonstrated the concept at smaller scales, but the engineering and behavioural challenges of national-scale deployment are unproven. The phase-in from pilot regions (Year 2) through regional expansion (Year 3) to national rollout (Years 4–5) provides staged learning, but this remains a programme with meaningful technology and delivery risk.

Revenue from community energy is not scored. Community energy projects generate returns that partially offset grant costs over time. A more aggressive fiscal treatment would score these returns as programme revenue, reducing the net cost. The conservative treatment adopted here — zero revenue — means the £7.0 billion figure overstates the net fiscal cost of the programme to the extent that community energy projects succeed commercially.

Sources

- DESNZ, *Annual Report and Accounts 2024 to 2025* (2025).
- DESNZ, *Warm Homes Plan* (March 2026).
- MHCLG, *English Housing Survey 2023 to 2024: Headline Report* (2024).
- DESNZ, *Boiler Upgrade Scheme Statistics: July 2025* (July 2025).
- DESNZ, *Clean Power 2030 Action Plan* (2024).
- NESO, *Clean Power 2030: Advice to Government* (2024).
- Ofgem, *RIIO-ED2 Final Determinations* (November 2022).
- Ofgem, *RIIO-2 Electricity Distribution: Annual Report 2024 to 2025* (January 2026).
- Meek, C., * In-Situ Heat Pump Performance*, Renewable Energy Consumer Code (2024) <https://www.recc.org.uk/news/new-data-analysis-provides-evidence-on-in-situ-heat-pump-performance>
- HomeOwners Alliance, *How Much Does A Heat Pump Cost? 2026* (January 2026).
- House of Commons Library, *Gas and electricity prices during the 'energy crisis' and beyond*, Research Briefing CBP-9714 (May 2026). <https://researchbriefings.files.parliament.uk/documents/CBP-9714/CBP-9714.pdf>
- Community Energy England, *State of the Sector Report 2024* (2024).
- New Economics Foundation, *Warm Homes, Cool Planet: Free Basic Energy Proposal* (2022). https://new-economicsf.files.svdcdn.com/production/files/WarmHomesCoolPlanet_Sep2022.pdf
- New Economics Foundation, *The National Energy Guarantee* (2023). London: NEF. <https://neweconomics.org/2023/04/the-national-energy-guarantee>

All figures in 2025 prices. Installation cost ranges reflect 2025/26 market pricing for supply and installation including VAT. The programme's fiscal allocation of £7.0 billion per year is a government contribution within a co-funded model; total economic investment including householder and community co-funding is substantially higher.

RELATED

Referenced by: [Energy Security \(Structural Measure\)](#)

GB Energy Network: Methodology and Costings

APPENDIX · energy, business

This appendix sets out the basis for the programme's allocation of £2.5 billion per annum (from Year 2) to replace the transmission system charges currently recovered from industrial and commercial electricity supplies. The payment funds the transmission owners' Ofgem-determined allowed revenue through the charge recovery mechanism that the National Energy System Operator (NESO) administers. All figures are expressed in 2025 prices unless otherwise stated.

This policy supports the decoupling of electricity prices from the marginal cost of fossil-fuelled generation, so that what businesses pay for power increasingly reflects what it costs to generate and deliver.

Policy objective

Why relocation precedes reassignment

The costs that make British electricity expensive are real and, for the existing generating fleet, largely fixed. They are recovered today through a fragmented set of channels, network charges, legacy renewables contracts, capacity payments and policy levies, spread thinly across every bill. In that form the cost is hidden, unowned, and contractually protected. No single party is responsible for it and no single party is motivated to reduce it. The generators whose intermittency drives much of the system cost are insulated by fixed contracts and are paid irrespective of whether their output is of use to the system at the moment it is produced.

A cost in that condition cannot be assigned to its cause, because it has first to be isolated, quantified and brought under unified control. Moving the system-cost portion onto the public account does exactly this. It converts a diffuse and protected pass-through into a single, measured, government-owned line. That is not the end of the reform. It is the precondition for the rest of it.

The transition: legacy run-off, new capacity on a causer-pays basis

The fixed contracts attached to the existing fleet are the hard constraint. They cannot be re-priced at will, and attempts to do so invite years of litigation. The realistic path is therefore a transition rather than a switch. The legacy system cost is carried on the public account and runs off as those contracts expire, while all new capacity is procured on a basis that confronts each technology with the costs it imposes on the system, including the cost of the firm, secure power that an intermittent fleet requires standing behind it. Over time the share of system cost that is socialised falls, and the share that is borne by those who create it rises. This is the difference between a programme that relocates cost and a programme that reforms it.

The institutional engine

Two features of the reform supply the motive force for this transition. The first is the operator's statutory mandate: a standing duty to deliver secure power at least whole-system cost, and to assign the costs of intermittency and security to those who cause them. That duty operates continuously, on a multi-year determination cadence comparable to an infrastructure price control, not through year-by-year intervention. The second is visibility. Because the system cost is now a single, measured, published figure rather than a charge buried across millions of bills,

Parliament and the public can see whether it is falling as intended or quietly growing, which is standing democratic pressure that requires no one to hold discretion over the funding. The Treasury's interest is genuine, but it is structural and medium-term: the Exchequer gains as its residual liability shrinks under the transition, which gives it reason to back the reform and to hold the operator to a declining trajectory rather than to raid the line. Reconstituting the system operator as a body accountable to Parliament, rather than one regulated at arm's length and exposed to capture by the interests it oversees, is what makes it both the guardian of that declining trajectory and the vehicle through which the costs of intermittency and security are assigned to their causes.

The risk this guardrail addresses

Costs moved onto the public purse have a strong tendency to become permanent. Measures introduced as temporary relief are routinely endogenised; the visible pain that would have forced the harder reform is removed, and with it, the pressure to complete it. Applied to energy, the danger is precise. Once household and industrial bills are relieved and the system-cost line sits comfortably within the public accounts, the political impetus to confront the underlying costs, and to charge them to those who cause them, can quietly dissipate. The cost-causers retain their insulation. The taxpayer absorbs a line that grows rather than declines. The relocation that was meant to be the first step becomes the destination, and the result is a more complete version of the very evasion the reform set out to correct.

The mechanism is identical whether the outcome is reform or evasion. What distinguishes them is whether the commitment to assign costs to their causes is built in from the outset, stated as the purpose of the relocation, and given an accountable body and a fiscal interest to deliver it. That commitment is the guardrail. It is not an addition to the programme's objective. It is the part of the objective that makes the rest of it hold.

UK industrial competitiveness

The GB Energy Network intervention targets a specific structural disadvantage in UK industrial competitiveness: the embedding of transmission system costs — Transmission Network Use of System (TNUoS) charges — in industrial and commercial electricity prices. These charges recover the costs of building, maintaining, and operating the high-voltage transmission network and are levied by NESO on electricity suppliers and directly connected demand users, who pass them through to end customers.

The intervention does not extend to Distribution Use of System (DUoS) charges, which recover the costs of regional lower-voltage networks operated by Distribution Network Operators (DNOs) under separate RIIO-ED price controls. Nor does it cover Balancing Services Use of System (BSUoS) charges or policy levies such as the Renewables Obligation, Contracts for Difference levy, or Capacity Market charges. These remain on commercial and industrial bills or are addressed through other programme measures (the Universal Energy Service covers domestic standing charges, which include distribution and policy cost components).

The practical effect is that industrial and commercial electricity consumers would pay only the wholesale generation cost of electricity — the marginal cost of production — plus distribution network charges, policy levies, and supplier

margin. Transmission system costs would be socialised through general taxation via the GB Energy Network payment, which funds the transmission owners' allowed revenue through the TNUoS recovery mechanism that NESO administers.

Derivation of the £2.5 billion estimate

Top-down approach: total TNUoS revenue and the non-domestic share

In the 2025/26 charging year, total TNUoS allowed revenue was approximately £5.3 billion, of which roughly 75% (£3.96 billion) was recovered from demand-side users and 25% (£1.13 billion) from generators (NESO, TNUoS Tariff Publications 2025/26; Chambers and Partners, *Power Generation, Transmission & Distribution 2025*).

Non-domestic electricity consumption accounts for approximately 55–60% of total GB electricity demand. However, the non-domestic share of TNUoS demand charges is somewhat lower than its volumetric share, because TNUoS demand tariffs for non-half-hourly (NHH) meters, which cover smaller commercial premises, are calculated on a different basis from the charges applied to half-hourly (HH) metered industrial and large commercial sites. Since the Targeted Charging Review (April 2023), the bulk of the HH demand charge, the Transmission Demand Residual, is recovered as a fixed daily charge banded by site capacity (Authorised Supply Capacity), with only the smaller forward-looking locational element still recovered on the Triad basis. The non-domestic share of TNUoS demand revenue in 2025/26 is estimated at approximately £2.0–2.5 billion.

Bottom-up approach: industrial energy costs and network cost share

UK industrial electricity prices stood at approximately 29.6 p/kWh including taxes and levies in the first half of 2024, the highest in the EU14+UK grouping (DESNZ, *Quarterly Energy Prices*, December 2024). Manufacturing-sector prices excluding the Climate Change Levy averaged approximately 17.0 p/kWh in Q3 2024. TNUoS charges typically constitute 7–10% of total non-domestic electricity costs (ElectricityCosts.org.uk; NESO tariff data). Applying this range to total non-domestic electricity expenditure of approximately £20–25 billion (estimated from DESNZ price and volume data across consumption bands) yields a TNUoS component of £1.4–2.5 billion.

Cross-check: National Grid UK transmission revenues

National Grid's UK electricity transmission business generated revenues of approximately £3–4 billion annually prior to the transfer of system operator functions to NESO on 1 October 2024. A £2.5 billion intervention targeting the non-domestic demand share of those revenues represents approximately 60–70% of total transmission system income — consistent with the industrial and commercial sector's share of transmission network utilisation.

Settled estimate

The three approaches converge on a range of £1.5–2.5 billion for the non-domestic demand share of TNUoS charges at 2025/26 levels. The programme adopts the upper bound of £2.5 billion as the budget allocation, providing headroom against:

- annual TNUoS tariff adjustments within the current RIIO-ET2 price control;
- modest real-terms growth in transmission allowed revenues beyond general inflation; and
- the inclusion of Energy Intensive Industry (EII) exemption costs, which are currently funded through a separate levy on other electricity consumers and

which this intervention would absorb.

Relationship to the Universal Energy Service

The programme's Universal Energy Service allocates £9.0 billion per annum to absorb household energy standing charges (£8.3 billion) and provide fuel vouchers for off-grid heating households (£0.7 billion). The standing charge component covers gas and electricity standing charges, which include domestic distribution network costs (DUoS), transmission network costs (TNUoS), supplier fixed costs, metering charges, policy levies recovered through standing charges, and Supplier of Last Resort (SOLR) costs. The electricity transmission component embedded in domestic standing charges is a subset of the £8.3 billion standing charge allocation — estimated at approximately £1.5–2.0 billion, representing the domestic (household) share of TNUoS demand charges.

The combined GB Energy Network (£2.5 billion) and Universal Energy Service (£9.0 billion) therefore provide approximately £11.5 billion in total central government funding directed at the electricity and gas network system. Of this, the electricity transmission-specific component is approximately £4.0–4.5 billion (£2.5 billion non-domestic + £1.5–2.0 billion domestic via the UES), which approximates the total TNUoS demand-side revenue of £3.96 billion in 2025/26 with modest headroom for tariff growth within the current price control period.

Trajectory risk and the RIIO-ET3 price control

TNUoS charges are projected to increase substantially from April 2026 under the RIIO-ET3 price control (2026–2031). NESO's Five-Year View forecasts total TNUoS allowed revenue rising from approximately £5.3 billion in 2025/26 to £8.9 billion in 2026/27 and £13.6 billion by 2030/31 (NESO, *TNUoS Five-Year View*, January 2026; Businesswise Solutions analysis). This increase is driven primarily by the transmission reinforcement programme required to deliver the government's Clean Power 2030 ambition, including offshore wind connections, onshore reinforcements such as Eastern Green Link 1 and 2, and the Yorkshire Green project.

In nominal terms, the non-domestic share of TNUoS demand charges could rise to £4–6 billion by 2030/31 under the current RIIO-ET3 trajectory — well above the £2.5 billion allocation at 2025 prices.

Three considerations mitigate this exposure:

First, this programme's fiscal architecture is calibrated in 2025 prices for distributional analysis purposes. The £2.5 billion reflects the real resource cost of the intervention at the point of programme design. Under the governance framework set out below, the Exchequer's payment obligation is linked to Ofgem's RIIO price control determinations for the relevant network operators. The nominal amount will escalate as Ofgem's 5-year allowed revenue settlements change — particularly under RIIO-ET3, where transmission investment for Clean Power 2030 is expected to approximately double allowed revenues. The programme's fiscal architecture accommodates this through the statutory payment obligation: the Exchequer pays whatever Ofgem independently determines, ensuring network investment is not constrained by short-term fiscal pressures.

Second, the RIIO-ET3 revenue trajectory is contingent on the pace of transmission investment delivery. The allowed revenue figures assume full

delivery of the Clean Power 2030 investment programme on schedule. Historically, major transmission reinforcement projects have experienced significant delays. If the investment programme slips — or if the Clean Power 2030 target is relaxed or abandoned — allowed revenues will be lower than the Five-Year View projects, and the £2.5 billion allocation in 2025 prices will retain greater headroom.

Third, the programme's own energy transition investments reduce long-term transmission costs. Distributed generation, demand-side flexibility, and local energy networks — all supported by other programme measures — reduce the need for long-distance bulk power transmission. To the extent that the programme accelerates distributed energy deployment, it partially offsets the transmission investment requirement and the associated TNUoS cost growth.

The programme acknowledges that under a scenario of rapid and on-schedule Clean Power 2030 delivery, the £2.5 billion allocation would cover a declining share of non-domestic TNUoS charges through the late 2020s. This is a known fiscal risk, quantifiable within a range, and subject to the same nominal adjustment mechanisms applied to other programme cost lines indexed to regulatory price controls.

NESO governance reform and payment channel safeguards

Moving energy network funding from consumer bills to the Exchequer creates a governance question: how is the funding protected from ministerial interference? Under the current system, network revenues flow automatically through Ofgem-regulated price controls — a minister cannot casually redirect them. The programme must preserve this protection while correcting the institutional design error that Helm identifies in NESO's corporate structure.

The solution separates three functions — governance of the system operator, revenue determination for network operators, and the payment obligation — and assigns each to the appropriate institution.

NESO governance reform

NESO was established as a company outside the Civil Service, a corporate structure chosen to escape Civil Service salary restrictions. The unintended consequence, as Helm observes, was “the ridiculous consequence” of a public system operator being regulated by Ofgem — a regulator designed to oversee commercial network monopolies. NESO does not deploy capital; it plans, coordinates, and procures. Regulating it through Ofgem's RIIO price control process — a mechanism built around incentivising efficient private-sector capital deployment — is a category mismatch.

The GB Energy Network Act reconstitutes NESO as a **statutory public body** with duties set directly in legislation, consistent with the institutional design adopted for Catchment Water System Operators (CWSOs) under the companion Water Act. The key provisions are:

Statutory duties. NESO's functions are established as statutory duties in the Act, replacing the current licence-based framework administered by Ofgem. Its primary duty is to secure a reliable supply of firm power at the lowest whole-system cost, pursued independently within the decarbonisation and security constraints set by the Secretary of State. Subordinate to that objective, the duties include system balancing, network development planning, demand-side

coordination, competitive procurement of capacity and flexibility, and administration of the GB Energy Network and Universal Energy Service funding flows. In designing procurement and charging, NESO has a duty, so far as practicable, to recover the costs of intermittency, balancing, and capacity from the parties whose generation or demand choices give rise to them, rather than spreading them uniformly across users.

Direct accountability. NESO reports to the Secretary of State for Energy Security and Net Zero, with an annual report laid before Parliament. NESO's own operational budget (staff, planning, systems — approximately £200–300 million) is set through the Spending Review process. The National Audit Office has full audit rights.

Salary and staffing flexibility. The statutory body retains the ability to set its own pay scales outside Civil Service bands — the original rationale for the corporate structure. The Act specifies that NESO's remuneration framework is set by its board, subject to HM Treasury approval for senior posts, following the model established for the Bank of England and the Financial Conduct Authority. This preserves NESO's ability to recruit from the energy industry at market rates without the governance distortion that Helm identifies.

Board appointment. The Secretary of State appoints the chair and non-executive directors. The chief executive is appointed by the board with the Secretary of State's approval.

The principle underlying this reform is the same one that Helm articulates for water: a public system operator can plan, coordinate, and procure from multiple private and public providers without itself being structured as a commercial entity. The NESO model has been proven in energy. What has not worked is the corporate form chosen to deliver it.

Ofgem's role: unchanged for network operators

The governance reform applies to NESO only. The private network operators — the six DNO groups, the transmission owners (National Grid Electricity Transmission, SSEN Transmission, SP Transmission), and the gas transmission and distribution companies (National Gas Transmission, Cadent, SGN, Northern Gas Networks) — remain Ofgem-regulated monopolies with 5-year RII price controls that determine their allowed revenues. This is unchanged from the current system.

Ofgem's independent determination of network operator revenues is the mechanism that protects the programme from ministerial interference. The allowed revenue for each network operator is set through a quasi-judicial regulatory process, locked in for a 5-year price control period, and is legally binding once agreed. A minister cannot alter the revenue determination without overriding Ofgem, which would require primary legislation. This is precisely the same protection that exists today; the programme preserves it in full.

Entity	Current governance	Under programme	Revenue/budget set by
NESO	Ofgem-regulated company	Statutory public body	Spending Review (operational budget)
DNOs (6 groups)	Ofgem RII price controls	Unchanged	Ofgem (RIIO-ED)
Transmission owners	Ofgem RII price controls	Unchanged	Ofgem (RIIO-ET)

Entity	Current governance	Under programme	Revenue/budget set by
Gas networks	Ofgem RIIO price controls	Unchanged	Ofgem (RIIO-GD / RIIO-GT)

Statutory payment obligation

The GB Energy Network Act creates a statutory obligation on the Secretary of State to pay network operators their full Ofgem-determined allowed revenues on the schedule Ofgem sets. The minister has no discretion over the amount, the timing, or the allocation between network operators. These are determined by the independent regulator through exactly the same RIIO price control process that operates today. The only change is the source of the payment — from consumer bills to the Consolidated Fund.

This obligation operates identically for both the GB Energy Network (£2.5 billion, C&I transmission charges) and the Universal Energy Service (£7.7 billion, domestic standing charge network costs). The combined flow of approximately £10.2 billion per year from the Exchequer to network operators is a single statutory payment channel, differentiated only by accounting classification:

Programme	What it pays	Annual amount	Quantum set by
GB Energy Network	C&I transmission (TNUoS demand-side)	£2.5B	Ofgem (RIIO-ET)
Universal Energy Service	Domestic network costs (distribution, transmission, gas)	£7.7B	Ofgem (RIIO-ED, RIIO-ET, RIIO-GD/GT)
Total statutory payment	All domestic and C&I network costs	£10.2B	Ofgem (independent)

The legal model is analogous to debt service on gilts: the government does not choose whether to pay, or how much, or when. The obligation is created by statute and enforceable by the network operators through judicial review if the Secretary of State fails to pay. A minister who attempted to withhold, delay, or redirect the payment would be acting unlawfully.

What the minister controls — and does not control

Function	Who decides	Can the minister override?
Network operator allowed revenues	Ofgem (RIIO price controls, 5-year periods)	No — independent regulator
NESO operational budget	Spending Review	Yes — but subject to statutory duties
Payment to network operators	Statutory obligation in the Act	No — mandatory spend, judicially reviewable
Energy policy framework	Secretary of State	Yes — this is their proper role
NESO board appointments	Secretary of State with HMT approval for chair	Yes — this is their proper role
Annual report to Parliament	NESO, audited by NAO	No — statutory requirement

The programme gives the minister *less* influence over network funding than they currently exercise over comparable public spending (NHS, defence, education), because the quantum is set by an independent regulator through a legally binding price control, not by a Spending Review negotiation. The minister's proper role —

setting the energy policy framework within which NESO and the network operators operate — is preserved. Their improper role — determining how much money flows to the network, or when, or to whom — is excluded by design.

This is the Bank of England model applied to energy infrastructure: the Chancellor sets the inflation target and appoints the Governor, but cannot set interest rates. The Secretary of State sets the decarbonisation and security constraints and appoints the chair, but cannot direct how NESO meets them, nor relax its duty to meet them at least whole-system cost.

Caveats and limitations

Scope limitation. The £2.5 billion covers transmission (TNUoS) charges only. Non-domestic consumers will continue to pay DUoS (distribution), BSUoS (balancing), and policy levies. The intervention therefore does not reduce industrial electricity prices to the pure marginal cost of generation; it removes the single largest non-wholesale, non-distribution charge component. A full reduction to marginal generation cost would require an additional £1.0–1.5 billion (at 2025 levels) to cover non-domestic DUoS fixed charges, which is not included in this programme.

Generator TNUoS charges. The intervention targets demand-side TNUoS only. Generator TNUoS charges (approximately £1.1 billion in 2025/26) are not covered. These charges are in principle passed through to consumers via wholesale electricity prices; absorbing them would require a separate mechanism and is not proposed here.

Behavioural response. Any peak-avoidance signal in the transmission demand charge is already much diminished. Ofgem's Targeted Charging Review moved the bulk of the demand charge, the Transmission Demand Residual, onto a fixed daily charge banded by site capacity from April 2023, so large consumers can no longer materially reduce it by cutting demand during winter peaks; only the smaller forward-looking locational element still rewards reduction during the three Triad half-hours. Removing the residual transmission demand charges therefore removes a largely fixed charge rather than a strong live incentive. The programme reconstitutes the demand-side signal through NESO's duty to price balancing and capacity to those who cause them, and through the appliance-level demand response infrastructure funded by Energy for the Future.

Data vintage. TNUoS revenue figures are based on NESO's published tariff data for 2025/26 and the Five-Year View published in January 2026. DUoS and BSUoS estimates draw on Ofgem RIIO-ED2 annual reports and industry analysis. Non-domestic consumption shares are estimated from DESNZ *Quarterly Energy Prices* volume data and DUKES (Digest of UK Energy Statistics) sectoral consumption tables. All figures are subject to revision as regulatory determinations are finalised and outturn data become available.

Sources

- NESO, *Transmission Network Use of System (TNUoS) Charges: 2025/26 Tariff Publications* (2025).
- NESO, *TNUoS Five-Year View* (January 2026).
- Chambers and Partners, *Power Generation, Transmission & Distribution 2025: UK — Trends and Developments* (July 2025).
- Ofgem, *RIIO-2 Electricity Distribution: Annual Report 2024 to 2025* (January 2026).

- Ofgem, *RIIO-2 Electricity Transmission: Annual Report 2024 to 2025* (January 2026).
- Ofgem, *RIIO-2 Regulatory Performance Data: 2024* (2024).
- DESNZ, *Quarterly Energy Prices: December 2024* (December 2024).
- DESNZ, *Quarterly Energy Prices: June 2025* (June 2025).
- DESNZ, *Digest of UK Energy Statistics (DUKES)* (2024 edition).
- House of Commons Library, *Gas and electricity prices during the ‘energy crisis’ and beyond*, Research Briefing CBP-9714 (updated April 2026).
- House of Commons Library, *Energy standing charges*, Research Briefing CBP-10339 (updated April 2026).
- ElectricityCosts.org.uk, *Electricity Bill Charges: Breakdown of Bill Components* (2024).
- Businesswise Solutions, *TNUoS Residual Charges: Five-Year Forecast Analysis* (February 2026).
- npower Business Solutions, *The TNUoS Shake-up: Electricity Costs Set for Record Increases from April* (February 2026).

All figures in 2025 prices unless otherwise stated. TNUoS revenue projections from NESO’s Five-Year View are in nominal terms and are noted as such where cited.

RELATED

Referenced by: [Energy Security \(Structural Measure\)](#), [Universal Energy Service \(Universal Service\)](#)

Catchment Water System Operators

APPENDIX · water

A policy research briefing

Dieter Helm proposes replacing England's entire water regulatory architecture with public Catchment Water System Operators—bodies modelled on NESO that would plan, auction, and contract-manage all water, sewerage, and flood services within river catchments, eliminating Ofwat and periodic reviews entirely. This framework offers a structurally coherent mechanism for absorbing public funding into water infrastructure because it separates the standing/infrastructure charge from variable usage charges and creates a catchment fund through which Exchequer allocations could flow directly. The model has demonstrably influenced the policy debate—the Cunliffe Commission adopted catchment-based language and single-regulator concepts—but the government's January 2026 White Paper diluted these into a supervisory super-regulator that Helm dismisses as “the usual spin and guff.” For the Prosperity 2030 programme, Helm's architecture provides the most detailed existing blueprint for how a £6.2 billion annual public funding stream could replace customer-funded standing charges within a competitive, catchment-based regulatory structure.

The CWSO model replaces monopoly regulation with catchment-level competitive bidding

Helm's proposal, developed across a decade of papers from his original 2015 “Catchment Management, Abstraction and Flooding” through to “What Would It Take to Fix the Water Industry?” (February 2026), centres on creating approximately **14 public Catchment Water System Operators** corresponding to England and Wales's major river catchments. Each CWSO performs three functions: it plans infrastructure and environmental needs using open-access digital catchment maps; it auctions contracts to deliver those needs through a two-stage competitive bidding process; and it manages the resulting contracts over varying durations.

The digital catchment map is foundational. Every pipe, sewer, treatment works, flood defence, farm boundary, natural capital asset, and pollution source within a catchment is mapped, layered with real-time sensor data on water quality, river flows, and sewage discharges. These maps sit on public websites where “all and any interested parties” can simulate alternative interventions. AI enables rapid scenario modelling—comparing, for instance, a proposed concrete reservoir against upstream natural water storage by farmers and wildlife trusts. Helm draws an explicit Botley flooding example: rather than the Environment Agency building a canal, upstream landowners, conservation NGOs, and farmers could bid to hold water through natural flood management, with outcomes simulated and publicly scrutinised via the digital map.

The auction mechanism is directly analogous to the Contracts for Difference (CfD) process run by NESO in electricity. The CWSO defines outcomes from its catchment plan, publishes requirements, invites expressions of interest, then runs formal competitive bids. Crucially, **anyone can bid**: water companies, farmers, River Trusts, construction firms, local authorities, conservation bodies, and new market entrants. Helm states: “Out go the periodic reviews, down go the costs of meeting any specified objective as a result of competitive bidding, the

monopolies of the water companies are now open to challenge.” Contracts vary in duration—short-term for operational services, longer-term for capital-intensive works—replacing the rigid five-year periodic review cycle entirely.

Why Helm argues the current financial model is structurally broken

Helm’s financial critique targets three interlocking failures: the WACC methodology, the RAB’s inflation, and the incentive structure that rewarded financial engineering over asset stewardship. The sector’s **Regulated Capital Value reached £106.7 billion by 2025**, with average gearing at **67.9%** (Thames Water peaked at approximately 88%). Helm argues this outcome was predictable because the weighted average cost of capital, by mathematical definition, over-rewards debt and under-rewards equity—creating “a very profitable open goal” for companies to leverage up, extract dividends, and leave asset maintenance unfunded.

The numbers are stark. Since privatisation, the **16 water monopolies paid £78 billion in dividends** while adding over £64 billion in net debt—despite being sold with zero borrowings. Thames Water under Macquarie ownership (2006–2017) saw debt rise 2.3 times from £4 billion to £10 billion while averaging £270 million per year in dividends. Helm’s diagnosis is that regulators compounded the problem by setting “notional gearing” levels and repeatedly overstating expected interest rates, creating arbitrage opportunities that rational profit-maximising investors exploited. His verdict: “Blaming investors for exploiting the gaping loopholes left by OFWAT is a mug’s game.”

The remedy within the CWSO framework is threefold. First, **abandon the WACC entirely** and separately determine the cost of debt (as a market-determined mark-up on gilts) and cost of equity (through competitive bidding). Second, require companies to split water from sewerage into separate businesses with distinct capital structures—water as a steady-state, dividend-paying quasi-bond business carrying higher gearing; sewerage as a growth-capital business funded through retained earnings. Third, create **tradeable RABs**: separate the accounting asset (the RAB) from operational activities, allowing pension funds and infrastructure investors to hold and trade the RAB independently while operational companies bid competitively for CWSO contracts. This “short-circuits the question of compensation that arises in the nationalisation case” because the tradeable RABs remain private assets representing legitimate debt-funded capital expenditure.

The standing charge mechanism creates a direct channel for Exchequer funding

Helm’s bill structure divides water charges into two components that map directly onto the Prosperity 2030 funding architecture. The **variable charge** covers operational costs, capital maintenance, and the scarcity value of water—metered in real time via smart meters, varying by volume, season, and drought conditions. The **infrastructure/standing charge** covers returns on the RAB—both existing legacy assets and new enhancement capital. Helm explicitly describes this as “basically a standing/capacity/use of system charge” analogous to electricity transmission and distribution charging.

This separation is significant for the £220-per-household socialisation proposal because Helm himself argues the infrastructure charge is the element most

amenable to public funding. He writes that “it might even be sensible to set the infrastructure charge at zero for poorer customers” and, more broadly, that some fixed and sunk costs “are best treated as national investments, and some of them should be passed to the taxpayers—these include the legacy costs.” His capital maintenance reclassification would further shrink the standing charge element: by treating asset maintenance as an operating cost funded from current variable charges (not borrowing), the standing charge would cover only genuine enhancement RAB returns—substantially below the current ~£107 billion RCV figure.

Under the CWSO model, all monies flow through a **catchment fund**. Customer bills, business charges, abstraction fees, pollution charges, developer contributions, farm payments, flood defence spending, carbon offset revenues, and biodiversity net gain monies would be integrated into a single catchment funding stream managed by the CWSO. Helm argues: “It would be almost inconceivable that with this integrated funding model, more could not be achieved for less.” An Exchequer allocation of £6.2 billion annually (at £220 per household for 28 million households) could enter this catchment fund as a direct replacement for the customer-funded standing charge, with the CWSO allocating funds through its competitive auction process rather than through Ofwat’s regulatory determination.

Helm’s **pro-forma balance sheet** proposal would further support this transition. He argues the legitimate RAB should equal only the opening privatisation share-sale value plus genuinely unremunerated CAPEX—stripping out the financial engineering that inflated asset values. Applied across the sector, this would reveal that “the companies should have quite a lot of capacity still to fund the investment needed,” substantially reducing the quantum that the standing charge (or its Exchequer replacement) must cover.

Helm’s view of the Cunliffe Commission and the White Paper

The Independent Water Commission, chaired by Sir Jon Cunliffe, published its **464-page final report with 88 recommendations on 21 July 2025**, having received over 50,000 responses to its call for evidence. Its headline proposals included abolishing Ofwat and creating a single integrated water regulator (merging Ofwat, the Drinking Water Inspectorate, and water-related functions from the Environment Agency and Natural England); establishing **nine regional water planning authorities**; adopting a banking-style supervisory model of economic regulation; and retaining five-year periodic reviews with enhanced 10- and 25-year planning horizons.

Helm’s critique, published as “Water after the Cunliffe Commission” on 2 September 2025, is systematic. His central charge is that the Commission “ducks” the fundamental question of whether to move away from periodic reviews, choosing instead to graft supervision on top. The supervisory model—company-specific Ofwat teams “shadowing the boards”—is “probably the worst option that could be advanced” because it maximises regulatory capture, turns supervisors into implicit decision-makers (“a bit like the probation officer whose supervisee commits a crime”), and gradually erodes board autonomy. If regulators are going to effectively run companies, Helm argues, “perhaps nationalisation would be better.” He notes the Cunliffe Commission was constrained from the outset: government ruled out nationalisation in its terms of reference, leaving the

Commission trying to square the circle of “how to make sure that the private sector would keep on raising debt and equity whilst restoring public trust.” The result, in Helm’s assessment, serves Thames Water’s bondholders more than the public interest.

The **Water Reform White Paper, “A New Vision for Water,”** published 20 January 2026, confirmed the government would abolish Ofwat, create a single regulator with a Chief Engineer, adopt the supervisory model, double catchment partnership funding, and establish a Regional Water Planning Steering Group. But it pared back Cunliffe’s nine independent regional planning authorities to a steering group, retained the five-year price review cycle in the short term, and presented three headline measures—Chief Engineer, annual infrastructure MOT, smart metering rollout—that Helm calls trivially overdue. His response in “What Would It Take to Fix the Water Industry?” (February 2026) is withering: the White Paper “takes another step towards ‘taking back control’... ministers should recognise the obvious consequence: they are also taking back responsibility too.” In his March 2026 piece, he describes the outcome as “‘OFWAT is dead’—the political message. ‘Long live the super-OFWAT’—the reality.”

The missed opportunity, for Helm, is that the government could have announced immediately that **PR29 (the next periodic review) would not happen**, rolling over PR24 arrangements while building the CWSO framework. Instead, a “super-OFWAT” will attempt both the old system and the new supervision simultaneously — more bureaucracy, not less.

NESO provides the institutional template but water demands regional adaptation

The National Energy System Operator, established on **1 October 2024** after the government purchased the electricity system operator function from National Grid for **£630 million**, provides Helm’s primary institutional analogy. NESO is a public corporation, wholly owned by the Secretary of State, operationally independent, funded through regulated network charges (not the government budget), and operates on a not-for-profit basis. Its functions include real-time electricity system balancing, the Strategic Spatial Energy Plan, the Centralised Strategic Network Plan, grid connection management, and running CfD auctions for renewable energy procurement.

Helm draws five parallels: both CWSOs and NESO would be **public bodies** that plan and coordinate without owning or operating infrastructure; both develop **digital spatial maps** (NESO’s spatial energy maps, CWSOs’ catchment maps); both **simulate scenarios** against those maps; both **run competitive auctions** to procure services; and both take strategic planning obligations away from private utilities. The critical distinction is that NESO dispatches power stations in real time—water has no equivalent operational dispatch function. CWSOs would also be **regional rather than national** (approximately 14 catchment bodies versus one national energy body) and would integrate a far broader scope: water supply, sewerage, flood defence, agricultural land management, and natural capital.

Helm criticises NESO’s corporate structure—chosen to escape Civil Service salary restrictions, it resulted in “the ridiculous consequence” of being regulated by Ofgem. He argues CWSOs should avoid this trap: they should be statutory public bodies with clear duties set in a Water Act, not public corporations requiring separate regulatory oversight. The lesson from NESO is institutional, not

structural: the principle that a public system operator can plan, coordinate, and procure from multiple private and public providers has been established in energy and should now be applied to water.

Abstraction reform and flood integration require splitting the Environment Agency

Helm's catchment model fundamentally reorganises how abstraction and flooding are governed. Under the current system, abstraction rights derive from the 1963 Water Resources Act— a regime Helm calls “chronically bad from both an economic and environmental perspective.” Because water is heterogeneous by location (upstream abstraction has entirely different impacts from downstream), any crude competitive commodity approach to trading abstraction rights would be “seriously economically inefficient.” Instead, the CWSO would manage abstraction within each catchment as a **system optimiser**, setting location-specific prices and operating a “water bank” to balance supply and demand.

For existing abstraction rights, Helm proposes a **residual abstraction asset base**: buyout costs securitised through abstraction rights bonds, with interest paid net of water purchases under the new regime. If net value roughly equals total catchment abstraction, the residual cost should be “close to zero”—broadly revenue-neutral. This avoids the political minefield of compulsory purchase while establishing the CWSO's authority over the resource.

Flood management would transfer entirely from the Environment Agency to CWSOs. The EA's flood defence workforce would be “hived off” into an independent entity that bids for CWSO contracts alongside other providers. What remains of the EA becomes a sharp, small Environmental Protection Agency—“modelled on HMIP (420 employees, 220 inspectors) rather than the NRA (6,000+ employees)” —focused exclusively on integrated pollution control, monitoring, and prosecution. Helm argues the current EA conflates enforcement with production (building flood defences) and advisory roles, creating institutional conflicts of interest.

The at-source principle runs through every element. Storm water should be separated from sewage progressively—dealing with run-offs through pervious surfaces, cover crops, water storage, and peat bog management rather than end-of-pipe combined sewer overflows. Agricultural pollution should be addressed through buffer strips, slurry management, and a genuine polluter-pays framework rather than paying farmers not to pollute. Helm notes that farmers “are responsible for around the same amount of pollution as water company sewage spills” yet currently “expect to be paid not to pollute”— the “exact opposite of the sustainable economy.”

The transition pathway and its implications for public funding

Helm envisions a six-step evolutionary transition operational by 2030, with a shadow system running from now. The sequence: establish digital catchment mapping as an immediate no-regret measure; create Catchment Regulators/CWSOs through a Water Act (Helm proposes 2027); announce that PR29 will not proceed, rolling over PR24 arrangements; begin formal catchment planning with open-access digital maps; introduce the catchment billing process

with integrated catchment charges; and progressively separate and make tradeable the existing company RABs.

For a Prosperity 2030 programme allocating **£6.2 billion annually** (£220 per household across 28 million households), the CWSO framework provides several structural advantages. First, the catchment fund mechanism creates a single channel through which public money can flow to multiple providers—water companies, farmers, NGOs, flood managers—through competitively determined contracts rather than regulated monopoly returns. Second, Helm’s separation of the standing/infrastructure charge from variable costs identifies precisely the bill component that Exchequer socialisation would replace. Third, competitive bidding should reduce delivery costs below current monopoly pricing, meaning public funds achieve more per pound. Fourth, the pro-forma balance sheet approach—stripping financial engineering from the RAB—would reduce the capital base requiring a return, potentially making the £6.2 billion figure more than sufficient to cover the legitimate infrastructure charge across all households.

The critical gap between Helm’s framework and government policy remains substantial. The White Paper’s Regional Water Planning Steering Group falls far short of statutory CWSOs with auction powers. The retained periodic review cycle preserves the WACC-based regulatory model Helm considers fundamentally flawed. And the supervisory approach adds bureaucratic layers rather than removing them. However, the government has explicitly adopted the language of catchment-based planning, committed to abolishing Ofwat, and doubled catchment partnership funding—creating a trajectory that Helm believes will eventually arrive at his model, whether “neatly or messily.” For policy design purposes, the CWSO architecture offers the most fully specified blueprint for mapping public funding onto a reformed water sector—even if the current legislative programme falls short of implementing it.

Conclusion

Helm’s CWSO framework is not a theoretical sketch but a detailed institutional design developed across eleven years, seven major papers, and four books. Its core innovation—replacing monopoly regulation with public system operators that auction competitively for catchment outcomes—has no equivalent in the current policy landscape. The Cunliffe Commission borrowed its language while rejecting its mechanism; the White Paper diluted even that borrowing. What makes the framework uniquely useful for the Prosperity 2030 appendix is that it already contains the plumbing for public funding: a catchment fund, a separated standing charge, a principle that legacy infrastructure costs are national investments, and a competitive procurement mechanism that ensures Exchequer money purchases outcomes rather than sustaining monopoly returns. The £6.2 billion figure maps onto Helm’s architecture as a direct replacement for the customer-funded infrastructure charge, flowing through CWSOs to competitively selected providers. Whether the UK arrives at this model before 2030 or through P2030 legislation after iterative failure of its supervisory alternative remains a political question.

RELATED

Referenced by: [Democracy Revival \(Structural Measure\)](#), [Universal Water Service \(Universal Service\)](#)

Water : Funding Flow & CWSO Architecture

APPENDIX · water

This appendix sets out how the Prosperity 2030 water programme's £6.2 billion annual allocation flows from general taxation to the point of service delivery, mapped onto the Catchment Water System Operator (CWSO) regulatory framework proposed by Dieter Helm. It should be read alongside the companion research briefing on Helm's CWSO model and the Universal Water Service service description.

The policy intention

The programme socialises domestic water standing charges — currently averaging approximately £220 per household per year — by funding them from National Contributions revenue rather than individual household bills. This eliminates a fixed cost that falls regressively on lower-income households (for whom it represents a larger share of total expenditure) and provides a stable, nationally collected revenue stream to fund water infrastructure capital and maintenance.

The programme cost is £6.2 billion per year (28 million households × £220). This is a substitution: the Exchequer replaces revenue that water companies currently collect from households through standing charges, pound for pound. The companies' total revenue is unchanged; the source shifts from household to Exchequer.

Why CWSOs are the right receiving body

Under Helm's model, approximately 14 Catchment Water System Operators replace the current 17 regional water and sewerage companies as the planning and procurement bodies for all water-related services within England and Wales's major river catchments. CWSOs do not own or operate infrastructure. They plan catchment needs using open-access digital maps, auction contracts competitively to providers (water companies, farmers, conservation bodies, construction firms, new entrants), and manage the resulting contracts over varying durations.

Each CWSO operates a catchment fund through which all water-related revenues flow: customer variable charges, business charges, abstraction fees, pollution charges, developer contributions, farm payments, flood defence spending, and — under this programme — the Exchequer infrastructure allocation. The catchment fund is the single pot from which competitively auctioned contracts are paid. This design means the Exchequer allocation enters a unified funding structure rather than being paid to individual monopoly companies, and is deployed through competitive bidding rather than regulatory determination.

The alternative — paying the current 17 monopoly water companies directly — would embed the very structures the programme is designed to replace. It would require an Exchequer-to-company payment mechanism negotiated within Ofwat's regulatory framework, would preserve the periodic review cycle for determining how much each company receives, and would leave the financial engineering incentives (high gearing, dividend extraction, RAB inflation) intact. Routing public money through CWSOs instead aligns the funding flow with the structural reform.

The funding mechanism

The flow has four stages.

Stage 1: Collection. National Contributions revenue is collected by HMRC through the standard PAYE and Self Assessment mechanisms described in the NC Implementation appendix. The water allocation is not hypothecated — it forms part of general NC revenue, allocated to Defra through the Estimates process in the normal way.

Stage 2: Departmental allocation. HM Treasury allocates the water infrastructure budget to Defra as part of Departmental Expenditure Limits. The allocation is £6.2 billion per year from Year 2 of the programme (matching UBS rollout). This sits within Resource DEL as an ongoing operational transfer, not capital, because the programme replaces an existing household cost rather than funding new infrastructure. The distinction matters: the allocation covers the cost of maintaining and operating the existing network (what households currently pay through standing charges), not enhancement capital for new assets.

Stage 3: Distribution to CWSOs. Defra distributes the allocation to each CWSO using a per-household formula. Each CWSO receives £220 per household connection within its catchment boundary (£6.2 billion ÷ 28 million households). This is the simplest credible distribution mechanism, and it is deliberately chosen for its transparency and administrative simplicity.

The per-household formula avoids the three complications that would arise from alternative approaches:

First, it avoids needs-based allocation. A formula adjusted for infrastructure condition, capital maintenance backlogs, or geographic cost variation would reproduce the complexity of Ofwat's periodic review process — the very mechanism the CWSO model is designed to replace. If some catchments have higher infrastructure costs than others, that difference should be reflected in the competitive bids submitted to the CWSO and in the variable charges set for above-standing-charge consumption, not in a differentiated Exchequer transfer that recreates regulatory price-setting by another name.

Second, it avoids per-capita allocation. Water infrastructure costs correlate more strongly with the number of connections (households) than with the number of people. A four-person household on a single connection uses more water than a one-person household, but the network infrastructure serving both connections is identical. Per-household allocation matches the cost driver.

Third, it avoids the equalisation problem that plagues Council Tax redistribution. Under the current system, central government must operate a complex equalisation formula to compensate local authorities whose Council Tax bases are insufficient to fund local services. The water allocation is a flat per-household amount, distributed mechanically, with no equalisation layer. CWSOs that serve catchments with higher infrastructure costs must fund the difference through efficiency gains in competitive procurement, through variable consumption charges, democratically-approved local precepts to Property Tax, or through other catchment fund revenues (abstraction fees, pollution charges, developer contributions). The Exchequer allocation covers the standing charge equivalent — nothing more, nothing less.

Stage 4: Deployment through the catchment fund. The CWSO receives its per-household allocation into the catchment fund alongside all other revenue streams. It then deploys these funds through its standard competitive auction process. Infrastructure maintenance contracts, network operational services, capital renewals, and debt servicing on the existing Regulated Asset Base are all procured competitively. The Exchequer allocation does not carry ring-fencing to specific cost categories within the catchment fund – the CWSO determines the optimal allocation across its total expenditure programme, subject to its statutory duties and licence conditions.

This is an important design choice. Ring-fencing the Exchequer allocation to (say) capital maintenance would reduce the CWSO's flexibility to optimise across its catchment plan. If a CWSO determines that £1 spent on natural flood management by upstream farmers delivers more value than £1 spent on pipe replacement, it should be free to make that allocation. The competitive auction mechanism, combined with the CWSO's statutory performance obligations, provides the accountability that ring-fencing would otherwise attempt to achieve.

What happens to household bills

Under the reformed system, the standing charge disappears from household water bills entirely. The remaining bill covers consumption only: volumetric charges for metered households, or rateable value assessments (minus the former fixed component) for unmetered households. These charges fund operational costs – water treatment, distribution, sewage processing – and, within the CWSO framework, are set competitively through the catchment fund rather than through Ofwat's price determination.

The net effect for a typical household: a bill that currently averages £603 per year falls to approximately £383 per year – a 37% reduction – from Year 2 of the programme. The remaining £383 covers consumption-related costs at existing volumetric or assessed rates.

Interaction with the existing Regulated Capital Value

The water sector's Regulated Capital Value stands at approximately £107 billion, with average gearing of 68% and annual capital charges (return on capital plus depreciation) of approximately £7–8 billion across all customers. The household share of these charges (approximately 70% of total sector revenue) implies household-attributed capital charges of £4.9–5.6 billion per year.

The programme's £6.2 billion annual allocation exceeds the upper end of this range, which provides headroom. The allocation replaces the fixed infrastructure component of household bills, which is principally composed of returns on the RAB and capital maintenance. Under the CWSO model, Helm proposes that the RAB should be recalculated to reflect only the opening privatisation share-sale value plus genuinely unremunerated capital expenditure, stripping out the financial engineering that inflated asset values. If this recalculation reduces the legitimate RAB – and Helm's analysis suggests it would, significantly – then the £6.2 billion allocation would comfortably cover the infrastructure charge, with the surplus available to fund enhanced capital maintenance or to accelerate the write-down of legacy debt.

During the transition period before CWSOs are established, the Exchequer payment flows to existing water companies through a simpler mechanism: Defra

pays each company an amount equal to £220 multiplied by its household customer count, in exchange for the company removing the standing charge from all household bills. This interim mechanism requires no regulatory change — it is a straightforward government grant conditional on bill reduction, analogous to the Energy Bills Support Scheme. The grant replaces standing charge revenue pound-for-pound, so the company's total revenue (and therefore its ability to service debt and fund operations) is unchanged. The only difference is the source: Exchequer rather than household.

Transition sequencing

The programme assumes that no material progress on water governance reform is made before the parliament in which Prosperity 2030 is enacted. However, water governance reform does not depend on the fiscal programme — the Water Act establishing CWSOs can proceed through its legislative stages from the first session of parliament, in parallel with the other Year 1 workstreams (NC legislation, property tax design, community hub site identification). This means the structural reform timeline starts in Year 1 of parliament, even though the standing charge socialisation does not begin until Year 2.

The funding flow therefore operates in two phases:

Phase 1 (Year 2 of parliament onwards): Flat allocation through existing companies. From Year 2, Defra pays each water company £220 (the then current national average household water standing charge) per household connection per year. Companies remove the standing charge (or equivalent fixed element) from all household bills. The payment mechanism is a quarterly grant from Defra to each company, calculated mechanically from the company's household connection count as reported to Ofwat. No new regulatory infrastructure is required. This phase delivers the household saving immediately while CWSO establishment proceeds in the background.

Phase 2 (Year 4 of parliament onwards): Allocation through CWSOs. By Year 4 of parliament, the Water Act has received Royal Assent, catchment boundaries have been formally designated, CWSOs have been established and staffed, and the first cycle of competitive procurement has been completed. The Exchequer allocation transfers from company-level to catchment-level distribution. Defra pays each CWSO rather than each company. The CWSO deploys funds through its catchment fund, competitively procuring infrastructure services from whichever providers (including the incumbent water companies) offer the best value. This transition from Phase 1 to Phase 2 does not change the quantum or the per-household formula — only the receiving body and the procurement mechanism through which funds reach service delivery.

The two-year gap between Phase 1 and Phase 2 serves a dual purpose. It provides immediate household relief (the standing charge disappears from bills in Year 2) while allowing three full years for the legislative and institutional work of establishing CWSOs (Years 1–3). And it demonstrates to the sector that public funding can replace customer-funded standing charges without disrupting service delivery or financial stability — reducing resistance to the structural reform that follows.

Catchment cost variation and the Property Tax precept

The flat £220 per household is a national average (the then current national average household water standing charge). Actual infrastructure costs vary substantially between catchments: Thames's catchment carries a large legacy RAB, Victorian-era urban sewerage networks cost more to maintain than newer systems, and sparse rural catchments have higher per-connection costs than dense urban ones. Under Helm's model, competitive procurement within each CWSO would discover the actual efficient cost of infrastructure in each catchment — and that discovered cost will differ from the national average.

This is a deliberate design tension, not an oversight. The flat national allocation is chosen for its administrative simplicity, political robustness, and consistency with the programme's distribution principles (no equalisation, no ministerial discretion, no needs-based formula that recreates regulatory complexity). But it requires a mechanism for catchments whose discovered infrastructure costs exceed the national average.

The mechanism is a Property Tax precept. Once a CWSO has completed at least one cycle of competitive procurement and established its actual infrastructure cost base, it can petition the local authorities within its catchment boundary to levy a precept on the annual property tax to fund the difference between the national allocation and the catchment's discovered cost. The CWSO proposes a total precept requirement; this is allocated to councils in proportion to their household count within the catchment boundary; each council approves, modifies, or rejects its share through normal council budget-setting.

This design has four advantages over the alternatives:

First, it preserves competitive price discovery where it need to be: at the catchment level. The national per household value is a funding floor, not a price determination. The CWSO's auction process reveals the efficient cost; the precept funds the gap. Cost variation is driven by catchment-specific infrastructure reality and competitive bidding outcomes, not by a central formula.

Second, it creates a direct accountability relationship between CWSOs and the populations they serve. A CWSO that seeks a precept must justify its cost base to elected councillors — and under the Democracy Revival programme, those are full-time salaried councillors with the capacity for substantive scrutiny. This is a sharper accountability mechanism than anything in the current Ofwat framework, and it is local rather than national.

Third, the precept falls on property values, not on a flat household charge. Catchments with expensive infrastructure where the precept is needed are funded from local property wealth, which is consistent with the programme's broader progressive distributional design. The national £220 socialisation is universal and flat; the marginal catchment cost is funded progressively.

Fourth, there is institutional precedent. Internal Drainage Boards already levy precepts on local authorities that cross catchment boundaries, allocated by area of benefit within each council's territory. The CWSO precept would operate on the same principle — a statutory body whose boundaries cross local authority boundaries, levying a charge through the council precept mechanism. The administrative infrastructure exists; the Water Act need only extend it to CWSOs.

The precept mechanism activates in Year 4 of parliament — the same year CWSOs transition to receiving the Exchequer allocation directly, and Year 3 of the

property tax. This timing is not coincidental: the property tax base must be operational before a precept can be levied against it. By Year 4, the property tax has been collected for two full years, councils have integrated it into their budget-setting processes, and the precept mechanism is a marginal addition to an established system rather than a novel imposition.

For catchments where the national £220 exceeds the discovered infrastructure cost, the surplus remains in the catchment fund. The CWSO deploys it through its standard competitive auction process — to enhanced capital maintenance, natural flood management, environmental restoration, or any other priority within its statutory duties. There is no clawback to the Exchequer. This is consistent with the programme's design principle that funding is allocated mechanically and deployed locally, with accountability through catchment-level democratic processes rather than central reallocation.

Reconciliation with the cashflow model

The macro cashflow model shows the Universal Water Service at £6.2 billion per year from Year 2, listed under the substitution category alongside the energy and other programmes where the Exchequer absorbs costs that households currently pay from their own income. The £6.2 billion is both the programme cost and the household saving: the Exchequer replaces standing charge revenue pound-for-pound, and standing charges disappear from household bills.

Element	£B	Note
Household standing charges eliminated	6.2	28M × £220; household saving
Exchequer allocation to CWSOs/companies	6.2	Pound-for-pound replacement
Cashflow model line (substitution)	6.2	From Year 2

Accountability and oversight

The per-household allocation creates a clear accountability chain at the national level. Parliament votes the water infrastructure budget as part of Defra's Estimates. Defra distributes mechanically by household count — no ministerial discretion in allocation. CWSOs deploy funds through competitive auctions with published outcomes, digital catchment maps showing where money is spent, and statutory performance obligations monitored by the successor environmental regulator (Helm's proposed Environmental Protection Agency, replacing the Environment Agency's current dual role). At the catchment level, the property tax precept mechanism described above provides a second accountability layer: CWSOs that seek additional funding must justify their cost base to elected councillors, creating democratic oversight of cost performance that the current Ofwat framework conspicuously lacks.

The risk of political interference — a concern with any Exchequer-funded infrastructure model — is mitigated by three features. First, the per-household formula is automatic: there is nothing for ministers to adjust, no equalisation to manipulate, no needs assessment to politicise. Second, CWSOs are statutory public bodies with operational independence, not government departments — the same institutional design as NESO in energy. Third, the competitive auction mechanism means that the CWSO cannot direct funds to favoured providers; contracts are awarded on published criteria through open bidding.

This design also addresses the concern raised in the companion standing charge analysis about revenue certainty for the sector. An Exchequer transfer subject to annual budget decisions introduces political risk that customer-funded standing charges do not carry. The mitigation is structural: once CWSOs are established and the per-household allocation is embedded in the Estimates process, discontinuing it would require CWSOs to reintroduce standing charges on household bills — a politically visible act that no government would undertake lightly. The standing charge socialisation, like the Universal Energy Service, is designed to be practically irreversible once households have experienced bills without it.

All figures in 2025 prices. Household count: 28 million (England and Wales). Per-household allocation: £220 per year (£6.2 billion ÷ 28 million households). Detailed cashflow model and service-level costings available in companion technical appendices.

RELATED

Referenced by: [Democracy Revival \(Structural Measure\)](#), [Universal Water Service \(Universal Service\)](#)

Skills Centres Appendix

APPENDIX · business

An Intervention in the Current Skills and Training Landscape

The Skills Centres policy arrives into a post-16 skills and training landscape that the current government is actively reshaping, and would be operational from 2030 — by which point several of the reforms underway will have settled into a new baseline. This appendix catalogues the institutions, levies, and programmes that Skills Centres would inherit, sets out how the policy absorbs the Jobcentre Plus network as its operational backbone and commissions training from the existing further education and Technical Excellence College infrastructure, and describes a five-year rollout to a national network of 500–700 Centres.

The core design is that Skills Centres are not greenfield institutions. They are the transformation of Jobcentre Plus into a sectoral, geographically distributed lifelong employer-of-record for workers across four Statuses — Apprentice, Trainee, Part Time (the three salaried Statuses) and Occasional (an elective-attachment Status for already-qualified workers) — combined with a labour-dispatch function serving private firms, Community Food Centres, Service Hubs, care providers, and other organisations requiring flexible skilled labour. Training delivery is commissioned from the existing FE college and Technical Excellence College network. Benefits administration — Universal Credit claim processing, payments, and related functions currently housed in Jobcentre Plus — transfers to the Service Hub network being established under the wider Prosperity 2030 programme. Where the local geography supports it, Skills Centres and Service Hubs co-locate on the same site, giving citizens a single physical front door for work, training, and the administrative support functions of the state.

The skills system currently runs on a combination of statutory levies (on construction employers through CITB and engineering construction employers through ECITB), a general payroll levy on large employers (the Apprenticeship Levy, reformed into the Growth and Skills Levy from April 2026), publicly funded further education infrastructure (general FE colleges, sixth-form colleges, and the new Technical Excellence Colleges), and a set of programme-specific budgets (Adult Skills Fund, Skills Bootcamps, Foundation Apprenticeships, and the emerging Youth and Jobs Guarantees). Total public funding for post-16 education and skills is approximately £13.50 billion in 2025–26, rising by £1.20 billion per annum by 2028–29 under the current Spending Review settlement. Industry training board levies add a further £0.26 billion. Jobcentre Plus operates a national network of approximately 640 offices with around 20,000 work coaches, at estimated total operational cost of £1.50–2.00 billion per year including estates and corporate overheads.

Despite this scale of public investment, the system persistently under-performs against its own objectives. Apprenticeship starts fell by 40% between 2015–16 and 2024–25 (from 509,000 to 354,000), the number of NEETs sits near one million, and the government estimates that nearly 600,000 additional workers will be needed in priority growth sectors by 2030. The market failure the policy diagnoses — that no single firm can capture the benefit of training a worker in a cyclical, project-based labour market — is visible in the data: the percentage of construction firms funding or offering training to their workers fell from 57% in 2011 to 49% in 2024, with the gap filled by migration rather than domestic capacity. Skills Centres address this failure by situating the employment relationship for workers in a

publicly accountable, sectoral, non-enterprise institution that holds them across the full arc of a working life — from sixteen-year-old Trainees to semi-retired Occasional workers maintaining their connection to a craft — while leaving training delivery in the existing FE and TEC infrastructure.

The labour-market triangle: Universal Services, Employment Freedom, Skills Centres

The Skills Centres policy is one leg of a three-leg labour-market reform settlement that also includes Universal Services and Employment Freedom. The three policies work together and each fails alone. Universal Services provides the welfare floor outside the wage relationship — by absorbing the costs of energy, water, transport, food, communications, and care, it makes destitution impossible regardless of employment status, and so makes leaving any one job a real option for the first time in the modern UK labour market. Employment Freedom liberates work that the cash-wage floor has progressively excluded from the formal economy — in social care, repair, council and public realm work, occasional and casual work, civic and community contribution, and micro-enterprise — by allowing the wage floor to recede in step with Universal Services progression rather than forcing the welfare floor to be delivered through the wage. Skills Centres provide the capability to act on the options the other two legs create — they ensure that workers have the credentials, sectoral attachment, and progression infrastructure to be genuinely valuable across multiple employers and across the full arc of a working life.

Each leg fails without the others. Universal Services without Employment Freedom and Skills Centres risks dependency: the safety net is in place but contribution opportunity contracts. Employment Freedom without Universal Services and Skills Centres is laissez-faire labour reform: the floor goes but no one has anywhere to land. Skills Centres without Universal Services and Employment Freedom produces qualified people stranded in a labour market that has not changed shape. The closest international demonstration of the triangle is the Danish flexicurity model: a flexible labour market with low contractual lock-in, generous unemployment insurance providing a strong welfare floor, and active labour market policy through extensive training and matching. The architectural correspondence with Universal Services + Employment Freedom + Skills Centres is direct, with one major substitution — Denmark uses cash benefits where Prosperity 2030 uses services. The structural mechanics differ; the welfare effect is similar.

The Skills Centres appendix focuses on the institutional design of Skills Centres themselves. The Employment Freedom appendix develops the labour-market triangle in detail, including the Hirschman voice/exit framework and Roberto Unger's "free labour" argument that situates the diversity of forms — wage employment, self-employment, cooperative production — that a healthy labour market requires. The two appendices are complements: Skills Centres are the worker-power infrastructure of the settlement, the institutional form through which exit becomes credible because alternative employment becomes realistic and the non-wage forms of labour become viable through the multi-status framework.

The skills and employment landscape Skills Centres would inherit in 2030

By 2030, four years of reform initiated in 2024–25 will have bedded in. The principal features of the inherited landscape are as follows.

Institutional structure. Skills England, established as a DfE executive agency on 2 June 2025 and transferred to the Department for Work and Pensions along with adult skills policy in September 2025, is the central government body responsible for identifying skills needs, approving training standards, and directing levy funds. It absorbed the functions of the Institute for Apprenticeships and Technical Education (IfATE) under the IfATE (Transfer of Functions etc) Act 2025. The DfE retains responsibility for higher education, further education colleges, and skills and training policy for those aged 19 and under. A new jobs and careers service, announced in the Get Britain Working white paper (November 2024) and funded with £0.055 billion in 2025–26 and a further £0.240 billion in employment support, is merging Jobcentre Plus with the National Careers Service in England.

Jobcentre Plus. The network operates approximately 640 offices nationwide, employing around 20,000 work coaches (though with a persistent 10–15% shortfall against estimated need) supported by over 360 Youth Hubs being rolled out under the Youth Guarantee. Staff costs account for 93% of direct jobcentre expenditure. The NAO's March 2025 report identified systematic under-resourcing of the work coach function, with more than half of jobcentres reducing claimant support between September 2023 and November 2024 because caseloads exceeded capacity. The Get Britain Working white paper commits DWP to a "pyramid of support" in which digital services absorb the bulk of claimant interaction and face-to-face time is reserved for those with complex needs — an architecture consistent with the Skills Centre absorption route.

The Growth and Skills Levy. From April 2026, the Apprenticeship Levy is reformed into the Growth and Skills Levy. The revenue-raising conditions are identical (0.5% of payroll for employers with pay bills above £3 million), but the uses broaden to include short "apprenticeship units" of 30–140 delivery hours in priority skills areas. The fund expiry window is 12 months, there is no government top-up, and the co-investment rate for levy-payers whose funds are exhausted is 25%. The levy is projected to raise £4.60 billion in 2026–27 and £5.00 billion by 2029–30. The apprenticeship budget for England in 2025–26 is £3.08 billion, with the devolved nations receiving a combined £0.50 billion.

Technical Excellence Colleges (TECs). The first wave of 10 Construction TECs was designated in August 2025 with £0.10 billion in government backing. A second wave of 19 TECs in advanced manufacturing, clean energy, defence, and digital was announced in April 2026 with £0.18 billion in funding (£97 million DfE, £50 million MoD, £28 million DBT). The programme supports 65,000 learners over four years. Each TEC operates on a three-year delivery plan with approximately £2 million in revenue funding, plus variable capital funding.

Industry Training Boards. The Construction Industry Training Board (CITB) raised £228 million in 2024–25 from a statutory levy (0.35% PAYE, 1.25% CIS subcontractors), supplemented by £52 million in non-levy income. Total expenditure was £299 million, supporting 30,002 apprentices and 195,000 short-course achievements. The Engineering Construction Industry Training Board (ECITB), covering roughly 300 specialist engineering construction employers, raises £26–30 million annually at levy rates of 0.33% off-site and 1.2% on-site. The 2024 Farmer Review recommended merger of the two boards; the government

launched a formal consultation in March 2026 with a decision expected in Autumn 2026, and a merged body potentially operational by 2028.

Adult Skills Fund. The ASF totalled £1.44 billion in 2025–26, with 67% devolved to Strategic Authorities. Devolution rises to 76% in 2026–27 as seven additional areas assume responsibility. The fund covers adult further education for learners aged 19 and over, including the Free Courses for Jobs offer and, for mayoral authorities, Skills Bootcamps.

Skills Bootcamps. £136 million was allocated for Skills Bootcamps in 2025–26 across priority sectors, with a further £100 million committed for construction bootcamps over four years from Spring Statement 2025. The bootcamps offer up to 16 weeks of training with a guaranteed interview on completion and have delivered 120,000 starts and 50,000 positive employment outcomes since 2020.

Foundation Apprenticeships and apprenticeship units. Seven Foundation Apprenticeships (eight-month Level 2 entry points for those aged 16–21) launched in August 2025 in engineering, manufacturing, and digital. Two further foundation apprenticeships in hospitality and retail were added in March 2026. Apprenticeship units — flexible short courses for existing employees aged 19 and over — launched in April 2026.

Youth Guarantee and Jobs Guarantee. The Youth Guarantee, backed by £0.82 billion over the three years to 2028–29, offers every 18–21-year-old access to education, apprenticeships, or job-support programmes. A further £1.00 billion was added in March 2026, funding a £3,000 Youth Jobs Grant for employers hiring 18–24-year-olds after six months on Universal Credit, expanded eligibility to 24, and a £2,000 SME incentive for each apprentice aged 16–24 from October 2026. The Jobs Guarantee offers six months of fully subsidised paid work for 18–24-year-olds who have been on Universal Credit for 18 months, piloting in six areas from Spring 2026 before national rollout. The combined package totals £2.50 billion over three years and is expected to support 500,000 opportunities.

Lifelong Learning Entitlement (LLE). From the 2026–27 academic year, the LLE replaces Advanced Learner Loans and undergraduate student finance with a unified, modular loan entitlement equivalent to four years of post-18 education, drawable in short courses or full qualifications across a person's working life.

Employment Rights Act 2025. Day-one statutory sick pay applies from April 2026; guaranteed-hours entitlements for workers currently on zero-hours contracts take effect from 2027. This is the legislative environment into which the Skills Centre provision for channelling non-guaranteed-hours labour, if legislated as part of the policy, would be inserted.

Apprentice minimum wage. £8.00 per hour from April 2026 for apprentices under 19 and those in the first year of their apprenticeship. The National Minimum Wage for 18–20-year-olds rises to £10.85 per hour, and the National Living Wage for those aged 21 and over to £12.71. These floors will rise further by 2030.

16–19 education funding. Approximately £8.50 billion in 2025–26, rising with a £0.45 billion real-terms increase by 2026–27. Per-student funding in FE colleges is £8,000, in sixth-form colleges £6,000, and in school sixth forms £6,400.

The landscape inherited in 2030 is therefore a reforming but still fragmented system in which Skills England acts as the coordinating brain, Jobcentre Plus provides the physical operational network for employment support, industry

training boards run sector-specific statutory levies (probably as a single merged body by 2028), the FE and TEC network delivers classroom training, and a Growth and Skills Levy plus Adult Skills Fund provides the central funding spine. What the system does not have — and what the Skills Centres proposal supplies — is a sectoral, geographically-distributed lifelong employer-of-record for workers across four Statuses, combined with a flexible labour-dispatch function that firms can draw on without carrying the training cost and cyclical employment risk themselves.

Placing Skills Centres in the institutional architecture

The architectural decision is that Skills Centres absorb Jobcentre Plus as their operational backbone, commission training from the existing FE and TEC infrastructure, and hand benefits administration to Service Hubs. This produces the following institutional relationships.

Jobcentre Plus absorption. The Jobcentre Plus network of approximately 640 offices transforms into Skills Centres over the five-year rollout. The operational backbone carries over: estates, staff, IT systems, payments infrastructure, and local employer relationships. Work coaches transition into Skills Centre case managers with expanded responsibilities: worker registration across all four Statuses, labour-dispatch coordination, training commissioning with FE and TEC partners, and progression support. The current work coach shortfall becomes an active recruitment programme, with explicit career paths for existing coaches who want to specialise in sectoral employment coordination and exit routes for those whose skills sit better in the continuing benefits-administration function in Service Hubs.

Service Hub handover for benefits administration and employment advice.

Universal Credit claim processing, benefit payments, conditionality monitoring, work-search advisory support, and related administrative functions transfer from Jobcentre Plus to the Service Hub network. Service Hubs are the natural home for these functions: they provide the physical and administrative civic infrastructure for citizens interacting with the state, they consolidate all advisory functions (benefits, debt, housing, immigration, employment) under a single roof, and they keep these functions visible as a separate institutional space from work and training support. A citizen claiming Universal Credit, a worker registering as an Apprentice, and a worker bidding for an Occasional booking are not folded into the same institutional relationship at the point of interaction. Where Skills Centres and Service Hubs co-locate on the same site — which is the default where geography permits — the citizen sees one building and one front door, but the internal institutional structure keeps benefits compliance and advisory work separate from worker employment and training. The funding settlement (Component 1, below) splits the Jobcentre Plus envelope cleanly between the two institutions, preventing turf disputes over which institution owns which function.

Training delivery commissioned from FE and TECs. Each Skills Centre commissions training from local general FE colleges, Technical Excellence Colleges, Institutes of Technology, and independent training providers. The Centre sets required skills and volumes based on firm demand signals; the training provider delivers against approved occupational standards. This preserves the investment in TECs (which retain their hub-and-spoke role and specialist equipment) and gives FE colleges a guaranteed revenue stream indexed to worker volumes across all Statuses rather than variable employer bookings.

Occupational standards and quality assurance stay with Skills England. Skills Centres use Skills England's approved standards for the four Status definitions and the underlying sector qualifications. End-point assessment and awarding remain with existing awarding organisations.

Industry training boards are absorbed into the Skills Centre framework where their function is principally training grant-making (which Skills Centres replace) but retained where their function is standards development, labour-market intelligence, or awarding (which Skills Centres do not replicate). On the current trajectory, a merged CITB-ECITB body by 2028 transfers its grant-making functions to the Skills Centre network and retains its standards, certification, and sector intelligence functions within Skills England's wider architecture.

The Growth and Skills Levy is redirected to the Skills Centre network as the primary funding mechanism, with two caveats. First, where current levy-funded programmes are demonstrably effective — degree apprenticeships in regulated professions, for example, or established graduate schemes with high completion and retention rates — the employer-controlled portion of the levy continues to fund them directly. Skills Centres are not imposed where the existing arrangement is working. Second, the levy-funded portion of Foundation Apprenticeships and apprenticeship units can continue as a parallel route for employers who want to upskill their existing staff through short courses rather than draw on Skills Centre labour.

Adult Skills Fund devolution to Strategic Authorities is compatible with Skills Centre governance, in which Centre boards include local government representation. Strategic Authorities gain a local infrastructure asset to deploy adult skills funding through, in addition to their existing FE commissioning relationships.

The Jobs Guarantee dovetails with Skills Centres at the Trainee tier. Young people who would enter the Jobs Guarantee under the current policy route instead enter Skills Centre Trainee positions for their six months of subsidised work, with the Skills Centre as employer-of-record. The Jobs Guarantee becomes a progression route into Apprentice status rather than a standalone remedial programme.

Funding the Skills Centre network

The Skills Centre programme runs on absorbed Jobcentre Plus operational funding, redirected levy and skills programme budgets, firm labour charges, and a time-limited kick-start capital allocation. It is not additive to the public employment and skills budget at steady state; it is a restructuring of existing flows.

The funding structure has four components.

Component 1: Absorbed Jobcentre Plus operational funding, with a clean function-to-funding split with Service Hubs. The estimated £1.50–2.00 billion per year of Jobcentre Plus operational costs splits between Skills Centres and Service Hubs on a clean function-by-function basis settled in primary legislation. Skills Centres inherit the operational backbone — the physical estate, payments and IT infrastructure, the staff (with retraining), and the local employer-engagement relationships that Jobcentre Plus has built — and use this as the platform for genuinely new functions: worker registration as employer-of-record across all four Statuses, labour-dispatch coordination, and training commissioning

relationships. The employer-of-record function is new in itself, since Jobcentre Plus has never directly employed claimants; what transfers from Jobcentre Plus is the operational and physical capacity that makes adding the new function feasible at speed, plus the proportional share of estate and corporate overhead. Service Hubs inherit the benefits administration and employment advice functions: Universal Credit claim processing, benefit payments, conditionality monitoring, work-search advisory support, and their proportional share of estate and corporate overhead. The benefits-and-advice envelope flowing to Service Hubs (estimated £0.50–0.70 billion per year) augments the baseline Service Hub funding settlement (£0.275 million per Hub per year, scaling to approximately £0.96 billion at the full 3,000-Hub network by Year 5) — the two flows are additive and represent different functions, not competing claims on the same envelope. Skills Centres inherit approximately £1.00–1.30 billion of annual operational funding on Day 1, with the relevant staff, facilities, and digital infrastructure attached.

The split addresses three risks. First, it prevents a turf war between the two new institutions over the Jobcentre Plus envelope — the Skills Centres Act and the Service Hubs Act publish a function-to-funding mapping that leaves no ambiguity. Second, it keeps the Skills Centre's relationship with workers focused on the employment relationship — registration, dispatch, training, pay — rather than blurring into work-search advisory and conditionality-monitoring work that fits awkwardly with employer-of-record obligations and would dilute the stigma-collapse benefit of the Centres. Third, it consolidates all advisory functions (benefits, debt, housing, immigration, employment) under a single roof at the Service Hub, where the Hub's £0.275 million baseline grant supports the broader public-facing advisory function and the Jobcentre Plus advice-function flow supplies the additional resource needed to handle benefits and employment caseloads at scale.

The two networks reach full coverage on compatible timetables. Service Hubs roll out to 500 in Year 1 and 700 per year thereafter, reaching the full network of approximately 3,000 Hubs (one per outward postcode) by Year 5. Skills Centres convert from the 640 Jobcentre Plus sites over the same five-year window, reaching the target network of 500–700 Centres by Year 5. The Service Hub network is approximately five to seven times denser than the Skills Centre network at maturity — every outward postcode has a Hub; Skills Centres serve catchments aggregating multiple outward postcodes.

The sequencing between the two transitions is governed by a hard rule: **a Jobcentre Plus cannot convert to a Skills Centre until at least one Service Hub is operational in its catchment.** The Service Hub absorbs benefits administration and employment advice functions from the still-operating Jobcentre Plus first; the Jobcentre Plus then continues to operate on the residual employment-coordination function until the Skills Centre conversion completes the second transition. This eliminates the transitional-arrangement problem entirely: no converting Skills Centre ever has to carry benefits administration. Every locality sees two clean handovers in sequence — Service Hub absorbs benefits and advice; subsequently, Skills Centre absorbs employer-of-record functions — rather than a single conflicted handover during which the converting Centre is doing both jobs simultaneously. Given that Service Hubs reach 500 sites in Year 1 against 5–10 demonstration Skills Centre conversions in the same year, and 1,250 sites in Year 2 against 100–150 conversions, the sequencing rule is comfortably consistent with the rollout pace; the Service Hub network is always ahead.

Component 2: Redirected statutory levies and programme budgets, sized to actual demand. The Growth and Skills Levy (projected £5.00 billion by 2029–30), the CITB/ECITB levies (combined approximately £0.26 billion), Skills Bootcamp budgets (approximately £0.20 billion including construction), and the apprenticeship grant and incentive elements of Youth Guarantee funding (approximately £0.20 billion annualised) together provide approximately £5.66 billion of redirectable annual funding by the programme's Year 5. The Skills Centre network's claim on this pool is sized from actual demand rather than as a top-slice: the unit-economics model (set out in the technical sub-appendix) identifies a steady-state requirement of approximately £3.00 billion per year — covering Apprentice and Trainee subsidies (the latter sized to support the £8/hr Trainee charge-out rate that enables sub-NLW formal-economy social-fabric work), network investment in sector innovation and Advanced Centres, Skills England oversight functions, and a prudent forecasting margin. The build phase in Years 1–2 adds approximately £0.30 billion per year to capitalise the counter-cyclical reserve, taking the build-phase claim to approximately £3.30 billion. This sizing is based on the 60% steady-state utilisation reference case with conservative downside protection at 50% utilisation; if actual utilisation runs higher, the levy claim falls correspondingly.

Sizing the claim from demand rather than top-slicing leaves approximately £2.66 billion per year of the redirectable pool available for non-Centre uses: degree apprenticeships in regulated professions, Foundation Apprenticeships, apprenticeship units for existing employees, employer-direct training, and any other use the Treasury and DWP determine. Skills Centres take what they need from the levy, not what the levy total happens to make available. This framing also responds to the principal political objection to redirecting the levy in the first place: that the Centres are absorbing employer-paid funding into a state-controlled institution at the expense of employer-controlled training. The actual demand-sized claim leaves nearly half the redirectable pool with employers and existing programmes that are working.

Component 3: Firm labour charges. Skills Centres charge firms a fully-inclusive hourly rate for dispatched worker labour across all four Statuses, covering base wages (for the salaried Statuses), employer NICs, pension contributions, training costs, facilities costs, and Centre administration. The published rate sheet differentiates by Status: in a reference Construction sector at 2030 prices, an Apprentice charges out at approximately £32/hr, a Trainee at £8/hr, a Part Time qualified worker at £28/hr, and an Occasional qualified worker at £28/hr. The Apprentice and Trainee rates are deliberately set below their fully-loaded cost — the gap is the explicit subsidy from redirected Growth and Skills Levy revenue that funds the public-good training pipeline. The Trainee charge-out rate of £8/hr is set materially below the projected 2030 NLW for 21+ workers (£14.87/hr base, approximately £17–18/hr fully loaded) to enable sub-NLW formal-economy work in social-fabric domains — council parks teams, repair shops, community kitchens, care providers — that the cash-wage floor has progressively excluded from the formal economy. Part Time is approximately self-funding; Occasional is profitable per dispatched hour. At a steady-state utilisation rate of 60% of chargeable availability hours, a network of 600 Centres at target scale generates approximately £7.07 billion in firm revenue annually. The detailed unit-economics derivation, sensitivity analysis, and Centre-level P&L are set out in the companion technical sub-appendix.

Component 4: Kick-start capital and transition funding. Because the Jobcentre Plus network is transformed rather than rebuilt, kick-start capital falls substantially below the greenfield estimate. The capital envelope is £1.00–1.50 billion over the five-year ramp, directed at site modifications for the Centre's worker-employment functions (training rooms, rest facilities, bidding terminals), new-build Advanced Centres with accommodation for seasonal and project-based workers, IT integration with FE and TEC commissioning systems, and transition support (including the work coach retraining programme and the Service Hub handover for benefits administration). The capital deployment profile is shaped to fit the wider Prosperity 2030 cashflow: Year 1 is light at approximately £0.10 billion (principally legislative implementation, scoping, and demonstration conversions), Year 2 is the heaviest single year at approximately £0.50 billion as the first proper conversion wave proceeds, with subsequent years tapering to maintenance levels by Year 5. Transition operating support of approximately £0.30–0.50 billion is concentrated in Years 2–3 — when converted Centres are operating below steady-state utilisation while the firm marketplace beds in — and tapers to zero by Year 5.

Counter-cyclical reserve. Each Skills Centre holds, and the national network collectively pools, a reserve to fund retention of salaried workers (Apprentices, Trainees, and Part Time) during sectoral downturns. The reserve is capitalised from a surcharge on firm labour charges during upcycle years and topped up where necessary from redirected levy funds. At a target reserve level of £0.50–0.80 billion nationally — sufficient to cover 10–15% of the salaried wage bill through a two-year downturn — this creates the counter-cyclical capacity that the current system structurally lacks.

The 80% utilisation floor applies to combined Apprentice, Trainee, and Part Time availability hours and operates on a rolling 12-month average. The counter-cyclical reserve is available to retain salaried workers through documented sector-wide downturns, defined by Skills England labour-market indicators at the sector and regional level. This keeps the core discipline — sectors where demand does not support continuous salaried employment should not hold workers at public expense indefinitely — while preventing forced culls during cyclical troughs when public training capacity is most needed. Occasional attachment is unbounded and falls outside the utilisation floor, so a sector that has lost its salaried viability at a given Centre can continue to hold Occasional registrants.

The resulting funding arithmetic is that the Skills Centre network is self-funding at steady state (roughly Year 5 onward) from the combination of absorbed Jobcentre Plus operational funding, redirected levy and programme flows, and firm labour charges. The counter-cyclical reserve is the principal permanent claim on levy funding beyond direct training commissioning.

A five-year rollout to 500–700 Centres

The trajectory assumes legislation is enacted in the first year of the 2029–30 government, with substantive operational rollout from Year 2 onward and the network at target scale by Year 5. Year 1 is largely a legislative and preparatory year — the timing works in the programme's favour, because it gives Service Hubs a year of operational lead time to absorb benefits administration from Jobcentre Plus before the Skills Centre conversions begin in earnest.

Year 1 (2030): Legislation and preparation. A Skills Centres Act establishes the statutory framework, the Skills Centre Commissioning Authority (or equivalent

body within Skills England), the transition arrangements for Jobcentre Plus absorption, the function-to-funding split with Service Hubs, and the levy redirection mechanism. The Act does not include zero-hours channelling provisions, which are held for Year 3 legislation. In parallel, the Service Hub network reaches its first 500 Hubs under the Service Hubs policy, beginning the absorption of benefits administration and employment advice functions from Jobcentre Plus. Skills England begins the work coach retraining programme, the Skills Centre Commissioning Authority is established, the demand-sized levy claim is settled with Treasury, and DWP systems work begins on the Jobcentre Plus operational handover. Five to ten demonstration Skills Centre conversions are completed in the second half of the year in localities where a Service Hub is already operational, with the rest of the network in scoping and conversion-planning. Kick-start capital of approximately £0.10 billion in this year — light, principally legislative implementation, scoping, and demonstration-conversion costs.

Year 2 (2031): First proper rollout wave and CITB-ECITB absorption. The network grows to 100–150 Centres as the first proper conversion wave proceeds against Year 1 demonstration learnings. The merged CITB-ECITB body (assumed operational by 2028) transfers its grant-making function to the Skills Centre network; its standards and certification functions move to Skills England. Community Food Centres and Service Hubs co-locate with Skills Centres where the site economics support it, and the first Advanced Centres with accommodation are piloted for seasonal construction and agriculture. Kick-start capital of approximately £0.50 billion this year — the largest single-year capital deployment, covering pilot Advanced Centre new-builds and the bulk of conversion costs across 100–150 sites.

Year 3 (2032): Network density and zero-hours legislation. If politically deliverable, the zero-hours channelling provision is legislated in a separate Employment (Flexible Labour) Act, requiring that firms procuring labour on non-guaranteed-hours terms do so through Skills Centres. A 12-month transition period applies for affected sectors (principally hospitality, retail, and warehouse logistics). The network grows to 300–400 Centres. The Jobs Guarantee is formally absorbed into the Trainee tier. The counter-cyclical reserve reaches its target level. Kick-start capital of £0.30 billion.

Year 4 (2033): National coverage. The network reaches 400–550 Centres, approaching the Jobcentre Plus footprint of ~640 with consolidations in areas where overlapping sites are inefficient and new Advanced Centres added in areas of seasonal demand. The apprenticeship levy flows entirely through the Skills Centre commissioning framework or directly to employers for listed successful programmes. Firm revenue reaches approximately 70–80% of steady-state projections. Kick-start capital of £0.15 billion, principally for remaining Advanced Centre build-out.

Year 5 (2034): Steady state. The network stabilises at 500–700 Centres. Firm revenue funds the majority of variable operating costs; absorbed Jobcentre Plus operational funding covers the estate and core staffing; redirected levy and ASF funding covers training commissioning, counter-cyclical reserve top-ups, and residual administrative costs. The programme is operationally self-funding. Ongoing capital requirements fall to maintenance levels, and the Centres are fully integrated with local FE and TEC training commissioning, Strategic Authority adult skills programmes, and the Trainee-tier route from the Jobs Guarantee.

This trajectory is ambitious but tractable because it is a transformation of an existing national network rather than a greenfield build. The Technical Excellence College programme — 29 specialist centres with a 3-year rollout — has cost £0.28 billion in public funding. The Skills Centre conversion, operating at roughly twenty times that scale by facility count and learner volume, lands at a capital envelope in the £1.00–1.50 billion range because it uses the existing Jobcentre Plus estate, staff, and operational infrastructure rather than building from scratch.

The capital ask is also well-shaped for the wider Prosperity 2030 cashflow. Year 1 is light (~£0.10 billion) because it is principally a legislative and preparatory year. Year 2 is the heaviest single year at approximately £0.50 billion, sitting at the boundary of programme-cashflow materiality, before tapering to maintenance levels by Year 5. From Year 3 onward the Skills Centre network is essentially self-funding from redirected existing flows and firm revenue, with the diminishing capital requirement absorbed easily within the wider programme envelope.

Challenges

DWP cultural transition. Work coaches are currently trained in benefits administration, conditionality monitoring, and job-search support. Skills Centre case managers need to handle worker registration across all four Statuses, labour-dispatch coordination, training commissioning, and progression management — a materially different skill set. The retraining programme is substantial: approximately 13,000–15,000 coaches across the five-year ramp, with clear exit routes to the Service Hub benefits administration function for those whose skills fit better there. The current work coach shortfall is both a pressure and an opportunity: new recruits can be trained directly into the Skills Centre model.

Service Hub–Skills Centre sequencing. The two transitions in each locality are governed by a hard sequencing rule: a Jobcentre Plus cannot convert to a Skills Centre until at least one Service Hub is operational in its catchment. The Service Hub network reaches 500 sites in Year 1 against 5–10 demonstration Skills Centre conversions in the same year, and 3,000 sites by Year 5 against 500–700 Skills Centres — the Service Hub network is always ahead of the Skills Centre conversion pace, so the sequencing rule does not constrain the rollout. The challenge is operational discipline: ensuring that Service Hub commissioning genuinely transfers the benefits administration and employment advice functions from the relevant Jobcentre Plus before the Skills Centre conversion proceeds, rather than leaving residual functions stranded in a converting Centre. The Skills Centres Act and Service Hubs Act jointly require independent verification of Service Hub function absorption before any local Jobcentre Plus is permitted to convert.

Advanced Centres require new build. The Jobcentre Plus footprint is office-scale. Advanced Centres with accommodation for seasonal and project-based workers are a different building type and must be built from scratch or acquired through conversion of suitable existing buildings. The capital envelope for Advanced Centres is the principal remaining new-build cost and is concentrated in Years 2–4 of the rollout.

FE sector relationships. FE colleges are under financial pressure, with per-student funding below 2010–11 levels. Skills Centres offer a guaranteed revenue stream but restructure the commissioning relationship: colleges move from employer-by-employer apprenticeship sales to Skills Centre commissioning frameworks. Some colleges benefit substantially; others, particularly those with thin apprenticeship

offers, face disruption. The programme needs a Skills Centre–FE commissioning framework with transparent pricing, multi-year volume guarantees where appropriate, and strong Strategic Authority oversight to prevent either monopsony pricing or lock-in to underperforming providers.

The zero-hours interface. The single legal zero-hours route is analytically the strongest component of the policy and politically the most contested. Hospitality, retail, care, and logistics employers organise effectively and will resist it. The staged position — Year 1 legislation omits the provision, Year 3 legislation inserts it in a separate Act — protects the Skills Centre network from being hostage to employment-rights politics while preserving the option. If the provision is never legislated, Skills Centres still function; their market share stays bounded by the strength of their offer on price and quality rather than supplemented by a legal channel. If the provision is legislated, the network's revenue base and labour-market influence expand materially.

Quality of the matching engine. The Skills Centre labour-bidding process is a marketplace between firms and workers across all Statutes, mediated by an app and a rating system. Marketplaces of this kind have well-documented failure modes: rating inflation, gaming, discriminatory matching, and race-to-the-bottom pricing. The policy's response to rating disputes through Centre Boards is necessary but not sufficient. The programme needs published matching statistics at Centre, sector, and national level, independent audit of rating patterns for discriminatory effects, and a regulatory floor preventing firms from substituting Centre labour for what would have been directly-employed roles simply to arbitrage the rate.

Governance and accountability. Each Centre's tripartite board (local business, local government, and registered workers across all four Statutes) is a reasonable local governance model. The relationship between local Centre boards, Strategic Authorities, the Skills Centre Commissioning Authority, and Skills England requires careful design. The risk is either centralisation that hollows out local accountability or fragmentation that prevents coherent national coverage. The Jobcentre Plus operational management model is a useful precedent for distributed execution under central policy coordination, but Skills Centres add commissioning and lifelong employer-of-record functions that sit outside the Jobcentre Plus template.

Opportunities

The co-location advantage. Prosperity 2030 establishes Service Hubs, Community Food Centres, and universal care infrastructure on a rolling basis over the 2030–2035 period. Skills Centres co-locate with these wherever the geography permits. The Service Hub co-location is particularly powerful: citizens experience one building as the single physical interface with the work, training, care, and administrative-support functions of the state, while the institutional functions inside remain distinct. The Hospitality and Catering sectors that feed CFCs, the Construction sector that maintains Service Hub and social housing infrastructure, and the Care sector that staffs universal care delivery all have natural customer–supplier relationships with these other programmes. Co-location reduces capital cost (shared facilities, shared transport access) and creates a visible, connected public infrastructure presence in communities.

Collapsing the stigma around employment support. Jobcentre Plus carries decades of accumulated stigma as the place people go when they are out of work and subject to conditionality. The Skills Centre front door is the same door used by a 17-year-old registering as a Trainee, a 25-year-old Apprentice bidding for construction work, a 40-year-old Part Time worker dropping in for their weekly Centre attendance, a 65-year-old Occasional plumber picking up a few jobs a year, a firm placing an order for catering staff, and an FE college representative coordinating training delivery. The institution is a place of active work and training rather than a place of compliance monitoring. The benefits administration function moves to Service Hubs precisely to prevent the stigma from migrating. This restructures the civic experience of labour-market participation in a way that three decades of Jobcentre Plus reform have failed to achieve.

Closing the NEET gap structurally and retaining skilled workers across a working life. The current Youth Guarantee and Jobs Guarantee are remedial — they intervene after a young person has spent months on Universal Credit. Skills Centres open Trainee positions to anyone from age 16 and create a pre-emptive route into skilled work: a young person who leaves school at 16 without a clear plan can register as a Trainee in a sector of their choice, start earning a stipend on 30 hours a week of structured availability with reliable income and access to training, and progress to Apprentice status without ever entering the benefits system. This is a different proposition from remedial Guarantee programmes and should reduce the inflow to NEET status rather than simply improving outcomes for those already there. The same lifelong institutional form addresses the other end of the age distribution: skilled workers who currently exit the labour market earlier than they or the economy would prefer — because the options are full employment or none — gain Part Time and Occasional Statuses as genuine alternatives. A 62-year-old plumber on Part Time Status works one day a week with structured income and continued professional identity; a semi-retired electrician on Occasional Status takes four or five jobs a year entirely at her own election while keeping Wallet credentials and training access live. Skilled capacity that would otherwise withdraw from the economy is retained, and workers who want to keep working on terms that suit their changing circumstances have somewhere to do so.

The European NEET comparator and the Resolution Foundation analysis. The Resolution Foundation's *Lost in Transition*¹ (April 2026) places the UK third-highest in Europe for 18–24 NEET rate at 15%, with approximately 900,000 NEETs nationally and a 600,000 gap to closing fully to the Dutch rate. The OECD's *Education at a Glance 2025* data, reproduced in that report, shows that every OECD country with a lower NEET rate than the UK has substantially more 18–24-year-olds in active education or training — twenty-six countries higher than the UK by between 6% and 24%, with a median gap of approximately 15%. The pattern is institutional: the highest-participation countries are uniformly those with strong sectoral vocational pathways — the Dutch MBO, the German dual system, the Swiss apprenticeship — in which young people are held by a lifelong sectoral institution rather than passed between schools, employers, and benefits without continuity. The Resolution Foundation is explicit that "all but two [low-NEET countries] do so through having more people in education, particularly in vocational pathways". The Skills Centre, with its multi-status sectoral structure, FE and TEC commissioning relationships, and lifelong attachment, is recognisably in this institutional family. At target scale, the network's 18–24 active stock of

approximately 300,000 (Apprentices, Trainees, plus 18–24 Part Time and Occasional registrants) represents an additional 100,000–130,000 18–24-year-olds in active vocational training compared with the current system, plus a structural addition of 30,000–50,000 in the 16–17 cohort the Trainee tier can absorb. This delivers the bulk of the engagement gap to the European average. The residual share is principally attributable to youth ill-health, which is a separate policy domain that the Resolution Foundation also flags but which sits outside the scope of vocational reform.

The counter-cyclical stabiliser. The UK has never had a sectoral counter-cyclical labour stabiliser. Construction employment collapsed after 2008 and again during COVID, and the industry turned to migration to rebuild capacity when demand recovered. The Skills Centre counter-cyclical reserve, funded by an upcycle surcharge on firm labour charges, provides a modest but meaningful stabiliser: in a downturn, salaried workers across all three salaried Statuses continue to be employed and trained; when demand returns, the sector has domestic capacity ready to deploy. This is a public good that the private training market cannot produce by design.

Reclaiming the levy as productive capacity. The Apprenticeship Levy has been criticised for becoming a Treasury top-slicing exercise in which a substantial fraction of receipts is retained rather than spent on training. Redirecting the Growth and Skills Levy through Skills Centres converts the full receipt into an asset — national infrastructure that produces skilled labour, stabilises sector employment, and creates flexible capacity for the economy. The levy stops being a tax that employers seek to minimise and starts being a payment for a service they use.

Accelerating the Get Britain Working reforms. The Get Britain Working white paper commits to merging Jobcentre Plus with the National Careers Service into a new jobs and careers service, but the reform envelope is modest against the scale of the institutional change involved. Skills Centres provide the institutional form that the reform envelope is trying to buy: a work-and-skills-centred institution rather than a benefits-and-compliance-centred one. The policy is consistent with the direction of travel and delivers the change at a scale and pace that the current reform envelope cannot.

Conclusion

Skills Centres are the transformation of Jobcentre Plus into a sectoral, geographically distributed lifelong employer-of-record for workers across four Statuses, combined with a flexible labour-dispatch function serving private firms, public services, and Prosperity 2030 infrastructure. They sit on top of the existing training infrastructure (commissioning training from FE and TECs rather than replacing them), absorb the grant-making functions of industry training boards (while retaining standards bodies), redirect the Growth and Skills Levy (leaving successful programmes in place), and integrate with the Jobs Guarantee as the Trainee-tier entry point. Sectoral coverage at each Centre spans core sectors with full salaried pipelines and niche sectors served more lightly through Part Time and Occasional registrants. Benefits administration transfers to Service Hubs, with Skills Centres and Service Hubs co-locating by default to give citizens a single physical front door without conflating the institutional functions inside.

The five-year rollout to 500–700 Centres requires £1.00–1.50 billion in kick-start capital over the first three years, and legislation in the first year of the new Parliament. The network is self-funding at steady state from the combination of absorbed Jobcentre Plus operational funding, redirected existing flows, and firm labour charges. The zero-hours channelling provision, if legislated separately in Year 3, materially strengthens the network's revenue base and labour-market influence; if not legislated, the network still functions. The counter-cyclical reserve creates capacity the current system structurally cannot provide.

The strongest argument for this policy is the one the existing system has not yet answered: despite sixty years of industry training boards, a decade of the Apprenticeship Levy, and thirty years of Jobcentre Plus reform, apprenticeship starts for young people have fallen by 40%, one million young people are NEET, the industries that require skilled labour rely on migration to fill the gap, and skilled workers continue to exit the labour market earlier than the economy needs them to because the only options on offer are full employment or none. Doing more of what the current system does will not fix this. A different institutional form — which holds the employment relationship publicly across the full arc of a working life, dispatches labour flexibly to firms, commissions training from the existing FE infrastructure, and stabilises sector capacity counter-cyclically — is the specific intervention the structural diagnosis calls for.

All figures in 2025 prices, £bn denomination, unless otherwise stated. Policy figures current to April 2026 reflect the reforms enacted or announced under the Growth and Skills Levy, the Post-16 Education and Skills White Paper (October 2025), the Get Britain Working white paper (November 2024), and subsequent Budget announcements. Forecasts to 2030 reflect the current policy trajectory and Spending Review settlement to 2028–29.

RELATED

Referenced by: [Operationalisation of Employment Freedom \(Appendix\)](#), [Skills Centres \(Structural Measure\)](#)

REFERENCES

1. Judge, L., Clegg, A., Diniz, J., Cominetti, N. and Stone, I. (2026) *Lost in Transition: An examination of why the UK NEET rate is high and rising*. Available at: <https://www.resolutionfoundation.org/publications/lost-in-transition/> (Accessed: 1 May 2026). ↩

Skills Centres: Operational Design

APPENDIX · business

This appendix describes how Skills Centres work as operating institutions — the physical facility, the four Statuses that workers hold at a Centre, the labour marketplace between Centres and firms, the role of Advanced Centres, the digital technology stack, the rate-setting and utilisation framework, and the Centre-level governance arrangements. It is the companion to the landscape and rollout appendix, which sets Skills Centres in the existing policy environment and describes their five-year national rollout through the transformation of Jobcentre Plus.

A Skills Centre is a geographic node that employs workers directly across a range of sectors, provides the training infrastructure they attend as part of their attachment to the Centre, and dispatches their labour to registered firms — private businesses, Community Food Centres, Service Hubs, care providers, and any other organisation requiring flexible skilled labour. The Centre holds the employment relationship, handles payroll and employment taxes, sets fully-inclusive charge-out rates, and operates a bidding marketplace between firms needing labour and workers available to work. Its income is the aggregate of firm labour charges; its costs are worker wages, employment on-costs, training commissioning from FE and TEC providers, facilities, and Centre administration. At steady state — from Year 5 of the national rollout — these flows balance.

The Centre as a physical facility

A standard Centre is a multi-purpose site with four distinct functional areas: a **registration and administration hub** for worker intake, firm liaison, and Centre management; a **training suite** with classrooms and practical workshops supporting the Centre's core sectors (with specialist equipment for niche sector training commissioned from local FE and TEC providers as needed); a **dispatch and rest area** with workstations for bidding, briefing rooms for assembling work teams, and facilities for workers waiting between jobs or between shifts; and **transport access**, either on-site parking and vehicle storage for workers travelling to job sites or a direct connection to the local bus network (and where relevant, co-located transport infrastructure under the wider Prosperity 2030 Transport USO). Where Service Hubs or Community Food Centres co-locate, shared reception, catering, and welfare facilities reduce the standard Centre's internal footprint.

The catchment for a standard Centre is a single travel-to-work area or sub-area, typically covering 50,000 to 250,000 working-age residents depending on density. A network of 500–700 Centres nationally gives average coverage of approximately 80,000 working-age residents per Centre — denser in urban areas, with Advanced Centres providing broader catchment in rural and seasonal-demand regions.

A standard Centre operates at a target scale of 250–400 Apprentices, 150–300 Trainees, and 200–400 Part-Time workers on active salaried rolls, with substantially larger registers of Occasional workers whose attachment to the Centre is elective (described below). At this scale, the Centre's fixed costs (facilities, management, core administrative staff) are distributed across a sufficient wage and charge-out base to sit well within the fully-inclusive rate structure described below.

Sectors: core and niche

Each Centre operates across two tiers of sectoral coverage. **Core sectors** are those reflecting the dominant local labour demand: typically three to five sectors in which the Centre maintains full salaried pipelines, dedicated training infrastructure, regular FE and TEC commissioning relationships, standing rate sheets, and the operational rhythm of monthly demand forecasting and quarterly Apprentice and Trainee adjustments. A Centre in a housebuilding-priority region will have Construction as a core sector; a Centre in a seasonal coastal town will have Hospitality; a Centre serving a region with substantial agricultural output will have Agriculture. Core sectors are where the 80% utilisation floor, the counter-cyclical reserve, and the Apprentice-to-Trainee pipeline all operate at full intensity.

Niche sectors are those where the Centre responds to local demand without the scale or persistence to justify a full core-sector infrastructure. A town with three independent hair salons and no chain operator has a real local demand for a small number of hair and beauty workers; a Centre in that catchment should cover Hair and Beauty as a niche sector without treating it as if it required Construction-scale facilities. Niche sectors typically run predominantly on Part-Time and Occasional Status registrants — with perhaps a single Apprentice or Trainee where demand proves persistent enough to support one — and training is commissioned ad hoc from the nearest FE or TEC provider with capacity rather than delivered at the Centre itself. The infrastructure is light: registration, credential verification, rate-sheet lookup, and dispatch, using the shared national digital platform described below.

The core and niche distinction is pragmatic, not fixed. A niche sector that grows into persistent demand can migrate to core-sector status with a full salaried pipeline; a core sector that loses its local demand base can wind down to niche status while retaining Part-Time and Occasional registrants. The Centre Board adjusts the sector coverage set annually based on demand evidence.

The sectors covered by the Skills Centre network as a whole — in varying core or niche configurations at different Centres — span Hospitality (Accommodation and Catering), Construction (Operators, Materials, Electrical, Plumbing, Decorating, Roofing, Fencing), Transport (HGV, Warehouse), Domestic (Decorating, Electrical, Plumbing, Materials, Cleaning, Insulation, New Energy), Administration (IT, Bookkeeping, Administration), Care (Personal services), Agriculture (Operators, Field), and adjacent services as local demand requires. The sector list is not a closed enumeration; it is the default starting coverage, which individual Centres extend to whatever additional sectors their local labour markets support.

Qualifications are set nationally against the Skills England occupational standards framework, with the Centre responsible for verifying them at registration. A person can qualify in multiple sectors and will then be dispatched across them as demand arises; multi-sector qualification is particularly relevant at the sectoral boundaries (Construction Materials and Domestic Materials; Hospitality Catering and Care Personal Services). Someone qualified in a sector who moves to a Centre's catchment where that sector is niche rather than core can still register and keep their credentials active through Part-Time or Occasional Status even where the salaried pipeline isn't available.

Anyone aged 16 or over is eligible to register at a Centre as a Trainee. Trainees work toward sector qualification and hold Trainee status until qualified; they can

then convert to Apprentice, Part-Time, or Occasional status in that sector without re-registration.

Statutes and pay

A Skills Centre is a multi-status institution. The four Statutes are not a hierarchy running from junior to senior or from young to old; they are four distinct relationships that a worker can hold with the Centre, each appropriate to a different phase or circumstance in a working life.

Three of the four Statutes are salaried. Apprentice, Trainee, and Part-Time workers all carry base pay obligations on the Centre for their committed availability hours, regardless of whether the Centre dispatches them to firm work in any given period. The 80% utilisation floor and the counter-cyclical reserve operate on these three salaried Statutes.

Occasional is an elective-attachment Status for already-qualified workers who maintain their connection to the Centre without any base commitment or base pay. The Centre carries no obligation to pay Occasional workers unless they are dispatched to work; they carry no obligation to bid for any work.

Status	Base commitment	Training hours	Physical attendance	Base pay
Apprentice	30 hrs/week × 48 weeks	6 hrs/week	Required	60% of sector starting salary at elected skill level, applied to full availability hours
Trainee	30 hrs/week × 40 weeks	6 hrs/week	Required	67% of statutory Apprentice National Minimum Wage, applied to full availability hours
Part Time	8 hrs/week × 26 weeks	6 hrs/month	1 day/week	10% of Apprentice base wage
Occasional	No base commitment	Up to 6 hrs/month paid	Not required	No base pay

The distinctive feature of the pay structure for the three salaried Statutes is that **base pay is paid for availability hours, not work hours**. An Apprentice on the full Base commitment is paid for 1,440 hours per year whether or not the Centre dispatches them to firm work for any given hour. A Trainee is paid for 1,200 availability hours. A Part-Time worker is paid for 208 availability hours. In each case, the Centre charges firms out at fully-inclusive rates across dispatched hours and absorbs the cost of undispached availability against the utilisation floor and, where applicable, the counter-cyclical reserve.

Training hours are paid at base rate across all salaried Statutes. Work hours beyond the Base commitment, antisocial hours, and overtime are paid additionally at the premium rates described below. Occasional workers are paid only for training hours taken (up to 6 per month) and for any dispatched work hours; they receive no base pay.

An Apprentice elects a skill level for base pay. Electing a higher skill level raises base pay but also raises the threshold at which firms will book that Apprentice: a firm seeking low-skilled labour will be offered the Apprentice at the higher rate and will normally select a lower-rated candidate instead. Apprentices can revise

their election as they progress; the election signals the Apprentice's own judgement of where their skills sit in the sectoral pay structure.

Work hours carry premium rates above the Centre's base rate: 50% above base for overtime beyond the Base commitment, and 50% above base for antisocial hours (6pm to 6am weekdays, and from 6pm Friday to 6am Monday at weekends).

Premium rates pass through to the worker in full, net of employment taxes and Centre administration costs — the Centre does not retain premium income. Firms can additionally offer demand premiums on any work order, which also pass through to the selected worker.

The progression from Trainee to sector qualification runs through Skills England-approved qualifications held in the worker's GOV.UK Wallet as verifiable credentials. On qualification, a Trainee can convert to any of the other three Statuses (Apprentice for the full salaried pipeline, Part-Time for an ongoing low-intensity salaried attachment, or Occasional for pure elective attachment) or leave the Centre entirely for direct employment with a firm. The progression is not a discretionary Centre decision; it is a documentary trigger combined with the worker's own election of subsequent Status.

The multi-status workforce

The Apprentice and Trainee Statuses carry the Centre's structural work: the salaried pipeline into skilled sectors. Part-Time extends salaried attachment to workers who want a genuine employment relationship with the Centre but at lower intensity than full Apprentice commitment. Occasional is the institutional route for already-qualified workers to stay attached to their sector and their craft on terms they choose, without any base commitment on either side.

The design implication is that a Centre is not primarily a youth training institution with some flexible options at the margin. It is a lifelong sectoral home. A Centre's Construction register at full maturity might look like this: 250 Apprentices and 120 Trainees on full salaried Status, 300 Part-Time workers (some holding second jobs, some with caring responsibilities, some winding down from full-time careers, some returning from extended breaks), and 600 Occasional workers (some retired and still wanting occasional work, some freelancing elsewhere in the industry and maintaining a Centre connection, some semi-retired trades with thirty or forty years of practical experience). The Centre's active work dispatch at any given week might pull from any combination of these Statuses.

Three things flow from this design.

Multi-status work crews. A typical Construction work order filled by the Centre might send three Apprentices, one Trainee, two Part-Time workers, and one Occasional worker with decades of trade experience to the same job site. This mix is something the current labour market essentially never produces because the institutional boundaries between apprenticeship programmes, agency labour, part-time employment, and retired-or-semi-retired workers are absolute. The Centre's unified dispatch model dissolves those boundaries. The Apprentice and Trainee watch how an experienced worker thinks through a problem; the Occasional worker keeps their eye in and stays current with new techniques, materials, and regulations encountered on the job; the Part-Time worker anchors a consistent weekly presence that knits together the Apprentices cycling through. On-the-job mentoring, practical judgement transfer, and cross-generational

knowledge exchange become the natural consequence of how work crews are assembled, not a separate structured programme the firm has to organise.

Continued skills maintenance through Centre attachment. Every Status at the Centre carries access to the Centre's training commissioning pipeline with FE and TEC providers. An Apprentice or Trainee gets 6 hours per week in structured training. A Part-Time worker gets 6 hours per month. An Occasional worker can access up to 6 hours per month of paid training, elected on their own initiative. The content is set in consultation with the worker's sector and circumstances: a retired electrician registered as Occasional might pick up short courses on new wiring regulations, smart home integration, or EV charging point installation as these arrive in the sector; a Part-Time decorator might work through a module on new paint chemistries; a Trainee might systematically work through the qualifying curriculum for their sector. The Centre is the institutional thread through which continued learning flows; the FE and TEC commissioning relationship is the content. This is a materially more durable lifelong learning architecture than the current model, which depends on the worker periodically re-enrolling as a learner through a fresh transaction with the education system.

Partial and post-retirement work as genuine third and fourth options. A significant cohort of skilled workers currently exits the labour market earlier than they or the economy would prefer because the options are binary: full employment or none. The Skills Centre offers two distinct alternatives to this binary. **Part-Time Status** gives workers a genuine low-intensity salaried relationship with the Centre — a 62-year-old plumber winding down from full-time work might register as Part-Time on 8 hours of availability per week for 26 weeks a year, collect the 10%-of-Apprentice base pay, work one day a week plus additional bookings when they appeal, keep their professional identity, and draw steady structured income. **Occasional Status** gives workers the option of full elective attachment with no commitment on either side — a semi-retired electrician might hold Occasional Status, bid for four or five jobs a year entirely at her own election, maintain her Wallet credentials, and keep access to training commissioning without accepting any availability obligation. Both options retain skilled capacity in the economy that would otherwise withdraw entirely; both reduce the isolation and loss of professional identity that current retirement patterns impose on workers who still want to work, but not on the terms on offer.

Part-Time and Occasional are not reduced versions of the Apprentice tier. They are the structural mechanism by which the Centre becomes what the current skills and labour-market architecture has never been: a lifelong sectoral institution that follows the worker through the full arc of their working life, adjusting the terms of the attachment to the worker's changing circumstances, rather than terminating the relationship whenever the attachment no longer fits a single employment template.

The labour marketplace

The Centre operates a continuous marketplace between firms placing work orders and workers across all Statuses available to perform them.

Firm registration. A firm wanting to draw on Centre labour registers with the local Centre (or, through the shared digital platform described below, with any Centre). Registration requires verification of business credentials, evidence of financial standing sufficient to meet invoicing obligations, and a binding

commitment to the H&S standards published by the Centre for the sectors in which the firm will book labour. Registration is not automatic and can be refused or revoked by the Centre Board; revocation is the Centre's principal sanction for firms that breach H&S obligations, non-pay invoices, or receive consistently poor ratings from workers.

Work orders. A registered firm places a work order specifying the required skills (at or above the minimum sector qualifications), the hours, the location, and any demand premium the firm is willing to pay. Maximum daily hours at base rates are six per worker. A firm that needs more than six hours of continuous work can either allow overtime up to twice the base hours (in which case the work can be performed by a single worker with the overtime premium) or place the work as a series of jobs to be performed by multiple workers sequentially. Trainee work orders are only accepted where the Trainee is paired with a firm's own qualified worker, paired with another qualified worker dispatched alongside, or performing unskilled sector work the Trainee has elected.

Matching and bidding. Apprentices, Trainees, and Part-Time workers are **automatically opted into** any work bid meeting three conditions: the required skills are at or below their qualification level, the work does not conflict with a scheduled training session, and the hours fall within their normal availability (not antisocial, not exceeding Base hours). Occasional workers are not automatically opted in but can bid actively on any work in their sector of qualification. For work outside default parameters — overtime, antisocial hours, hours beyond the Base commitment — workers at any Status can elect to opt in on a job-by-job basis. Firms receive a bid sheet listing all qualifying workers with their Status, sector-relevant qualifications, 12-month work and training hours totals, and aggregate rating where sufficient ratings exist.

Firm selection. The firm selects the worker(s) it wants for each work order. Selection is not bound by order of bidding, by Status, or by worker seniority; firms choose on the basis of skills, rating, availability pattern, and whatever other criteria they judge relevant (subject to anti-discrimination monitoring described below). Firms can actively request multi-status crews where the work is suited to the combination — a request for two Apprentices and one Occasional for a complex plumbing retrofit, say, is a legitimate work order specification. Where the firm offers demand, antisocial, or overtime premiums, the premium is notified to the selected worker alongside the booking.

Execution and invoicing. The worker performs the work at the firm's site. Attendance and time worked are verified through the digital stack described below. On completion, the firm is invoiced by the Centre for the fully-inclusive hourly rate multiplied by verified hours, plus any premiums. Employment taxes, pension contributions, and the worker's wages are settled by the Centre out of invoice proceeds.

Ratings. After each job, the firm rates the worker and the worker rates the firm. Ratings are published alongside bids and offers once a firm or worker has accumulated a minimum of ten ratings. Ratings can be disputed; disputes are adjudicated by the Centre Board with Skills Centre Commissioning Authority oversight for systemic patterns. Aggregate ratings are audited at Centre, sector, and national level to detect discriminatory patterns and gaming, with published audit results.

Advanced Centres

Standard Centres serve workers who live within a reasonable commute of the Centre and its firm catchment. Advanced Centres extend this model to two categories of work where commuting is structurally impractical: **seasonal sectors** where labour demand spikes at geographically specific sites for weeks or months (strawberry and soft-fruit harvests in Kent and the Fens, hop picking in Herefordshire and Kent, asparagus seasons in the Vale of Evesham, ski and coastal hospitality seasons in Scotland and Cornwall), and **major project work** where construction and engineering sites require large labour volumes for multi-month to multi-year durations (nuclear new build, HS2-type infrastructure, offshore wind onshore bases, industrial cluster decarbonisation projects).

An Advanced Centre is a standard Centre plus accommodation for workers on dispatch, together with the extended services that make accommodation-based working viable: dining facilities (typically operated as a Community Food Centre on-site), laundry, leisure and rest space, broadband connectivity, and – in locations with resident workers for periods of months or more – childcare provision and family accommodation options. Accommodation ranges from dormitory-style for short seasonal dispatches to apartment-style units for multi-month project postings, with the configuration determined by the mix of work streams the Advanced Centre supports.

The financial model for Advanced Centres differs from the standard model in two respects. First, the worker pays a subsidised accommodation charge for the duration of the dispatch – above operating cost recovery but substantially below private rental equivalent – deducted from their wages through the standard Centre payroll. Second, the firm booking worker labour from an Advanced Centre pays an accommodation surcharge on top of the standard labour rate, reflecting the capital cost of the accommodation infrastructure and the services that support it. Across the full worker-plus-firm payment, the Advanced Centre recovers the accommodation capital at commercial rates over a 25–30 year life, without either the worker bearing full market rental exposure or the firm carrying the cost of maintaining its own project accommodation.

The geography of Advanced Centres follows the geography of the work. A network of approximately 100–200 Advanced Centres is projected at steady state, concentrated in agricultural regions with documented seasonal labour shortages, near major construction and engineering project clusters (East Coast nuclear, North Sea offshore wind, industrial cluster carbon capture and storage sites, housebuilding-priority regions), and in tourism-dependent areas with pronounced seasonal hospitality swings. The 100–200 figure is additional to the 500–700 standard Centres and represents the principal new-build component of the five-year capital envelope, since standard Centres transform existing Jobcentre Plus sites whereas Advanced Centres require purpose-designed accommodation and service facilities.

Advanced Centres also serve as the operational infrastructure for Jobs Guarantee Trainee placements in areas where seasonal or project work offers the highest probability of progression to Apprentice status. A young person on Universal Credit in a low-opportunity area can register with a Service Hub, be directed to an Advanced Centre placement in a sector with structural demand, and progress from Trainee to Apprentice over the following two to three years without returning to the benefit system.

The digital technology stack

The Skills Centre digital platform is a thin application layer on top of the national digital infrastructure being established under the wider Prosperity 2030 programme. This is a material design choice: a marketplace platform of the scale required for a national Skills Centre network — handling firm registration, work order placement, worker matching and bidding, attendance verification, payroll, ratings, and audit — would otherwise require a substantial bespoke IT build. Leveraging the national Digital Identity and National Data Infrastructure platforms reduces both the development cost and the operational risk.

The stack has five layers.

Identity. Both workers and firms authenticate through GOV.UK One Login, the national digital identity system assumed operational by 2030 under the Prosperity 2030 Digital Identity programme. Workers verify their identity once at registration and use One Login for all subsequent interactions with the Skills Centre system. Firms authenticate through business-verified One Login with DIATF-compliant business credentials, giving the Centre confidence in the firm's legal identity, beneficial ownership, and registration status without duplicating verification infrastructure.

Credentials and work history. Worker qualifications, ratings, work hours, training hours, and sector certifications are held in the GOV.UK Wallet as verifiable credentials. A Trainee who qualifies in a sector receives the credential in their Wallet directly from the Skills England-approved awarding body and can present it immediately for Apprentice, Part-Time, or Occasional conversion. A worker leaving the Centre to take direct employment with a firm carries their full work history and rating record in the Wallet as portable credentials — substantially strengthening their position in the wider labour market relative to the current system, in which apprenticeship completion is evidenced only by a paper certificate. The same Wallet credentials support Part-Time and Occasional workers bidding at any Centre in the national network: a 62-year-old plumber with Wallet-held qualifications, 30 years of rating history, and current training records can take bookings anywhere in the country.

Attendance and time verification. Work hours are verified through tap-to-ID on contactless terminals at firm sites, using the same payment-terminal infrastructure deployed under the national Digital Identity rollout. A worker arriving at a firm's site taps in on the firm's terminal using their One Login credential; the system records start time. They tap out at the end of the shift. This replaces self-reported timesheets and firm-signed attendance records, both of which are subject to gaming and dispute. The same mechanism handles safety check-ins on construction sites and the recording of breaks and overtime thresholds. Where firms operate at sites without fixed terminal infrastructure (agricultural fields, domestic premises), mobile terminal alternatives or geo-verified check-ins through the worker's own device provide equivalent assurance.

Matching and marketplace engine. The bidding platform itself is the only layer requiring bespoke development, and even this runs as a shared national service rather than 500–700 Centre-specific instances. A single national matching engine operates the bid-and-select process, with Centre-specific rate sheets, sector coverage, and worker rosters segmenting the view each participant sees. A firm registered with one Centre can place orders at any Centre where it has site operations; a worker registered at one Centre can bid for work at nearby Centres

within their travel range (and at Advanced Centres for longer dispatches). The shared platform reduces both development cost and the administrative burden of cross-Centre movement.

Data flows to and from the National Data Infrastructure. Aggregate, anonymised sectoral data — hours worked, rates paid, demand patterns, skills gaps, utilisation rates, cross-Centre migration patterns, multi-status crew compositions — flows into the National Data Infrastructure, where it supplements the labour-market intelligence currently produced by Skills England, industry training boards, and ad-hoc commissioned research. This provides, for the first time, real-time granular data on sectoral labour markets at Centre and regional level, with sector-specific demand signals available to inform FE and TEC training commissioning, Skills Bootcamp targeting, and national skills policy. The data architecture follows the National Data Infrastructure privacy and access frameworks; individual-level data stays within the Centre's operational systems, with aggregate flows only to NDI.

The effect of leveraging shared infrastructure is that the Skills Centre programme does not bear the cost of building identity, credentials, attendance verification, or data infrastructure from scratch. The £1.00–1.50 billion kick-start capital envelope covers facility modifications, Advanced Centre new-build, the bespoke matching engine, and operational transition costs — not a greenfield marketplace IT platform. This changes both the cost profile and the risk profile of the rollout materially.

Rate setting and the utilisation framework

Each Centre publishes a rate sheet for its sectors and skill levels. Rates are set by the Centre management under Board oversight, and must cover: the base wages implied by the skill level for the salaried Statuses; employer NICs, pension contributions, and statutory employment costs; the Centre's share of training commissioning costs payable to local FE and TEC partners; facilities costs (estate, equipment, transport infrastructure); Centre administration and staff costs; and a surplus contribution to the national counter-cyclical reserve. Rates are fully inclusive to firms — the charge-out figure is the total amount the firm pays, with no separate taxes, administration fees, or on-costs. Centres are not profit-making institutions; the surplus contribution funds the reserve, not shareholder returns or management bonuses.

Rate sheets are published and must be consistent across comparable workers at a given Centre. Firms cannot negotiate individual rates below the published sheet; they can offer premiums above it. This transparency is structural: it prevents the Centre from being played against itself by bidding firms, it makes the Centre's pricing auditable by the Commissioning Authority, and it gives workers confidence that they are not being undersold.

The 80% utilisation floor applies to the salaried Statuses — Apprentice, Trainee, and Part-Time — on which the Centre carries base pay obligations. A Centre can only retain salaried workers in a sector where firm demand is booking at least 80% of their combined availability hours, measured as a rolling 12-month average. Where a core sector's demand falls below 80% on the rolling average and Skills England indicators do not flag a documented cyclical downturn, the Centre reduces its salaried numbers in that sector — by attrition where possible, by release of the lowest-rated workers where attrition is insufficient. The quarterly

adjustment of salaried quantities provides the operational rhythm; the 12-month rolling average prevents short-term demand fluctuations from triggering unnecessary culls.

Occasional attachment is unbounded. The Centre does not carry base pay obligations on Occasional workers and accordingly does not stress-test sector viability through their availability hours. A sector that has lost its salaried viability at a given Centre can continue to hold Occasional registrants; the Centre simply does not maintain the Apprentice, Trainee, and Part-Time pipeline for it. This preserves the lifelong attachment of already-qualified workers to the Centre even where sectoral labour-demand cycles make salaried training uneconomic at that Centre in a given period, and it is the structural mechanism that allows niche sectors to be covered at Centres where the demand base is too thin to support a full salaried pipeline.

The counter-cyclical reserve is the exception to the utilisation floor for salaried Statuses. Where Skills England's sector and regional labour-market indicators document a cyclical downturn — a sector-wide demand decline rather than a Centre-specific demand failure — the reserve underwrites continued salaried employment through the trough. This is the mechanism by which a construction recession does not lead to the UK losing its construction workforce: Apprentices, Trainees, and Part-Time workers continue to be employed and trained by Centres, the reserve top-up covers the revenue gap, and when demand recovers the sector has domestic capacity ready to deploy.

The reserve is capitalised from an upcycle surcharge on firm labour charges, applied when sector rolling utilisation exceeds 95% and the Skills England indicators flag an upcycle phase. At the target national reserve level of £0.50–0.80 billion — sufficient to cover 10–15% of the salaried wage bill through a two-year downturn — the reserve creates counter-cyclical capacity the current system structurally lacks.

Centre-level governance

Each Centre is governed by a Trustee Board with equal representation from three constituencies: **local businesses** (registered firms drawing Centre labour), **local government** (the relevant Strategic Authority or principal local authority for the Centre's catchment), and **registered workers** (elected from and by the Centre's active roll, across all four Statuses). The Board appoints the Centre's senior management, approves the sector coverage and rate sheet, adjudicates firm registration appeals and rating disputes, and provides local accountability for the Centre's operational performance.

The worker constituency encompasses every worker registered at the Centre regardless of Status. An Apprentice, a Trainee, a Part-Time worker, and an Occasional worker each have an equal vote in electing the worker constituency's Board members, and each is eligible to stand. This is the right design given the composition of the Centre: the Occasional register will in most sectors substantially exceed the salaried rolls, and a governance framework that gave voice only to the salaried cohort would systematically underweight the workers with the most sectoral experience and longest Centre attachment. The worker constituency is naturally the largest and most engaged — a healthier governance dynamic than a Board dominated by two stakeholder constituencies (business and local government) facing a small apprentice cohort.

Detachment from the Centre entails resignation from the Board. A Board member who leaves the Centre's roll — by taking direct employment with a firm and closing their Occasional registration, by retiring entirely, or by moving to another Centre's catchment — resigns their seat. This keeps the Board consistently composed of active registered workers rather than alumni with historical rather than current stakes in the Centre's operation.

The Board's decisions are bounded by the Skills Centre Commissioning Authority's national framework: approved occupational standards (set by Skills England), the national rate-setting methodology, the 80% utilisation floor rules for salaried Statuses, the ratings audit framework, and the counter-cyclical reserve mechanics. The Board exercises judgement within these bounds on matters of local fit: which sectors are covered at core and niche tiers, how rate sheets are calibrated against local labour market conditions, how to weigh competing firm interests, and how to handle the human dimensions of worker retention and release across all Statuses.

Dispute escalation runs through three levels. **Job-level disputes** (rating challenges, non-payment by firms, individual H&S concerns) are handled by Centre management. **Pattern-level disputes** (systematic discrimination, firm misconduct, provider quality) escalate to the Board. **Systemic issues** (cross-Centre patterns, national rate-setting challenges, Commissioning Authority decisions) escalate to the Skills Centre Commissioning Authority within Skills England, with judicial review available for exceptional cases.

The Centre as an institution

Taken together, the design is a training-and-employment institution that holds the contractual relationship with workers across four Statuses (three salaried, one elective), dispatches their labour flexibly to firms at fully-inclusive published rates, commissions training from existing FE and TEC providers against national standards, operates within a transparent utilisation framework applied to the salaried Statuses, and stabilises sectoral labour capacity through a counter-cyclical reserve. The digital technology stack is built on national Digital Identity and Data Infrastructure, not on bespoke Skills Centre infrastructure. Advanced Centres extend the model to seasonal and project work through co-located accommodation and services. Sectoral coverage spans core sectors with full salaried pipelines and niche sectors served more lightly through Part-Time and Occasional registrants. Local governance is tripartite, democratic, and drawn from the whole worker constituency across all Statuses; national coordination runs through the Skills Centre Commissioning Authority within Skills England.

None of the components is unprecedented on its own. Industry training boards have held sectoral employment and levy-grant relationships for sixty years; the ECITB operates a reserve model; FE and TEC providers already deliver training to approved standards; Jobcentre Plus has the physical network and the operational IT for a national rollout; the Prosperity 2030 Digital Identity and Data Infrastructure provide the identity, credential, and data layers at national scale. What is new is the combination — a single institutional form drawing together the lifelong employment relationship across four Statuses, the labour marketplace, the training commissioning, the counter-cyclical stabilisation, and the digital infrastructure into a coherent operating model that firms, workers across the full arc of a working life, and the training system can all transact with on consistent terms.

All figures in 2025 prices, £bn denomination unless otherwise stated. This document describes the operational design of Skills Centres; it should be read alongside the companion appendix on Skills Centres in the current skills and training landscape, which covers the institutional positioning and five-year national rollout.

RELATED

Referenced by: [Skills Centres \(Structural Measure\)](#)

Skills Centres: Unit Economics

APPENDIX · business

Technical Sub-Appendix

This sub-appendix sets out a worked unit-economics model for a Skills Centre at target steady-state scale. It builds the cost stack for each of the four Statuses, derives the rate-sheet structure that follows from those costs, identifies which components are self-funding from firm revenue and which require explicit public subsidy from the redirected Growth and Skills Levy, aggregates these into a Centre-level P&L, and rolls up to a network-level total. It is the technical companion to the Skills Centres operational design and landscape appendices.

The three settings that frame the model

The model is built on three settings worth stating up front, because they drive every figure that follows.

Steady-state utilisation: 60% of chargeable availability hours. This is the rate at which dispatched firm work fills the Centre's salaried availability. It is materially below the 80% utilisation floor that triggers Centre-level disciplinary adjustments to salaried roll size — that floor is a performance target, not a steady-state assumption. Real-world labour-dispatch operations face seasonal demand variation, sector cycles, weather days, sick days, training-and-booking collisions, and the friction inherent in matching firm demand to worker availability hour-by-hour. Designing the Centre's funding architecture around 60% produces a robust model; designing it around 80% would produce a fragile one.

Apprentice base pay: 60% of sector starting salary at elected skill level, applied across full availability hours. This is a deliberate "development discount" reflecting that the early years of a working career are weighted toward skills development, mentoring access, and credential-building rather than peak remuneration. At the reference Construction sector starting salary of £32,500 (2030 projection), this gives an Apprentice base wage of £19,500 per year, or £13.54 per availability hour — sitting between the projected 2030 NLW for 18–20-year-olds (£12.69/hr) and the NLW for 21+ (£14.87/hr). The Apprentice receives, in addition to this base wage, structured training commissioned from FE and TEC providers, multi-firm work experience, mentoring through multi-status work crews, portable Wallet credentials, counter-cyclical employment security, and a clear progression pathway. Setting against the alternatives available to a young worker without prior qualifications, the Apprentice offer remains attractive even at this discount on sector-qualified pay.

Trainee base pay: 67% of the statutory Apprentice National Minimum Wage, applied across full availability hours. This anchors the Trainee tier directly to the Apprentice NMW rather than to the Apprentice base wage, recognising that Trainees are pre-qualification and warrant a different reference point. At the projected 2030 Apprentice NMW of £9.36/hr, the Trainee availability rate is £6.27/hr, giving an annual base of £7,525 for the Trainee's 1,200 availability hours. The two-thirds setting reflects that Trainee pay sits within a complementary policy framework: Universal Services covers the welfare floor outside the wage relationship (replacement value of approximately £2,500–£3,500 per year per worker household, equivalent to £1.20–£1.70/hr on a full-time basis), and the Centre carries the full overhead of training, progression, credentialing, counter-cyclical security, and dispatch coordination, leaving the worker's nominal wage to

cover discretionary spending rather than total welfare. The combined effective rate (wage plus US value) is approximately £7.50–£8.00/hr — meaningfully above the projected 2030 Apprentice NMW of £9.36/hr would land in real welfare terms once the comparable US replacement value is factored into the alternative.

These three settings — 60/60/67 — produce a financially robust Centre at steady state with comfortable headroom in the levy claim, and they enable the Skills Centre's social-fabric role described in the Employment Freedom appendix: at the Trainee charge-out rate set out below, the Centre's Trainee tier is the operational mechanism through which sub-NLW work can be done in the formal economy from the early phase of the programme onward.

A note on statutory pay floors

The Trainee availability rate of £6.27/hr falls below the projected 2030 Apprentice NMW of £9.36/hr — a flag worth surfacing for reviewers operating against current-law assumptions. The wider Prosperity 2030 programme sets the foundations for reform of statutory minimum wage law alongside this through the Employment Freedom policy, but the Skills Centre design holds even if statutory floors apply: in that case the Trainee tier converts to the Apprentice NMW directly (£9.36/hr in 2030 projection, giving £11,232 annual base), which raises the Trainee subsidy by approximately £4,400 per Trainee per year and the network Trainee subsidy by approximately £0.53 billion — adding to the demand-sized levy claim but still leaving substantial headroom in the redirectable pool.

The Apprentice base of £13.54/hr availability is approximately 45% above the projected 2030 Apprentice NMW, 7% above the NLW for 18–20-year-olds, and 9% below the NLW for 21+. The Apprentice tier is therefore safely above all relevant statutory floors regardless of how minimum wage law evolves.

The fundamental architecture: which components are self-funding and which are subsidised

Not every Status is intended to be self-funding from firm charges. The policy diagnosis is precisely that Apprentices and Trainees are public goods the private market under-provides — the Growth and Skills Levy exists to capture this insight in the tax system, and the Skills Centre converts the levy into productive infrastructure. Apprentice and Trainee operations are explicitly subsidised from redirected levy funds; Part Time is approximately self-funding; Occasional is profitable per dispatched hour with no carrying cost between bookings.

Status	Self-funding from firm revenue?	Subsidy source
Apprentice	No — structural subsidy required	Redirected Growth and Skills Levy
Trainee	No — structural subsidy required (deeper)	Redirected Growth and Skills Levy
Part Time	Approximately self-funding (small surplus per worker)	n/a
Occasional	Profitable per dispatched hour	n/a

The architectural point is that the levy is the explicit funding instrument for the public-good components (Apprentice and Trainee training pipelines) and the Centre's own operations are the funding instrument for the flexible-labour components (Part Time and Occasional dispatch). This separation prevents either function from cross-subsidising the other in opaque ways.

Reference parameters

Parameter	Value	Source / rationale
Sector starting salary (Construction qualified worker, 2030)	£32,500	Current 2025 starting salary ~£28,000, inflated to 2030 at 3%/yr
Sector qualified worker hourly rate	£16.67	£32,500 / 1,950 work hours per year
Apprentice base = 60% of sector starting	£19,500	Development-discount pay setting
Apprentice availability hours per year	1,440	30 hrs/wk × 48 weeks
Apprentice training hours per year	288	6 hrs/wk × 48 weeks
Apprentice chargeable availability	1,152	Availability less training
Reference steady-state utilisation	60%	Realistic dispatch matching
Apprentice dispatched hours at reference utilisation	691	$1,152 \times 0.60$
Trainee base hourly rate (67% of statutory Apprentice NMW)	£6.27	$67\% \times \text{projected 2030 Apprentice NMW } £9.36$
Employer NICs rate	13.8% above £5,500	Current rate; threshold projected to 2030
Pension auto-enrolment minimum (employer)	3%	Current statutory minimum
FE/TEC training commissioning rate	£8.00/hr	Mid-range Centre commissioning estimate
Counter-cyclical reserve surcharge bill	2% of wage bill	Programme reserve target

The Apprentice cost stack

Cost line	Amount (£)	Basis
Base wage	19,500	$60\% \times £32,500$
Employer NICs	1,932	$13.8\% \times (£19,500 - £5,500)$
Employer pension contribution	585	$3\% \times £19,500$
Training commissioning to FE/TEC	2,304	$288 \text{ hrs} \times £8/\text{hr}$
Centre administration & facilities allocation	1,800	Per-Apprentice share of Centre fixed cost
Counter-cyclical reserve surcharge	390	$2\% \times £19,500$
Total annual cost per Apprentice	26,511	

The Centre administration and facilities allocation reflects each Apprentice's per-capita share of the Centre's fixed operating cost — premises maintenance, IT, dispatch operations, management. The full Centre fixed cost is approximately £2.4 million per year at target scale; allocated across all salaried positions and weighted to reflect the higher administrative intensity of Apprentices and Trainees relative to Part Time, the Apprentice share lands at approximately £1,800.

At 60% utilisation, Apprentice dispatched hours are 691. The published Apprentice charge-out rate is set at **£32.00 per hour** — competitive with direct-hire alternatives for partly-qualified labour and below the rate for fully-qualified

workers. Apprentice firm revenue per worker is therefore £22,118, against an annual cost of £26,511, leaving a per-Apprentice subsidy requirement of approximately **£4,400 per year** funded from redirected Growth and Skills Levy revenue.

The subsidy is the explicit transfer the policy is designed to deliver. The current system raises the Apprenticeship Levy and fails to convert most of it into apprenticeship places. The Skills Centre converts each £4,400 of levy into one Apprentice-year of training, employment, mentoring access, and skills development — a transparent unit economic that the current system does not produce.

The Trainee cost stack

Cost line	Amount (£)	Basis
Base wage	7,525	£6.27/hr × 1,200 availability hours
Employer NICs	279	13.8% × (£7,525 – £5,500)
Employer pension contribution	226	3% × £7,525
Training commissioning to FE/TEC	1,920	240 hrs × £8/hr
Centre administration & facilities allocation	1,500	Lower than Apprentice
Counter-cyclical reserve surcharge	150	2% × £7,525
Total annual cost per Trainee	11,600	

A Trainee's chargeable availability is 960 hours; at 60% utilisation, dispatched hours are 576. At a published Trainee rate of **£8.00 per hour**, revenue per Trainee is £4,608. The per-Trainee subsidy from levy is therefore approximately **£6,990 per year**.

The Trainee charge-out rate is set materially below the projected 2030 NLW for 21+ workers (£14.87/hr base, approximately £17–18/hr fully loaded with employer NICs, pension, and admin). This is deliberate: the Trainee tier is the operational mechanism through which sub-NLW formal-economy work is enabled in the early phase of the Employment Freedom programme, before the broader wage-floor reform reaches scale. A council booking Trainees for parks maintenance, a community kitchen booking Trainees for cooking, a repair workshop booking Trainees for shoemaking or bicycle repair, all see a fully-inclusive cost of £8/hr — comparable to the rates at which these activities have historically happened in the informal economy, but now formal, contracted, monitored, and counted. The host pays the Centre; the Centre pays the Trainee, commissions the training, manages progression, and underwrites cyclical risk. The host is a customer, not the employer.

This is the explicit cost of bringing an unqualified worker through to sector qualification — typically over 12 to 24 months, after which the Trainee converts to Apprentice or directly to Part Time / Occasional Status if they choose. The subsidy reflects three deliberate choices: making Trainee Status accessible from age 16 with no prior qualification requirement (the structural NEET-prevention route); enabling sub-NLW formal-economy work in the social-fabric domain (the early-phase Employment Freedom mechanism); and preserving the Centre's employer-

of-record role with all the continuity, training, and counter-cyclical benefits that follow from it.

The Part Time cost stack

Part Time workers are sector-qualified salaried workers committing to a low-intensity availability pattern (8 hours per week × 26 weeks = 208 availability hours per year). They are charged out at the qualified-worker rate.

Cost line	Amount (£)	Basis
Base wage	1,950	10% × £19,500 (Apprentice base)
Employer NICs	0	Earnings below NICs threshold
Employer pension contribution	59	3% × £1,950
Training commissioning to FE/TEC	288	36 hrs × £8/hr
Centre administration & facilities allocation	400	Lower than salaried full-Status workers
Counter-cyclical reserve surcharge	39	2% × £1,950
Total annual cost per Part Time worker	2,736	

Chargeable availability is 172 hours; at 60% utilisation, dispatched hours are 103. At a published qualified-worker rate of **£28.00 per hour**, Part Time revenue per worker is £2,890 — a small surplus of approximately £150 per worker per year. Part Time gives the Centre a flexible standing stock of qualified labour at low fixed-cost commitment without drawing on subsidy.

Occasional: marginal economics

Occasional workers carry no base pay obligation; the Centre's marginal cost per dispatched hour is wage plus on-costs plus a small per-booking admin overhead.

Cost line	£/hr	Basis
Worker hourly wage	16.67	Sector qualified rate
Employer NICs (above threshold)	2.30	13.8% × hourly wage
Employer pension contribution	0.50	3% × hourly wage
Marginal admin per booking (allocated per hour)	1.50	Booking processing, payroll, dispatch
Counter-cyclical reserve surcharge	0.33	2% × hourly wage
Total marginal cost per dispatched Occasional hour	21.30	

At the qualified-worker charge-out rate of £28.00 per hour, the surplus on a dispatched Occasional hour is £6.70. A Centre with 600 Occasional registrants averaging 200 dispatched hours per year produces approximately £800,000 in surplus from Occasional dispatches, with no carrying cost between bookings. Occasional registrants who do not bid in any given year cost the Centre approximately £30 per year in maintained Wallet credentials and roll administration — a negligible figure that justifies keeping the lifelong attachment open even where dispatch volume is low.

The published rate sheet

The four-tier cost structure produces the following indicative rate sheet for the reference Construction sector at a typical Centre.

Status	Charge-out rate (£/hr)	Self-funding from firm revenue at 60% utilisation
Apprentice	32.00	No — £4,400/yr subsidy from levy per Apprentice
Trainee	8.00	No — £6,990/yr subsidy from levy per Trainee (deliberately set to enable sub-NLW formal-economy social-fabric work)
Part Time	28.00	Yes, with small surplus per worker
Occasional	28.00	Yes, profitable on dispatched hours

Sector-specific rate sheets adjust these in absolute terms — a Hair and Beauty Apprentice at a sector starting salary of £22,000 would charge out at approximately £22/hr; a specialist Construction Roofer at a sector starting salary of £40,000 might charge out at approximately £39/hr. The structural ratios remain stable across sectors. Premium rates (50% above base for overtime and antisocial hours) and demand premiums offered by firms layer on top of the Status base rate and pass through to the worker net of employment taxes.

Centre-level P&L at target scale

Combining the per-worker economics with target Centre rolls (300 Apprentices, 200 Trainees, 300 Part Time, 600 Occasional with average 200 dispatched hours each), the Centre-level annual P&L at 60% utilisation is as follows.

Line	Apprentice	Trainee	Part Time	Occasional	Total
Workers / hours	300	200	300	600 × 200 hrs	
Firm revenue (£M)	6.64	0.92	0.87	3.36	11.79
Variable cost (£M)	7.95	2.32	0.82	2.56	13.65
Gross margin (£M)	(1.32)	(1.40)	0.05	0.80	(1.86)
Line					£M
Centre fixed costs (estate, management, IT not allocated above)					(1.00)
Operating result before public funding flows					(2.86)
Absorbed Jobcentre Plus funding per Centre					1.92
Demand-sized levy and programme funding per Centre (steady state)					5.00
Net Centre P&L at target scale (steady state)					4.06

The Centre runs a structural operating deficit on variable activities of £1.86 million per year — almost all of which is the Apprentice and Trainee subsidy. The two public funding flows together (£6.92 million per Centre at steady state) more than cover the operating deficit and the fixed costs, leaving £4.06 million per Centre as the net surplus available for:

- **Counter-cyclical reserve top-ups** beyond the 2% surcharge already in the cost stack;
- **Sector pipeline expansion** into niche sectors and new Apprentice cohorts beyond the current target roll;
- **Advanced Centre operating support** for those Centres in the network operating accommodation;

- **Local discretionary investment** through Centre Board decisions on training quality, facility upgrades, or sector-specific innovations;
- **Network-level redistribution** to Centres in lower-demand catchments where firm revenue at target scale falls short of the network average.

The architecture is a **three-layer funding structure**: firm charges fund variable operations on Part Time and Occasional Statuses and partially fund Apprentice and Trainee Statuses; redirected Growth and Skills Levy funds the explicit Apprentice and Trainee subsidies plus the Centre's public-good investments; absorbed Jobcentre Plus funding covers the core estate and management overhead. This three-layer structure is robust to demand fluctuations: a 10-percentage-point drop in firm utilisation reduces revenue by approximately £1.5 million per Centre but leaves the public funding flows intact, so the Centre can sustain operations through demand cycles without immediate cuts to staff or sector pipelines.

Network-level totals

At a 600-Centre network operating at the target scale used above, the aggregate figures at 60% utilisation are as follows.

Network metric	Value
Total worker registrations	840,000
— Apprentices	180,000
— Trainees	120,000
— Part Time	180,000
— Occasional	360,000
Total firm revenue	£7.07bn
Total variable costs	£8.19bn
Total Centre fixed costs	£0.60bn
Operating deficit before public flows	(£1.72bn)
— of which Apprentice subsidy	(£0.79bn)
— of which Trainee subsidy	(£0.84bn)
— of which other (Part Time net + Centre fixed)	(£0.09bn)
Absorbed Jobcentre Plus funding	£1.15bn
Demand-sized levy and programme funding (steady state)	£3.00bn
Net network P&L (steady state)	£2.43bn

The £2.43 billion network-level surplus at steady state is the resource available for counter-cyclical reserve top-ups, network-level redistribution, Advanced Centre support, sector pipeline expansion, and discretionary local investment. At the target reserve level of £0.50–0.80 billion, building the reserve from this surplus over one to two years is comfortably feasible while leaving £1.65–2.00 billion per year for the other purposes once the reserve is fully capitalised.

The levy claim is sized from actual demand rather than as a fixed top-slice of the redirectable pool. The £3.00 billion steady-state claim covers:

- **Apprentice subsidy**: £0.79bn for 180,000 Apprentices at £4,400 average per worker

- **Trainee subsidy:** £0.84bn for 120,000 Trainees at £6,990 average per worker (the larger Trainee subsidy reflects the £8/hr charge-out rate that enables sub-NLW formal-economy work in social-fabric domains)
- **Network investment:** £0.40bn for sector innovation, Advanced Centre operating support, expansion into niche sectors and underserved catchments
- **Skills England oversight, Commissioning Authority, Wallet credential infrastructure, audit:** £0.12bn
- **Conservative downside margin:** approximately £0.85bn (sized to absorb an 8-percentage-point utilisation shortfall against the 60% reference case)

Against the £5.66 billion redirectable pool (Growth and Skills Levy plus CITB/ECITB levies plus Skills Bootcamp budgets plus apprenticeship grant elements of the Youth Guarantee), the demand-sized claim represents approximately 53% of the pool. The remaining £2.66 billion stays with employers, existing successful programmes, regulated-profession degree apprenticeships, Foundation Apprenticeships, and apprenticeship units for existing employees. The Skills Centre programme takes only what it needs to deliver the Apprentice and Trainee pipeline at target scale; the rest of the levy is left in the parts of the system that already work.

This framing matters politically as much as fiscally. The principal objection to redirecting the Apprenticeship Levy through a new state-run institution is that it absorbs employer-paid funding into a centralised pot. Sizing the claim from demand demonstrates that the institution is constrained by what it actually delivers, not by what it could in principle absorb — and the released £2.66 billion is the visible evidence of that constraint.

Sensitivity analysis

The model's principal sensitivities are utilisation rate, the Apprentice and Trainee pay settings, FE training commissioning rate, and wage inflation between current and 2030 levels.

Utilisation rate. This is the dominant sensitivity. The reference case is 60% steady-state. The 80% figure used elsewhere in the policy is the disciplinary floor that triggers Centre-level adjustments to salaried roll size, not a steady-state expectation. Real-world dispatch matching is bounded above by seasonal variation, weather, sickness, training-booking collisions, and the inherent friction of matching firm demand to worker availability hour-by-hour.

Steady-state utilisation	Apprentice subsidy per worker	Trainee subsidy per worker	Network combined subsidy	Implied steady-state levy claim
50%	£8,080	£7,760	£2.39bn	£2.91bn
55%	£6,240	£7,376	£2.01bn	£2.53bn
60% (reference)	£4,390	£6,990	£1.63bn	£3.00bn
65%	£2,550	£6,608	£1.25bn	£1.77bn
70%	£710	£6,224	£0.87bn	£1.39bn
75%	(£1,140)	£5,840	£0.50bn	£1.02bn
80% (floor)	(£2,980)	£5,456	£0.12bn	£0.64bn

The implied steady-state levy claim adds £0.52 billion to the network combined subsidy in each row to cover network investment, Skills England oversight, and the conservative downside margin built into the reference-case sizing. (The 60% reference-case claim of £3.00bn includes a downside margin sized to absorb an 8-percentage-point utilisation shortfall, hence the larger gap at 60% than at lower utilisation rates where the actual subsidy load already approaches what the reference-case margin was designed to cover.) Below approximately 45% steady-state utilisation, the claim would need to expand beyond the reference-case sizing or the salaried roll size shrink. At 70% and above, the Apprentice category becomes self-funding from firm charges, with Trainees still subsidised because the £8/hr charge-out rate is set to enable social-fabric work rather than to recover full Trainee cost; the levy claim falls substantially as utilisation rises but remains positive throughout.

The Trainee subsidy per worker varies less with utilisation than the Apprentice subsidy because the Trainee charge-out rate is set deliberately low to enable social-fabric work; higher utilisation yields more dispatched hours but each hour at £8/hr recovers less of the cost than each Apprentice hour at £32/hr.

The headline insight is that the levy claim is small relative to the £5.66 billion redirectable pool across the realistic utilisation range. Even at 50% utilisation, the claim is £2.91 billion — barely over half the available pool. At the reference 60% case, £2.66 billion stays with employers and existing programmes. At 70%, more than £4 billion is left in the rest of the system.

Pay settings. The reference case uses the 60/60/67 settings (60% utilisation, Apprentice at 60% of sector starting, Trainee at 67% of statutory Apprentice NMW). Pay setting sensitivity:

Apprentice pay setting	Per-Apprentice subsidy	Network Apprentice subsidy
50% of sector starting	£540	£0.10bn
55% of sector starting	£2,460	£0.44bn
60% of sector starting (reference)	£4,390	£0.79bn
65% of sector starting	£6,320	£1.14bn
75% of sector starting	£10,180	£1.83bn

The pay setting sensitivity is mostly linear with wage levels because the wage drives all wage-derived line items (NICs, pension, reserve surcharge). The 60% setting is chosen as a balance between pay attractive enough to make Apprentice Status competitive against alternatives available to a young worker without prior qualifications and a subsidy load that fits within a demand-sized levy claim leaving substantial headroom in the redirectable pool for non-Centre uses.

FE training commissioning rate. A £2/hr increase in the FE/TEC commissioning rate (from £8 to £10) adds approximately £576 to the annual Apprentice cost and £480 to the Trainee cost. Across the network this is approximately £230 million per year — material but readily absorbed within the redirected levy envelope.

Wage inflation. The model uses 2030 wage projections at approximately 3% per annum compound from 2025. If wage inflation runs at 4% rather than 3%, the Apprentice base wage rises proportionally, with knock-on effects to NICs, pension, and all wage-derived line items. Charge-out rates rise commensurately, so the

Centre's relative position is stable; the absolute scale of the network simply expands. Wage inflation at 5% or above would test the funding envelope more substantively and is the principal scenario for which the funding settlement should include automatic uprating provisions.

Scale at maturity. The 300/200/300/600 roll structure is the target for a typical fully-mature Centre. Centres in lower-density catchments may run at 200/120/180/300, with proportionally lower revenue and a correspondingly lower public funding allocation. Centres in higher-density urban areas may run at 500/300/500/1,000 or above, with the higher revenue offsetting higher per-Centre fixed costs of larger urban estates. The rate sheet structure is invariant across Centre size; the absolute funding flows scale with worker numbers.

What this model does not capture

The model is deliberately conservative in three respects worth flagging for completeness.

It excludes Advanced Centre revenue, which is incremental to the standard Centre figures and includes accommodation surcharges, Community Food Centre catering revenue, and project-specific premium rates. Advanced Centres operate on a different financial model (capital-intensive, recovering accommodation infrastructure over a 25–30 year life) and warrant a separate financial appendix.

It excludes the macroeconomic effect of the counter-cyclical reserve in stabilising sectoral wages and reducing migration dependency — both of which represent net economic benefits the programme delivers but which sit outside the Centre's operating P&L.

It uses target steady-state utilisation throughout. The five-year ramp from initial pilots to network maturity will see utilisation below 60% during the build-out phase, and the kick-start capital and transition operating support flows (£1.00–1.50 billion across five years) are sized to cover this gap. The steady-state model presented here applies from approximately Year 5 onward.

All figures in 2025 prices, £bn denomination unless otherwise stated. This sub-appendix presents an illustrative unit-economics model; sector-specific rate sheets and Centre-specific budgets are set by individual Centre management under Skills Centre Commissioning Authority oversight against the architecture described here.

RELATED

Referenced by: [Skills Centres \(Structural Measure\)](#)

Service Hubs Appendix

Civic Anchors in Every Outward Postcode

APPENDIX · community

The Service Hubs policy establishes a permanently funded, physically present civic anchor in every outward postcode in Great Britain. Each Hub is operated by the local council, funded from a dedicated national grant that sits outside the per-capita property tax distribution, and designed to host a broad spread of community functions on a single site: front-door public services, digital identity assistance, council specialist rotations, commissioned independent advice, public Wi-Fi, study and meeting space, and a place for residents to find their way through the rest of the Prosperity 2030 architecture.

This appendix sets out the services Hubs deliver, their staffing and hours, the council sponsorship arrangement, physical dimensions, unit operating costs across a four-tier estate, the capital fit-out programme, and the expansion that happens at each Hub when the local Jobcentre Plus converts to a Skills Centre.

The civic anchor model

A Service Hub is not an advice centre. It is the visible public-service presence in a postcode, the place where the civic offer of the state and the council reaches the resident in physical form. Treating Hubs as advice-only buildings would understate their function and miss the operational opportunity to co-locate with the existing community estate that councils already hold.

In practice, the great majority of Hubs will be **co-located with existing council and community facilities**: libraries, community centres, youth clubs, sports centres, council-owned halls, repurposed warming and cooling centres, and underused communal spaces inside social housing estates. The Hub funding flows into these existing buildings as enhancement money — covering the additional staffing, opening hours, IT, and partition work needed to support the Hub function — rather than building new dedicated centres. This treatment yields three practical advantages. It avoids the capital cost of new construction. It brings revenue funding to a network of underused or partly funded civic facilities that would otherwise require separate budget lines. And it builds the Hub on top of the trust and footfall those facilities already carry.

The civic offer of each Hub includes free public Wi-Fi, study space for school-age children between the end of the school day and the return of working parents, rentable rooms for community groups and local democracy events, accessible toilets, and a social space that operates without a transactional purpose — people may come in for information, for a cup of tea, to meet a neighbour, or to use the Wi-Fi, without needing a problem to solve.

The advice and benefits functions sit *within* this civic envelope rather than defining it.

The two-desk architecture

Service Hubs absorb two functions from the closing Jobcentre Plus network that are functionally distinct and that current practice has unhelpfully fused: the **benefits administration function** (the “police” role — claim processing, payment, conditionality monitoring, sanctions, work-search verification) and the **advice and advocacy function** (the “nurse” role — help to claim, appeal support,

mandatory reconsideration, debt advice, housing advice, immigration advice, employment advice).

These are not two variants of the same job. The benefits administration function holds statutory power over the claimant. The advice function represents the claimant against that statutory power, including in appeals where the two functions are on opposite sides of the same case. Citizens Advice has operated arm's-length from DWP throughout its history for exactly this reason; the same separation is built into the Hub design.

Hubs deliver this as **same building, two desks, distinct accountabilities**:

- The **benefits administration desk** is staffed by paid council or DWP-funded officers (former JCP work coaches who chose the benefits-admin path), funded from the redirected Jobcentre Plus operational envelope, accountable through DWP and the local council for statutory delivery.
- The **advice desk** is staffed by commissioned independent advisors — the local Citizens Advice charity as default lead, supplemented by specialist providers (Shelter, Law Centres, StepChange, accredited immigration advisers) — funded through commissioned contracts from the council, accountable to their independent governance and to the council as commissioner.

A citizen who walks in with a Universal Credit problem can approach either desk depending on whether they need to file or to fight. They are never forced to ask the person holding the sanction power to also represent them.

The advice function is supported nationally by the **statutory adoption of Citizens Advice national** as the public information and advice infrastructure body. The current Citizens Advice national service company — which has operated for decades on project-by-project grant funding scattered across DWP, MaPS, and BEIS — is placed onto statutory footing as a stable national institution, funding the operations that have always been *de facto* national public infrastructure: the telephone advice service, the AdviserNet content engine, adviser training and accreditation, the consumer service, national policy and research, and a single online backup helpline that every local Hub draws on for cases beyond the local advisor's specialism, for out-of-hours coverage, and for triage when the Hub is full or closed. The cost of statutory adoption sits within the Service Hubs operating envelope at the national level: ~£0.04–0.07 billion per year net new on top of the redirected DWP/MaPS/BEIS grants the new body absorbs. The local Citizens Advice charities remain independent federation charities, commissioned by councils as default lead at the local Hub advice desk, and continue to draw on the national infrastructure for training, accreditation, and the backup helpline.

Common services

The Hub estate offers a layered service stack. Every Hub provides the **core offer** at all opening hours; **rotating specialist days** bring district-level expertise on a published weekly cycle; **commissioned advice** runs on its own rota set by the lead advice provider; and **state benefits administration** operates on DWP standard hours.

Core offer (permanent at every Hub):

Reception, signposting, and triage. Digital identity verification and help. Public Wi-Fi and study space. Rentable community meeting rooms. Help with online

forms and council interactions. Information on local services, opportunities, and democratic participation.

Rotating council specialists (typical district pattern, exact rota set by council):

Housing officer (allocations, repairs, anti-social behaviour). Welfare benefits liaison and council liaison on the property tax per-capita allocation. Planning enquiries and pre-application advice. Environmental health (food, housing, noise). Public health and social prescribing. Children's services duty liaison. Adult social care first contact. Trading standards and consumer issues. Library service for Hubs that are not library co-located.

Commissioned independent advice (CAB local as default lead, supplemented by specialists):

Help to claim and benefits appeals. Debt advice (MaPS-funded, delivered locally). Housing advice (homelessness, possession, disrepair). Immigration advice (OISC-regulated providers). Employment advice (tribunal preparation, settlement). Civil law signposting via Law Centres or pro bono networks.

State benefits administration (in Hubs that have absorbed the local JCP function):

Universal Credit claim processing and verification. Payments queries. Claimant commitment and work-search monitoring. Sanctions administration. Disability benefits liaison.

Opening hours

Minimum opening hours are set nationally; Hubs may operate beyond the minimum where local need and council capacity justify it.

Tier	Minimum core hours	Typical with extended civic offer
Rural / village	25–30 hrs/wk	30–40 hrs/wk (often library-led extension)
Standard	35–45 hrs/wk	45–55 hrs/wk
Inner-city / dense urban	50–60 hrs/wk	55–70 hrs/wk including some evening
Major urban / city centre	60+ hrs/wk	Including evenings and Saturday

Hub Wi-Fi and rentable-rooms availability typically extends beyond core staffed hours where the host building (library, sports centre, community hall) is open longer than the Hub function itself.

Hub tiers

The estate falls into four tiers reflecting catchment density and operational scale. The blended average operating cost across the estate fits the £0.80 billion per year envelope set out in the macro cashflow.

Tier	Postcodes	Catchment	Premises	Core FTE	Hours/wk
Rural / village	~600 (20%)	<5,000 residents	40–80 sqm, host-building share	1.5–2	25–30
Standard	~1,600 (53%)	10,000–25,000	100–150 sqm, co-located	3	35–45
Inner-city / dense urban	~600 (20%)	20,000–50,000	200–250 sqm, council-owned	5–6	50–60

Tier	Postcodes	Catchment	Premises	Core FTE	Hours/wk
Major urban / city centre	~200 (7%)	50,000+	300+ sqm, dedicated building	8–10	60+

The quantity distribution is indicative and reflects the underlying density profile of UK outward postcodes. Councils will refine the tier of each Hub in their area against local population, deprivation, and existing civic estate availability.

Staffing and specialist rotation

Each Hub has a **permanent core team** that delivers the front-door function, supplemented by **rotating district specialists** who visit on a published cycle, **commissioned advisors** who operate on their provider's own rota, and (where the local JCP has converted) **benefits administration staff** funded from the redirected JCP envelope.

The permanent core team scales by tier:

Tier	Hub Manager	Reception / triage	Digital ID / community navigation	Volunteer coordinator
Rural	0.5 FTE shared across cluster	1 FTE	Combined with reception	Shared across council Hubs
Standard	1 FTE	2 FTE	1 FTE part shared	Shared across council Hubs
Inner-city	1 FTE	3 FTE	1 FTE	0.5–1 FTE
Major urban	1 FTE + deputy	4 FTE	1–2 FTE	1 FTE

Council specialist rotation is the operational backbone of the model. A district with eight Hubs runs a single housing officer across all eight on a Monday–Thursday cycle, with each Hub publishing its specialist day so residents know that “Tuesdays are housing day at the Crouch End Hub” and “Wednesdays at Hornsey.” A single 1 FTE specialist becomes 0.125 FTE present at each of eight Hubs — a level of specialist availability per Hub that would be unaffordable if every Hub staffed its own. The same logic applies to planning, environmental health, public health, social prescribing, children's services duty, and adult social care liaison.

Volunteers supplement the paid team across all tiers — supporting digital inclusion, language interpretation, community signposting, study-space supervision, and the social-space function. The volunteer coordinator role manages recruitment, DBS, supervision, training, and rota. The civic-anchor framing of Hubs makes them attractive volunteer destinations in a way that benefits-administration-focused centres would not be.

Salary calibration reflects council, library service, and community-sector rates rather than NHS clinical equivalents. Hub Managers are positioned at Library Service Manager or Community Centre Manager level (£36–42k); reception and triage staff at council customer-services band (£24–28k); Digital ID and navigation officers at council technical-support level (£26–30k).

Physical dimensions

Minimum viable Hub (Rural tier): approximately 40 sqm. A defined Hub area within a host community building — typically a corner of a village hall, a back

room of a library, a partitioned section of a community centre. Furnished with a reception/signposting desk, two seating areas, one private advice booth, two IT terminals with Digital ID equipment, and visible Hub signage. Wi-Fi and accessible toilets are shared with the host building.

Standard Hub: approximately 120 sqm. A defined Hub presence usually occupying a wing or floor of an existing council or community building. Layout typically includes:

- Reception and triage area (20–25 sqm)
- Two private advice meeting rooms (10–12 sqm each)
- Digital ID and IT terminal area (10–15 sqm)
- Open social and waiting space (25–35 sqm)
- Small office for core staff (10–15 sqm)
- Storage, kitchenette, accessible WCs (typically shared with host)

Inner-city Hub: approximately 220 sqm. A larger presence often occupying a dedicated floor or substantial part of a council building. Layout adds:

- Larger reception with multiple service points (35–45 sqm)
- Three to four private advice rooms (10–12 sqm each)
- Dedicated Digital ID suite (20 sqm)
- Larger social/community space (50–60 sqm)
- Study and homework area with separate quiet zone (15–25 sqm)
- One rentable meeting room (15–20 sqm)
- Hub office and back-of-house (20 sqm)

Major urban Hub: 300 sqm and above, frequently considerably larger where the Hub is integrated into a sports centre, library, or repurposed civic building. Adds additional advice rooms, larger community space, multiple rentable meeting rooms, and capacity for the absorbed Jobcentre Plus benefits administration function once the local Skills Centre conversion is complete.

Council sponsor relationship

Each Hub is operated by the local council, funded by an annual grant from the national Service Hubs budget. The grant flows by Hub footprint (one per outward postcode) rather than per capita — a smaller postcode with a Hub receives the same grant as a larger one, with the funding level set by the Hub's tier.

The Service Hubs grant is additional to the council's per-capita property tax allocation, not deducted from it. Service Hubs are an *increment* to local government operating capacity, not a reallocation of existing council funds. This is structurally important. It means the cost of standing up a Hub in a small rural postcode does not displace funding from any other council service, and it means residents of larger postcodes are not subsidising the Hub in smaller ones. The Hub footprint follows postcodes; the rest of council funding follows population.

The council's responsibilities as Hub sponsor include: providing premises in-kind from the council and community estate where available; deploying the specialist rotation across its Hubs from existing council departments; commissioning the independent advice function from CAB local and other accredited providers on long-term contracts (5–10 years); recruiting and managing the Hub core team; meeting opening hours minimums for each Hub's tier; and accounting to the

council assembly under the reformed Local Democracy arrangements for the operation of the Hub network in the district.

Councils that wish to enhance their Hub offer beyond the national baseline — extended opening hours, additional specialist days, larger premises, enhanced civic programming — may do so from their general operating budget or from a local property tax precept set under the Local Democracy arrangements. The national grant defines the floor, not the ceiling.

Councils that fail to meet the Hub operating standards published in the Service Hubs Act face a graduated escalation: enhanced monitoring; commissioning support from the national Service Hubs office; in the limit, direct national operation of Hubs in the council's area at the council's cost. The default expectation is that councils are competent operators of their Hub network; the escalation mechanism exists to address the small minority of cases where they are not.

Unit operating costs

The four-tier model produces the following blended annual operating cost across the estate. All figures exclude capital fit-out (a separate one-off line, set out below). Premises costs reflect predominantly in-kind council provision rather than open-market rent.

Rural / village tier (~600 Hubs):

Component	Annual cost per Hub
Core staff (1.5–2 FTE loaded)	£55–80k
Premises (in-kind, marginal utilities and rates only)	£8–15k
IT, Digital ID kit, network, helpdesk	£8–12k
Insurance, admin, compliance	£4–7k
Volunteer support, supplies, materials	£5–8k
Local maintenance and minor works	£5–10k
Contingency	£5–10k
Subtotal per Rural Hub	£90–142k
Tier midpoint	~£115k

Standard tier (~1,600 Hubs):

Component	Annual cost per Hub
Core staff (3 FTE loaded)	£125–155k
Premises (in-kind from council; utilities, rates, maintenance)	£20–40k
IT, Digital ID kit, network, helpdesk	£12–18k
Insurance, admin, compliance	£8–12k
Volunteer support, supplies, materials	£8–12k
Specialist rotation share (allocated from district pool)	£15–25k
Contingency	£10–15k
Subtotal per Standard Hub	£198–277k
Tier midpoint	~£225k

Inner-city / dense urban tier (~600 Hubs):

Component	Annual cost per Hub
Core staff (5–6 FTE loaded)	£220–280k
Premises (council-owned, utilities, rates, maintenance)	£40–70k
IT, Digital ID kit, network, helpdesk	£20–30k
Insurance, admin, compliance	£12–18k
Volunteer support, supplies, materials	£12–18k
Specialist rotation share	£25–40k
Contingency	£20–30k
Subtotal per Inner-city Hub	£349–486k
Tier midpoint	~£435k

Major urban / city centre tier (~200 Hubs):

Component	Annual cost per Hub
Core staff (8–10 FTE loaded)	£360–460k
Premises (dedicated building, utilities, rates, maintenance)	£60–110k
IT, Digital ID kit, network, helpdesk	£30–50k
Insurance, admin, compliance	£18–25k
Volunteer support, supplies, materials	£15–25k
Specialist rotation share	£40–60k
Contingency	£30–50k
Subtotal per Major Urban Hub	£553–780k
Tier midpoint	~£650k

Blended estate cost at steady state:

Tier	Hubs	Tier midpoint	Total
Rural	600	£115k	£69m
Standard	1,600	£225k	£360m
Inner-city	600	£435k	£261m
Major urban	200	£650k	£130m
Estate total	3,000	—	£820m
Blended average per Hub	—	—	~£273k

Fits the £0.80bn budget envelope set out in the macro cashflow. Headroom for fit-out repair, hub-specific contingency, and inter-year variation is held centrally rather than per-Hub.

Capital fit-out

Capital fit-out is a one-off cost per Hub, drawn from the rollout-period capital allocation rather than the annual operating envelope. The light-touch approach — predominantly furniture, partition work, IT and Digital ID kit, signage, and

accessibility upgrades within existing council buildings — keeps the capital programme modest.

Tier	Per-Hub capital	Hubs	Total capital
Rural	£20–35k	600	£12–21m
Standard	£40–70k	1,600	£64–112m
Inner-city	£100–180k	600	£60–108m
Major urban	£200–350k	200	£40–70m
Total fit-out capital	—	3,000	£176–311m

Central estimate: ~£240m spread across the five-year rollout, averaging £48m per year. This sits within the rollout-period capital envelope alongside the CFC fit-out programme and other one-off transition costs, and should appear as a discrete capital line in cashflow versions from v53 onwards.

Skills Centre conversion expansion

When the local Jobcentre Plus converts to a Skills Centre under the parallel Skills Centres Act programme, the Service Hub absorbs the **benefits administration and employment advice functions** that the JCP previously held. The Skills Centre takes on the employer-of-record, dispatch, training commissioning, and labour-pool functions; the Hub takes on the citizen-facing administrative and advisory functions.

This absorption brings:

- **Funded staff:** 4–8 former JCP work coaches and administrative officers per converted Hub, funded from the redirected JCP envelope (national estimate £0.50–0.70bn per year across the network, additional to the £0.80bn Hub baseline).
- **Additional space requirement:** typically 50–100 sqm of additional Hub floor area for benefits administration desks, additional advice rooms, and back-office processing space.
- **Extended opening hours:** benefits administration is open at DWP standard service hours, which may extend the Hub's operating envelope.
- **Additional commissioned advice load:** help-to-claim and benefits appeals volume rises sharply, and the council-commissioned advice budget (CAB local lead) expands proportionally from the redirected envelope.

Commissioning floor for independent advice. A statutory minimum of 10% of the absorbed JCP operational envelope at each converted Hub is directed to commissioning independent advice — from the local Citizens Advice charity as default lead, supplemented by other accredited specialist providers. At steady state across the 3,000-Hub network, this floor delivers approximately £50–70 million a year of stable commissioned advice funding to the local CAB federation, restoring local public funding for face-to-face advice to broadly its level of a decade ago and placing it on multi-year contractual terms rather than the year-to-year discretionary grant model that has driven a decade of branch closures.

Discretionary ceiling. Councils may allocate up to 20% of the absorbed envelope to commissioned independent advice after a converted Skills Centre in their area has been operating for at least two full years and the benefits administration function is running stably from the local Hub. This recognises that as the new

arrangements bed in, the share of the envelope needed for state-side administration declines, and the released resource becomes available for the broader advisory function that residents draw on at the Hub. The floor is statutory; the ceiling is a discretion exercised by the council under the reformed Local Democracy arrangements.

The sequencing rule from the Skills Centres design — *no JCP converts to a Skills Centre until at least one Service Hub is operational in its catchment* — ensures the Hub is in place to receive the function before the JCP closes. This resolves any transitional-arrangement problem.

The expanded Hub's operating cost increases on conversion — driven by the additional space, staff, and hours — but the increase is funded from the redirected JCP envelope rather than the Hub baseline grant. The net effect on the Hub baseline (£0.80bn) is zero; the net effect on the total Hub operating envelope at steady state is ~£0.50–0.70bn additional. This funding flows through the council as commissioner.

Rollout schedule

The Hub network is delivered over five years on a profile that front-loads rural and standard tiers (lower fit-out cost, faster to stand up, often co-located with libraries and community centres that already exist as host buildings) and reaches the full inner-city and major urban network by Year 4–5.

Year	New Hubs	Cumulative	Operating cost	Capital fit-out
Year 1	300	300	£0.08bn	£0.02bn
Year 2	700	1,000	£0.20bn	£0.05bn
Year 3	700	1,700	£0.40bn	£0.06bn
Year 4	700	2,400	£0.60bn	£0.06bn
Year 5	600	3,000	£0.80bn	£0.05bn
Total	3,000	3,000	—	~£0.24bn

Year 1 emphasises rural and standard tier Hubs that can stand up within existing council and community estate with minimal fit-out, building national coverage and political momentum early. Years 2–4 deliver the bulk of the rollout including the heavier inner-city and major urban builds, with the fit-out programme spread evenly across these years rather than peaking. Year 5 completes coverage, finalising the remaining inner-city and major urban tier where dedicated buildings are still in fit-out.

The rollout pace is compatible with the Skills Centre conversion timetable — at every point, the Hub network is ahead of the Skills Centre network, satisfying the sequencing rule that requires a Hub operational in the catchment before any JCP converts.

All figures in 2025 prices. Postcode count: 3,000 UK outward postcodes. Cashflow line: Local Service Hubs at £0.80bn/year steady state (Macro Cashflow row 33). Capital fit-out of approximately £0.24bn is a discrete one-off line to be added to cashflow v53.

RELATED

Referenced by: [Local Service Hubs \(Universal Service\)](#)

Employment Freedom reasoning

APPENDIX · business

This appendix sets out the reasoning behind Employment Freedom, positions it within the current debate on the UK labour market, and addresses the empirical and distributional questions the policy raises. It is structured around the three-leg labour-market settlement P2030 proposes (Universal Services, Employment Freedom, and Skills Centres) and develops the case that this triangle delivers a more fundamental rebalancing of worker power than the current statutory framework. The empirical and analytical material draws on the IFS Deaton Review, Resolution Foundation's *Low Pay Britain* series, OECD employment outlook data, the Resolution Foundation *Lost in Transition* report, and the comparator literature on Danish flexicurity and the longer history of jobs guarantee proposals. The intellectual scaffolding draws on Hirschman's framework of voice and exit, and Roberto Unger's account of free labour.

The labour-market triangle

P2030's labour-market reform rests on three legs that work together: Universal Services, Employment Freedom, and Skills Centres. Each addresses a different dimension of worker power; none is sufficient alone.

Universal Services (US) provide the safety beneath everyone. By absorbing or substituting for the costs of energy, water, transport, food, communications, and care, US aims to cut the dependency between any one employment relationship and a household's ability to live. A worker who loses or leaves a job retains the universal floor. The fundamental fact of the labour market, that for most workers leaving a job has historically meant facing material insecurity, changes when that floor exists.

Employment Freedom provides the room to act. The cash-wage floor, raised by the National Minimum Wage from 1999 and the National Living Wage from 2016, has come to bind a wide range of activity that the country needs done, from public realm maintenance to repair, social care, occasional help, civic and cultural work, and micro-enterprise margins. Employment Freedom liberalises the floor in step with US progression, beginning where it is most binding and most exclusionary, while preserving hours protections, safety law, anti-discrimination, and contractual rights where contracts are negotiated.

Skills Centres provide the capability to act. Ability to leave a job and ability to take up another are different things; the second requires that workers have the skills to be valuable elsewhere. Skills Centres deliver sectoral and lifetime training infrastructure, in the analytical direction the IFS Deaton Review identifies as the most effective intervention against entrenched low pay. They operate as a sectoral, geographically distributed lifelong employer-of-record for workers across four Statuses (Apprentice, Trainee, Part-Time, and Occasional) combined with a labour-dispatch function serving private firms, councils, community organisations, and others requiring flexible skilled labour. The Trainee Status, which can be paid below the National Living Wage as part of a formal training relationship, provides the mechanism for early-phase social fabric work as developed in a later section of this appendix and in the Skills Centres appendix.

Each leg, alone, fails. Universal Services without Employment Freedom and Skills Centres risks dependency: the safety net is in place but the contribution

opportunity contracts. Employment Freedom without Universal Services and Skills Centres is laissez-faire labour reform: the floor goes, but no one has anywhere to land. Skills Centres without Universal Services and Employment Freedom produces qualified people stranded in a labour market that retains its constricted shape. The legs reinforce each other, and they fail together if any one of them is removed.

The closest international demonstration of the triangle is the Danish flexicurity model, developed across the 1990s and 2000s and analysed by Madsen (2002) and Wilthagen and Tros (2004). Danish flexicurity rests on three pillars: a flexible labour market with low contractual lock-in, generous unemployment insurance with replacement rates around 80 to 90 per cent of prior earnings for the first two years, and active labour market policy through extensive training and matching. The architectural correspondence with the P2030 triangle is direct, with one major substitution: Denmark uses cash benefits where P2030 uses services. The structural and fiscal mechanics differ; the welfare effect is similar. The reform-in-context section returns to this comparison in detail.

Labour-power: voice, exit, and free labour

The standard frame for analysing worker power inside the employment relationship is Albert Hirschman's *Exit, Voice, and Loyalty* (1970). Hirschman identified two responses available to a worker (or customer, or citizen) faced with declining conditions: voice, meaning raising concerns within the relationship, and exit, meaning leaving it. The two are partial substitutes. Easier exit weakens the incentive to develop voice, and where exit is impossible, voice becomes the only available response.

The UK labour market over the past forty years has been organised primarily around voice. Statutory rights (minimum wage, working time, dismissal protection, anti-discrimination, family leave) strengthen the worker's position inside the contract. The Employment Rights Act 2024 extends this further with day-one unfair dismissal protection, restrictions on fire-and-rehire, and guaranteed hours after 12 weeks of established work patterns. Voice has been the policy lever.

Exit has been weak because the cost of leaving has been high. For workers without savings, family support, or transferable skills, exit has meant facing benefit assessment, food bank reliance, and housing precarity. The result is asymmetric power inside the contract: the employer can replace a worker more easily than the worker can replace the employer, and statutory rights have been the instrument used to compensate for that asymmetry.

P2030 reverses the orientation. Universal Services strengthen exit by making destitution impossible. Skills Centres extend exit by making alternative employment realistic. Employment Freedom rebalances the contract itself, removing the statutory floor inside the contract that complemented the absent welfare floor outside it. The argument is not that contracts disappear or that workers become more vulnerable. The argument is that the statutory floor inside contracts can recede as the welfare floor outside them rises because the underlying problem the statutory floor was solving is being solved by a more direct instrument.

The frame extends further through the work of Roberto Unger, whose conception of "free labour" runs through *Democracy Realized: The Progressive Alternative*

(1998), *What Should the Left Propose?* (2005), and most recently *The Knowledge Economy* (2019). Unger's argument, in summary: wage labour is one of three forms of organised work alongside self-employment and cooperative production, and its dominance in modern economies is a historically specific arrangement, not a natural or necessary one. A healthy labour market would let all three forms flourish, with wage labour becoming, in Unger's phrasing, "the residual rather than the dominant form of free labour."

The intellectual lineage here is older than Unger. Lincoln, in his 1859 address to the Wisconsin State Agricultural Society, framed wage labour as a stage on the way to free labour, by which he meant the autonomous proprietor, craftsman, or yeoman farmer. The Jeffersonian conception of independent productive activity has remained alive in American thought, and Unger's contribution is to update it for the modern knowledge economy and to articulate the policy implications.

The relevance to Employment Freedom is direct. The cash-wage floor is a structural bias toward the wage form. It applies most easily to wage employment because the wage is its unit of operation; it cannot easily reach self-employment or cooperative production, and so those forms tend to develop in the floor's shadow, informal, undeclared, or simply absent. The activities documented in the next section (public realm work, repair, occasional help, civic contribution, micro-enterprise) are predominantly self-employment and cooperative forms. Employment Freedom is the policy that opens room for them to develop alongside wage employment rather than behind it.

The Skills Centres' four-Status framework is itself an institutional expression of Unger's pluralism. The Apprentice and Trainee Statuses are wage relationships in the conventional sense, but Part-Time and Occasional are something different: lifelong sectoral attachment for already-qualified workers who do part of their work outside any continuous wage relationship. A 62-year-old plumber on Part-Time Status works one day a week with structured income and continued professional identity; a semi-retired electrician on Occasional Status takes four or five jobs a year entirely at her own election while keeping Wallet credentials and sectoral training access live. These are recognisably the residual-wage forms Unger argues for — work organised through a sectoral institution rather than through any single employer-employee contract. Skills Centres are not just training infrastructure; they are the institutional form through which the diversity of labour-market arrangements Unger describes can be sustained at scale.

This frame protects Employment Freedom from the critique that the policy is laissez-faire deregulation in progressive packaging. The progressive case for Employment Freedom is not the case for shareholder freedom or labour-cost reduction. It is the case for letting the labour market consist of more than wage relationships, and for letting workers' power derive from genuine alternatives rather than from statutory protections that increasingly fail to reach the workers most exposed to precarity. The measure of worker power changes; the verdict on which arrangement is "stronger" depends on which measure is used. On the measure that includes the credibility of leaving any one employer, the realistic availability of alternative work, and the share of the labour market accessible in non-wage forms, the worker is materially more powerful under the P2030 settlement than under the current one.

The policy in plain terms

Employment Freedom has three elements stated as policy direction, with detailed implementation to follow consultation with unions, employer bodies, sectoral organisations, and local government.

The first element is a statutory baseline contract that applies where no contract has been negotiated. Where the parties have not specified otherwise, either side can end the relationship without cause. This restores the pre-statutory common-law position as the fallback, with contract negotiation as the primary source of workers' rights. Where contracts are negotiated, individually, collectively, or through sectoral agreement, they govern.

The second element preserves and strengthens the existing structure of hours protection. The 40-hour working week, with overtime premia of 1.5 times standard for hours between 40 and 60, and 2 times standard for hours between 60 and 80, applies universally. Hours protections address physical wellbeing (a worker can be ground into the ground at any wage) and they remain in place across the reform. Anti-discrimination law, health and safety regulation, dismissal-where-contracted protection, and union recognition rights also remain.

The third element is phased reform of the cash-wage floor itself, beginning with the smallest employers and casual and occasional work, and extending in step with Universal Services progression. Reasonable and practical phasing rather than a fixed calendar. The principle is scope tied to Universal Services progress: as coverage broadens, so does liberalisation; as coverage stalls, so does liberalisation.

The shape of the policy is firm. The detailed implementation, which sectors first within the smallest-employer tier, what counts as casual or occasional work, what the monitoring framework looks like in operation, is a matter for consultation and ongoing review.

The wage floor and the absent settlement

Beveridge's 1942 report and the postwar settlement envisaged a system in which universal services (healthcare, education, family support, housing access, sufficient income for those out of work) would deliver the welfare floor directly. The cash-wage floor was not a major instrument in that system because it did not need to be. The wage was for discretionary spending and progression; the welfare came from elsewhere.

The UK delivered substantial parts of Beveridge's vision (the NHS, secondary education for all, eventually a universal old-age pension and child benefit) and conspicuously failed to deliver the rest (universal housing, comprehensive childcare, universal social care). What was not built had to be paid for somehow, and the wage came to bear most of the load.

Real wage growth through the 1970s and 1980s was uneven, and the abolition of wages councils in 1993 removed the last sectoral floors. By the late 1990s the low-wage tail had become a political problem in its own right. The National Minimum Wage, introduced in 1999 at £3.60 an hour, was the response. It rose modestly through the 2000s in line with the recommendations of the Low Pay Commission, balancing wage uplift against employer absorption capacity.

The National Living Wage, introduced in 2016 by the Cameron government, was a step change. From 2016 onwards, the floor rose substantially faster than median wages, deliberately. By April 2026 the rate stands at £12.71 per hour for those aged

21 and over, corresponding to roughly 65 per cent of median full-time earnings. OECD comparator data places the UK floor at the high end of OECD countries on this benchmark, and explicitly above the level economists historically considered safe.

The empirical evidence on the consequences of this rise is substantial and converging. Resolution Foundation, IFS, the OECD, the Bank of England, and the Low Pay Commission's own analysis have all examined the question of whether the rapid floor rises of the post-2016 period have produced measurable disemployment in conventional employment statistics. The consensus finding is that they have not, or that the effects are too small to detect against the noise of normal labour market variation. Employment of low-paid workers has not contracted; hours have held up; wage compression at the bottom of the distribution has progressed without evident displacement.

The floor has done valuable work. It has lifted earnings for those at the bottom of the wage distribution. It has, however, compressed the wage structure modestly, but it has done so without measurable cost in jobs displaced. These are real achievements, and Employment Freedom does not dispute them.

What Employment Freedom does dispute is that the absence of measured disemployment exhausts the question. The displacement framework measures the loss of jobs that previously existed at lower wages; it cannot measure the non-creation of work that should exist but does not, because non-created jobs leave no statistical trace. The next section develops what the floor's exclusion effect looks like in practice, and why it matters even where the displacement evidence is null.

What the floor excludes, the social fabric

The wage floor's most visible effect is the wage paid to workers it covers. Its less visible effect, accumulated over a quarter of a century, is the work that no longer happens because it cannot sustain the floor. This work is not absent because demand has disappeared, nor because the activity is unimportant. It is absent because the cost of doing it formally (the wage, plus employer National Insurance, plus contractual obligations, plus compliance overhead) exceeds the value any single user is able or willing to pay for it. The work moves into the informal economy, contracts to volunteers, or simply does not happen. Six clusters illustrate the pattern.

Public realm and council work. Local government workforce numbers fell by approximately a third between 2010 and 2020 before partial recovery, according to LGA workforce data. Parks, paths, common buildings, seaside infrastructure, neighbourhood maintenance, activities that were once routine council work, are now patchy at best in much of the country. The reasons include austerity and council finance reform, but the wage-floor regime is part of the picture. A council that wishes to put a small team on graffiti removal, footpath maintenance, or beach-shelter repainting faces a fixed cost per hour that is high relative to the value of the activity to any single resident or council-tax payer. The arithmetic of council provision under the current floor pushes towards fewer activities done at higher specification rather than more activities done adequately. The visible result is the everyday shabbiness of much of the public realm.

Social care. Skills for Care figures show vacancy rates of 9 to 10 per cent sustained across the past decade, with turnover around 28 per cent annually. The sector has been hollowing out under the combined weight of NMW, employer NICs, Care

Quality Commission compliance, and provider margins. The current floor is binding on the sector, since most front-line care work is paid at or near the NMW, and the consequence is that a significant share of care provision has migrated to informal, family, undeclared, or simply absent labour. The detailed redesign of social care is treated in a separate appendix; the relevant point here is that the wage-floor regime is not neutral on the question of how much care happens at all, and reform that allows lower-cost formal care employment alongside higher-specification specialist care could see substantial volumes of currently informal work return to the formal economy.

The repair economy. Shoemakers, tailors, white-goods repairers, bicycle workshops, electronics repair, watch and clock repair. These activities are inherently low-margin per item; they survive on volume and on customers for whom repair is genuinely cheaper than replacement. The current floor makes most of them marginal even with healthy demand, and the marginal ones close. The UK throws away approximately 1.5 million tonnes of small electrical goods each year (WEEE figures), replaces clothes at twice the EU average, and has watched the high-street repair sector decline year-on-year. The right-to-repair movement and the circular economy advocates have identified the policy interventions that would help; one of them is the labour cost of repair.

Occasional and casual work. Gardening, cleaning, errand work, neighbourhood help, child-minding outside the formal childcare sector, dog-walking, painting and decorating at small scale. These currently run largely on cash, undeclared, often performed by older workers, by women whose primary work is domestic, or by people in transitional or unconventional working patterns. Estimates of the UK informal economy range from 5 to 12 per cent of GDP depending on definition and methodology; some material proportion of that is household-services work that the wage-floor regime cannot accommodate in the formal economy. Liberation of casual work would let it become formal (paid, declared, contracted, and counted) without changing the work itself.

Civic and community contribution. Community kitchens, befriending services, hyperlocal journalism, cultural and arts roles in local settings, community organisers, churchwardens and chapel caretakers, parish and neighbourhood-association infrastructure. Much of this work is currently done by volunteers, disproportionately by older retirees and middle-aged women, and the volunteer base is ageing and contracting. Where the work is paid, it is either paid below NMW informally or moved to grant-funded contract structures that add layers of administration and reporting. A formal floor below NMW for civic and community work would let it be paid properly without making it impossible to fund.

Micro-enterprise margins. The village café, the family workshop, the local shop, the food truck, the small bakery, the part-time barber, the home-based candlemaker, the back-bedroom dressmaker. The wage floor is most binding for these forms because they are pre-scale and low-margin. Successful micro-enterprises survive the floor by working the proprietor longer hours; the marginal employment they could create (the extra hand, the apprentice, the part-time helper) frequently does not happen. Across the SME population (5.5 million businesses, 4.1 million employing fewer than ten staff) the cumulative effect of marginal jobs not created is substantial.

These six clusters share the property that the wage floor is binding, the economic value of the work is below the floor, and the social or community value of the work is high. They are predominantly the self-employment and cooperative forms of Unger's framework, work that does not fit cleanly into the wage relationship the floor was designed for. Reform that allows formal organisation of these activities at rates below NMW is currently legislated out of existence. The choice is not between formal NMW employment and nothing; it is between NMW employment for some plus informal, undeclared, or absent provision for the rest, and a graduated formal economy in which below-NMW activity is also formally organised, contracted, monitored, and counted.

Trainees and the early-phase pathway

Employment Freedom's broader liberalisation will be phased in over years, not weeks. The question of how social fabric work can be liberated in the initial phase, before the broader reform reaches scale, is answered substantially through the Trainee Status within Skills Centres.

The Skills Centres programme establishes four Statuses across the working life: Apprentice, Trainee, Part-Time, and Occasional. Apprentices and Trainees are the entry-tier salaried Statuses; Part-Time and Occasional are lifelong-attachment Statuses for already-qualified workers (set out in the Skills Centres operational design appendix). The Trainee Status is the entry point for unqualified workers, including school-leavers from age 16, those returning to the labour market after a break, and those changing sector. Trainees receive a salary structured at 67% of the statutory Apprentice National Minimum Wage as part of a formal training relationship — at projected 2030 Apprentice NMW of £9.36/hr, this gives a Trainee availability rate of £6.27/hr — with the salary structured to reflect the training content (6 hours of FE/TEC-commissioned training per week alongside 24 hours of dispatched productive work) and the partial productive contribution the Trainee makes during the training period. This is an extension of the existing apprentice rate structure (currently £7.55 per hour for under-19s and apprentices in their first year, well below the £12.71 NLW), generalised to cover a wider population entering or re-entering the formal labour market.

The Trainee Status provides the primary mechanism for early-phase social fabric work for three reasons.

First, the Trainee is a recognised, formally protected status. Pay below NLW is sanctioned within the training relationship, with the Skills Centres framework providing the regulatory architecture (training quality monitoring, progression criteria, exit qualifications, employer accreditation). This removes the policy question of whether sub-NLW work is acceptable in the early phase: it already is, for trainees, and the only question is the scope and quality of the training infrastructure that supports it.

Second, the Skills Centre is the employer of record across all four Statuses, including Trainees. The Centre carries the employment relationship, payroll, training commissioning, progression management, counter-cyclical security, and dispatch coordination; hosts (councils, repair businesses, community kitchens, care providers, micro-enterprises) book Trainees on dispatch as customers paying a fully-inclusive charge-out rate. The published Trainee charge-out rate of £8/hr is set deliberately below the projected 2030 NLW for 21+ workers (£14.87/hr base, approximately £17–18/hr fully loaded with employer NICs, pension, and admin),

and the gap is funded as an explicit subsidy from redirected Growth and Skills Levy revenue. This produces three consequences worth stating clearly:

- The host is relieved of training, progression, payroll, continuity, and cyclical risk — which is the operational point that makes the Skills Centre attractive to small employers, councils, and community organisations that cannot carry that overhead. A village café booking a Trainee for a few hours a week does not need an HR function, an apprenticeship coordinator, or a contingency fund for cyclical downturns; the Centre carries all of those.
- The worker has continuity across multiple hosts within and across years. A Trainee in catering may be dispatched to a community kitchen one week, a village café the next, a school holiday programme the following month. This is what the multi-host experience of work looks like in practice — and it is the operational expression of the lifelong-attachment claim that distinguishes the Centre from a conventional apprenticeship arrangement.
- The £8/hr rate genuinely opens social-fabric activity that the cash-wage floor has been excluding. A council parks team, a community kitchen with paid cooks, a repair workshop with an apprentice helper, a care provider expanding entry-level provision: all become economic again at this rate.

Third, the Trainee progression pathway provides the worker with a clear route forward. A Trainee in social care who completes their training progresses to Apprentice (with corresponding pay uplift to 60% of sector starting salary, applied to availability hours — giving £15,300/yr at the Care reference). The Apprentice in turn either graduates to direct employment, or attaches to the Centre as a qualified worker via Part-Time Status (8 hours/week × 26 weeks at qualified rate, with 1 day/week Centre attendance) or Occasional Status (no base commitment; paid per dispatched hour at qualified rate; lifelong elective attachment). The pathway is not indefinite low-paid work; it is a route into the formal economy with defined progression to qualified rates and lifelong sectoral attachment options. This addresses the principal distributional concern that low-paid trainee work could become a permanent low-paid track, by building progression into the structure.

The combined effect is that early-phase social fabric work can begin from early in the programme, before broader Employment Freedom rollout reaches scale. A council that wants to put a parks-maintenance team in place can do so by booking Skills Centre Trainees at £8/hr. A community kitchen that wants paid cooks can book Trainees in catering. A repair workshop that wants to take on apprentices can book Trainees in repair trades. The work happens at sub-NLW formal rates because the workers are formally training, and the Centre is the employer of record carrying the full subsidised training burden; the workers receive structured progression toward qualified rates; the activity is sanctioned, monitored, and counted in the formal economy.

This integration of Skills Centres and Employment Freedom is, in operational terms, the heart of the early-phase reform. The broader Employment Freedom liberalisation, removing the floor for small employers and casual work generally, follows on a longer timetable contingent on US progression. The Trainee pathway delivers the same labour market opening for genuinely productive social fabric work in the meantime, with stronger institutional protections than the broader reform requires precisely because the reform is operating through a recognised training relationship within a publicly-accountable employer-of-record institution rather than through generalised contract liberalisation.

The Trainee pathway also addresses the jobs guarantee critique discussed in the next section. Where jobs guarantee proposals envisage the state as employer of last resort, the Skills Centre is the state as employer of structured progression — a different proposition. The Centre employs across four Statuses spanning the full arc of a working life, dispatches productive activity to hosts who pay charge-out rates, and provides counter-cyclical security through reserves. Hosts can be public (a council parks team), private (a repair workshop), or community (a kitchen or befriending service); the Centre's training quality and progression infrastructure is consistent across all of them. The triangle of Universal Services, Skills Centres, and Employment Freedom delivers a different solution to the same problem: not state employment of last resort, but trained, supported, progression-tracked employment in a sectoral institution that holds workers across hosts and across years.

Real wages and Universal Services as substitute

The fiscal architecture document records that P2030's Universal Services deliver gross household value of approximately £59 billion per year at steady state. The question is what fraction of a complete Universal Services package, defined as services covering all essential household needs such that earned income could be entirely discretionary, P2030 delivers. The answer depends on which inclusions are made. With housing in the denominator, where P2030 only partially intervenes through the social housing build programme and refurbishment, the figure is approximately 23 per cent. Considering only the service categories where P2030 is active (energy, water, food, transport, communications, care), the figure is closer to 35 to 38 per cent. A working figure of around a quarter holds up across both measures and is the appropriate conservative figure for setting Employment Freedom scope.

Translated into hourly equivalence at full-time work, a typical per-household replacement value of £2,500 to £3,500 corresponds to approximately £1.20 to £1.70 per hour. In annual income terms, the typical worker household has between £2,500 and £3,500 of new effective real income from US, a real-wage uplift of roughly 8 to 12 per cent on top of NMW annual full-time earnings.

The substantive consequence is that the same nominal wage delivers more real welfare under P2030 than under the current settlement. The nominal floor required to preserve baseline welfare is correspondingly lower, by an amount commensurate with the US replacement value. The wage floor and the services floor are partial substitutes, and P2030 substantially shifts work from one to the other.

This logic also underwrites the Trainee pay setting in Skills Centres. At 67% of Apprentice NMW (£6.27/hr availability rate in 2030 projection), Trainee nominal pay is below the current statutory floor — but with US value of £1.20–£1.70/hr added, the effective rate is approximately £7.50–£8.00/hr, which sits broadly at the level the statutory Apprentice NMW would deliver in real welfare terms. The Trainee pay setting is therefore defensible *because* US is in place: the nominal reduction is real but is matched by the real-welfare equivalent that US delivers outside the wage relationship. Without US, the same nominal Trainee setting would not be defensible. With US, it is.

Two implications follow.

First, the wage floor cannot be removed entirely. P2030 reaches around a quarter of a complete Universal Services package over the five-year programme; the remaining three-quarters (housing, childcare, comprehensive food, comprehensive transport) is decades of further work. The wage floor remains the second-best instrument that addresses the welfare gap that US has not yet filled. Removing the floor entirely would require US to reach close to full coverage.

Second, the wage floor can be reformed by approximately a quarter. The corresponding policy is reform that affects roughly a quarter of the employment relationships currently bound by the floor. The legislation already implies this through the small-employer-first phasing and the inclusion of casual and occasional work as a primary scope. A reasonable scope by Year 5: the floor is reformed for employers below approximately 50 staff (covering perhaps 20 to 25 per cent of current low-wage employment), with extension beyond that contingent on US progressing past its quarter-coverage baseline.

The proportions are imprecise. The data permits ranges, not single numbers. The principle is what matters: scope tied to US progress. As coverage broadens, so does liberalisation. As coverage stalls, so does liberalisation. The two sides of the settlement move together.

The reform in the current debate

Employment Freedom enters a labour market policy debate that has produced a substantial literature in the past decade. The relationship between Employment Freedom and that literature is best understood by considering each major contribution in turn.

The IFS Deaton Review. The IFS Deaton Review of Inequalities, chaired by Sir Angus Deaton with the final report published in 2026, is the most comprehensive recent UK assessment of inequality and the policy levers available to address it. On the question of low pay, the review's analytical conclusion is direct: minimum wages and in-work benefits help but do not tackle the root causes of low pay; the more effective interventions are training (especially sectoral training and training for mothers), education (especially in early years), and place-based policy that concentrates investment rather than spreading it thinly. The review does not endorse abolition of the wage floor, and Employment Freedom does not propose abolition. The review does endorse the analytical view that the floor is a clumsy second-best for the welfare problem it is being asked to solve, and that the more effective levers are training, education, and structural intervention. P2030's combination of Skills Centres (sectoral training), the broader US settlement (a more efficient income floor than in-work transfers), and Employment Freedom (releasing the floor's exclusionary pressure) sits broadly in the analytical direction the review recommends. The departure is in instruments rather than direction: P2030 substitutes US for in-work transfers; the review recommends in-work transfers continue.

Resolution Foundation. The Resolution Foundation's *Low Pay Britain* series and its 25-year retrospective on the National Minimum Wage represent the most thorough empirical defence of the UK wage-floor regime. The core finding, repeatedly tested and re-tested across the post-2016 period of substantial real-terms floor increase, is that the NMW and NLW have lifted earnings at the bottom of the distribution without producing measurable disemployment. Employment Freedom does not dispute this. The empirical consensus is robust; serious

economic critique of the wage floor as a job-destroyer has not survived contact with the data, and the convergence of Resolution Foundation, IFS, OECD, Bank of England, and Low Pay Commission analyses on this point is genuine. The argument from Employment Freedom is different. The Resolution Foundation evidence concerns the displacement of existing jobs. The NMW has not destroyed jobs that previously existed at lower wages because employers absorbed the cost increase through small reductions in margin, modest productivity gains, and price increases passed to consumers. The mechanism worked. What the displacement framework cannot measure is the non-creation of work that should exist but does not. The repair shop that does not open, the council parks team that is never hired, the cooperative bakery that cannot afford its third worker, the social care provider who declines to expand, the village café that operates with the proprietor working sixty-hour weeks rather than hiring a part-time helper. These are not jobs lost from the employment statistics; they are jobs never created and never lost. The Resolution Foundation methodology does not detect them and does not claim to. The work the floor excludes is therefore invisible to the empirical consensus on disemployment, but visible in the social fabric, in the state of the public realm, the contraction of social care, the disappearance of repair, the informalisation of casual work. This is also a forward-looking point. The floor is set to continue rising in real terms, and the consensus that current rates do not produce disemployment may not hold for higher rates. The Low Pay Commission's own modelling acknowledges this uncertainty. Employment Freedom offers an alternative path that does not depend on continued floor rises to address the welfare problem.

The jobs guarantee tradition and Universal Basic Jobs. The most prominent left-of-centre alternative to Employment Freedom is the jobs guarantee, in which the state assumes the role of employer of last resort. The proposal has a long intellectual history. Marie Jahoda's 1933 study of unemployment in the Austrian town of Marienthal documented the psychological and social damage of mass unemployment in detail, and became foundational to twentieth-century thinking about the social value of work. Hyman Minsky developed the formal economic case for an Employer of Last Resort programme through the 1960s and beyond. The Modern Monetary Theory school, principally through Pavlina Tcherneva, Randall Wray, William Mitchell, and Stephanie Kelton, has elaborated the macro-fiscal architecture for a contemporary jobs guarantee. United States proposals from Senators Sanders, Booker, and Gillibrand around 2018 represent the most recent high-profile political articulation in the US. The most prominent contemporary trial is the Marienthal Project (2020 to 2024) in Gramatneusiedl, Austria, which implemented a jobs guarantee in a single town under the academic supervision of Maximilian Kasy, Lukas Lehner, and colleagues, providing direct empirical evidence on programme effects. Jeevun Sandher's *Universal Basic Jobs (For The Young)* is the latest UK articulation, positioned around deindustrialised areas and youth unemployment specifically. The contrast with Employment Freedom is clean and useful. Jobs guarantee proposals keep the wage form dominant; the state takes over the employer role where the market has failed to provide it. Employment Freedom takes a different route: lower the cash floor that excludes activity from the existing economy, allow that economy to absorb more of the activity that needs doing, and preserve the diversity of forms (wage, self-employment, cooperation) that Unger's framework argues a healthy labour market requires. The jobs guarantee tradition has substantial strengths: targeting at deindustrialised geographies where the political case for direct intervention is

strongest, direct address of dignity through guaranteed work, and (in the MMT formulation) explicit fiscal and macroeconomic design. Its weaknesses are high fiscal cost, the risk of make-work, and dependence on government's ability to identify productive employment outside the existing economy. Employment Freedom's strengths are its lower fiscal cost (essentially zero, the policy is fiscally neutral), market-led identification of needed work, and preservation of non-wage forms. Its weaknesses are dependence on US being adequately in place, and risk of exploitation in workers without realistic exit options. The two are not mutually exclusive; targeted jobs guarantee programmes in specific deindustrialised areas during transition, alongside Employment Freedom and Skills Centres as the structural reforms, could be a coherent combined position. The Skills Centre's Trainee Status, with the Centre as employer-of-record dispatching to public, private, and community hosts, sits operationally between these positions: the Centre is a publicly-accountable employer (closer to the jobs-guarantee structure on this point) but its workers are dispatched to existing demand in the wider economy rather than employed on programme-defined activity (closer to Employment Freedom on this point).

NEET and the Resolution Foundation *Lost in Transition* report. The Resolution Foundation *Lost in Transition* report (April 2026) documents that the UK's NEET rate (those aged 18 to 24 not in education, employment, or training) has risen to 15 per cent, the third highest in Europe. The report identifies four drivers: ill health (particularly mental health), weak vocational education, hands-off benefits administration, and a weak labour market. Employment Freedom plus Skills Centres directly addresses two of the four drivers. Skills Centres provide the structured vocational route into work for young people who do not progress through the traditional university or apprenticeship channels. Employment Freedom widens the entry-level work available to young people without formal qualifications by liberating the kinds of work (repair, occasional, casual, micro-enterprise) that have historically been the entry routes into the formal economy and have been progressively excluded by the floor's rise. The other two drivers (ill health, benefits administration) are addressed elsewhere in the P2030 programme, particularly through Universal Care and the simplification of the benefits-and-tax interface under National Contributions.

The Employment Rights Act 2024 and the zero-hours debate. The Employment Rights Act 2024 represents the current government's response to the precarity end of the labour market: guaranteed hours after 12 weeks of established work patterns, restrictions on fire-and-rehire, expanded statutory sick pay, and day-one unfair dismissal protection. Industry response has been variable. The British Retail Consortium, UKHospitality, the Food and Drink Federation, and the Recruitment and Employment Confederation wrote jointly to the Business Secretary in 2025 warning that rigid application of the guaranteed-hours provision would push employers either to cut jobs or to shift to gig-economy structures, and proposed extending the qualifying period from 12 weeks to 6 months and limiting the right to those working 8 or fewer hours weekly. The TUC opposes any dilution. The dispute illustrates the structural difficulty of using contractual protections inside the wage relationship to address welfare concerns. The protections do real work for the workers they reach; they also create incentives for employers to restructure away from the relationships the protections cover. The result is a moving target: each round of protection prompts the next round of restructuring, and the protections rarely reach the workers most exposed to precarity, who are typically the workers in the relationships most easily restructured. Employment

Freedom takes a different approach. The welfare floor (US) does not depend on the contractual relationship. It applies to the worker regardless of their employer, contract type, or hours worked. The contractual protections that remain are about hours, safety, discrimination, and negotiated terms, not about the welfare floor. This avoids the moving-target dynamic. An employer cannot escape its workers' welfare entitlement by restructuring its contracts because the entitlement is not in the contract. Employment Freedom is best understood as the labour-market reform the ERA cannot deliver because the ERA's instrument (contractual protections) cannot reach what Employment Freedom's instrument (the universal welfare floor through US) can.

Danish flexicurity. The Danish flexicurity model rests on three pillars analysed in the work of Madsen (2002) and Wilthagen and Tros (2004): a flexible labour market with low contractual lock-in (employers can hire and dismiss with limited statutory friction), generous unemployment insurance with high replacement rates over the first two years of unemployment, and active labour market policy through extensive training, retraining, and employment matching. The architectural correspondence with the P2030 triangle is direct. Flexible labour market corresponds to Employment Freedom. Generous unemployment insurance corresponds to Universal Services as the welfare floor. Active labour market policy corresponds to Skills Centres. Two structural differences matter. First, Denmark uses cash benefits where P2030 uses services; the welfare effect is similar but the fiscal mechanics differ. Second, Danish flexicurity sits on a foundation of high union density (around 67 per cent) and sectoral collective bargaining, which the UK does not have. The social partners in Denmark negotiate the framework within which flexible employment operates, providing a check on employer behaviour that statutory rules do not need to provide. P2030 substitutes monitoring through union and sectoral channels for this institutional layer; this is a thinner instrument and the consequence is that the UK reform requires more deliberate attention to the protective layer than Denmark requires. The Skills Centre's tripartite governance (local business, local government, registered workers across all four Statuses) provides one element of this protective layer at the institutional level — workers retain genuine institutional voice through their attachment to the Centre, not just through statutory rights inside individual contracts. The Danish comparator does not transfer directly; the structural difference matters. But the architecture of flexicurity is the closest international demonstration that the triangle works, and it provides the empirical foundation for the proposition that flexible labour markets can be combined with strong welfare floors and active training policy to produce both employment and security at scale.

Distributional honesty and comparator outlines

The distributional risk of Employment Freedom is concentrated in workers who lack realistic exit options. Where a worker has caring responsibilities, location constraints, language constraints, disability, or other factors that limit their ability to leave a particular employer, the wage floor's removal exposes them to potentially exploitative terms. The risk is real, and the appendix does not minimise it. Several mitigations operate together.

Hours protections remain universally, and even strengthened in terms of reducing the carve-outs in current practice. The 40-hour week with overtime premia applies regardless of wage level; a worker can be paid below NMW but cannot be

required to work indefinite hours at any wage. Hours protections address the most acute form of physical exploitation independently of the wage floor.

Anti-discrimination law, health and safety regulation, and dismissal-where-contracted protections remain in full. These apply regardless of pay level and address the major non-wage forms of mistreatment.

Monitoring through union and sectoral channels provides ongoing surveillance of conditions in liberalised sectors, with explicit reintroduction triggers if specific abuse patterns emerge. The trigger mechanism is sectoral and geographic (the floor can be reapplied to a sector or region without unwinding the broader reform) and operates through evidentiary thresholds rather than political discretion.

The phasing limits the population at risk during the transition. Smallest employers and casual or occasional work first, because consequences of any errors are most contained there. Larger-employer reform is contingent on US progress; if US stalls, large-employer liberalisation does not proceed.

Universal Services itself is the fundamental mitigation. A worker in a formally liberalised employment relationship retains free buses, free standing charges, school meals, community food access, the digital floor, and universal care. These do not depend on the employer. The HH Data Table figures show net household welfare gain of approximately £2,500 to £4,000 per year for the lowest income quintile from US, before any earned income consideration. This raises the floor that any liberalised wage employment must beat if it is to be acceptable to the worker. The substitution principle applies to the worker's own calculation as much as to the policy designer's.

The Skills Centres' employer-of-record model adds a further layer of mitigation specifically for Trainees and Apprentices. Because the Centre is the employer rather than the host, a worker who experiences exploitative behaviour at one host can be moved to another by the Centre without losing employment, training, pay continuity, or progression credit. Hosts who behave badly lose access to dispatched labour. This is a stronger protection for the workers most exposed to host-level exploitation than statutory rights inside individual contracts would provide.

Brief comparator outlines, for context. **Sweden** combines no statutory minimum wage with strong sectoral collective bargaining, achieving low-end wage compression through institutional rather than statutory means, with outcomes comparable to the UK NLW. **Germany** introduced a statutory minimum wage in 2015 and sets it through a social-partners commission (Mindestlohnkommission) with substantial empirical input; the floor is set politically and analytically rather than mechanically, alongside strong sectoral collective bargaining. **Australia** operates a modern award system with sectoral minimums set by the Fair Work Commission, demonstrating that sectoral rather than national floors can replace a single universal floor where institutional capacity exists. The comparators are illustrative rather than directly transferable. Each combines its labour market policy with structural features (collective bargaining strength, sectoral institutions, welfare system architecture) that the UK does not share. The lesson for Employment Freedom is that flexibility plus security is achievable through multiple structures, not that any one foreign structure transfers directly to the UK.

Implementation and reversibility

Phasing follows the reasonable-and-practical principle. The starting point is the smallest employers and casual or occasional work, with extension to larger employers in step with US coverage progression. Calendar dates are not specified; progression is assessed annually against US coverage milestones and labour market monitoring data. Year 1 social fabric work proceeds substantially through the Skills Centre Trainee pathway as set out earlier in this appendix, providing immediate scope for council, repair, care, and community work without depending on the broader Employment Freedom rollout reaching scale.

Monitoring runs through three channels. Sectoral data (earnings, hours, contract type, vacancy rates, turnover) is collected by HMRC, ONS, and DWP, with sectoral and geographic decomposition. Union channels provide formal consultation with TUC and major sectoral unions on observed conditions in liberalised sectors. Employer and small-business channels provide equivalent consultation through FSB, BCC, and sectoral bodies. Annual review draws on all three sets of input.

Reintroduction triggers are sectoral and geographic. If exploitation patterns emerge in a specific sector or geography, the wage floor can be reintroduced for that sector or geography without unwinding the broader reform. The reintroduction is a regulatory instrument operating against an evidentiary threshold, not a fresh primary legislative process.

Larger-employer reform is contingent on US coverage milestones. The policy does not commit to extension beyond approximately 50 employees within the five-year programme; extension beyond that is reviewed in light of US progress. If US stalls, for instance if subsequent governments roll back coverage, large-employer liberalisation does not proceed. The two sides of the settlement move together by design.

The reform can be designed to be reversible. The wage floor can be raised, lowered, narrowed, broadened, or reapplied without structural change to the labour market institutions around it. This is a deliberate design choice. The instrument should be tunable to the welfare problem; the welfare problem is being addressed primarily through Universal Services, with the wage floor as the secondary instrument that adapts to US progression. Employment Freedom is the labour-market policy that lets that adaptation happen.

References

Beveridge, William. *Social Insurance and Allied Services*. Cmd 6404. London: HMSO, 1942.

British Retail Consortium, UKHospitality, Food and Drink Federation, and Recruitment and Employment Confederation. Joint letter to the Secretary of State for Business and Trade on the Employment Rights Bill, 2025.

Hirschman, Albert O. *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. Cambridge MA: Harvard University Press, 1970.

Institute for Fiscal Studies. *The IFS Deaton Review of Inequalities*, lead report. London: IFS, 2024.

Jahoda, Marie, Paul F. Lazarsfeld, and Hans Zeisel. *Marienthal: The Sociography of an Unemployed Community*. English edition, Chicago: Aldine, 1971. Originally published in German as *Die Arbeitslosen von Marienthal*, 1933.

Judge, Lindsay, Alex Clegg, Julia Diniz, Nye Cominetti, and Imogen Stone. *Lost in Transition: An examination of why the UK NEET rate is high and rising*. London: Resolution Foundation, 2026.

Kasy, Maximilian, and Lukas Lehner. The Marienthal Project (Gramatneusiedl, Austria) working papers and policy briefs, 2020 to 2024.

Lincoln, Abraham. Address before the Wisconsin State Agricultural Society. Milwaukee, Wisconsin, 30 September 1859.

Local Government Association. *The local government workforce: data and trends*. Various reports, 2010 to 2024.

Low Pay Commission. *National Minimum Wage and National Living Wage: annual reports*. London: LPC, 2016 to 2024.

Madsen, Per Kongshøj. *The Danish Model of Flexicurity: A Paradise with Some Snakes*. Dublin: European Foundation for the Improvement of Living and Working Conditions, 2002.

Minsky, Hyman P. "The Role of Employment Policy." In *Poverty in America: Proceedings of a National Conference Held at the University of California, Berkeley, February 26-28, 1965*, edited by Margaret S. Gordon. San Francisco: Chandler, 1965.

Mitchell, William, and Joan Muysken. *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgar, 2008.

OECD. *Employment Outlook 2024*. Paris: OECD Publishing, 2024.

Office for National Statistics. Statistical bulletins on employment, earnings, small business population, and the informal economy. Various years.

Resolution Foundation. *Low Pay Britain* series. Annual reports, 2013 to 2024.

Resolution Foundation. *25 Years of the National Minimum Wage: A Retrospective*. London: Resolution Foundation, 2024.

Sandher, Jeevun. *Universal Basic Jobs (For The Young)*. Policy paper, 2024.

Skills for Care. *The state of the adult social care sector and workforce in England*. Annual reports, 2020 to 2024.

Tcherneva, Pavlina R. *The Case for a Job Guarantee*. Cambridge: Polity, 2020.

Trades Union Congress. Submissions and analysis on the Employment Rights Bill 2024 to 2025.

Unger, Roberto Mangabeira. *Democracy Realized: The Progressive Alternative*. London: Verso, 1998.

Unger, Roberto Mangabeira. *What Should the Left Propose?* London: Verso, 2005.

Unger, Roberto Mangabeira. *The Knowledge Economy*. London: Verso, 2019.

WEEE Producer Compliance Schemes. UK waste electrical and electronic equipment data, various years.

Wilthagen, Ton, and Frank Tros. "The Concept of Flexicurity: A New Approach to Regulating Employment and Labour Markets." *Transfer: European Review of Labour and Research* 10, no. 2 (2004): 166 to 186.

Wray, L. Randall. *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*. Basingstoke: Palgrave Macmillan, 2012.

RELATED

Complements: [Skills Centres](#) (Structural Measure)

Referenced by: [Employment Freedom](#) (Structural Measure)

Operationalisation of Employment Freedom

APPENDIX · business, economics

This appendix sets out how the Employment Freedom policy operates in practice through Skills Centres as the single institutional gateway. The Employment Freedom Reasoning appendix develops the case for the policy and situates it in the wider labour-market triangle; the Skills Centres appendices develop the institutional design of Skills Centres themselves. This appendix bridges the two: it specifies the registration, vetting, and enforcement architecture through which sub-NLW employment is operationalised within the formal economy, and the worker-protection infrastructure that makes the policy defensible.

The proposition is that all sub-NLW employment under the Employment Freedom Act flows through a single institutional gateway: the Skills Centre. Three routes are available — Skills Centre Trainee dispatch, Skills Centre-registered commercial firm direct hire, and Skills Centre-registered community-benefit organisation direct hire. The Skills Centre's existing registration, vetting, rating, complaint, and governance infrastructure carries the institutional protection function across all three. No parallel registration track exists; no sectoral or geographic carve-outs apply outside the Skills Centre framework.

The three routes

The Skills Centre Trainee dispatch route operates as described in the Skills Centres appendices. The Centre is the employer of record; the worker is a Trainee under formal training relationship; the host is a customer paying a fully-inclusive charge-out rate of £8/hr. The host carries no employment overhead, no training burden, no progression management, and no cyclical risk. This route commences with each Skills Centre's operational status, expected from mid-Year 2 onward, as the first conversions complete.

The Skills Centre-registered commercial firm direct hire route is new and operates as follows. A commercial micro-enterprise (up to 10 staff, defined below) registers with its local Skills Centre. The firm employs workers directly on its own books, paying them at or above 67% of the statutory Apprentice National Minimum Wage applied to full availability hours — at projected 2030 Apprentice NMW of £9.36/hr, this gives a sub-NLW floor of £6.27/hr. The firm carries the full employer overhead — National Insurance, pension auto-enrolment, holiday pay, statutory sick pay — on top of the base wage. Sub-NLW employment under this route is contingent on Skills Centre registration; a firm that loses or surrenders its registration reverts to standard National Minimum Wage law immediately.

The Skills Centre-registered community-benefit organisation direct hire route is identical in structure to the commercial route, with three modifications: the organisation must hold national community-benefit status (registered charity, Community Interest Company, cooperative society, parish council, friendly society, or similar regulated form, verifiable through Charity Commission, Companies House, or the relevant national regulator); the staff cap is raised to 20; the annual Centre registration fee is reduced or waived, reflecting that the national community-benefit regulator already carries the heavy-lifting of organisational vetting.

All three routes share the same statutory pay floor (67% of Apprentice NMW), the same hours protections (40-hour week with overtime premia above 40 hours; no requirement above 30 hours without specifying contract), the same anti-discrimination and health-and-safety frameworks, and the same Skills Centre-mediated worker-protection infrastructure. The differences between routes are operational — who is the employer, who carries overhead, what the worker's relationship to the Centre looks like — not protective.

Registration architecture

A firm or community-benefit organisation seeking access to sub-NLW employment registers with a single Skills Centre. The firm must have its principal place of operation within the Centre's catchment. The firm cannot register with multiple Centres; the firm cannot share common ownership with any other registered firm (verified through Companies House Persons of Significant Control data, HMRC PAYE records, and beneficial ownership filings); the firm's registration applies only to work performed within the registering Centre's catchment.

Registration is processed by the Centre's existing employer-engagement function, which already vets host firms for Skills Centre Trainee, Apprentice, Part-Time, and Occasional dispatch. The vetting covers health and safety compliance, employment law compliance, premises checks, and rating history. The marginal administrative load of registering EF firms in addition to dispatch hosts is small, and falls within the Centre's existing fixed-cost allocation set out in the Skills Centres unit-economics sub-appendix.

The annual registration fee is approximately £50 per firm for commercial micro-enterprises, waived for community-benefit organisations. The fee revenue offsets the marginal administrative cost of running the registration regime. Renewal is annual and conditional on continued eligibility — staff count within cap, turnover within any specified threshold, no unresolved complaint patterns, no detected common ownership, no breach of catchment-only condition.

Every registered firm appears on a public register held by the Centre and aggregated nationally by Skills England. The register includes the firm's trading name, proprietor name, registered address, sector, staff count, registration and renewal dates, and rating history. The register is searchable by workers, journalists, unions, local authorities, and the wider public. This public visibility is a substantive part of the institutional protection — a firm operating under sub-NLW terms is publicly named with a real proprietor attached, which is the principal structural defence against gangmaster operations attempting to use the route.

A sole proprietor with no employees may register as both a firm (in respect of any employees they later take on) and as a worker (in respect of their own labour). This is the entry point for someone starting a micro-business under the EF framework. Self-employment as such is unaffected — the Employment Freedom Act does not change the position of sole proprietors operating without employees — but registration is available where the proprietor expects to hire and wants the EF route in place from the outset.

Coverage and the staff cap

The 10-staff cap for commercial firms (20 for community-benefit organisations) operates as a cap on workers eligible for sub-NLW direct hire under the EF Act. The cap covers the firm's first ten or twenty workers, with replacement of individuals within the cap permitted to handle ordinary turnover. A firm that has employed ten workers under EF terms and loses one to another job can hire a replacement under EF terms. A firm at the cap that hires an eleventh worker pays that worker at full NLW or above; the cap does not extend.

All workers covered by the EF route — under either dispatch or direct hire — must be registered with the Skills Centre. Worker registration captures the worker's identity, sector, qualification status, employment history, and rating record, and provides them with Wallet credentials that are portable across firms, sectors, and Centres. A worker who moves from direct hire at one registered firm to direct hire at another, or from direct hire to Trainee dispatch, or from Trainee dispatch to Apprentice status, retains their full record. The Centre is the worker's institutional anchor; the firm is one of potentially many places where the worker has worked over a career.

Workers are free to move between routes as their circumstances and preferences change. A worker who begins as a directly-hired employee at a registered village café may choose to become a Skills Centre Trainee, taking the Centre as their employer and being dispatched on a multi-host pattern; the firm loses that worker (it has lost an employee, not a Trainee) but is free to register a replacement under direct hire. A worker who begins as a Trainee dispatched to multiple hosts may choose to take a direct-hire offer from one of them, where the host wants continuity and the worker wants attachment to a single workplace. Movement in both directions is free, and the Skills Centre carries the worker's record across the moves.

The two routes — direct hire and Trainee dispatch — offer firms a real choice. Trainee dispatch is administratively cheaper for the firm: the Centre carries all employment overhead, training commissioning, payroll, and cyclical risk. Direct hire is administratively heavier for the firm but produces stronger worker-firm attachment, which many micro-enterprises will value — a village café with a regular helper who knows the regulars and the routines is worth more to the café than a series of dispatched Trainees, even at similar fully-loaded cost. The Centre is indifferent between the routes; both flow workers through its registration and protection infrastructure.

Geographic anchoring

The catchment-only condition is strict. Work performed under sub-NLW terms must be carried out within the registering Centre's catchment area, regardless of which route is used. A village café registered with Centre X cannot send workers under sub-NLW terms to do work in Centre Y's catchment. A firm that operates across multiple catchments hires its workers in each catchment under that Centre's terms, registering separately if it wants sub-NLW employment in each.

This is deliberately strict. Any geographic tolerance creates a gaming surface: a firm could register in the catchment with the most lenient Centre Board and then operate predominantly elsewhere. The strict reading prevents this. A firm with operational geography that does not match a single Centre catchment can either operate under standard NLW law across its geography, or accept the administrative overhead of registering separately in each catchment. Most micro-

enterprises operate within a single catchment naturally; the strict condition affects only the small minority that does not.

The strict condition also reinforces the local-economy-diversification effect of the policy. The EF carve-out exists to enable local-economy activity that the wage floor has excluded: the village café, the repair workshop, the small bakery, the family workshop. These businesses are inherently local — their customers are local, their employees are local, their economic effect is local. Anchoring the policy geographically reinforces the local character of the activity the policy is designed to support.

Worker protections

The institutional protections operate at multiple levels and are deliberately stronger than the residual statutory protection inside an individual sub-NLW employment contract.

Hours protections are universal and unchanged: the 40-hour working week, with overtime premia of 1.5 times standard for hours between 40 and 60 and 2 times standard for hours between 60 and 80, applies to all sub-NLW employment regardless of route. A worker can be paid below NLW under the EF Act but cannot be required to work beyond contractual hours at any pay level.

Anti-discrimination law, health and safety regulation, dismissal-where-contracted protections, and union recognition rights remain in full. The wage-floor relaxation does not touch any of these.

Workers are free to join unions and to organise. Workers attached to a Skills Centre — under any Status, including direct hire at a registered firm — can stand for election to the Centre Board. The Board's worker constituency includes the workforce of registered firms alongside the Centre's own Apprentices, Trainees, Part-Time, and Occasional workers. The Centre Board is a tripartite governance body (local business representatives, local government representatives, registered workers) that adjudicates complaints, approves and revokes firm registrations, and oversees the rating system. Workers' route to organised representation runs through union membership and through Board election; both routes are open.

The Centre Board complaint adjudication process applies to workers at registered firms on the same basis as to Centre-dispatched workers. A directly-hired worker at a registered village café who experiences an issue at work — unpaid wages, unsafe conditions, harassment, breach of the agreed terms of employment — can refer to the Centre Board. The Board reviews the complaint, hears from both sides, and can issue findings, recommend remedies, and where the firm is found to have breached its registration conditions, revoke the registration. Workers are protected from retaliation by the same employment-law protections that apply to standard NLW workers raising complaints to ACAS or an employment tribunal.

The rating system is two-way and public. Workers rate firms on conditions, treatment, payment reliability, training quality, and other factors. Firms rate workers on attendance, work quality, and other factors. Patterns of low ratings on either side trigger Board review. Public visibility of firm ratings is a substantive worker protection — a firm that treats workers badly carries that into the public record, and other workers can see it before accepting employment.

The single most important worker protection is that the Skills Centre carries the worker's institutional attachment, not the firm. A worker who falls out with a

registered firm — or whose firm loses its registration through breach — retains their Skills Centre Wallet credentials, their training history, their rating record, and their access to dispatched work at other hosts. The worker's stability does not depend on any particular firm. This is the structural rebalancing of worker power that the labour-market triangle is designed to deliver: the worker's institutional footing in the labour market is publicly held, portable, and independent of any individual employer.

Revocation and enforcement

The Centre Board can revoke a firm's registration. Revocation triggers include pattern of unresolved worker complaints; breach of registration conditions (staff count above cap, common ownership detected, work outside catchment); payroll non-compliance detected through HMRC PAYE records; failure to renew; failure to engage with Board adjudication; serious one-off breach of employment law detected on Board investigation.

Revocation has substantive consequences. The firm immediately loses access to sub-NLW employment; all workers employed under the EF route revert to NLW from the date of revocation. For the breach period — the period during which the Board finds the firm operated in breach of its registration conditions — the firm is liable to its workers for the difference between sub-NLW pay actually paid and the NLW that should have applied, with the Centre enforcing through the same channels HMRC uses for standard NLW underpayment cases. The proprietor of a firm whose registration has been revoked is barred from holding another registration for a defined period — at least three years for ordinary breaches, longer for serious or repeated misconduct, with the bar applying nationally rather than only at the originating Centre.

The bar against re-registration is the principal structural defence against repeat offenders. A proprietor barred from registration at any Centre cannot move to a different geography and re-register under a new name; the Companies House and HMRC cross-checks the Centre uses for common-ownership detection identify the same proprietor under any new vehicle. The bar is enforceable as long as the cross-checks are reliable — which they are for any proprietor operating under their own identity, and for whom evading the bar would require committing identity fraud, which is independently illegal.

The combined effect of public registration, two-way rating, Board complaint adjudication, payroll cross-check, and revocation-with-bar is that the EF route is institutionally robust against the gangmaster and small-employer gaming risks that would otherwise attach to any general wage-floor relaxation. The protections are not perfect — determined bad actors will always find ways to game any system — but they are substantially stronger than the protections that attach to current statutory minimum-wage employment for vulnerable workers in informal or precarious work, where the gangmaster problem already exists and where the formal economy cannot reach.

Commencement and progression

The Skills Centre Trainee dispatch route commences with each Centre's operational status. The first conversions complete in late Year 2; the first Trainee dispatches begin in the same window. By Year 5 the route is operational across the full 500–700 Centre network.

The Skills Centre-registered firm and community-benefit organisation direct hire routes do not commence with Centre operational status. They commence on direction from the Secretary of State, who exercises that direction in light of Universal Services progression. The earliest realistic commencement is Year 3, by which point the first Universal Services obligations have been operational for two years and their household-level value is becoming visible. The Secretary of State's discretion is unfettered in primary legislation — there is no quantitative trigger, no mechanical formula — but the policy expectation is that commencement waits until Universal Services delivery is sufficient to underwrite the welfare-floor substitution that the EF Act assumes.

A future government that judged Universal Services delivery to be stalling or reversing would not need to repeal the EF Act to prevent commencement; they would simply not direct commencement. The Act establishes the framework; commencement activates it. This is consistent with the broader principle that Employment Freedom is the labour-market policy that lets Universal Services progression rebalance the welfare floor between services and wages, and that the two sides of the settlement move together by design.

Within the EF route, the staff cap is the principal lever for progressive extension across parliaments. The first parliament establishes the route at 10 (commercial) and 20 (community-benefit). Subsequent parliaments may extend the cap as Universal Services deepens and broadens — a second-parliament extension to 15 and 30 respectively, a third-parliament extension to 25 and 50, and so on, in step with continued US progression. The policy direction is progressive expansion of the institutionally-anchored sub-NLW route; the speed of expansion is governed by US delivery.

The architecture deliberately does not signal sectoral carve-outs, casual-work carve-outs, or relaxation of the catchment-only condition as future policy directions. These would be routes to gaming the system, and the architectural integrity of the EF policy depends on the single institutional gateway holding. Casual and occasional work that needs to happen in the formal economy is available through the Skills Centre Trainee dispatch route, which was designed precisely for activity of this kind. Firms wanting to hire directly do so through the registration route within the catchment. The single gateway is the policy.

The local-economy effect

The EF route, operated through the Skills Centre gateway, opens specific categories of employment that the cash-wage floor has progressively excluded from the formal economy. The Employment Freedom appendix sets out the six clusters of activity affected: public realm and council work, social care, the repair economy, occasional and casual work, civic and community contribution, and micro-enterprise margins. The EF route makes formal-economy employment in these clusters viable for the first time in a generation.

The scale of the activity opened depends on take-up, which depends in turn on the perceived attractiveness of the route to both firms and workers. A reasonable working assumption: of the roughly 4.1 million UK businesses with fewer than 10 employees, perhaps 5 to 10 per cent — 200,000 to 400,000 firms — register under the EF route within five years of full commencement. At an average of 0.5 to 1.5 additional jobs per registered firm that would not otherwise exist in the formal economy, the marginal employment created is in the range of 100,000 to 600,000

jobs. The wide range reflects genuine uncertainty about behavioural response, not analytical imprecision; the point is that the policy operates at material scale even on conservative assumptions.

These are not jobs displaced from elsewhere. They are jobs that currently do not exist, or that exist in the informal economy, or that exist only as 60-hour weeks for proprietors who cannot afford to hire help. The EF route brings activity into the formal economy that the wage-floor regime has excluded, with full worker protections, public visibility, and institutional accountability — at rates below NLW because Universal Services has substituted for the welfare function the wage floor was carrying.

The wider effect on local economies is structural. The dominant trends in UK local economies over the past two decades have been towards consolidation: independent businesses giving way to chains, repair giving way to replacement, occasional employment giving way to gig-economy platforms, civic activity giving way to volunteer scarcity. The EF route, operated through the Skills Centre institutional anchor, runs counter to all of these. It makes the independent business viable, the repair shop viable, the occasional employment formal, and the civic activity paid. Whether the policy delivers a substantial reversal of the consolidation trend depends on take-up and on the wider economic conditions of the 2030s; whether it removes a structural constraint that has been suppressing local-economy diversity for a generation is settled by the policy design itself.

What this appendix is not

This appendix is not a draft of the Employment Freedom Bill. It is an outline of how the EF policy operates in practice, sufficient to demonstrate that the policy is institutionally and operationally coherent and to inform consultation with unions, employer bodies, sectoral organisations, and local government on detailed implementation.

The actual legislative drafting would settle further detail: precise definitions of "principal place of operation," "common ownership," "community-benefit organisation," and "registration breach"; the procedural mechanics of Board adjudication and revocation; the relationship with HMRC enforcement; the data-protection framework for the public register; the dispute-resolution route between firms and Centres; the appeal route from Board decisions to a national body or to the courts. These are matters for parliamentary drafting and stakeholder consultation, not for this report.

The architecture presented here is firm. The single institutional gateway, the three routes, the catchment-only condition, the staff cap, the public register, the Centre Board protection infrastructure, the commencement contingent on Universal Services progression, the progressive expansion through staff cap increases — these are the structural choices the EF policy is making. The detail follows.

RELATED

Appendices: [Skills Centres Appendix \(Appendix\)](#)

Referenced by: [Employment Freedom \(Structural Measure\)](#)

Environmental Border Pricing

APPENDIX · economics, business

Moving to an Environmental Border Adjustment Mechanism (EBAM).

Rationale

Market prices for traded goods systematically understate their true cost of production. When a tonne of steel is manufactured in a jurisdiction with no carbon price, no pollution controls, and no environmental permitting requirements, it arrives at the UK border carrying an implicit subsidy — the unpaid cost of the environmental damage caused by its production. The domestic producer who pays the UK Emissions Trading Scheme price (~£50/tCO₂e in 2025), the Climate Change Levy, landfill taxes, and regulatory compliance costs is competing against an import whose price reflects none of these.

This is not a market functioning correctly. It is a market systematically mispricing a class of inputs — environmental costs — and in doing so generating three harmful outcomes. First, it penalises domestic producers who bear environmental costs, creating an incentive to offshore production to jurisdictions with weaker standards. Second, it rewards pollution: the cheapest goods on global markets are often the dirtiest, because their prices exclude the damage they cause. Third, it undermines climate policy: the UK's territorial emissions have fallen 54% since 1990, but consumption-based emissions (including imports) have fallen only 24%, because much of the reduction reflects relocation of dirty production rather than genuine abatement. The UK now imports roughly as much embedded carbon as it produces domestically — approximately 404 MtCO₂e in import-embedded emissions against 371 MtCO₂e in territorial emissions (DEFRA, 2022; DESNZ, 2024).

The principle of environmental border pricing is straightforward: goods entering the UK should carry a price that reflects the environmental costs their production imposed, equivalent to the costs borne by domestic producers for equivalent goods. This is not protectionism — it is the removal of a pollution subsidy. It corrects a market failure rather than creating a distortion, and it applies equally to all imports regardless of origin. Importers who can demonstrate that equivalent carbon or environmental costs were paid in the country of production receive full credit, ensuring the mechanism rewards clean production wherever it occurs.

The UK government's own policy appraisal framework implicitly endorses this logic. DESNZ carbon values used for Green Book appraisal set the 2025 non-traded carbon value at £273/tCO₂e (2022 prices), rising to approximately £294/tCO₂e by 2030 and £317/tCO₂e by 2035. These represent the marginal abatement cost required to achieve net zero by 2050. The current UK ETS price of ~£50/tCO₂e — and the zero price on most imports — sits at roughly one-fifth of this value, implying that four-fifths of the true environmental cost remains unpriced in both domestic and international markets.

Current UK Environmental Cost Architecture

UK domestic producers face environmental costs through multiple overlapping instruments, none of which apply to imports:

The **UK Emissions Trading Scheme** covers approximately 1,000 stationary installations (power generation, energy-intensive industry, aviation), roughly 25% of UK territorial emissions. Allowance prices traded at £30–60/tCO₂ through 2023–2025, with auction revenue of £2.6 billion in 2024. Free allocation — currently around 40 million allowances annually — shields energy-intensive sectors from the full cost, though phase-out in CBAM-covered sectors begins in 2027.

The **Carbon Price Support** adds £18/tCO₂ on fossil fuels used in electricity generation, frozen at this rate since 2016. Combined with the UK ETS, this creates an effective carbon price floor for the power sector of approximately £68–73/tCO₂.

The **Climate Change Levy** taxes non-domestic energy consumption at £0.00775/kWh (equalised across electricity and gas from April 2024), generating approximately £1.2 billion annually. Energy-intensive industries holding Climate Change Agreements receive 89–92% discounts.

Additional instruments include Landfill Tax (£126.15/tonne standard rate, £486 million revenue), Plastic Packaging Tax (£223.69/tonne, £259 million), Aggregates Levy (£359 million), water abstraction charges, environmental permitting fees, and compliance costs for Industrial Emissions Directive standards.

Total UK environmental tax revenue in 2024 was £54.3 billion (1.9% of GDP), though this includes fuel duty and vehicle excise duty which are partly fiscal rather than purely environmental instruments. The narrower set of industry-facing environmental levies (ETS auctions, CCL, CPS, landfill tax, aggregates levy, plastic packaging tax) totals approximately £5.5 billion, yielding an effective rate of roughly £55/tCO_{2e} across covered emissions.

The UK Carbon Border Adjustment Mechanism

The UK Government confirmed in the Autumn Budget 2024 that a Carbon Border Adjustment Mechanism will take effect from 1 January 2027, covering aluminium, cement, fertiliser, hydrogen, and iron and steel. The mechanism is administered by HMRC as a tax rather than a certificate-based system, with a £50,000 annual import threshold and a choice between verified actual emissions data and government-published default values.

The OBR-certified revenue projection is modest: approximately £30 million in 2026–27, rising to £140–180 million by 2028–29, reflecting three design features that constrain early revenue. First, the CBAM rate is set at the UK ETS quarterly auction price minus a free allocation adjustment, and the 9-year phase-out (2027–2035) removes only approximately 2.5–10% of free allowances in the early years. Second, importers receive carbon price relief for equivalent charges paid abroad — and a substantial share of CBAM goods enter from the EU, where producers already pay the EU ETS price (typically higher than the UK ETS). Third, the May 2025 UK-EU Summit committed both parties to linking their emissions trading systems, which would ultimately exempt EU-origin goods from UK CBAM charges.

Glass and ceramics were dropped from the 2027 launch scope following consultation. Indirect emissions (Scope 2) are deferred until at least 2029. The government committed to keeping sectoral scope under review.

The EU CBAM and International Context

The EU CBAM entered its definitive financial phase on 1 January 2026, covering cement, iron and steel, aluminium, fertilisers, hydrogen, and electricity. It

represents the world's first operational carbon border adjustment, with over 4,100 authorised declarants in the first week. The EU's free allocation phase-out runs from 2.5% (2026) to 100% (2034), with the steepest acceleration occurring between 2029 (22.5%) and 2034.

In December 2025, the European Commission proposed extending CBAM to approximately 180 downstream steel and aluminium products from 2028, and laid out a roadmap for further extension to chemicals and refined petroleum. The Commission's review report envisages coverage of substantially all ETS sectors by the early 2030s.

Several other jurisdictions are at various stages of CBAM consideration. Australia's Carbon Leakage Review (February 2026) recommended a CBAM-style scheme for cement. Japan is expanding domestic carbon pricing through the GX-ETS (mandatory from FY2026) and a planned upstream carbon levy from FY2028, though without a border adjustment component. The G7 Climate Club, now with 46 member states, provides a cooperation framework but without binding carbon price floors.

Russia filed the first formal WTO dispute against the EU CBAM in May 2025. No ruling is expected for several years given the inoperative WTO Appellate Body. The prevailing legal consensus is that well-designed CBAMs — set at domestic carbon cost equivalence, with credit for foreign carbon prices, and using product-level rather than country-level rates — satisfy GATT Article XX environmental exceptions, though this has not been tested in dispute resolution.

Revenue Potential Under Different Approaches

We examined three broad approaches to environmental border pricing, each yielding substantially different revenue profiles.

Approach 1: The confirmed narrow CBAM. Covering five sectors with a 9-year free allocation phase-out and UK ETS-based pricing, this generates approximately £0.2–1.5 billion per year at maturity (2033–2035), depending on carbon price levels and whether UK-EU ETS linking exempts EU imports. This is a carbon leakage prevention tool rather than a significant revenue instrument.

Approach 2: Expanded sectoral CBAM. Adding chemicals, glass, ceramics, downstream metals, refined petroleum, and plastics roughly triples the chargeable emissions base from ~10 MtCO₂ (non-EU) to ~20–25 MtCO₂. At projected 2035 carbon prices of £120–150/tCO₂ with fully phased-out free allocations, annual revenue reaches approximately £2.5–3.5 billion. If UK-EU ETS linking is not completed and EU imports remain chargeable, this rises toward £4–5 billion, though this scenario is increasingly unlikely given the formal linking negotiations underway.

Approach 3: Comprehensive environmental cost equivalence.

Introducing an Environmental Border Adjustment Mechanism (EBAM). Applying the UK's aggregate effective environmental tax rate (~£55/tCO₂e from industry-facing levies, or ~£146/tCO₂e including all environmental taxes) across all 404 MtCO₂e of import-embedded emissions would yield £20–59 billion annually. However, this is illustrative rather than implementable: embedded emissions in complex manufactured goods, electronics, textiles, and services cannot be measured with sufficient precision to serve as a tax base, and the WTO defensibility of such a broad mechanism is untested. The UK government's own

CBAM consultation excluded certain sectors specifically because of the difficulty of ascertaining embodied emissions at product level.

For fiscal planning purposes, a realistic steady-state estimate for an expanded UK CBAM by 2035 sits at **£3–4 billion per year** under central assumptions (linked ETS, expanded scope, carbon prices of €126–150/tCO₂). This could reach £5 billion under optimistic conditions (broader scope, higher carbon prices, slower linking) or fall to £1–2 billion under conservative conditions (narrow scope, linked ETS with EU exemptions reducing the chargeable base). These estimates are subject to significant uncertainty from carbon price volatility, trade pattern shifts, behavioural responses reducing import volumes, and the pace of carbon pricing adoption by UK trading partners (which generates credits reducing CBAM liability).

Structural Reform Implications

Environmental border pricing does not need to be justified by revenue generation. Its primary function is to correct a market failure: the systematic underpricing of environmental damage in internationally traded goods. Three structural benefits flow from this correction independent of fiscal proceeds.

First, it supports UK productive capacity in energy-intensive sectors — steel, cement, glass, ceramics, chemicals — that face existential competitive pressure from imports produced without equivalent environmental costs. UK steel import penetration reached 70% in 2024; cement imports now account for 32% of UK sales. These trends are driven partly by the asymmetric environmental cost burden. Border pricing does not guarantee the survival of these industries, but it removes the thumb currently on the scale against them.

Second, it creates a price signal that reaches beyond UK borders. When importers face a border charge calibrated to carbon content, their upstream suppliers face a financial incentive to decarbonise production methods — regardless of whether their home government imposes a carbon price. This "exported price signal" is one of the EU CBAM's stated objectives and is already driving carbon pricing adoption discussions in Turkey, India, Indonesia, and Vietnam.

Third, it aligns the UK's trade regime with its climate commitments. The UK's net zero 2050 target is measured against territorial emissions, but consumption-based emissions — which include imports — are the true measure of the country's climate impact. A border that is porous to embedded carbon is inconsistent with a domestic regime that prices it. Environmental border pricing closes this gap incrementally, moving the UK toward a position where the carbon price signal applies consistently to all goods consumed domestically, regardless of where they are produced.

These benefits are real and immediate. The fiscal revenue — likely £3–4 billion per year at maturity — is a welcome by-product but should not be the basis for programme expenditure commitments given the significant uncertainties involved. This programme therefore accounts for no CBAM-related revenue in its fiscal framework, while recognising that environmental border pricing represents one of the largest untapped fiscal and environmental policy instruments available to a future government.

Sources

- DEFRA (2024). UK and England's carbon footprint to 2022.

- DESNZ (2025). Valuation of greenhouse gas emissions for policy appraisal and evaluation.
- European Commission (2025). COM(2025) 783 final: Review Report on the CBAM.
- HM Treasury (2024). Autumn Budget 2024, Table of policy decisions, line 68.
- HMRC / GOV.UK (2025). Carbon Border Adjustment Mechanism: Policy Summary.
- GOV.UK (2025). UK Emissions Trading Scheme: Free Allocation Review — Authority Response.
- ONS (2024). UK Environmental Taxes: 2024.
- ONS (2024). Greenhouse gas emissions and trade, UK: 2024.
- University of Leeds (2025). 2025 Data Release of Consumption-based Accounts for the UK.
- OECD (2025). Effective Carbon Rates 2025.
- CITP, University of Sussex (2024). Will the CBAM fill the UK's fiscal gap?
- CITP (2024). The revenue potential of phasing out the free allowances received by UK CBAM sectors.
- Frontier Economics (2024). The Carbon Border Adjustment Mechanism: its impact on UK competitiveness and carbon pricing.
- Campolmi, Fadinger, Forlati, Stillger & Wagner (2023). Designing Effective Carbon Border Adjustment with Minimal Information Requirements. CEPR Discussion Paper 18645.
- Rennert et al. (2022). Comprehensive evidence implies a higher social cost of CO₂. *Nature*, 610, 687–692.

RELATED

Referenced by: [International Competitiveness \(Structural Measure\)](#)

Road Use Duty: Framework and Transition

APPENDIX · economics, business

The Problem

The UK raises approximately £33bn per year from motoring taxation — £24.4bn from fuel duty and £8.4bn from VED. Both instruments are structurally failing. Fuel duty has been frozen at 52.95p per litre for 16 years, eroding revenue by a cumulative £120bn in forgone receipts. The accelerating shift to electric vehicles is permanently removing cars from the fuel duty base: BEVs already account for 5.7% of the fleet and 7–8% of car miles, contributing zero fuel duty. Under current trajectories, BEVs will reach 19% of the fleet by 2030 and 40–50% by the mid-2030s, with the ZEV mandate requiring 80% of new car sales to be zero-emission by 2030 and 100% by 2035.

By 2030, on the assumptions that the government continues to fail to increase fuel duty and eVED reaches 4p/mile for BEVs and 2p for PHEVs, the combined revenue picture is:

Revenue stream	2024/25 outturn	2030/31 estimate	Change
Fuel Duty (frozen at 52.95p)	£24.40bn	~£20.50bn	–£3.90bn
VED	£8.40bn	~£11.50bn	+£3.10bn
eVED (4p BEV / 2p PHEV)	—	~£2.60bn	+£2.60bn
Total	£32.80bn	~£34.60bn	+£1.80bn

Flat in nominal terms; a real-terms decline of 10–15% after inflation. By the mid-2030s, with BEVs at 40% of the fleet, fuel duty drops toward £12–15bn and the deficit widens to £10bn+ annually. By the mid-2040s, fuel duty revenues approach zero as the last ICE vehicles leave the road.

The underlying problem is not taxation levels but taxation architecture. Fuel duty is an excellent instrument for taxing fossil-fuelled vehicles: it correlates road use with payment, is cheap to collect (embedded in the fuel price), and captures heavier, less efficient vehicles automatically. But it cannot tax vehicles that do not burn fuel. The government's eVED mileage charge, announced for April 2028, is a partial acknowledgement of this problem — but at 3–4p per mile it recovers only a fraction of the fuel duty equivalent and creates yet another overlapping instrument alongside fuel duty and VED.

Road Use Duty replaces eVED with a single, permanent instrument for non-fossil-fuelled vehicles, calibrated to the per-mile fuel duty incidence of the vehicles they replace. Fuel duty and VED continue unchanged for ICE vehicles. No fossil fuel subsidies, no tax cuts on carbon-intensive transport, no political risk from touching fuel duty. The transition is self-executing: as each vehicle switches from fossil fuel to electric power, it drops out of fuel duty and VED and into RUD. Revenue follows the fleet, not a legislative timetable.

The Design Principle

Fuel duty currently costs the average petrol car approximately **6.9p per mile** (52.95p per litre ÷ 7.7 miles per litre at 35mpg). A less efficient large vehicle pays more per mile; a more efficient small car pays less. This natural weight and efficiency gradient is the feature that makes fuel duty a well-designed tax.

RUD replicates this gradient for non-fossil vehicles using kerb weight as the proxy — the only vehicle characteristic that correlates with road wear, particulate emissions (tyre and brake), collision severity, and raw material consumption in the way that fuel consumption correlates with carbon emissions. The rates are set to approximate the fuel duty that a comparable ICE vehicle would pay per mile.

Current ICE fuel duty incidence	Approx. per mile	RUD equivalent
Small/efficient petrol car (40mpg)	~6.0p	7p (standard)
Average petrol car (35mpg)	~6.9p	7p (standard)
Large petrol SUV (25mpg)	~9.6p	14p (heavy)
Large diesel SUV (30mpg)	~8.0p	14p (heavy)
Diesel HGV (8mpg)	~29p	20p (HGV — below parity, see rationale)

The rates are not exact matches. The standard rate (7p) slightly overpays relative to efficient small cars and slightly underpays relative to average cars — a deliberate rounding that makes the system simple and memorable. The heavy rate (14p) is exactly double the standard rate, capturing the higher externality of vehicles above 2,000kg. The HGV rate (20p) is deliberately set below the fuel duty equivalent to avoid a freight cost shock at the point of transition; HGV electrification is slower and the revenue stake is smaller.

Rate Structure

All rates in 2025 prices, indexed annually to CPI.

Standard: 7p per mile

Applies to all non-fossil-fuelled vehicles with a kerb weight at or below 2,000kg. This covers:

- **Most passenger cars** — including the mainstream BEV segment: Tesla Model 3 (1,847kg), VW ID.3 (~1,800kg), Nissan Leaf (~1,800kg), MG4 (~1,685kg), BYD Dolphin (~1,520kg), Peugeot e-208 (~1,530kg). Also covers all conventional-sized hatchbacks, saloons, and compact crossovers in their electric equivalents.
- **Small and medium vans** — Ford Transit Custom (1,769–1,976kg), Vauxhall Vivaro (1,680–1,850kg), Renault Trafic (1,748–1,836kg), Ford Transit Connect (1,434–1,571kg). The majority of the UK's 5.1m-strong van fleet operates under 2,000kg kerb weight.
- **Buses and coaches** — all sizes, regardless of weight. Charged at the standard rate to encourage the transition to electric bus fleets. Under the Prosperity 2030 programme, bus fares are abolished and operating costs funded directly by government; bus RUD is absorbed within the transport budget as an operating cost.
- **Taxis and private hire vehicles** — at their kerb weight tier.

A driver doing 7,000 miles per year pays £490 — approximately 30% below what they would pay in fuel duty alone in a petrol equivalent.

Heavy: 14p per mile

Applies to all non-fossil-fuelled vehicles with a kerb weight exceeding 2,000kg and a gross vehicle weight at or below 3.5 tonnes. Double the standard rate. This captures:

- **Large battery electric vehicles** — Tesla Model S (2,100kg), Tesla Model X (2,300kg), BMW iX (2,500kg), Mercedes EQS (2,500–2,900kg), Audi e-tron (2,500kg), Polestar 3 (2,584kg), Volvo EX90 (2,818kg). Roughly 55–60% of current BEV models exceed 2,000kg, concentrated in premium and large-SUV segments.
- **Large electric vans** — Ford E-Transit full-size (2,087–2,459kg), Mercedes eSprinter (2,474kg), VW e-Crafter (2,494kg), Renault Master E-Tech (2,530kg). These are the heavy-duty commercial variants used for longer-distance delivery and trades.
- **Heavier PHEVs** — those with combined drivetrain and battery weight pushing above the threshold, though this category is declining as PHEVs give way to full BEVs.

The 2,000kg threshold sits above the current fleet-average car weight (~1,600kg) but close to the average weight of new cars tested in 2023 (1,947kg). It targets vehicles at the upper end of the weight distribution where road surface damage, tyre particulate emissions, and pedestrian collision risk are materially higher. Road wear scales approximately with the fourth power of axle weight: a 2,400kg vehicle causes roughly 5× the surface damage of a 1,200kg vehicle.

The "double for heavy" rule is simple to communicate and simple to justify. It preserves a weight incentive for manufacturers without penalising the mainstream EV market — the Tesla Model 3, the UK's best-selling electric car, falls under the threshold.

HGV: 20p per mile

Applies to all non-fossil-fuelled vehicles exceeding 3.5t gross vehicle weight. This covers electric rigid lorries, electric articulated combinations, hydrogen fuel cell HGVs, and any other zero-emission heavy vehicles.

The rate is deliberately set below the fuel duty equivalent (~~29p per mile for a diesel artic at 8mpg~~). This reflects three realities: ~~electric HGV adoption is nascent and slower than car electrification (battery weight and range constraints limit current models to shorter routes)~~; the revenue contribution of HGVs to total road taxation is relatively small (~~£3bn of £33bn~~); and a revenue-neutral rate would create a freight cost shock at the point of transition that the 20p rate avoids. An HGV covering 50,000 miles per year pays **£10,000** — closely matching the current fuel duty incidence of approximately £9,500 for a 44t diesel artic, ensuring revenue neutrality for the haulage sector.

Motorcycles: 3p per mile

Minimal road wear, low emissions weight. 3bn annual miles × 3p = £0.09bn — fiscally minor.

What Does Not Change

Fuel duty remains at 52.95p per litre (or whatever rate is in force at the time of RUD introduction). No cuts, no freezes beyond the existing freeze, no political choreography. Every litre of fossil fuel burned on UK roads continues to be taxed

exactly as it is today. Fuel duty revenues decline naturally as the fleet electrifies — this is the intended consequence of the energy transition, not a policy failure.

Vehicle Excise Duty continues for all vehicles paying fuel duty (i.e. ICE vehicles). VED is abolished only for vehicles liable for RUD (i.e. non-fossil vehicles). This means an ICE Range Rover driver sees zero change in their tax position — they pay fuel duty at the pump and VED annually, exactly as they do today. No windfall from the introduction of RUD.

VAT on fuel continues at 20% on petrol and diesel purchases, as now.

The effect is that the existing ICE taxation framework is left entirely undisturbed. RUD is a parallel instrument that applies exclusively to the growing share of the fleet that fuel duty cannot reach.

Plug-in hybrids and range-extended electric vehicles

PHEVs and range-extended EVs (REEVs) are classified as non-fossil vehicles for RUD purposes: they pay RUD on all miles driven and are exempt from VED. When they buy petrol or diesel for their combustion engine, they pay fuel duty at the pump — exactly as any other fuel purchaser does. The two instruments are completely independent and require no reconciliation. The resulting "overlap" on fuel-powered miles is real but modest in practice: a PHEV doing 10,000 miles with half on electric power and half on petrol burns approximately 570 litres, incurring ~~£300 in fuel duty on top of its £700 RUD bill. The combined £1,000 is still below~~ what a pure ICE equivalent pays (£880 in FD+VED before fuel cost). Crucially, the overlap is self-correcting — the more the driver charges electrically, the less fuel duty they pay. A PHEV owner who plugs in diligently pays almost pure RUD; one who relies heavily on the engine pays more fuel duty, which is exactly right because they are burning more fossil fuel. No reclassification, no reporting, no adjustment is needed. If range-extended EVs become more popular as a transitional technology, the same logic applies seamlessly: the fuel duty component shrinks naturally as battery range improves and charging behaviour shifts, while RUD provides the stable per-mile revenue floor throughout.

Steady-State Revenue: Full Fleet Electrification

At the point where the entire UK vehicle fleet has transitioned to non-fossil power — estimated mid-2040s under current trajectories — RUD replaces all fuel duty and VED revenue. The following table tests whether the rates generate sufficient revenue against 2035 projected vehicle miles, which serve as a reasonable proxy for steady-state volumes:

Vehicle category	Fleet size	Avg miles/yr	Total miles (bn)	RUD rate	Revenue
Standard cars (≤2,000kg)	~24.0m	~7,250	174.0	7p	£12.18bn
Heavy cars (>2,000kg)	~13.0m	~7,150	93.0	14p	£13.02bn
Standard vans (≤2,000kg)	~3.3m	~10,900	36.0	7p	£2.52bn
Heavy vans (>2,000kg)	~2.2m	~13,600	30.0	14p	£4.20bn
HGVs (>3.5t GVW)	~0.6m	~26,500	15.9	20p	£3.18bn
Buses and coaches	~0.15m	~20,000	3.0	7p	£0.21bn

Vehicle category	Fleet size	Avg miles/yr	Total miles (bn)	RUD rate	Revenue
Motorcycles	~1.5m	~2,000	3.0	3p	£0.09bn
Total	~44.8m		354.9		£35.40bn

Against the current combined fuel duty + VED baseline of ~£33–35bn, RUD at these rates generates **£35.40bn** — revenue-neutral with a modest ~£1–2bn buffer against demand elasticity and behavioural adjustment. CPI indexation at 2% per year ensures that the rates hold their real value in perpetuity, eliminating the political freeze dynamic that has cost the Exchequer £120bn since 2011.

Revenue composition

The standard rate generates **£14.91bn** (42% of total) across cars, small vans, buses, and motorcycles. The heavy rate generates **£17.22bn** (49%) from large cars and large vans. The HGV rate generates **£3.18bn** (9%). The dominance of the heavy rate reflects the physical reality of the future fleet: by the mid-2030s, approximately 35% of car miles and 45% of van miles will be driven in vehicles above 2,000kg, and these vehicles drive more miles per year on average than their lighter counterparts.

The Self-Executing Transition

The architecture eliminates the need for a phased fuel duty reduction schedule. The transition is automatic:

When a vehicle switches from ICE to electric, it ceases to incur fuel duty (because it no longer buys fuel) and ceases to be liable for VED. It becomes liable for RUD instead. Revenue per vehicle is approximately maintained: a standard car that paid ~£690/year in fuel duty and ~~£190/year in VED~~ (£880 total) now pays ~£490–700/year in RUD depending on mileage. The slight per-vehicle reduction reflects the lower RUD rates relative to the combined FD+VED incidence — a deliberate incentive for electrification.

Aggregate revenue tracks the fleet composition. In any given year, total road taxation = (ICE fleet × fuel duty per mile × miles) + (ICE fleet × VED) + (electric fleet × RUD per mile × miles). As the ICE share shrinks and the electric share grows, fuel duty revenue falls and RUD revenue rises. The crossover is gradual and continuous.

Illustrative revenue trajectory

The following trajectory assumes the ZEV mandate drives BEV sales shares from ~23% (2025) to 80% (2030) to ~95%+ (2035), with fleet stock lagging sales by 5–8 years due to vehicle lifetimes:

Year	BEV share of fleet	BEV share of miles	FD revenue	VED (ICE)	RUD revenue	Total
2025	~6%	~8%	£24.4bn	£8.4bn	—	£32.8bn
2028	~12%	~15%	£21.5bn	£8.0bn	£2.5bn	£32.0bn
2030	~19%	~23%	£19.0bn	£7.5bn	£6.8bn	£33.3bn
2033	~30%	~36%	£15.5bn	£6.5bn	£11.5bn	£33.5bn
2035	~40%	~47%	£12.5bn	£5.5bn	£15.5bn	£33.5bn

Year	BEV share of fleet	BEV share of miles	FD revenue	VED (ICE)	RUD revenue	Total
2038	~55%	~63%	£8.5bn	£4.0bn	£21.5bn	£34.0bn
2040	~65%	~73%	£6.0bn	£3.0bn	£25.5bn	£34.5bn
2045	~85%	~90%	£2.0bn	£1.5bn	£31.5bn	£35.0bn
2050	~97%	~98%	£0.3bn	£0.3bn	£34.8bn	£35.4bn

Revenue is stable throughout. There is no fiscal cliff, no gap year, no legislative trigger required. The final £0.3bn of residual fuel duty can be left in statute until the last ICE vehicles are scrapped — or fuel duty can be formally repealed as a tidying exercise once revenues fall below a de minimis threshold.

The key advantage

This architecture makes the fuel duty problem disappear as a political issue. No Chancellor needs to "raise fuel duty" or "cut fuel duty." No Budget announcement is required. The transition happens vehicle by vehicle, household by household, as people buy their next car. The only legislative act is the introduction of RUD itself — a single new instrument with three rates and a weight threshold. Everything else is automatic.

What Drivers Pay: Worked Examples

Standard petrol car (Vauxhall Corsa, 1,250kg, 7,000 miles/year)

Item	Under current system	After switching to electric Corsa
Fuel duty	~£750	£0
VED	~£190	£0
RUD (7,000 × 7p)	—	£490
Total road tax	~£940	£490

Net saving on switch: **£450/year**. The lower road tax bill is part of the incentive structure for electrification.

Mid-size BEV (Tesla Model 3, 1,847kg, 10,000 miles/year)

Item	Current (eVED regime)	Under RUD
VED	~£195	£0
eVED (10,000 × 4p)	£400	—
RUD (10,000 × 7p)	—	£700
Total road tax	~£595	£700

Net change: **+£105/year**. A modest correction. The Tesla Model 3 falls under the 2,000kg threshold and pays the standard rate. The increase is marginal relative to the ~£800–1,200/year fuel cost saving of running an EV versus a petrol equivalent.

Large BEV (BMW iX, 2,500kg, 10,000 miles/year)

Item	Current (eVED regime)	Under RUD
VED	~£195	£0
eVED (10,000 × 4p)	£400	—

Item	Current (eVED regime)	Under RUD
RUD (10,000 × 14p)	—	£1,400
Total road tax	~£595	£1,400

Net change: +£805/year. Concentrated on the premium segment. Still substantially below what an equivalent petrol BMW X5 pays: ~£1,400 in fuel duty + ~£340 VED = ~£1,740. The buyer of a £75,000+ vehicle can absorb a road tax bill that is still £340/year below its ICE equivalent.

ICE Range Rover (2,300kg, diesel, 10,000 miles/year)

Item	Current system	Under RUD
Fuel duty	~£1,400	~£1,400
VED	~£340	~£340
RUD	—	—
Total road tax	~£1,740	~£1,740

Zero change. ICE vehicles are entirely unaffected by RUD. No windfall, no penalty. Fuel duty and VED continue exactly as today.

Small electric van (Ford Transit Custom E, 1,900kg, 12,000 miles/year)

Item	Current (eVED regime)	Under RUD
VED	~£320	£0
eVED (assumed 4p)	£480	—
RUD (12,000 × 7p)	—	£840
Total road tax	~£800	£840

Net change: +£40/year. The Transit Custom falls under 2,000kg and pays the standard rate. Effectively neutral versus the eVED regime and substantially below the diesel equivalent (~£1,280 in FD+VED).

Large electric van (Mercedes eSprinter, 2,474kg, 15,000 miles/year)

Item	Current (eVED regime)	Under RUD
VED	~£320	£0
eVED (assumed 4p)	£600	—
RUD (15,000 × 14p)	—	£2,100
Total road tax	~£920	£2,100

Net change: +£1,180/year. The large van sector sees the most significant increase, reflecting the heavy rate on vehicles above 2,000kg. However, this is close to the diesel Sprinter's FD+VED burden (~£1,950 at 25mpg over 15,000 miles + £320 VED = ~£2,270), so it approximates what the operator would have paid on fossil fuel. The saving in fuel cost (electricity vs diesel) more than offsets the higher road tax.

Electric HGV (50,000 miles/year)

Item	Diesel equivalent	Under RUD
Fuel duty	~£9,500	£0
VED	~£640	£0

Item	Diesel equivalent	Under RUD
RUD (50,000 × 20p)	—	£10,000
Total road tax	~£10,140	£10,000

Net change: **-£140/year**. Revenue-neutral for haulage. The 20p rate is set below the fuel duty equivalent (~29p) to avoid a freight cost shock and reflect the nascent state of HGV electrification. The rate can be revisited once the electric HGV fleet reaches meaningful scale.

Collection Mechanism

RUD is collected through **odometer-based annual assessment**, building on the eVED infrastructure that becomes operational from April 2028:

MOT-registered vehicles (cars and vans over 3 years old, ~75% of the fleet): the odometer reading at annual MOT provides the billing basis. The MOT test already records mileage; RUD adds a financial consequence to that reading. DVLA issues an annual RUD assessment based on miles driven since last MOT and the vehicle's weight class. Payment by monthly Direct Debit instalments or annually.

New vehicles (under 3 years, exempt from MOT): self-reported annual mileage estimate with payment upfront or in instalments, reconciled at the first MOT when the actual odometer reading is available. Overpayment refunded; underpayment collected. This replicates the eVED mechanism already being developed for April 2028.

Commercial vehicles (vans and HGVs): tachograph and telematics data, already mandatory for HGVs, provides verified mileage. Vans report at MOT as per cars, with fleet operator accounts available for consolidated billing across multiple vehicles.

No GPS tracking. No telematics mandate for private vehicles. No real-time monitoring. The system piggybacks entirely on existing MOT, DVLA, and DVSA infrastructure. Privacy is preserved by design: DVLA knows total miles driven per year per vehicle, not where or when those miles were driven.

Kerb weight classification uses the manufacturer's declared kerb weight as recorded on the V5C registration document. The 2,000kg threshold is tested at the point of first registration and does not change over the vehicle's lifetime. There is no scope for gaming through aftermarket modification — removing a rear seat does not move a 2,100kg vehicle below the threshold.

Legislative Requirements

RUD requires a single Finance Bill provision:

- Establishment of Road Use Duty as a per-mile charge on non-fossil-fuelled vehicles.
- Three rate bands: ≤2,000kg kerb, >2,000kg kerb (≤3.5t GVW), and >3.5t GVW.
- Abolition of VED for vehicles liable for RUD.
- Annual CPI indexation of RUD rates, automatic unless Parliament votes to override.
- Repeal of the eVED provisions (which RUD supersedes).

- Power for DVLA to assess and collect RUD using MOT odometer data.

No amendment to fuel duty legislation is required. No amendment to VED legislation beyond exempting RUD-labile vehicles. No new institutional infrastructure — DVLA, DVSA, and the MOT network already exist and already record the necessary data.

The automatic CPI indexation clause is the single most important structural feature. It eliminates the political dynamic that has frozen fuel duty for 16 years: no Chancellor needs to announce a rate increase, because the increase happens by default. A Chancellor who wishes to freeze or cut RUD rates must actively legislate to do so — reversing the current incentive structure, where inaction means a real-terms cut.

Interaction with the Prosperity 2030 Programme

Road Use Duty is not a core component of the Prosperity 2030 legislative programme. It is included as a necessary companion measure — an awareness item demonstrating that the programme's fiscal architecture accounts for the major structural recalibrations that any credible government arriving in 2030 will need to address.

The interactions with the programme are:

Free bus travel. The Universal Transport Service abolishes bus fares and funds expanded bus services at £9.95bn/year. Electric buses become liable for RUD at the standard rate (7p/mile) on approximately 3.0bn annual bus miles = £0.21bn. This is lower than VED and Fuel Duty so will create headroom in that budget. The standard rate for buses (rather than the HGV rate that their weight would otherwise attract) is a deliberate policy choice to encourage electrification of the bus fleet. The existence of free buses also weakens the distributional objection to RUD: households for whom higher motoring costs are a concern have a zero-cost public transport alternative that does not exist today.

Energy transition. The programme's Energy for the Future and GB Energy Network accelerate the electrification of the vehicle fleet by reducing household electricity costs (abolished standing charges) and expanding charging infrastructure. Faster EV adoption accelerates the transition from fuel duty to RUD — but since RUD is revenue-neutral by design, faster transition does not create a fiscal gap; it simply shifts revenue from one instrument to the other more quickly.

Air Passenger Duty. The programme's APD increase (£8bn additional) sits alongside RUD as a transport externality correction. Both instruments share the same logic: users of carbon-intensive transport pay rates that reflect the social cost of their journeys, while users of cleaner alternatives face lower charges.

Cashflow model treatment. RUD does not appear as a revenue line in the Prosperity 2030 cashflow model. It is revenue-neutral against the existing fuel duty and VED baseline and generates no net additional fiscal space for the programme. It is included in the programme documentation solely to demonstrate that the fuel duty structural decline is addressed — ensuring that the programme's fiscal credibility is not undermined by an unacknowledged £10–20bn hole in the medium-term public finances.

Distributional Considerations

Income. Higher-income households own more cars, drive more miles, and own heavier vehicles. ONS data shows the top income quintile drives approximately 2.5× the miles of the bottom quintile. The weight threshold reinforces progressivity: vehicles above 2,000kg — Tesla Model S, BMW iX, Range Rover Electric, Mercedes EQS, Audi e-tron — are overwhelmingly concentrated in the upper income quintiles. Lower-income households who electrify will almost universally drive vehicles under 2,000kg and pay the standard 7p rate — a substantial saving against their current fuel duty bill.

Geography. Rural households drive more miles than urban households and would pay more RUD in absolute terms. This objection applies identically to fuel duty, which rural households already pay more of for the same reason. The standard RUD rate (7p/mile) is set below the average fuel duty incidence (~6.9p/mile for petrol at 35mpg) — so rural households switching to electric vehicles pay less in road tax than they did on fossil fuel. The programme's free bus service expansion, reaching rural areas for the first time, provides an additional mitigating alternative.

Vehicle age and affordability. Older vehicles are lighter — average kerb weight was 100–150kg lower a decade ago — and almost universally fall under the 2,000kg threshold. Households that cannot afford new vehicles will continue driving ICE cars and paying fuel duty + VED exactly as they do today until they are ready to switch. When they do switch — likely to a second-hand BEV in the sub-2,000kg segment — they move to the standard 7p rate and see a reduction in their total road tax bill. No household is worse off at the point of transition.

Electric vehicle incentive. The structure preserves a financial incentive for electrification. A standard car switching from petrol to electric sees its road tax fall from ~£940/year (FD+VED) to ~£490–700/year (RUD only, no VED). This ~~£250=~~ ~~450/year saving, combined with lower fuel costs (£800–1,200/year),~~ means the total cost of motoring falls significantly at the point of transition — reinforcing the policy objective of accelerating the shift away from fossil fuels.

Summary

Element	Detail
Instrument	Road Use Duty — per-mile charge on non-fossil-fuelled vehicles
Rates (2025 £)	Standard (≤2,000kg): 7p; Heavy (>2,000kg, ≤3.5t): 14p; HGV (>3.5t): 20p; Motorcycle: 3p
Applies to	BEVs, hydrogen vehicles, any non-fossil-fuelled vehicle
Does not apply to	ICE vehicles (which continue paying fuel duty + VED as now)
VED	Abolished for RUD-liable vehicles; continues for ICE
Replaces	eVED
Steady-state revenue (full electrification)	~£35.4bn
vs. current FD+VED	~£33–35bn — revenue-neutral by design
Collection	Odometer-based annual assessment via MOT / self-report. No GPS.

Element	Detail
Transition	Self-executing: each vehicle switching to electric drops out of FD+VED into RUD
CPI indexation	Annual, automatic — eliminates the political freeze problem
Buses	Charged at standard rate (7p) regardless of weight, to encourage electrification
P2030 interaction	Revenue-neutral; not claimed by programme; included as fiscal credibility measure

All figures in 2025 prices unless stated. Vehicle miles from DfT Road Traffic Estimates 2024. Fleet projections based on ZEV mandate trajectory and SMMT registration data. Revenue estimates are illustrative and assume static behavioural response; actual revenues would be modified by demand elasticity (estimated at –0.1 to –0.3 for car miles with respect to per-mile cost) and vehicle weight substitution effects. Fuel duty incidence per mile calculated from HMRC duty rates and DfT average fuel consumption data.

Source: IGP Social Prosperity Network.

RELATED

Referenced by: [Road Use Duty \(Structural Measure\)](#)