Foundational Economy Research

Position Paper

Energy Justice and Progressive Charging for Utilities

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Energy Justice: and Progressive Charging for Utilities

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The energy price shock from the Ukraine war has not gone away, with electricity and gas bills in 2025 still 75% higher than before the invasion. Now, we must be braced for another shock later in 2026 following a Middle East war which will have serious effects, even if it ends fairly quickly without spiralling out of control. Energy affordability problems will be aggravated by higher water bills and by the rising prices of on-market essentials like food. Amidst considerable uncertainty, the UK's Food and Drink Federation is projecting food price inflation of "at least" 9% this year,[1] while transportation costs have already increased with higher prices at the pump for petrol and diesel.

Against this background, we can expect concern about energy poverty and the dilemmas of low-income households who face heating vs. eating choices. Middle-income households will also be affected by affordability issues insofar as they have "fallen below" their expectations of what they should be able to afford.[2] Rather than framing our current problem as one of energy poverty, we should recognise it more broadly as a problem of energy justice in a society where energy bills are basic participation tickets[3] for all households. Under current pricing systems, the problem is not only about how low and middle-income households are burdened by charges but also about how high-income households in the top 30% are not paying their fair share of charges for utilities (energy and water).

If we ask what needs to change for greater social justice, utility charging systems are top of the list because these systems are currently regressive. The top 10% of households have a disposable income which is more than 10 times larger than the bottom 10%. But if we look at expenditure, the top 10% of households typically spend substantially less than twice as much on energy as the £1,500 or so that the bottom 10% spend[4]. As foundational economy researchers[5], we recommend progressive charging for utilities according to household income. In our 2025 book *Murky Water*,[6] we developed this argument forensically and at length for water charging. This short report makes an outline case for extending progressive

[1] Food and Drink Federation, FDF revises food inflation forecast to at least 9% by the end of 2026, 1 April 2026.
[2] Bassens, D., Froud, J., Johal, S. and Williams, K. (2025), Geography, the foundational economy, and the fallen-below, *Dialogues in Human Geography.*
[3] The idea of a participation ticket comes from Michael Green, who writes with a US perspective. Green has calculated a "basic needs budget" – what a family of two earners and two children need to "hold a job and raise kids". This covers costs of housing, food, transport, childcare, healthcare and "other essentials" but does not include holidays, streaming subscriptions or 'luxuries'. See: Green, M.W. Part 1: My life is a lie. How a broken benchmark quietly broke America'. *Substack*, November 23, 2025.
[4] See Exhibit 2.
[5] An explanation of Foundational Economy is available from the Foundational Economy and the FERL websites.
[6] Calafati, L., Froud, J., Haslam, C., Johal, S. and Williams, K. (2025) Murky Water: Challenging an Unsustainable System, Manchester University Press.

charging to gas and electricity. Progressive charging for utilities is an idea whose time has come, and the question is whether our political classes have the statecraft to rise to the challenge of implementing progressive charging.

1. *Seen to be doing something in the current crisis*

When the Middle East war began, political parties and think tanks got the message that something must be done about the prospect of rising energy bills from July 2026 onwards. But the general response has so far been performative. In springtime, they promise to act in ways that suggested they were doing something, but which would make little difference to households struggling to pay higher fuel bills next winter.

When energy prices spiked in 2022 after start of the war in Ukraine, Conservative Governments introduced expensive systems of generous subsidy for all energy users. When the Middle East war started in 2026, mainstream parties agreed that the UK could not afford to do this again, given the level of current taxation and the constraints on borrowing. The Labour Government promised targeted assistance "for those who need it most", which sounds good but may well be exiguous for the uncertain number who qualify next winter.[7] Reform in opposition proposed to reduce all household bills, though by an amount which will be modest in relation to energy bills that will typically be more than £2,000 by next winter for the 6 in 10 users who are on standard variable tariffs.[8]

- ✓ Softening the edges for all households delivers only a small reduction in the typical bill because a multimillion concession offers thinly spread assistance. Thus, Reform promises to remove VAT on domestic electricity and scrap two green levies (the Renewables Obligation and the Carbon Price Support) which would altogether "save the average family £200 a year" or less if the hostile fact checkers are correct.[9]
- ✓ A "targeted approach" for low-income households begs the question as to whether the sums offered would adequately compensate for higher bills. The £53 million already allocated by the Labour Government to support 1.5 million domestic heating oil users[10] equals just £35 per household or around £140 per household if councils aid 1 in 4 heating oil users. And if low-income households are to be targeted, how is this to be done? There are nearly 29 million households in UK[11] but updated household income data is available only for the nearly 8.5 million claimants of Universal Credit[12] (UC) plus others on means-tested benefits receiving the Warm Homes Discount.

[7] Ruddick, P. and Musafer, S., Energy bill help would be based on household income, Reeves says, BBC News, 1 April 2026.
[8] Morton, B., Reform pledges to scrap VAT and green levies on energy bills, BBC News, 17 March 2026.
[9] Brit Brief, Reform UK's Energy Bill Pledge: Fact-Checking the £200 Savings Promise, 18 March 2026.
[10] Major, M., Are fuel buying patterns changing in the UK and Ireland domestic heating sectors?, Fuel Oil News, 23 January 2026.
[11] ONS, Families and households in the UK: 2024, 23 July 2025.
[12] Department for Work & Pensions, Universal Credit statistics, 29 April 2013 to 9 October 2025, 20 January 2026.

The same choice of alternatives is offered by think tanks lined up behind universal support or targeted assistance:

- ✓ The New Economics Foundation (NEF) has proposed a universal "essential energy guarantee" to "prevent the energy crisis from causing wider havoc on the economy".[13] This would give every household a portion of "essential energy" at a price "protected" by the state. Beyond this portion of cheaper energy, households will pay market rates for additional use – and all remaining policy costs would be switched from energy bills to taxation - so that this proposal is described as "progressive".
- ✓ The Resolution Foundation proposal suggests muddling through with targeted support.[14] In principle, the Resolution Foundation favours a social tariff of the European kind which it calculates could make a real difference with a 21% reduction in price for 42% of households. But, in practice, this proposal recognises that income and energy data are "not generally available in the same system". Hence the practical, second-best option next winter is removing some "policy costs" (green levies) and uprating UC payments.

If the issue is crisis management next winter, we must agree with the Resolution Foundation. Uprated UC payments would effectively target support on low-income households at the cost of creating a cliff edge for those who are just above the threshold for claiming support. This cliff edge problem could be addressed by opening a more generous, application-based means-tested scheme. Such schemes inevitably have take-up problems and experience with Pension Credit and Housing Benefit suggests a means-tested scheme would reach half or more of those who are eligible.

At the same time, government should urgently tackle the data problems which limit our policy options and do so by constructing one system which relates household income data and utility billing data. This kind of system is the precondition for operating a discriminating social tariff scheme which offers low- and medium-income households assistance that is tapered according to household income and avoids means-tested cliff edges. However, there is a larger issue here. In energy shocks the short-term priority must be managing the energy poverty of low-income households. But, if we have better data, in the medium term we can aim for energy justice where high-income households pay more so that low-income households can pay less.

[13] Chaitanya, K., Bull, I. and Chapman, A. Protecting consumers and the UK economy from an energy price shock, New Economics Foundation, 9 April 2026.
[14] Clegg, A., Curtice, R., Leather, Z., Marshall, J., Smith, J. and Try, L. Power struggle: Assessing the options for supporting families with the rise in the cost of energy, Resolution Foundation, 18 March 2026.

2. *Aiming for energy justice*

The problem with energy charging (and all utility charging) is that it is regressive. Households with lower income or expenditure pay a higher percentage of this for their utilities, while those with higher income or expenditure spend a lower share, even while they may actually be consuming more. In this context we have a choice of problem definitions and policy objectives.

- ✓ *Energy poverty* is about the poor paying too much for this essential service. This is the problem which social tariff and other forms of targeted assistance aim to tackle by effectively lowering the price for some lower-income households. The net effect of these interventions depends on roundabout effects and who covers the cost of subsidy. In the UK, this could be covered either by (a) Treasury subvention from general taxation or (b) by energy companies levying a charge on the bills of households who pay the full price (as happens in the case of social tariffs for water).

  The dirty little secret of the utilities is that they already recover their bad debts by charging paying customers. With electricity, flat rate charges are varied by bill type, with pre-payment customers currently charged £25.17 and direct debit customers charged £38.96 to cover unrecovered debt.[15] This default practice substantially reduces the attractions of a generous social tariff scheme which becomes a covert and uncontrolled cross-subsidy, including from those households just above the eligibility threshold. The UK Treasury will predictably refuse to cover the cost of social tariffs, and the cost will be arbitrarily loaded as a fixed charge onto households paying the full price, including struggling middle income households.

- ✓ *Energy justice* is about the poor paying less and the rich paying more in a considered scheme where, for example, the charge per kWh is varied upwards according to household income. The outcome is not only distributive justice for the poor but also distributive justice between all income groups. As we have shown in the case of water bills, regressive charging incidentally limits the total revenue raised for infrastructure renewal and upgrade because it inhibits bill increases. Higher bills are not attractive for regulators nor politicians if they increase an already heavy charge on low-income households. Thus, more progressive charging for energy can also be a major contributor to environmental and intergenerational justice insofar as it facilitates investment in renewable electricity generation and updated electricity grid distribution and gas storage, which is clearly in the interests of future generations.

We documented and raised these issues about progressive charging for water in our 2025 book *Murky Water*[16] and are now extending our analysis to energy by considering electricity and gas. The motive is to take this knowledge about charging out of the realm of the technical

[15] End Fuel Poverty Coalition, Customers set for £1.3bn bill for energy debt charges, 26 March 2024.
[16] Calafati, L., Froud, J., Haslam, C., Johal, S. and Williams, K. (2025) Murky Water: Challenging an Unsustainable System, Manchester University Press.

where it is known to insiders and bring it into the realm of the political where it can be publicly debated.

The regressivity of existing utility charging systems has been observed in a succession of official reports at least since a National Audit Office report in 2013.[17] The alternative of varying charging by income has occasionally surfaced in energy, most recently in a low key 2025 consultation by Ofgem[18] about "whether there is a more progressive way to pay". But this does not reflect an interest in energy justice. Ofgem is primarily worried about how to pay for the huge financial cost of the necessary physical investment in upgrading the electricity grid and sees that charging high income households more could solve that problem. The regulator's narrow motives for consultation on progressive charging were nicely epitomised by the *Guardian* headline "Increased bills for higher earners could fund UK energy upgrade, Ofgem says".[19]

If we have a broader interest in energy justice, we must be able to measure the injustices of the existing regressive system of charging, ideally by comparisons of households in different income decile groups from the lowest income decile, D1, to the highest income decile, D10. However, any such household comparisons are complicated because of data limits, and by differences in household size and the energy efficiency of different types of housing.

- ✓ We do not have household income and expenditure data in the same database. Consequently, we can only calculate energy spend as percent of total expenditure, which makes existing charging systems look less regressive than they are. Expenditure can be greater than income in the lowest income households, insofar as they incur debt or transfers from other households. At the same time, upper income households save, so that their total expenditure is significantly less than their income. From D8 to D10, spending on utility bills as a percentage of income (which we cannot measure) is increasingly lower than spending on utility bills as a percentage of total expenditure (which we can measure).
- ✓ Charging is based on physical consumption, which in turn reflects household composition. Consumption per person in kWh increases only slowly as we move up the income/ expenditure scale towards those with the highest income.[20] Poorer households are smaller: four-fifths of D1 households by expenditure are single person while half or more of D8 to D10 households by expenditure have three or more persons.[21] This means that household physical consumption in kWh and the associated financial charge increase more steeply than per person physical consumption and financial charge. Differences in household size and composition can be compensated using OECD

[17] National Audit Office (2013), Infrastructure investment: the impact on consumer bills, HC 812-I, Session 2013-14.
[18] Ofgem, Energy system cost allocation and recovery review, 10 December 2025.
[19] Ambrose, J., Increased bills for higher earners could fund UK energy upgrade, Ofgem says, The Guardian, 15 April 2025.
[20] Marshall, J and Fry, E. (2024) Electric dreams: How can we decarbonise electricity without disadvantaging poorer families? Resolution Foundation, p.31.
[21] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6.

weightings to construct "equivalised households".[22] But these weightings are arbitrary and take us further away from actual households operating in a real budgetary world of constraint and choice, which is what we want to compare.

- ✓ There is substantial variation in energy consumption *within* as well as between income groups. What the matters for policy makers are the drivers of this variation. The Resolution Foundation in a 2024 study considered households in quintiles (i.e. from the lowest to the highest fifth), by income and related *intra*-decile variation to differences in housing energy efficiency, size and type.[23] In the bottom 60% of the income distribution, around half or more of high consumption is driven by energy "inefficient housing", with low energy performance certificate (EPC) ratings in social or privately rented housing and in poor owner occupier households. This high consumption is involuntary because the householder has no agency to improve energy efficiency. In the top fifth of households by income, "floor area and type of dwelling" account for more than half of high consumption, where the driver is under-occupancy related to number of rooms and type of house. This is difficult to change especially in the case of older owner occupiers who may be unwilling or unable to move due to lack of suitable alternative homes.

When these points have been made and the complications have been registered, the empirics on energy spend as a share of total household expenditure tell a simple story about how energy pricing is increasingly regressive. This point emerges from exhibit 1 which compares energy spend (electricity and gas) as a share of total expenditure for households grouped into deciles in 2018 and 2024.

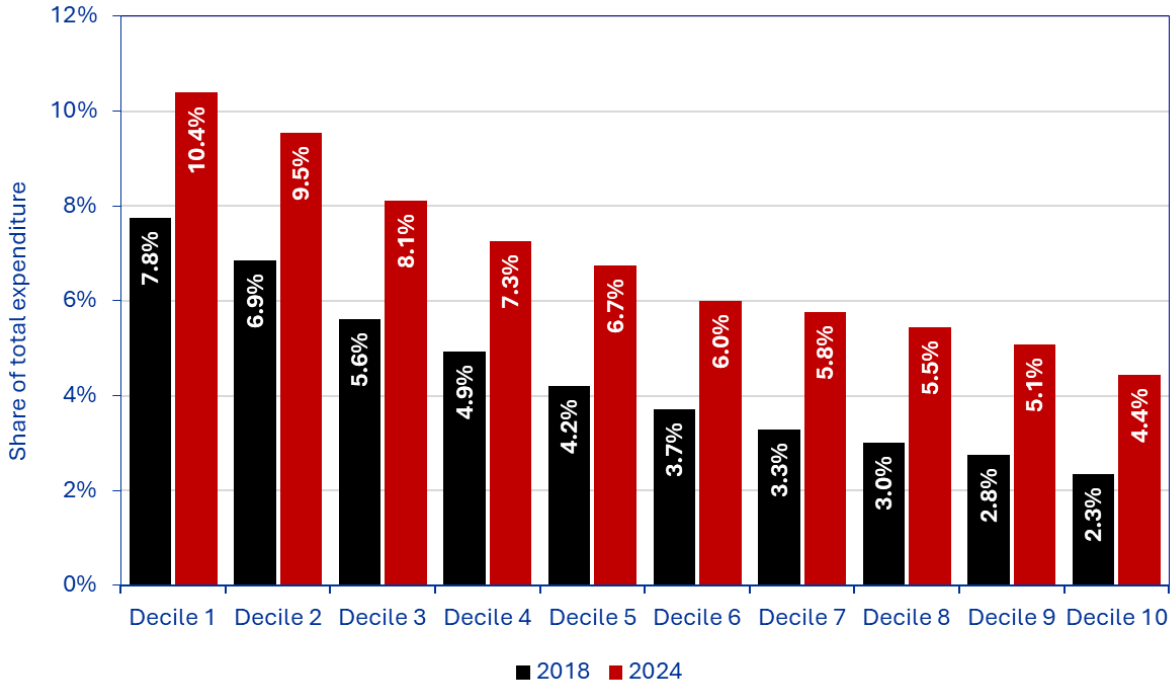
- ✓ Energy charging was regressive in 2018 (before the 2022 price spike): in 2018 there is a neat taper from energy accounting for 7.8% of total expenditure in (the poorest) D1 households to 2.3% of total expenditure in (the richest) D10 households.

- ✓ Energy charging had become *more* regressive by 2024 (when prices had settled after the 2022 price spike) because the whole curve has shifted upwards with energy now accounting for 10.4% of total expenditure in D1 households and 4.4% of total expenditure in D10 households.

- ✓ The regressivity of energy charging is compounded by the regressivity of water charging, which by 2024 accounted for approximately 2.2% of total expenditure in D1 households and 0.9% of total expenditure in D10 households.[24]

[22] Office for National Statistics, Chapter 3: Equivalised income, page 12, 8 December 2015, Table 3A. The first adult has an equivalence value of 1,0. each additional adult and/ or each child over 14 counts is 0.5 while children 0-1`3 count as 0.3.
[23] Marshall, J and Fry, E. (2024) Electric dreams: How can we decarbonise electricity without disadvantaging poorer families? Resolution Foundation, pp. 29-30.
[24] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6 and Family spending workbook 5: Housing [2024].

Exhibit 1: Electricity and gas spend as a share of UK household's total expenditure, 2018 and 2024[25]



The bottom line is that (before next winter's price rises) in D1 households in 2024 nearly 13% of total expenditure went on the three utilities of electricity, gas and water, from a total household expenditure of £14,851; while in D10 the spend on the three utilities was around 5% out of total household expenditure of £61,064.[26] And the outcome is even more striking if we remember low-income households dis-save and run up debts while high income households save and do not spend all their income. If we look across from expenditure to income data, the top 10% of households have a disposable (post-tax and benefits) income of £137,000 against a disposable income of £11,223 in the bottom 10%.[27] Regressive utility charging is a social injustice whose logic is heating-versus-eating choices in the bottom deciles.

Hence the salience of the question about whether it is politically possible and technically feasible to move towards progressive charging according to household income. At the same time, we would insist that reformed charging has its limits because no system of energy pricing can solve every problem of energy consumption and no one policy via pricing can deliver on multiple objectives. Average charges between deciles can be redistributed by varying price per kWh. But addressing high energy usage within deciles requires a physical reduction in energy usage which cannot be achieved by raising price per kWh.

If physical reduction in energy use is an important objective alongside energy justice, policy must start by recognising that social tenants, private tenants, and poor owner-occupiers have no agency because improved energy efficiency is the responsibility of their landlord or

[25] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6.
[26] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6 and Family spending workbook 5: Housing [2024].
[27] Office for National Statistics, Effects of taxes and benefits on UK household income: financial year ending 2024, 25 September 2025, ONS.

requires income they do not have. Here we need a scheme of state grants to reduce consumption and increase comfort by making houses more energy efficient. This should be conducted by an expert/ surveyor-led scheme of public subsidy, not another contractor-led scheme which incentivises repeat mis-selling (as happened with cavity wall insulation). In the top quintile (D10) of the income distribution, the incentive to downsize could be a high price per kWh unit, maybe as part of a block pricing system. But realistically, this is more likely to raise revenue than change behaviour without more information, advice and support to make homes more energy efficient.

3. The political possibility of charging according to household income

In the UK, successive Westminster governments have changed rates and thresholds but generally avoided changes to the architecture of the tax system. Such inertia reflects the fear of incurring the anger of those who would lose from major change, even if significant numbers also gain. Using the American metaphor, utility charging reform is a 'third rail' political issue which will electrocute on contact. Given this general aversion to radical reform of tax and charging, it is important to construct an empirically based counter argument about the specifics of how many would win and lose from reform utility charging. Any system of progressive utility charging works by making high-income households into losers and low-income households into winners. But our scenarios below show that this can be done while leaving middle-income households much as they were, so that losers are the 30% of high-income households. The message is that regressive utility charging is much less politically impossible than might be supposed.

We can demonstrate this point empirically by examining the balance between winners and losers under two counterfactual scenarios: in scenario 1, energy is charged at a flat rate on household expenditure in all deciles and, in scenario 2, energy is charged at a tapered rate on household expenditure so that higher deciles pay more per kWh.

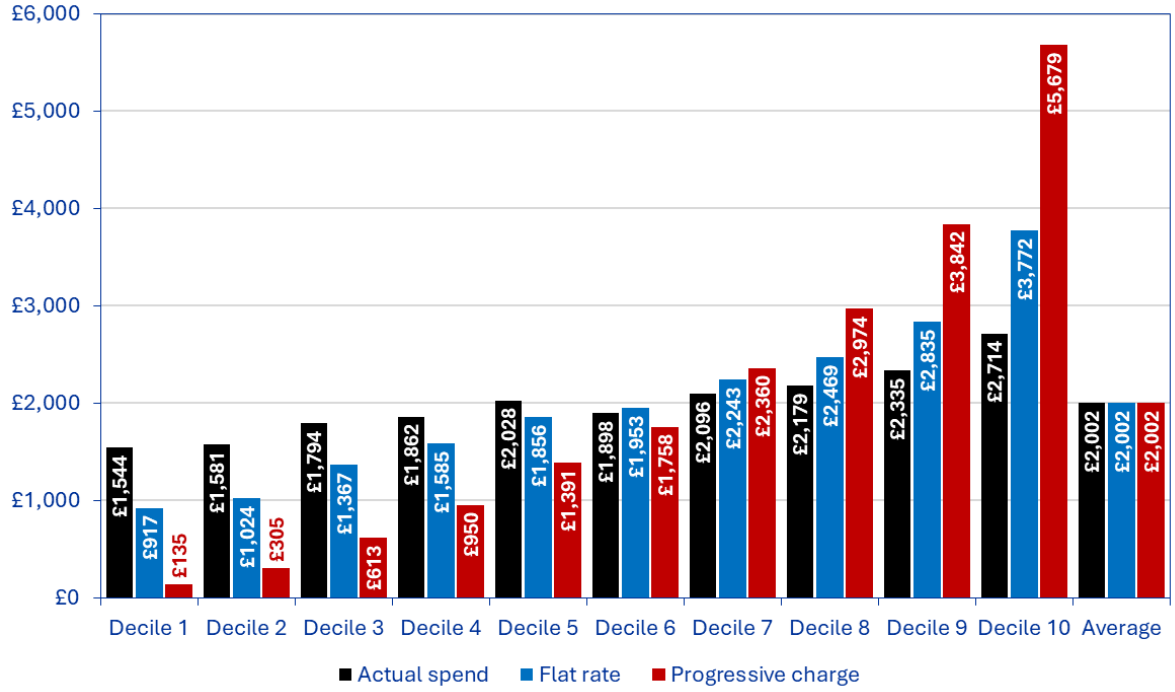
- ✓ In scenario 1, all households are charged for actual 2024 energy consumption at a flat rate equal to 6.18% of household expenditure, which is the mean average rate at which all UK households pay for energy in 2024. Flat rate income taxes are an enthusiasm of the radical right which makes contestable claims that they will boost enterprise and growth amidst leftist suspicion that flat rate is about less tax for high income groups.[28] Flat rate utility charging, at a rate equivalent to 6.18% of total expenditure should be a progressive enthusiasm because it will certainly improve liveability for the bottom decile which was in 2024 spending more than 10% of total household expenditure on energy. At the same time, the flat rate would ensure the top deciles make an increased contribution. If the flat rate is set at the existing mean, then this scenario will raise exactly the same revenue as the current regressive system.

[28] Pirie, M. (2024). Time to look again at a flat tax in the UK. Adam Smith Institute.

- ✓ In scenario 2, households in decile 1 are charged for actual 2024 energy consumption at a rate which reduces their energy bill to £135 at 0.91% of total expenditure, which is not much more than £2 per week. The contributions of other deciles are then stepped up at a rate of an additional 0.93% for the next higher decile which means D10 is charged for actual 2024 consumption at 9.3% of total expenditure. The step-up rate is set at 0.93% so that this counterfactual scenario generates the same revenue as the existing 2024 regressive system. Under this scenario, the taper rate can be decided and subsequently amended depending on the desired design of the scheme. For example, it might not be desirable to make gas and electricity nearly free for D1 households because that provides no incentive for careful use. Scenario 2 is a provocation which illustrates the pattern of winners and losers which we get with a steep taper from very low bills for poor households. Readers will note that the provocative scenario 2, raises the same total revenue as actual 2024 and counterfactually leaves D10 paying 9.3% from total household expenditure of £61,064. Note that in 2024, the poorest decile households in D1 were actually paying 10.4% of their total expenditure of £14,851.[29]

Exhibit 2 presents in nominal money values the actual spend of Deciles 1 to 10 on energy in 2024 vs their counterfactual spend under the flat rate scenario 1 and the progressive charging scenario 2. Exhibits 3 and 4 then present the decile winners and losers in scenario 1 and scenario 2 in bar charts which show at a glance which deciles win and lose.

Exhibit 2: Change in UK household 2024 electricity and gas bills with flat rate and progressive charging 2024[30]



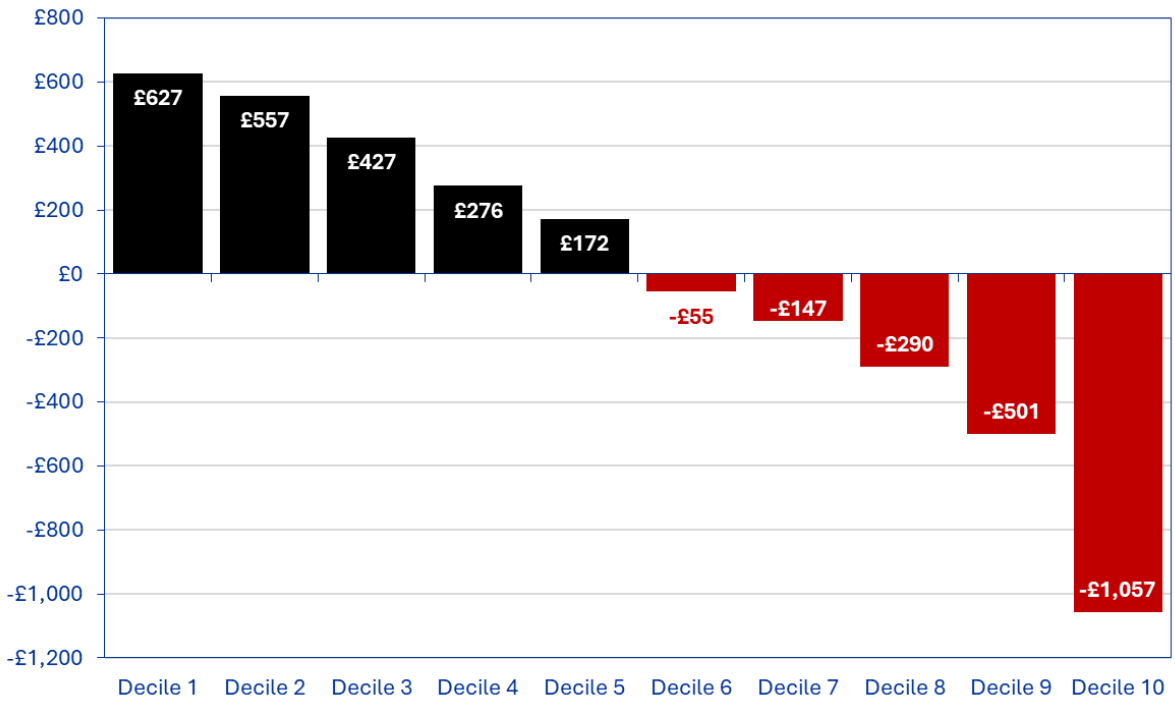
[29] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6.

[30] Office for National Statistics. Family spending workbook 1: detailed expenditure and trends, Table A6, is the source for the average or flat rate. Our progressive charge taper uses the ONS 'The Effects of Taxes and Benefits on Household Income' data based on 2023/24 household income by decile as a guide. It is used to formulate the progressive energy spend per household by expenditure decile.

- ✓ In scenario 1 with flat rate charging instead of the actual regressive charging, four low deciles are winners, three middling deciles have no significant change, and three high deciles are losers. Thus deciles 1-4 have lower bills of between £276 and £627, deciles 5-7 are as they were with their energy bill neither going up nor down by much more than £150, while deciles 8-10 have higher bills of between £290 and £1,057.
- ✓ In scenario 2 with progressive charging instead of the actual regressive charging, both ends of significant winners and losers expand to squeeze the middle. Here, five low and middling deciles are winners, one middling decile has no significant change, and four high deciles are losers. Thus deciles 1-5 have lower bills of between £637 and £1,409, decile 6 is much the same because it gains a bill which is just £140 lower, while deciles 7-10 have higher bills of between £265 and £2,965.

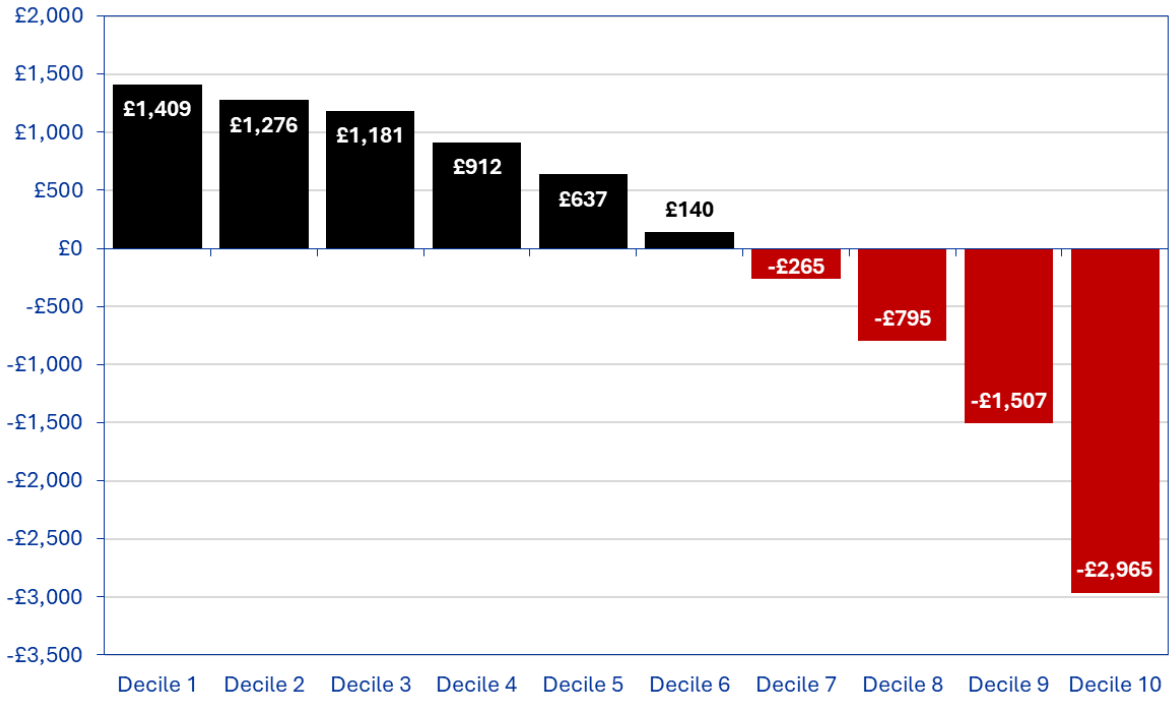
In both scenarios 1 and 2 the balance between winners and losers is politically encouraging. Losers are in a minority of 30-40% of households and more than counterbalanced by the 40-60% of households which are clear winners. Equally important, many in the middle income groups would see no great change.

Exhibit 3: Change in UK household 2024 electricity and gas bills under a flat rate energy charge scenario[31]



[31] This exhibit shows the difference between actual energy bills and the flat rate and is calculated from exhibit 2.

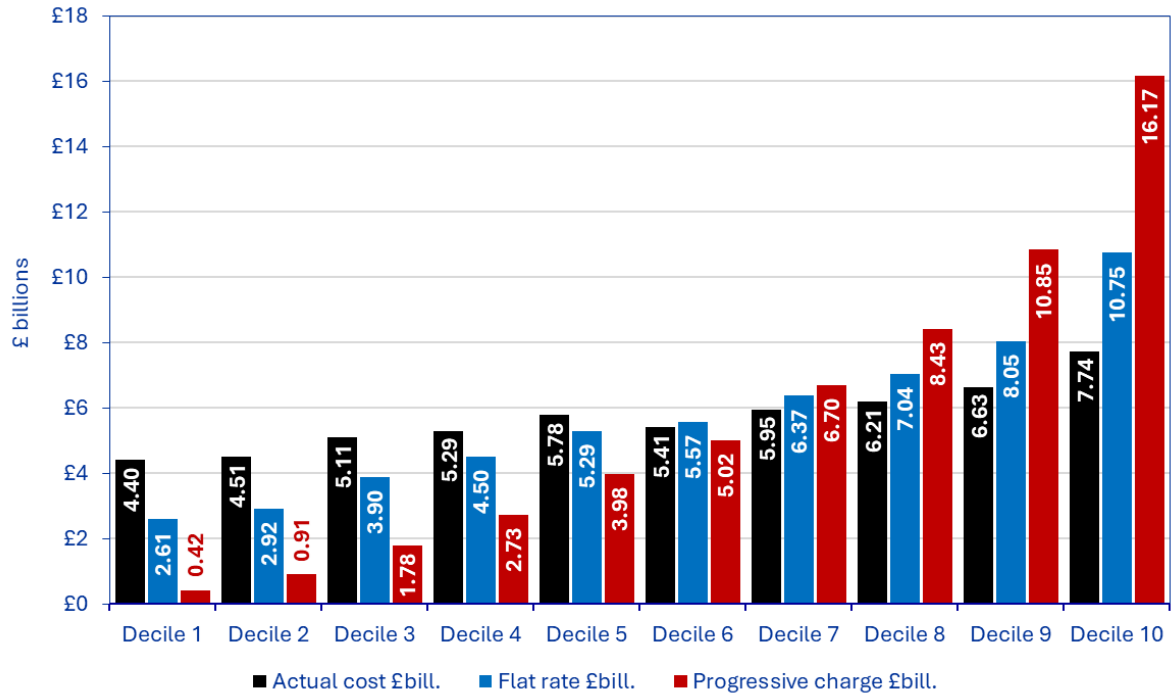
Exhibit 4: Change in UK household 2024 electricity and gas bills under a progressive energy charge scenario[32]



The good news is that it is not necessary to move to progressive charging to get progressive effects. Because flat rate charging in scenario 1 increases the contribution of high deciles to total electricity and gas utility revenue and reduces the contribution of low income deciles. In 2024, decile 1 has a total household expenditure of £14,851, which is less than one quarter of the £61,064 expenditure of Decile 10. Yet under the existing regressive charging system in 2024, decile 1 contributed £4.4 billion of total energy revenue, more than half as much as the £7.74 billion of energy revenue which decile 10 contributed (exhibit 5). In scenario 1 under flat rate charging, decile 1 would contribute £2.61 billion, which is just over one-quarter of the £10.75 billion that decile 10 would contribute. In terms of ability to pay, the D1 and D10 contributions under the flat rate scenario look much more equitable.

[32] This exhibit shows the difference between actual energy bills and the progressive rate and is calculated from exhibit 2.

Exhibit 5: Revenue raised from UK household spending on electricity and gas by decile in 2024 under (a) actual charging (b) flat rate scenario and (c) progressive charge scenario[33]



An incidental advantage of the flat rate system is that it is much easier to raise a larger sum of total revenue. A regressive system will always be constrained from raising much more revenue because that increases the regressive burden on low-income households. The UK does need to raise much more revenue for investment in electricity and gas infrastructure. Most obviously, there is the demand for physical investment in the capital-intensive grid drawing from new renewable sources and meeting increased household demand for electricity. While gas usage should decline, the UK needs expansion in gas storage and also needs to build up a fund which cushions against inevitable further price shocks in the oil and gas markets.

It is not possible to construct a flat rate or progressive system with no losers. The point of charging reform is for the top 30% of households to pay more, though many of these households will not be the "wealthy" and would mostly comprise of two-income professional and managerial couples. However, the flat rate and progressive scenarios show that the balance between winners and losers is manageable. Flat rate or progressive charging is politically achievable if politicians believe in social justice and accept that the pursuit of energy justice will inevitably produce losers who oppose change. In this case, there is an obvious question about whether energy charging reform is technically and administratively feasible. The issues here are not simply technical because in the current UK impasse energy charging reform raises larger questions about statecraft.

[33] Office for National Statistics, Family spending workbook 1: detailed expenditure and trends [2024], 10 September 2025, Table A6.

4. *Energy charging reform and the challenges of statecraft*

The reform of energy charging cannot be separated from larger issues about tax and charging which raise fundamental questions about statecraft. All government is about building, running, and adapting states in the interest of their citizens and statecraft is about the creative exploitation of political opportunities through the strategic use of state power. Statecraft requires values, vision and a "who does what when" commitment to delivery. The UK now needs statecraft because Conservative and Labour Governments have reached an impasse. Politically, we have what Mick Moran called "the end of British politics",[34] with the emergence of four nation politics in a disunited kingdom. Socio- economically, we have a heavily centralised "can't pay, won't pay state" where Westminster and Whitehall cannot now fund the foundational services that citizens expect. Since 2008, low growth and stagnant productivity have limited tax revenues and there is little headroom for more borrowing when the debt to GDP ratio stands at 100%.[35]

Against this background of frustration, centrist policy advisers, and superannuated politicians like Michael Gove dream of a realignment of politics which brings together centrists from several parties for a "coherent and cross cutting project of radical change" that recognises national limits and geopolitical instability. Incidentally, this involves cuts in what John Bew[36] calls the "social contract" because the UK government cannot maintain spending on welfare, pensions, and health when defence spending needs to be substantially increased. According to this view, there is "no path to higher defence spending without cuts elsewhere" when UK government spending is at 45% of GDP and borrowing is constrained. Most likely, the cuts in welfare and limits on health and pension spending will happen in a muddled way, without the accompanying realignment around a centrist grand plan.

Reform on the radical right makes a virtue of centrist necessity with plans for radical welfare cuts and promises of billions in efficiency savings. But there are clearly not enough genuine efficiency savings to allow government to avoid cuts. Ironically, this point has been proved by the new green thinktank Verdant which declares, "British government has a chronic waste problem".[37] It claims efficiency savings of £30.9 billion can be achieved by stopping "tax losses", ending outsourcing and procurement failures and blocking fraud and error. Even if all these potential savings could be achieved and they were recurrent, they would amount to just 2.48% of the £1,244.9 billion total government expenditure in 2025.

Instead of reaching for cuts, our political classes need to press the reset button and engage statecraft mode. Their starting point is recognising that the UK problem is not about what we can afford by way of spending but is about what the UK can raise from an existing tax system which is not fit for the purpose of adequately funding the foundational necessities of welfare, health, and defence. The resulting problems for households are compounded by the high and rising prices of the on-market foundational essentials (housing, food, utilities, and transport). If there is a case for charging energy according to household income, the same arguments

[34] Moran, M. (2017) The end of British Politics? Springer International Publishing AG.
[35] Office for National Statistics (ONS) Public sector finances, UK: June 2025
[36] Bew, J. Don't let Britain decline, New Statesman, 11 March 2026.
[37] Meadway, J. Waste Not, Verdant, 24 March 2026.

apply to all utilities including water. While income tax and council tax, which pay for central and local state services, also need to be related to household income. Reform of income tax and utility charging are then interrelated problems about outdated systems which need adaptive reuse for a changed world.

- ✓ The male breadwinner is no more. But income tax was last reformed in 1944 when PAYE extended income tax to manual workers on a pay-as-you-go basis. The relevant consideration was then the individual income of the male breadwinner because (as in Beveridgean social insurance) his partner was assumed to be economically inactive. Household income is now the relevant consideration: with rising female participation, two income households are more common, while many households combine several part-time jobs; at the same time, there are many single parents who are disadvantaged because they cannot share household expenses and pool incomes.
- ✓ The share of utility bills in disposable income has risen to the point that this is now a problem for stretched budgets in all low- and middle-income households. Utility bills have risen since the Ukraine war to become significant charges against low incomes at the same time as residual income has been eroded by rising food prices and general inflation. Before the current Middle East war, electricity, gas and water bills were taking more than £1,800 out of disposable income from the poorest households and more than £2,500 from households in the middle of the distribution. After the current price shock, the take will be higher still.

Beyond the inadequacy of their charging principles, council tax and income tax are in a mess. Council tax is frozen in time, based on 1991 property valuations in England and 2003 valuations in Wales. Income tax has been messed up by adding means-tested benefits and deductions which produce high marginal rates of tax. The poor on Universal Credit suffer from a punitive taper rate as their benefits are withdrawn when income increases. The system is inter-generationally unfair when 1.8 million graduates owe more than £50k which has been recovered by charging 9% on earnings above £29k. There is another cliff edge at £100,000 of household earnings when the successful middle-income households lose child benefit, and the personal allowance is tapered to produce an effective tax rate of 60% up to £125,000.

Administratively, the precondition for reform of tax and charging is getting declarations of household income from nearly 29 million UK households, not just the 8.5 million who are at present declaring household income to obtain Universal Credit or the nearly 7 million claiming child benefit. If households made a declaration of household income for the past financial year, then households could be given a charging code (rather like the UK personal income tax code), with scope for adjustment in the event of a change of circumstance such as divorce or redundancy.

The problem then is how does the state work out who is and is not in households and get a declaration of income from all households?

- ✓ This cannot be done entirely from the electoral register of adults entitled to vote. The current UK population is 70 million and there are around 57 million adults over the age of 15. At last count in 2021 we had some 48 million on the electoral register, which means that 10% or more of the adult population is currently not on the electoral register.

That percentage would probably rise if the register was not only about an entitlement to vote but about the possibility of a higher energy bill.

- ✓ The identification of households could start from electricity bills because almost all households have mains electricity. The retail electricity companies could pass billing addresses to the state which would then seek a declaration of whether this is or is not a household which shares expenses and, if so, its income in the last year. Non-repliers would be faced with a penal emergency code until information was received.

No doubt, this would result in a huge political fuss from high income losers who would prefer individual taxation and standard per kWh unit charging. They would produce all kinds of arguments about civil liberties and higher taxes threatening enterprise, and this is not the only challenge. The aim of reforming charging systems to address injustices for households who need utility services, but with privatisation marketisation, utilities are systems of provision with a complex supply side. In water this supply side consists of private water companies with effective regional monopolies but in energy the supply side is greatly complicated by marketisation and competition between suppliers and distributors, with a confusing multiplicity of tariffs which in electricity include fixed price per kWh term contracts, off peak tariffs, and varying fixed standard charges.

Electricity and gas retailers should be under an obligation to supply and not cherry pick high income households. The logic of this is that companies with many poorer households in low-income regions (like North East England or South Wales) would have lower revenue per kWh than those serving the South East England. Therefore, this requires some adjustment from a revenue equalisation account. In this case, we might prefer a Transport for London-type franchise system. Here, electricity and gas companies would be franchised fee-for-service providers, with the revenue collected and held by a state agency which could redistribute revenue earned and fund electricity grid updating and gas storage.

This complication is not an insuperable roadblock. A government which had obtained household income data would not immediately need to put income and council tax and utility charging all on a household income basis. It would need to think in terms of a rollout plan with bugs and issues addressed and resolved in successive stages. The obvious starting point is water charging (with monopoly providers and a smaller bill), then moving to gas and finally electricity. Income tax could follow when utility charging was working. This would involve not overnight transformation but a plan for change over three to five years of tax and charging reform. This would be real statecraft and a huge improvement over the present response of reeling with each new shock.