SHELTER

Funding the future

The financial and economic case for removing Housing Revenue Account debt

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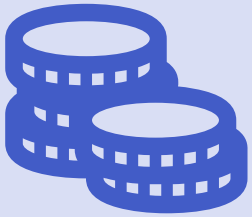
Executive summary

Pragmatix Advisory has been commissioned by Shelter, the housing and homelessness charity, to undertake research to assess the financial and economic case for removing Housing Revenue Account debt.

Key findings: the case for HRA debt relief

The government has set an ambition to deliver the largest council housebuilding programme in a generation. Achieving it requires addressing two structural constraints: the Housing Revenue Account debt burden, which limits councils' ability to borrow for new investment, and the gap between social rent income and the full cost of building new homes. Writing off existing Housing Revenue Account debt removes the first constraint. A capital grant addresses the second. Together, they can lead to up to 284,000 new council homes and make the following possible:



Pays for itself within 20 years

The economy-wide net return turns positive in 2047/48, roughly a decade after the last home is completed in 2035/36. The overall net present value across the 60-year horizon is £141.5 billion.

Government as a whole benefits within the 60-year horizon

Direct benefits to the wider government outweigh the costs, given that there are higher income from social rents, more tax and lower benefit spend as people move into a settled, long-term social home.

Removes the constraint on council housebuilding

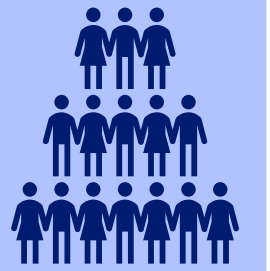
Councils spend on average 15 per cent of rental income servicing HRA debt (some over 100 per cent); debt relief funds new building and is net-positive in all scenarios.

Affordable within fiscal rules

Within the five-year spending horizon, the current budget turns positive by 2028/29. The investment rule is met in all scenarios, using 38-56 per cent of available headroom

Households gain £136 billion by moving into good quality social homes

They gain £27 billion of financial benefits in net present value terms of moving into a social rent home, plus £109 billion of monetised wellbeing benefits from better living situations.



£411 billion economic impact

Building, maintaining and living in around 284,000 social rent homes delivers £411 billion of economic output over 60 years and supports 2.5 million jobs.

Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

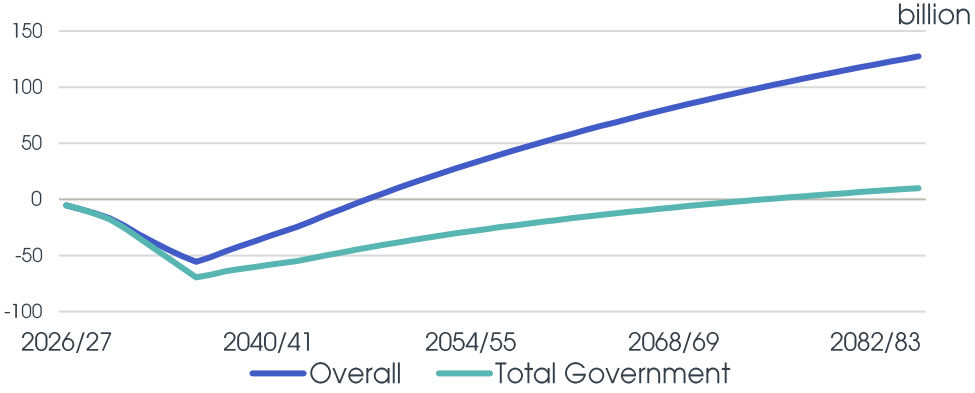
Housing Revenue debt relief pays for itself within twenty years and government benefits are spread across departments.

The total return to the whole economy turns positive in around twenty years in the full delivery, full debt relief scenario, approximately one decade after the final home is built. This figure includes household financial and wellbeing benefits, not government finances alone. The combined central and local government position, on its own and on a net present value basis, takes longer to turn positive. It doesn't turn positive until around year 50, because it excludes the household impacts that drive the faster whole-economy payback.

The Department for Work and Pensions sees the largest central government saving, at £26.3 billion in present value terms. This is driven primarily by households moving into settled social tenancies, meaning lower Universal Credit expenditure as employment rises and higher lifetime earnings for children whose educational attainment improves. HM Revenue and Customs benefits by £16.8 billion through income tax and National Insurance from construction employment and, over time, from tenants moving into work. The Ministry of Housing, Communities and Local Government (MHCLG) gains £15 billion while the Ministry of Justice and Home Office record smaller but still important savings as housing stability reduces reoffending and associated criminal justice costs. Together, these department-level savings total £64.7 billion in present value terms over 60 years.

The MHCLG figure is illustrative and based on local council savings that fall on councils' General Funds and are therefore part-funded through local government finance settlements. Our central government model omits these savings, which are instead borne in our local government model.

Cumulative aggregate benefit
Full delivery, full debt-relief scenario, Net present value, £ billion

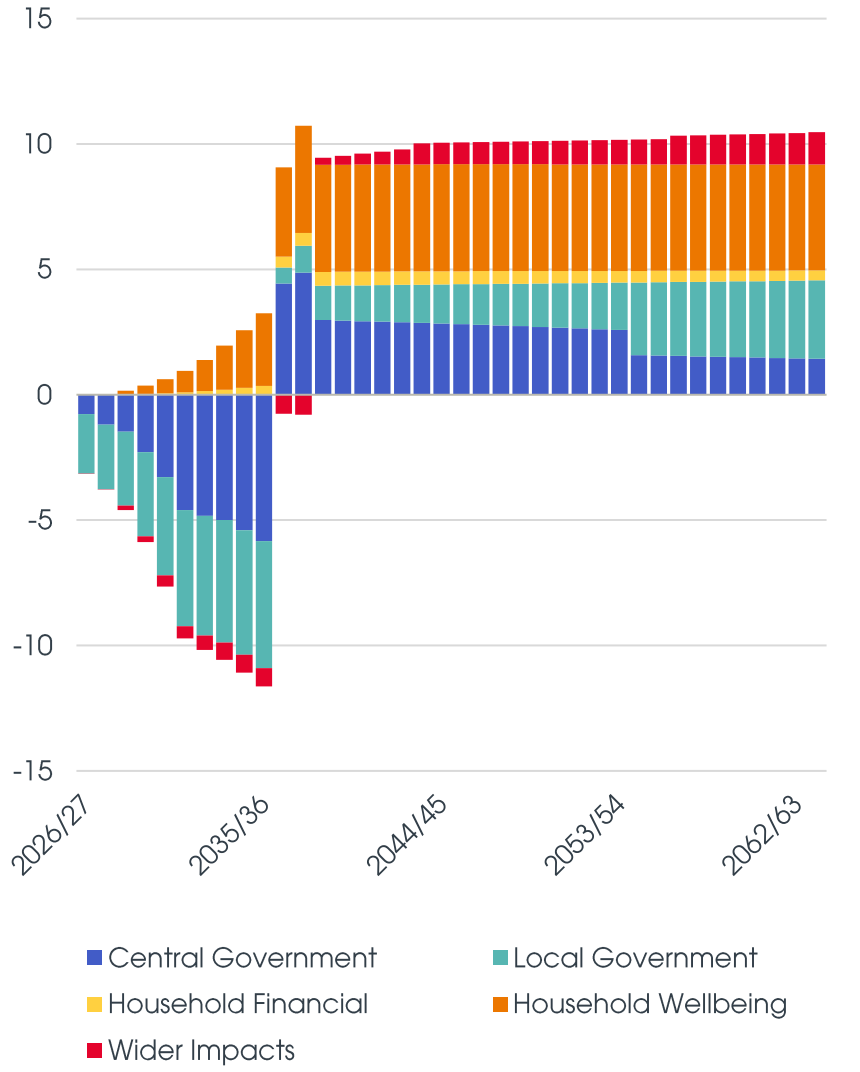


Department	Driver of savings	Saving
Department for Work and Pensions	Lower Universal Credit spend as employment rises, reduced temporary accommodation costs covered by subsidy	26.3
HM Revenue and Customs	Income tax and National Insurance contributions from construction employment and tenants moving into work	16.8
Ministry of Housing, Communities and Local Government*	Reduced temporary accommodation costs not covered by subsidy, plus savings on adult social care, children's services and fire services	15.0
Department of Health and Social Care	Avoided NHS treatment costs linked to poor housing conditions	4.5
Home Office	Reduced criminal justice and policing costs linked to housing stability	1.2
Ministry of Justice		0.9
Total		**64.7**

Government savings by department
£ billion, net present value, 60-year horizon, Social Time Preference Rate

Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

Annual benefit by strand
Full delivery, full write-off scenario, undiscounted, £ billion



Housing revenue account debt relief pays for itself within twenty years, with benefits continuing to build over the decades and persisting long after construction is complete.

Local government benefits are driven primarily by increased rental income on the growing stock of new social homes, the release of borrowing capacity that debt relief creates and reduced pressure on homelessness and social care services. These compound over time as the stock accumulates and existing homes are improved through retrofit.

Central government records a net cost, reflecting the upfront grant and the loss of Public Works Loan Board interest income. But downstream savings across the Department for Work and Pensions, Department for Health and Social Care, HM Revenue and Customs and other departments narrow that gap. This means the central government net position is comfortably outweighed by what accrues to local government, households and the wider economy.

The financial benefit to households from rent savings, lower energy bills and earnings gains as stable housing removes a barrier to employment, is complemented by the wider economy impacts of construction activity and reach a stable plateau once building completes.

The analysis stops counting at 60 years, not at the point where the homes cease to generate value. The true lifetime return to the public sector is higher than the numbers shown here.

Source: Pragmatix Advisory Housing Revenue Account debt relief impact models (left)

Housing Revenue Account debt relief removes a financial constraint that is preventing councils from building and managing social housing at scale. This relief, plus additional funding, can unlock an ambitious council housebuilding programme.

By freeing up borrowing headroom, it unlocks the delivery of around 284,000 new social rent homes and the retrofitting of 1.5 million existing council homes.

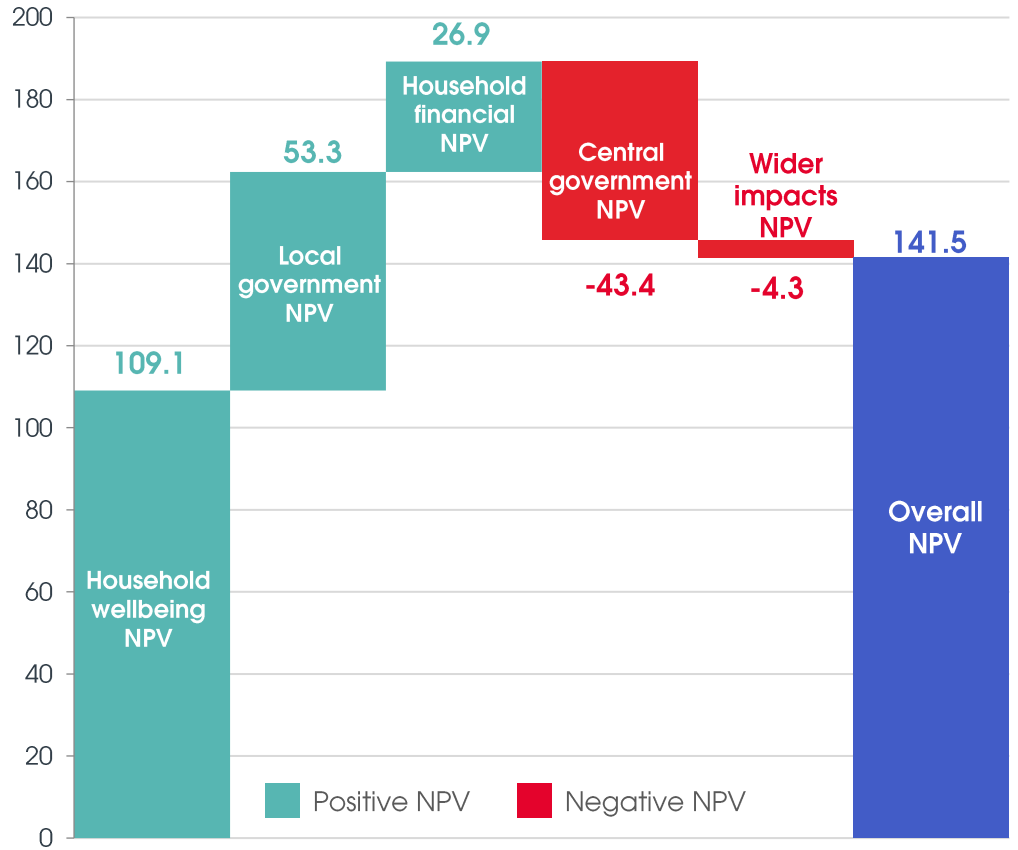
The capital grant to fund construction is the primary upfront cost to the public sector. The debt write-off itself is a transfer within the public sector from one part of government (councils) to another (the Treasury) and does not represent a net cost to the consolidated public sector balance sheet.

Across the 60-year horizon, local government generates the largest net present value of any single government strand at £53.3 billion, driven primarily by rental income on the growing stock of new social homes and the release of borrowing capacity that debt relief creates.

Central government records a net cost, reflecting the upfront grant and loss of interest income, but this is offset by downstream savings across the Department for Work and Pensions, HMRC and other departments, and is outweighed by the benefits accruing elsewhere across the public sector. Household wellbeing is the largest single strand in present value terms, reflecting the depth of impact for people moving out of temporary accommodation, overcrowded housing and unsuitable private rented accommodation, gains that persist for the life of the homes built.

Public sector and household returns from new social homes and retrofit due to Housing Revenue Account debt relief

Net present value, £ billion 60-year horizon

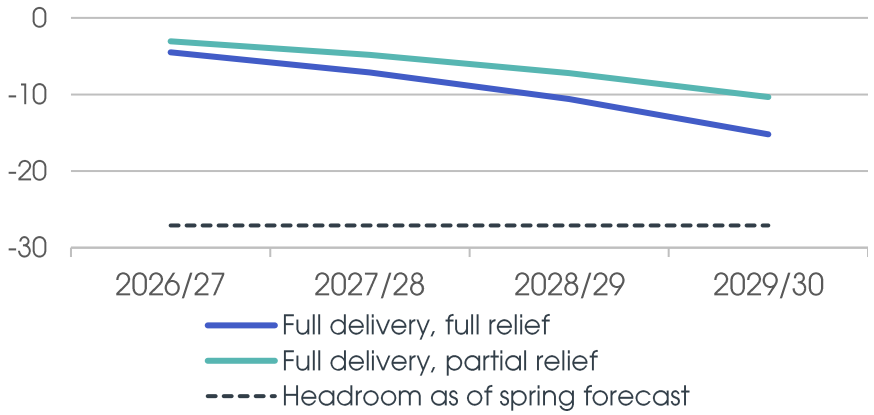


Each bar shows the net present value of one strand of impact over 60 years. The green bars stack to show the cumulative positive impact. The red bars then reduce from that cumulative positive total, reflecting the net costs. The final bar shows the resulting overall position.

Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

Investment rule impacts from Housing Revenue Account debt forgiveness, social housebuilding and retrofit

Cumulative Public Sector Net Financial Liabilities impact, £ billion



The impact on Public Sector Net Financial Liabilities can be accommodated within the latest forecast headroom.

Our modelling estimates that the debt relief and housebuilding programme will add up to around £15 billion in liabilities on the government balance sheet through the 2029/30 fiscal year.

This compares with forecast investment rule headroom of £27.1 billion at the March 2026 Spring Forecast. This leaves around £12 billion of headroom in the full relief scenarios, utilising 56% of what was available in the Spring Statement. In the partial relief scenarios, the government is left with around £17 billion of headroom, using 38% of what was available.

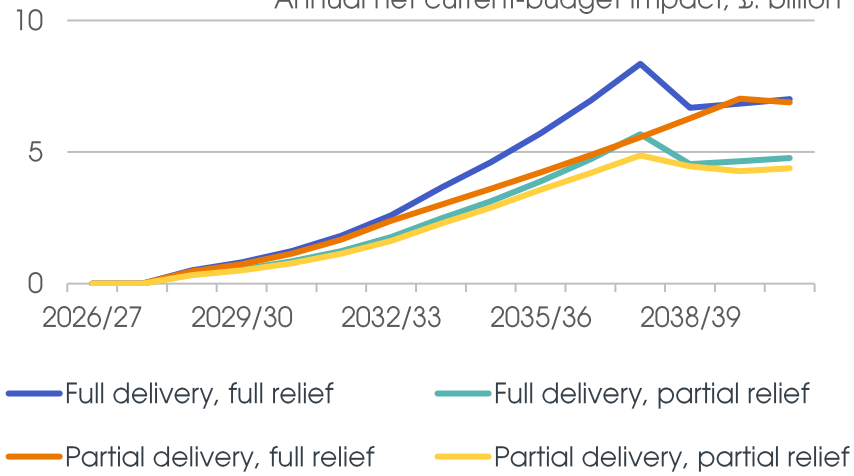
Debt relief and council housebuilding programme is broadly neutral for the stability rule

The stability rule requires the current budget to break even or be in surplus by 2029/30, assessed in that single year, not cumulatively. Capital transfers, including write-offs and re-borrowing, are excluded; only recurring savings and costs count. This includes reductions in temporary accommodation spending, NHS demand and other public service costs, offset by ongoing maintenance.

The only cost is interest payments on gilts issued to pay for the non-PWLB debt write-off and grant funding for new homes. This broadly offsets the positive benefits in 2029/30, which on net removes 0.0 to 0.3% of fiscal headroom across our four scenarios.

Stability rule benefits from Housing Revenue Account debt forgiveness, social housebuilding and retrofit

Annual net current-budget impact, £. billion



Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

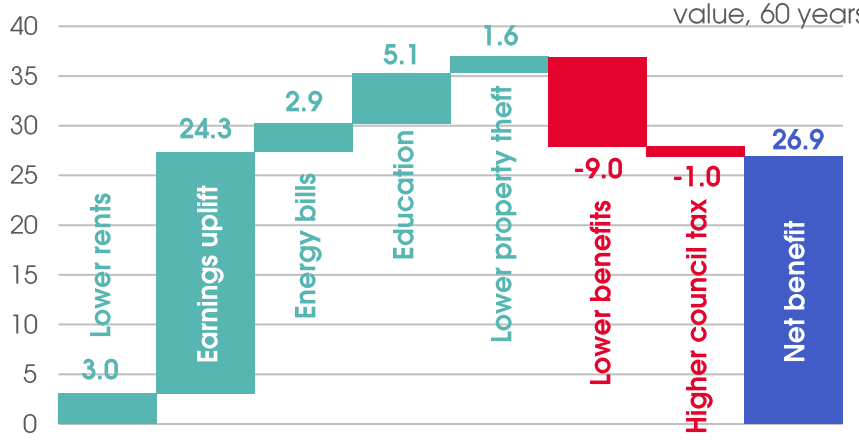
Households benefit financially from council housebuilding and retrofitting due to greater earnings and lower costs.

Moving into social housing raises employment rates and children's educational attainment, both of which lift lifetime earnings. Net of tax, the earnings uplift is worth £24.3 billion, and better attainment a further £5.1 billion, gains that also boost tax receipts and cut benefit spending for central government.

Households also avoid £3 billion of rent top-up (the gap between 30th-percentile private rents and the frozen Local Housing Allowance rate) and save £2.9 billion on energy bills in Future Homes Standard homes. After netting off £10.1 billion of Universal Credit and Council Tax Reduction taper, which reduces benefit entitlement as earnings rise, the net present value to households is £26.9 billion.

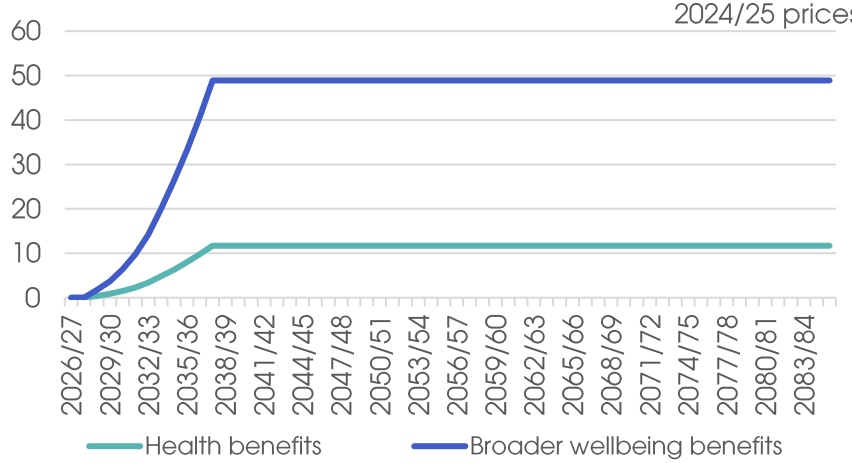
Net Present Value financial impact on households of new social housing and retrofit

Full delivery, full debt relief scenario, £ billion, present value, 60 years



Real household health and wellbeing benefits over time of new social housing and retrofit

Full delivery, full debt relief scenario, £ million, 2024/25 prices



The overall household wellbeing benefit across the 60-year horizon is £109.1 billion.

Health and wellbeing benefits build as homes are delivered and continue across the appraisal period. Households also benefit in other non-financial ways. The wellbeing benefits associated with more secure, better-quality homes are valued using Green Book guidance.

The largest benefit comes from people avoiding living in temporary accommodation, followed by broader tenure security and avoided crime. Health benefits over the 60-year horizon total almost £5 billion, linked to improved housing conditions and reduced overcrowding.

Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

£142 billion
Direct demand

£135 billion
Indirect demand (supply chain)

£135 billion
Induced demand (household spending)

2.51 million
Years of jobs supported (full time equivalent)

- 1.6 million construction job years
- 780,000 maintenance and management job years
- 142,000 consultancy job years

Economic activity and employment associated with Housing Revenue Account debt relief
Full delivery, full debt relief scenario

Housing Revenue Account debt relief is associated with £411 billion in economic activity, and these are conservative estimates.

Building, maintaining and managing 284,000 new social homes generates £411 billion of economic output over the 60-year horizon, approximately the combined annual size of the Scottish, Welsh and Northern Irish economies.

Direct construction and maintenance activities account for £142 billion of this, supply chain spending a further £135 billion and induced household spending as workers recirculate their earnings locally generates a further £135 billion.

Over 2.5 million full-time equivalent jobs are supported across the programme, comparable to the total employment of the United Kingdom financial and professional services sectors.

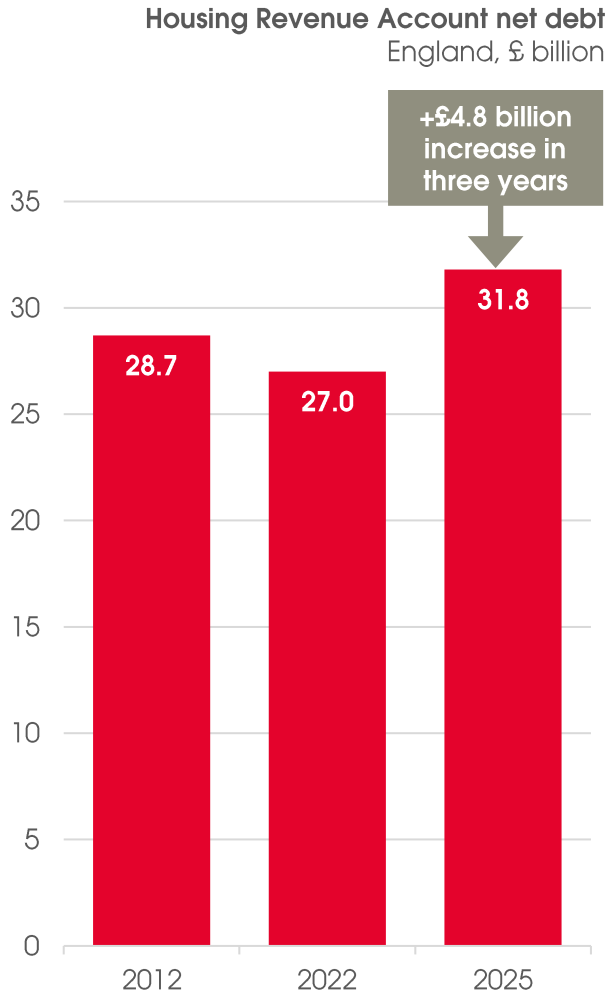
These long-run effects are not captured in the net present value figures in this report. Green Book guidance allows us to capture only the fiscal and employment impacts of the additional economic activity rather than call the activity itself a benefit. This £411 billion is shown for context. It is not counted as a separate net present value benefit. Only the tax and reduced benefit spending this activity generates (already included in the central government net present value) are counted to avoid double counting.

Source: Pragmatix Advisory input-output model

Debt mapping

This section maps the distribution of Housing Revenue Account debt across England's stock-retaining local authorities, assesses the metrics that best reflect the financial constraint and identifies the authorities most affected.

HRA net debt has risen sharply since 2022



The Housing Revenue Account is the ring-fenced account through which local authorities manage their social housing stock.

It is used for collecting rents, paying for maintenance and management and servicing the debt used to finance housing investment. By statute, it must be kept separate from a council's general fund and any surplus or deficit belongs to the Housing Revenue Account alone.

The current debt position has its roots in the 2012 self-financing settlement. Before 2012, local authorities paid a form of negative subsidy to central government, though for authorities in particularly poor financial positions, the arrangement could operate in reverse with net payments flowing from central government to the council. Their rental income was partially pooled nationally, meaning councils with high income could be net contributors to the system. The 2012 settlement replaced this with a clean break. Each authority took on a fixed debt allocation reflecting the government's assessment of its long-run business plan and retained all of its own rental income going forward. The total national debt at that point was £29.2 billion across 169 authorities, reducing to £28.7 billion for the 158 authorities that retained stock into self-financing.

The settlement was widely welcomed, but it built in structural assumptions that have since been undermined. Rents were reduced or frozen in several years after 2012. Building safety, fire standards and regulatory requirements have increased. Right to Buy discounts, extended in 2012, eroded the property base faster than modelled. None of these changes were accompanied by compensating adjustments to the debt settlement. As a result, total Housing Revenue Account net debt has risen from being broadly stable at £26 billion to £27 billion between 2012 and 2022, to £31.8 billion at 31 March 2025. This is a departure from the pattern of post-settlement stability that the 2012 framework was designed to sustain.

Source: Savills analysis for Shelter (left); Savills and Public Works Loan (right)

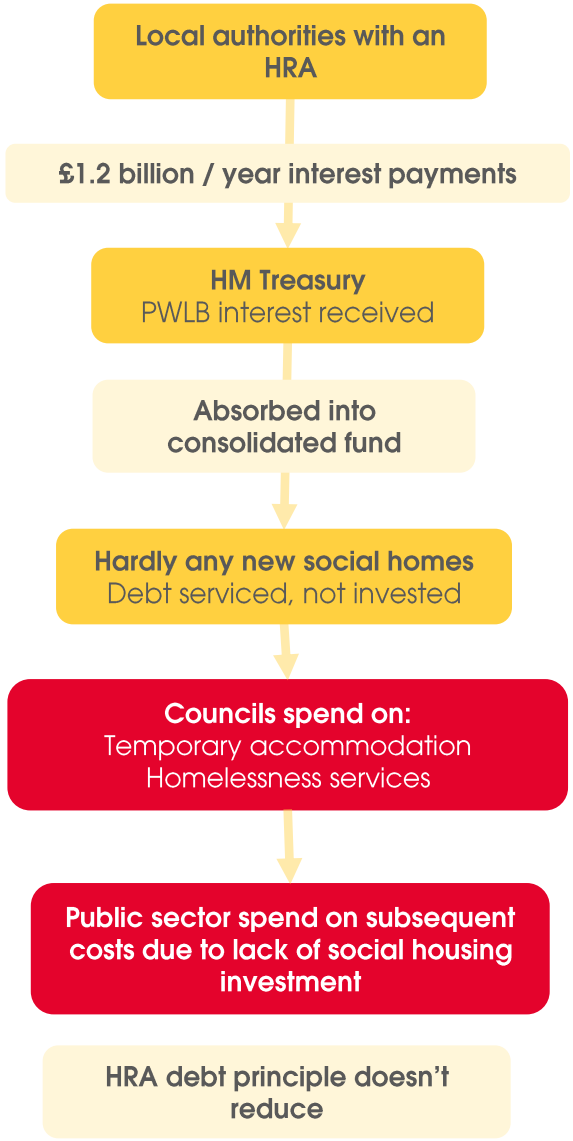
Housing Revenue Account debt sits within the Public Works Loan Board and interest flows to the Exchequer.

The majority of Housing Revenue Account debt is held through the Public Works Loan Board, the government lending facility administered by the United Kingdom Debt Management Office. According to its 2024-25 annual report, the Public Works Loan Board's total loan principal outstanding across all United Kingdom authorities was £109.7 billion at the end of March 2025.

Of England's share of £89.6 billion, Savills estimates that Housing Revenue Account-related debt accounts for around 35 per cent, a net debt of around £31.8 billion. Housing Revenue Account debt is therefore a substantial component of the government's entire local authority lending portfolio.

Public Works Loan Board interest income across all United Kingdom local authorities was £3.6 billion in 2024/25. Applying the Housing Revenue Account share to the England total, our model estimates that approximately £1.2 billion per year of that interest income derives from Housing Revenue Account-related Public Works Loan Board loans. Beyond the immediate burden of interest, remaining debt headroom constrains councils' ambitions to borrow for new investment, even where the business plan could otherwise support it.

This is the fiscal cost that any debt relief scenario should address directly. The loss of principal repayment is not included in this cost because Housing Revenue Account debt is predominantly held as maturity loans – the Treasury doesn't expect to receive the principal back until the loan term ends, at which point councils are expected to refinance rather than repay. The near-term fiscal cost is therefore limited to the interest stream alone. It is the real income to the Treasury that would either need to be replaced or accepted as a cost of unlocking investment in social housing.



How the Housing Revenue Account works

Source: Public Works Loan Board, Savills and Pragmatix Advisory analysis of Public Works Loan Board and Savills data (left)

Source	Metric	Data year	Coverage
Individual council strategy documents	Housing Revenue Accounts – capital financing requirement	2024/25	42
LG Inform (Local Government Association) and individual council documents	Interest payable and similar charges	2026/27 forecast	162
	Gross dwelling rents	2026/27 forecast	162
	HRA surplus or deficit for the year	2024/25	162
	HRA balance (reserves) at 31 March	2026/27 forecast	156
Ministry for Housing, Communities and Local Government Live Table 100	Local authority owned dwelling stock	March 2025	160
DCLG Housing Revenue Account self-financing determinations	Self-financing settlement valuation (opening HRA debt allocation)	April 2012	158

Metrics used in data mapping

No single published dataset captures the full picture of Housing Revenue Account debt pressure across England.

To address this, we have created a dataset from multiple sources, combining the most recent available financial data with the 2012 self-financing settlement baseline that underpins the analysis of debt relief. We limit the analysis to those authorities with a dwelling stock of 1,000 or more. This gives us a population of 162 authorities, consistent with Savills analysis.

The approach recognises that debt pressure is multidimensional. The stock of debt matters, but so do the costs of servicing that debt relative to rental income, the condition of the housing stock and the overall financial resilience of the Housing Revenue Account. Focusing on any single measure, such as debt per dwelling, risks overlooking authorities with relatively modest borrowing but high interest costs, or overstating pressures where large housing stocks generate sufficient rental income to support borrowing more comfortably.

No single published source provides Housing Revenue Account-specific debt data for all authorities. We have obtained Housing Revenue Account debt data for 41 authorities from council strategy documents. These data have been used to calibrate a proxy measure based on total gross borrowing from the Capital Outturn Return. Where gaps remain in the Local Government Association's LG Inform dataset, regression analysis based on the 41-authority sample has been used to estimate values for the wider population, with an R-squared of 0.78.

This methodology provides the most comprehensive available assessment of Housing Revenue Account debt pressures across England and supports the identification of authorities most likely to benefit from debt relief.

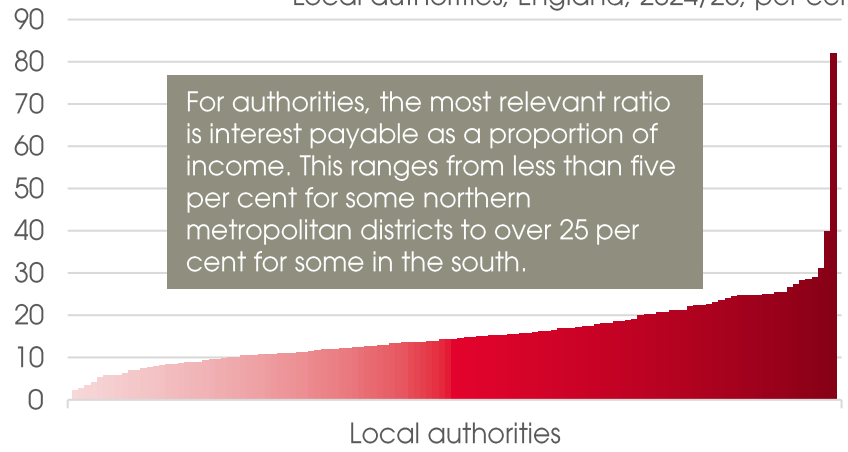
Refinancing legacy debt presents a growing financial risk.

Housing Revenue Account debt allocated in 2012 was often fixed at relatively low rates, although terms varied between authorities. While some legacy loans remain expensive, current long-term Public Works Loan Board rates are generally higher.

The key pressure arises as lower-rate loans mature and councils must refinance at today's higher rates, often without sufficient resources to repay the principal. The discounted value of the Public Works Loan Board portfolio reflects this change in rates, but does not mean that legacy borrowing is uniformly more expensive than new borrowing.

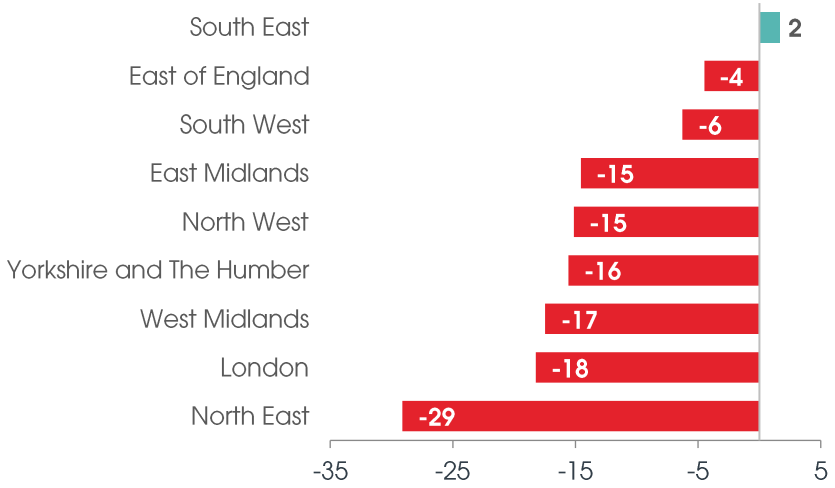
Interest payable as a proportion of gross dwelling rents

Local authorities, England, 2024/25, per cent



Change in local authority-owned dwellings by region

Number of dwellings, 2012 to 2025, thousands



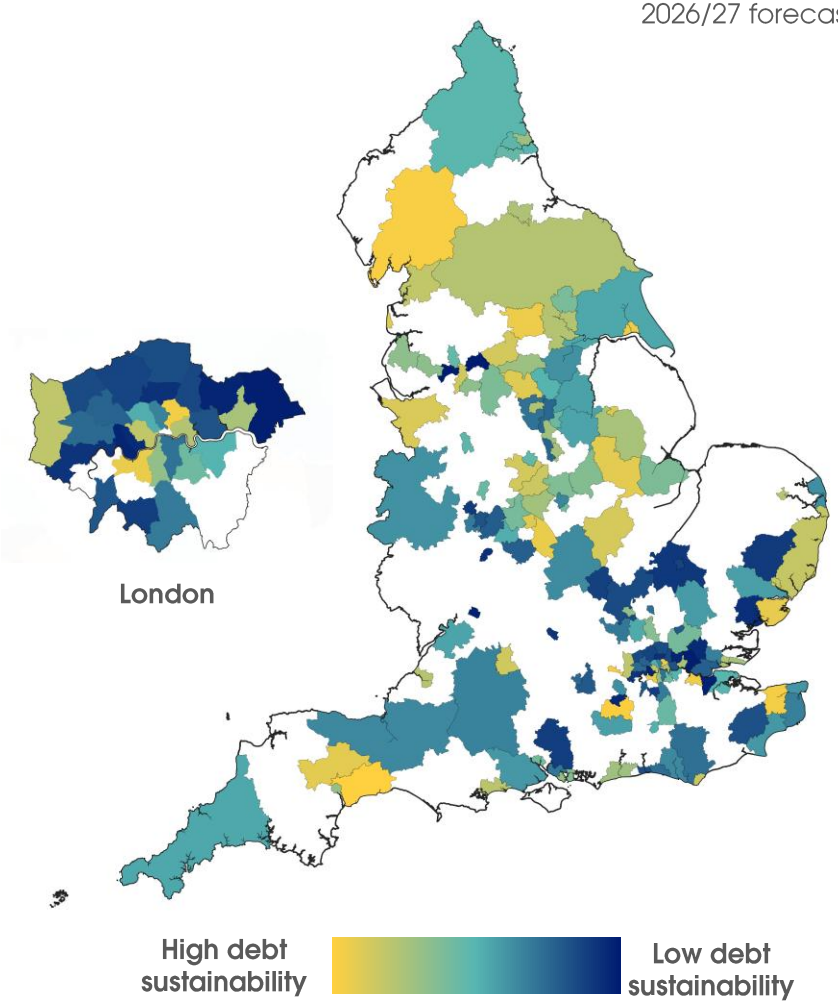
Debt servicing consumes resources that could otherwise be used to build homes.

Local authorities where debt servicing consumes a disproportionate share of rental income face a constrained business plan that limits their ability to invest in new social housing. Not only does it threaten their solvency, but it prevents them from making investment decisions they would otherwise make.

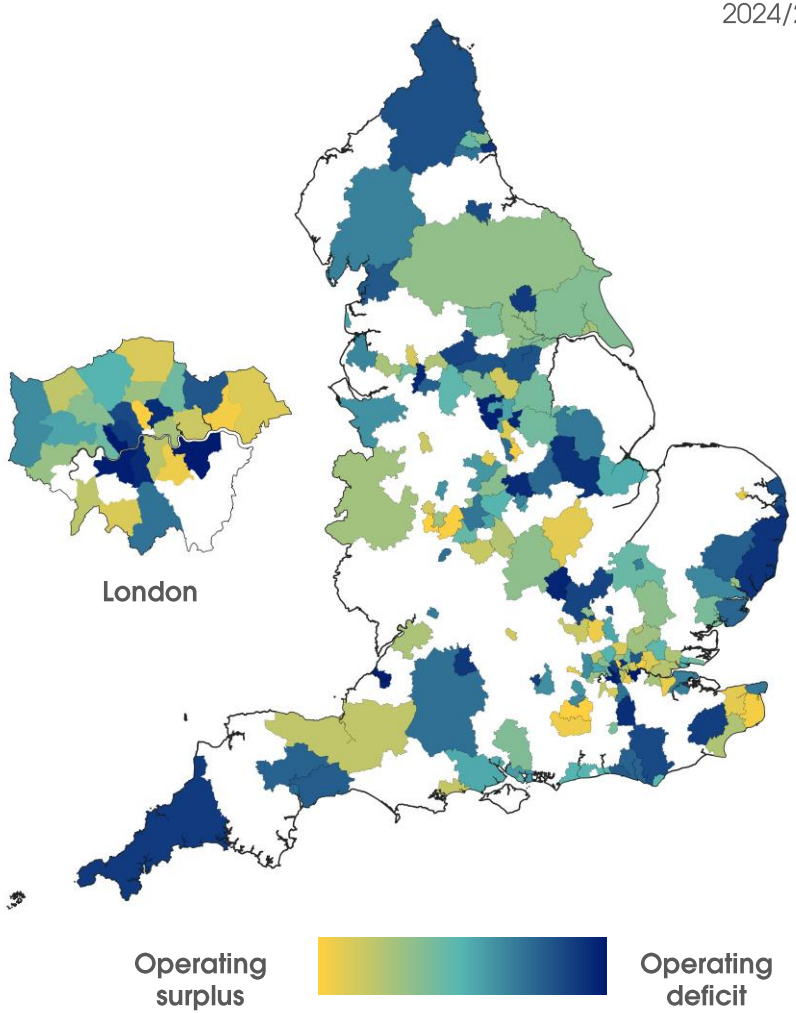
Debt pressures are also driving some councils to borrow simply to maintain existing stock, contrary to the principles of the 2012 settlement and where it compounds existing debt, risking long-term unsustainability. Councils carrying the heaviest burden have in some cases transferred their stock to arm's-length housing associations to escape the Housing Revenue Account borrowing constraints. Stock has also declined through Right to Buy disposals, eroding the property base faster than originally modelled in 2012.

Note: the stock data covers all local authority-owned dwellings. Data combining stock transfer with other categories means the historical decline cannot be attributed precisely between Right to Buy, large-scale voluntary transfer and other changes. Social rent-only historical data at local authority level is not available on a consistent basis. Source: Public Works Loan (top left); Pragmatix Advisory analysis of Local Government Association data (top right); Local authority housing statistics (bottom left)

Housing Revenue Account debt sustainability
Local authorities with a Housing Revenue Account, England, 2026/27 forecast

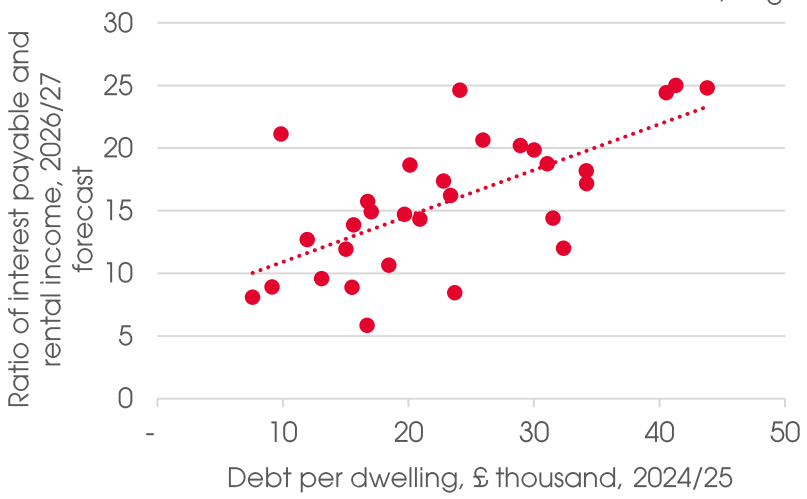


Housing Revenue Account income surplus levels
Local authorities with a Housing Revenue Account, England, 2024/25



Source: Pragmatix Advisory analysis of Local Government Association and Ministry of Housing, Communities and Local Government data

Housing Revenue Account debt per dwelling and debt sustainability
Local authorities, England



Housing Revenue Account debt is strongly correlated with debt sustainability.

Plotting each local authority's debt per dwelling against its debt sustainability ratio shows that higher debt per dwelling tends to produce higher interest costs relative to income. This is expected as authorities that borrowed more in the 2012 settlement or have borrowed substantially since pay more interest and therefore face a tighter business plan.

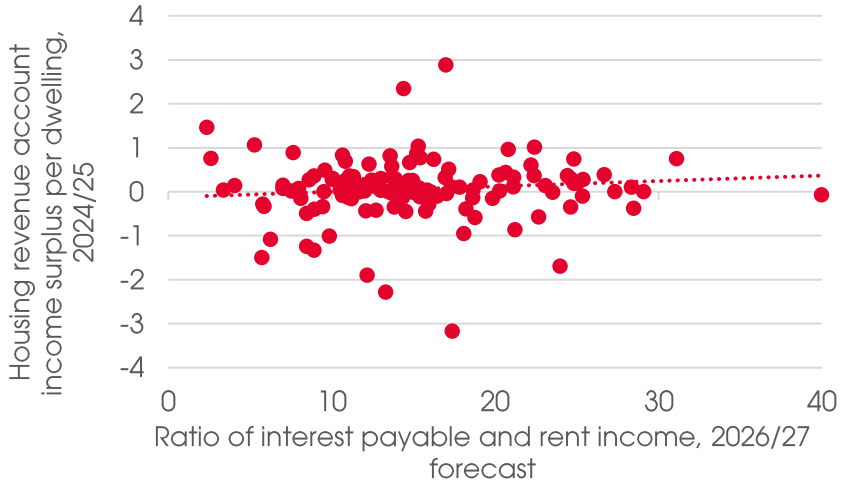
The debt sustainability measure provides a more complete picture than debt per dwelling alone. Differences in borrowing rates and rental income mean that authorities with similar debt levels can face very different financial pressures. For example, historically high borrowing rates and below-inflation rent increases may make an authority appear more financially distressed. The ratio therefore offers a more holistic measure of financial pressure.

The level of Housing Revenue Account surplus adds a second, independent indicator of financial health.

There is little correlation between surpluses and debt sustainability. An authority can have high debt sustainability (manageable interest costs) but also run a Housing Revenue Account deficit, typically because of high maintenance costs, management expenditure or a backlog of investment. Conversely, some authorities with very high debt sustainability ratios still record a surplus, suggesting their rental income is sufficient to service debt and maintain operations but only at the cost of postponing investment in new and existing homes.

The surplus or deficit per dwelling therefore reflects a different kind of financial vulnerability, not the cost of debt itself but the underlying economics of providing social housing.

Housing Revenue Account surpluses and debt sustainability
Local authorities, England



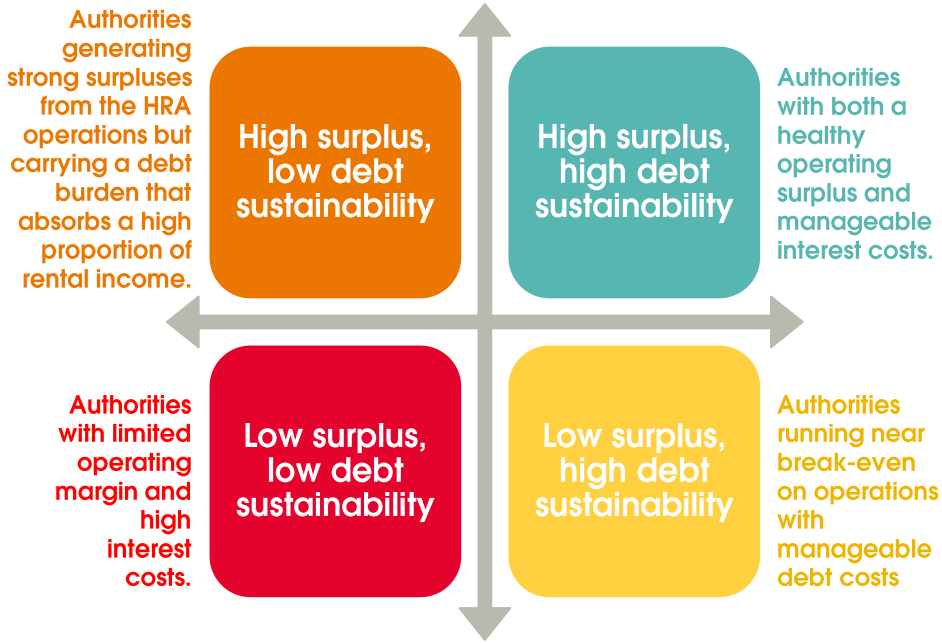
Source: Pragmatix Advisory analysis of Local Government Association and Ministry of Housing, Communities and Local Government data (top left and bottom right)

Debt sustainability and Housing Revenue Account surplus per dwelling define four distinct profiles.

The quadrant framework reduces a complex picture to a practical typology. The framework combines debt sustainability (interest costs as a share of rental income) and Housing Revenue Account surplus or deficit per dwelling to identify authorities facing different levels of financial pressure.

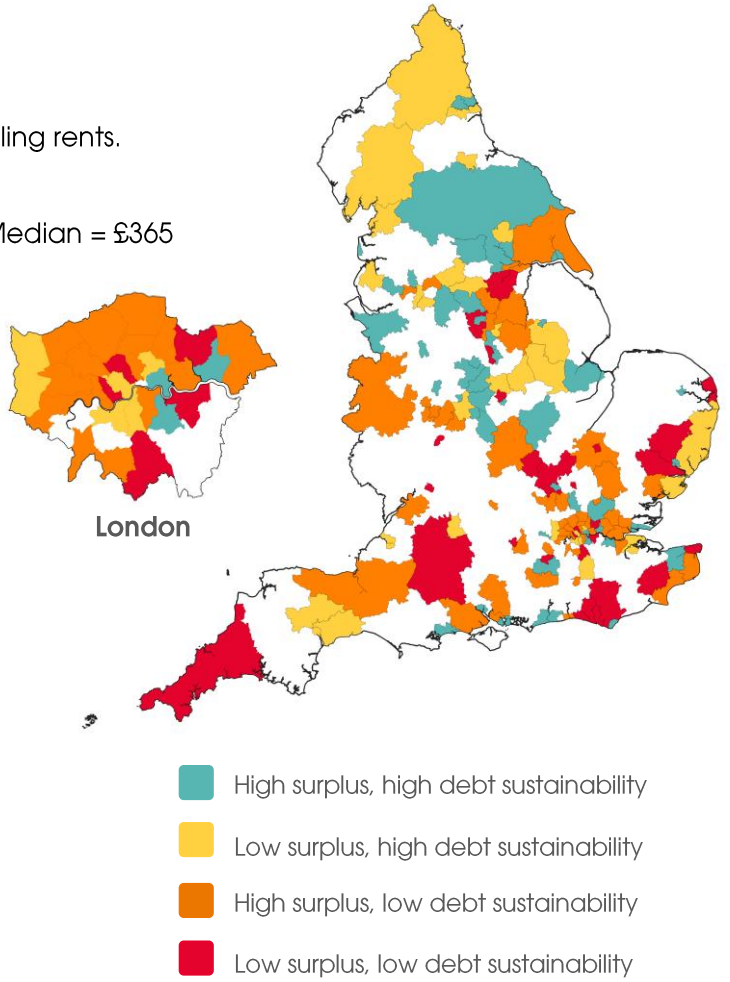
Thresholds:

- High/low debt sustainability = interest payable as a percentage of gross dwelling rents. Median = 13.9 per cent
- High/low surplus = Housing Revenue Account surplus or deficit per dwelling. Median = £365



Visualisation of the debt burden facing local authorities

Local authorities categorised by debt burden quadrant
Local authorities with a Housing Revenue Account, England, 2026

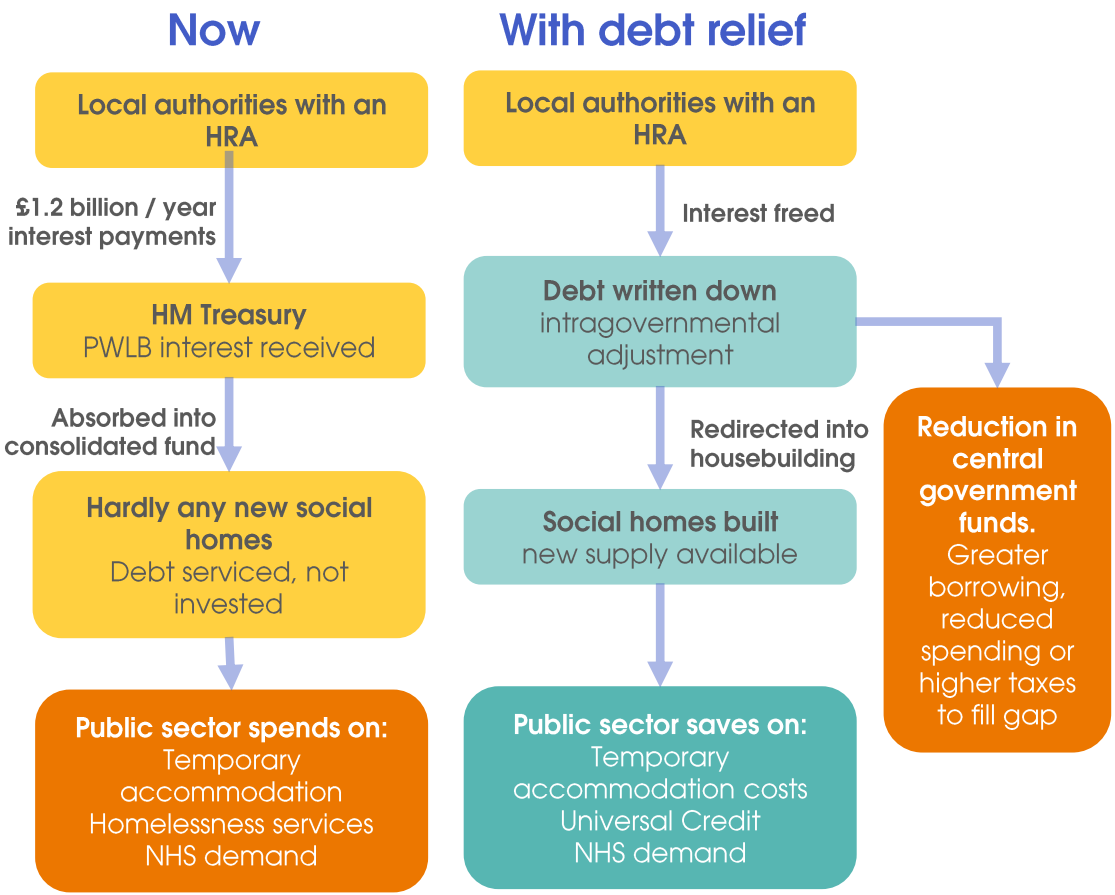


Source: Pragmatix Advisory analysis of Local Government Association and Ministry of Housing, Communities and Local Government data (right)

Modelling approach

This section explains the modelling approach used to quantify the fiscal, economic and social impacts of Housing Revenue Account debt relief and council housebuilding programme, including the assumptions, scenarios and evidence that underpin the analysis.

Modelling captures full consequences of debt relief



How the Housing Revenue Account works now versus with debt relief

The impact of Housing Revenue Account debt relief extends beyond the loss of Public Works Loan Board interest payments.

Savills' analysis indicates that local authorities would be willing to enter into a delivery 'compact' in return for relief - a commitment to deploy the financial capacity for both new build and investment in the existing stock.

If councils are freed from servicing historic debt, they can invest in existing homes and build more social housing. This will have consequences for central government, local government, households and the wider economy.

As a result, our model follows the potential effects of debt relief through a wide range of channels, identifying who bears the costs, who receives the benefits and when those impacts occur.

Rather than focusing on a single outcome, such as additional housebuilding or Treasury costs, the model seeks to capture the full chain of effects arising from increased social housing investment.

New social homes benefit households who have left the private rented sector, temporary accommodation and overcrowded housing.

Starting point: Survey of new council tenants

- General needs + supported housing: 36.8 per cent
- Private sector tenancy: 13 per cent
- Living with family/friends + other: 30.6 per cent
- Temporary accommodation + rough sleeping: 19 per cent
- Owner occupation: 0.7 per cent

We assume people coming from another social home open up space in existing homes. Re-lets within the existing social housing stock are netted off. As the overall stock grows, these free up existing homes and do not compete with inflow from other tenures.

Around three in ten new tenants were previously living with family or friends rather than in a tenancy of their own, the second largest starting point.

- Private sector tenancy: 20.5 per cent
- Living with family/friends + other: 48.3 per cent
- Temporary accommodation and rough sleeping: 30.1 per cent
- Owner occupation: 1.1 per cent

We assume that households who move into new social homes would otherwise, in the long-run, have been living in private rented accommodation

End point: Where we assume our new tenants come from

- Private rented sector (44.6 per cent) - Lower rents and housing benefits
- Living with family and friends (24.2 per cent) - No benefits
- Temporary accommodation and rough sleeping 30.1 per cent) - Wellbeing improvement and lower government spending
- Owner occupation (1.1 per cent) - No benefits

Where new tenants come from and what benefits follow
(these starting-point shares are the population weights applied throughout the household financial and wellbeing models)

Source: Pragmatix Advisory analysis of Ministry of Housing, Communities and Local Government CORE social housing lettings data

Debt relief affects far more than housing budgets.

New homes for social rent change public spending patterns, improve housing outcomes and influence wider economic activity. We have identified more than 50 separate channels through which debt relief may affect central government, local authorities and households, ranging from immediate fiscal effects to longer-term social and economic outcomes.

Not all channels are included in headline Net Present Value estimates, but all are assessed and reported where evidence exists.

Central government	Local government	Households
• Temporary accommodation subsidy • Universal Credit • NHS demand • Tax revenues • Criminal justice costs	• Homelessness services • Temporary accommodation • Social care • Children's services • Council tax base • Local economic activity	• Housing affordability • Earnings • Energy bills • Health and wellbeing • Security and stability • Educational outcomes

Selection of channels assessed as part of the modelling

Tier 1 – strong evidence and directly modelled	Tier 2 – Evidence-based but requiring assumptions
• HRA finances • Temporary accommodation costs • Housing benefit/ Universal Credit • NHS treatment costs • Construction activity • Tax revenues	• Crime and reoffending • Social care demand • Employment impacts • Local economic effects • Educational outcomes • Community cohesion • Long-term intergenerational impacts • Some wellbeing effects • Wider housing market impacts
High-quality administrative or financial datasets	**Supported by established research and evaluation evidence; evidence exists but monetisation is less robust**

Data and evidence tiers

The approach is based on rigour, transparency and conservatism.

Our modelling is designed to be an honest reflection of the total costs and benefits related to HRA debt relief and subsequent housebuilding, where they are well evidenced. The findings are, as a result, in line with Green Book guidance.

We also look to acknowledge the varied reliance of available data and the assumptions we need to make to use them. We grade all data channels based on a judgement on its level of reliance, and we do not include any channels which do not meet a minimum standard in this regard.

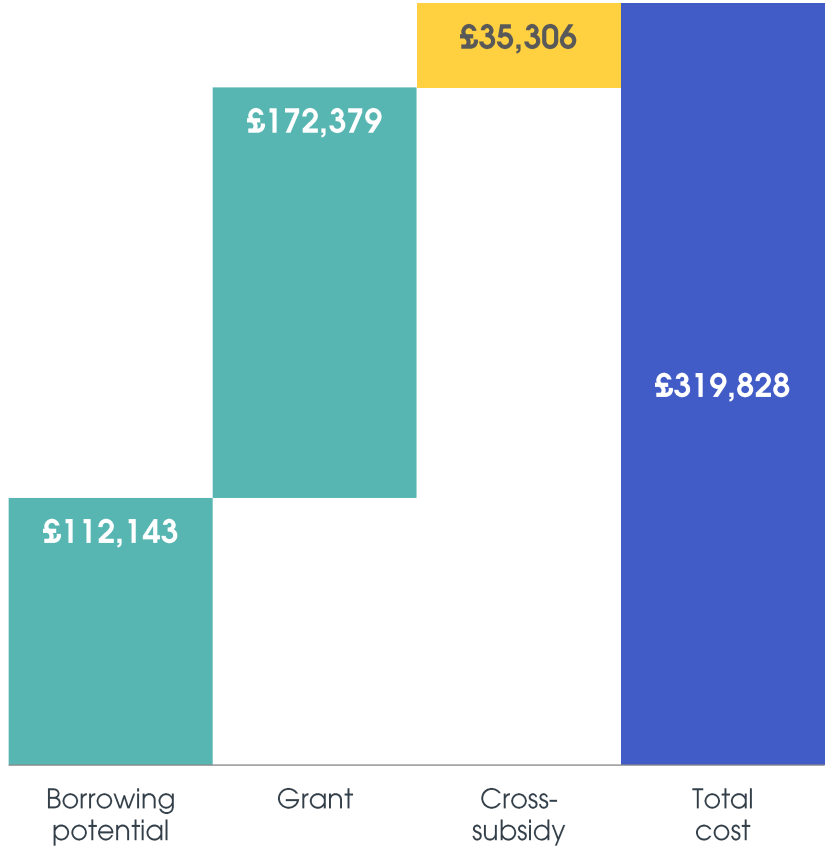
Removing debt could unlock between 193,000 and 284,000 additional social rent homes.

Under full debt relief (writing off all Housing Revenue Account-related Public Works Loan Board debt), Savills estimates that 284,000 additional homes for social rent could be unlocked across England. Under partial relief where additional capacity would be unlocked relative to current levels of debt, the figure is 193,000. Debt relief also frees capacity for councils to invest in their existing stock, reducing the need for additional borrowing for maintenance and improvement, which in turn increases the headroom available for new build borrowing.

These are estimates of what the financial capacity created by relief could support. The actual number of homes deliverable will depend on wider policy changes including grant rates, planning capacity and interest rate conditions. How quickly and fully that capacity translates into completed homes depends on factors beyond the Housing Revenue Account, which is why the modelling applies four delivery scenarios rather than a single projection.

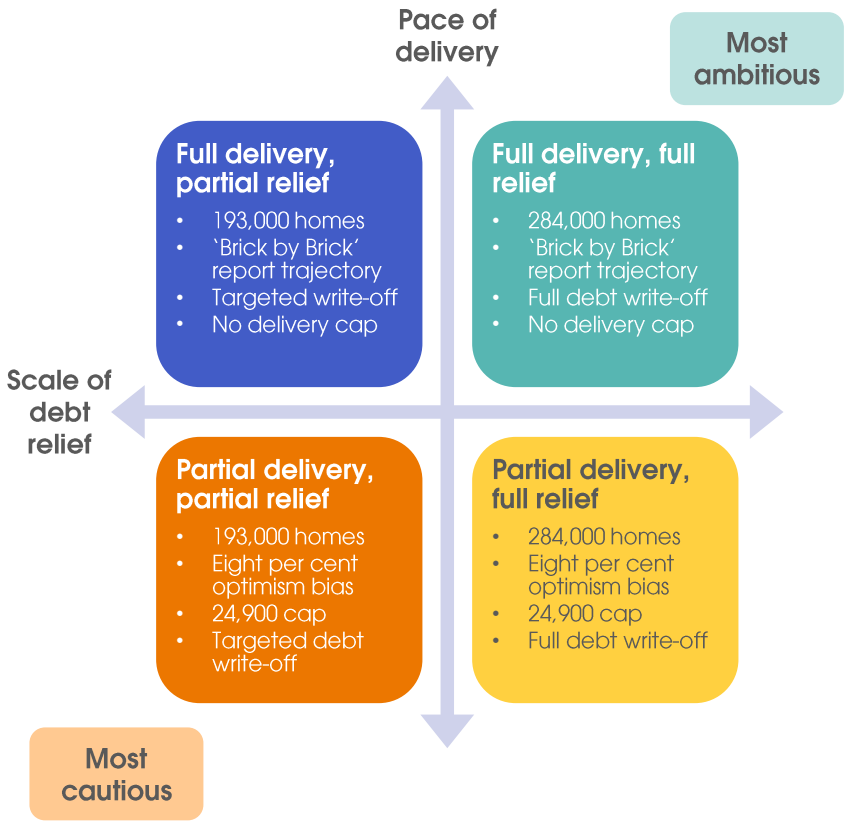
Debt relief does not directly fund new homes. It removes the interest burden that was consuming borrowing headroom, allowing councils to take on new borrowing for construction within a sustainable business plan. However, social rents are set below the level needed to service the full cost of borrowing to build and the rental income generated by a new social home doesn't cover the annual repayments on the loan required to build it. Local authorities can therefore borrow only a portion of the total delivery cost.

To make the maths work, the rest must be subsidised in some way. We assume seventeen per cent is cross-subsidised, either from section 106 agreements or revenue from existing stock, which is likely to increase over time as councils' housing stocks increase. The rest comes from central government in the form of a grant as a modelling assumption.



How the £319,828 delivery cost of a home is met

Source: Ministry of Housing Communities and Local Government



Summary of four modelling scenarios and their assumptions

Four scenarios model both the scale and pace of delivery.

The scenarios vary in two dimensions – the scale of debt relief and the speed at which councils can convert additional financial capacity into completed homes. The 'full delivery' scenarios are based on the council housebuilding trajectory set out in Shelter's 'Brick by Brick' report and the Arup analysis that informed it, which calls for council-led delivery to reach 34,000 social rent homes per year by 2030 (comparable to council output in the early 1980s). Under the full delivery scenarios, annual delivery rises beyond this to a peak of around 45,000 homes per year before the programme completes. Reaching the full delivery trajectory will require policy changes beyond debt relief alone, including planning reform, increased grant funding and increased local authority capacity.

The 'partial' delivery scenarios apply an eight per cent optimism bias adjustment in line with Treasury Green Book guidance, and an annual delivery cap of 24,900 homes, a figure also drawn from Shelter's 'Brick by Brick' analysis of grant-funded council social rent homes. 'Full' relief assumes all Housing Revenue Account-related Public Works Loan Board debt is written off. 'Partial' debt removal involves removing £21.6 billion of Housing Revenue Account debt, distributed across councils relative to their current debt levels.

All four scenarios are modelled over a 60-year appraisal horizon, in line with Green Book guidance for infrastructure investments of this kind. The extended horizon is important as social housing generates benefit streams that compound over decades. All financial figures are discounted at the Green Book rate of 3.5 per cent for the first 30 years, and three per cent thereafter, while wellbeing and health figures are discounted at 1.5 per cent for 30 years and 1.29 per cent thereafter. We use 2024 prices throughout.

Source: Pragmatix Advisory modelling (left); Ministry of Housing, Communities and Local Government, Savills research for Shelter, Arup and Shelter (right);

Central and local government impact

This section assesses the impact of Housing Revenue Account debt relief on central government finances. It distinguishes between the direct fiscal cost of relief (the loss of Public Works Loan Board interest income and the write-off of outstanding principal) and the indirect fiscal benefits that arise as new homes are built and occupied.

In addition, it examines what Housing Revenue Account debt relief would mean for the finances of local authorities themselves. It considers both the direct effect on Housing Revenue Accounts (the removal of debt servicing costs and the investment capacity that creates) and the indirect benefits to local authority finances from reduced demand on services as additional homes for social rent are built and occupied.

Finally, it outlines the net impact to government of Housing Revenue Account debt relief.

Debt relief is largely a series of government transfers

The fiscal cost of Housing Revenue Account debt relief falls primarily on two elements – the loss of annual interest income to the Exchequer from the Public Works Loan Board loans and the accounting treatment of the debt itself.

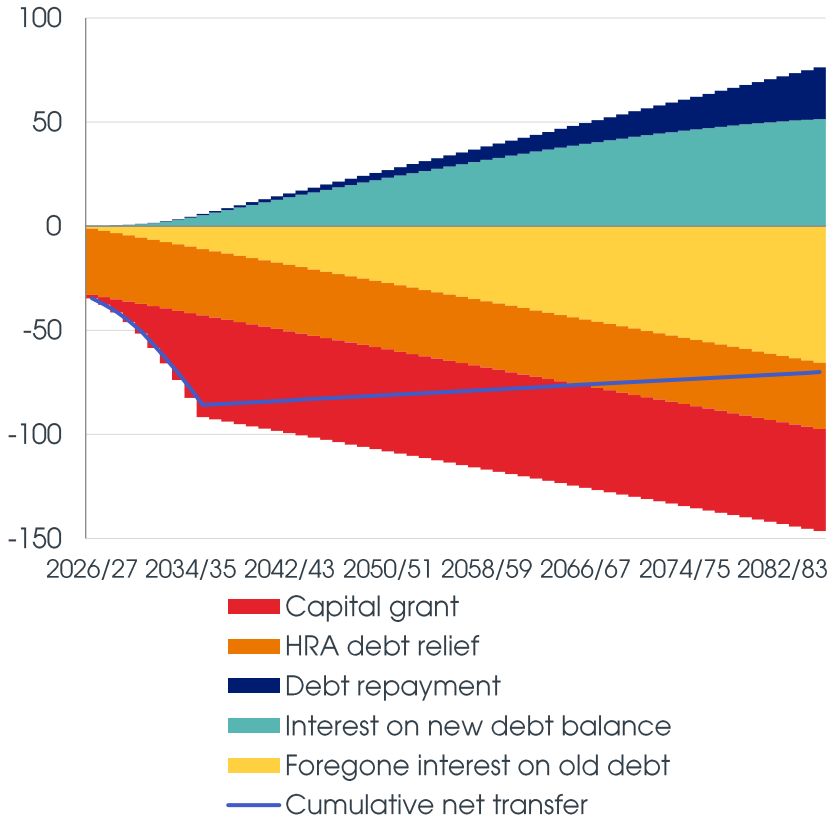
The annual interest income from Housing Revenue Account-related Public Works Loan Board lending is estimated at £1.2 billion. Under full debt relief, this income stream would temporarily fall to zero, before rising again as authorities borrow to support the building of new houses.

Housing Revenue Account debt is an asset on the government's balance sheet, but a liability on the balance sheets of local authorities. These intergovernmental transfers (the cancellation of Public Works Loan Board debt owed by councils to the Exchequer) have a large impact on the individual positions for central and local government, but when we measure the impact on a total government level, they broadly even out. The only exception to this is a small proportion of HRA debt held outside the Public Works Loan Board funding scheme, which would instead act as a transfer between government and the private sector.

We show these various transfers in undiscounted terms in order to clearly show how debt is built and repaid over time. However, later years have an increasingly small weighting in our headline figures. This is a primary reason behind the negative central government NPV and the strongly positive local government NPV.

Cumulative transfer between central and local government

Full delivery, full debt relief scenario, £ billion (2025 prices)



Source: Pragmatix Advisory analysis of Savills data.

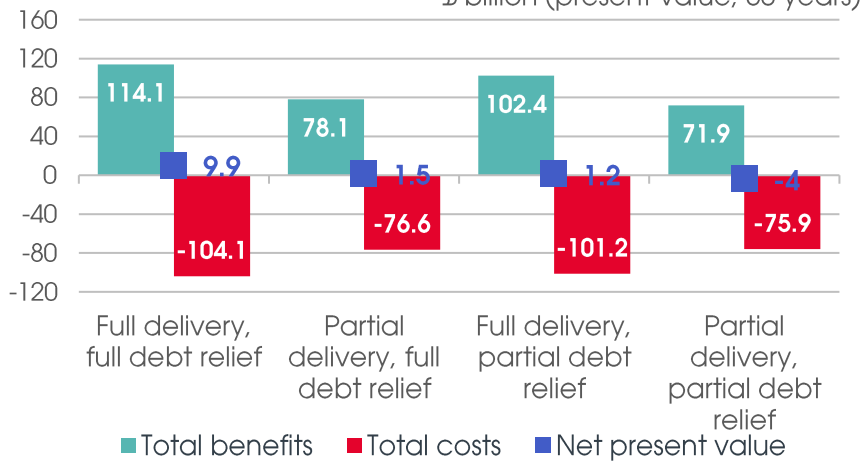
In the most ambitious scenario, total government benefits of £114 billion outweigh costs of £104 billion for a net position of £9.9 billion.

Debt relief generates a positive net return to government in three of the four modelled scenarios. Only the most cautious combination, partial delivery paired with partial debt relief, shows a small net cost to government over the 60-year horizon. Both 'full relief' scenarios and the full delivery, partial relief scenario are all positive.

Across the appraisal period, the present value of benefits (lower public service costs, rental income on a growing social housing stock, higher tax receipts and reduced benefit spending) exceeds the cost of construction, maintenance and non-Public Works Loan Board relief. The payback point for government takes about half a century to reach, although for wider society it comes much quicker. The costs are real and front-loaded, while the benefits build over time. But what the analysis shows is that, viewed across the whole of the public sector and over an appropriate time horizon, debt relief more than pays for itself.

Total government benefits and costs of new homes for social rent

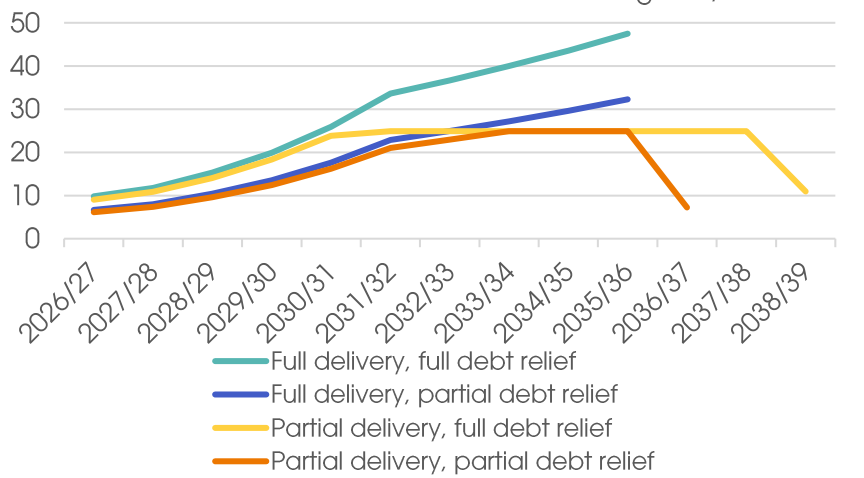
£ billion (present value, 60 years)



Total government Net Present Value (£ billion)	Full delivery, full debt relief	Partial delivery, full debt relief	Full delivery, partial debt relief	Partial delivery, partial debt relief
Lower public service costs	30.2	20.5	27.0	18.8
Rental income	43.2	29.4	38.9	27.0
Extra tax take	21.5	15.2	19.5	14.2
Lower benefits spend (includes Universal Credit and Local Housing Allowance)	19.1	13.0	17.1	11.9
Capital construction	-72.2	-49.1	-70.5	-49.0
NZC retrofit capital cost	-18.2	-18.2	-18.2	-18.2
Ongoing maintenance	-11.5	-7.8	-10.3	-7.2
Non-PWLB write-off	-2.2	-1.5	-2.2	-1.5
Net government position	**9.9**	**1.5**	**1.2**	**-4.0**

Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

Number of new homes for social rent commenced building each year
England, thousands



The scale of the building programme varies across scenarios.

Under the most ambitious scenario, new homes for social rent, delivered by councils through a range of routes, would rise to a peak of around 45,000 a year before the programme completes. This still requires significant policy changes beyond debt relief itself, including planning reform and increased local authority capacity.

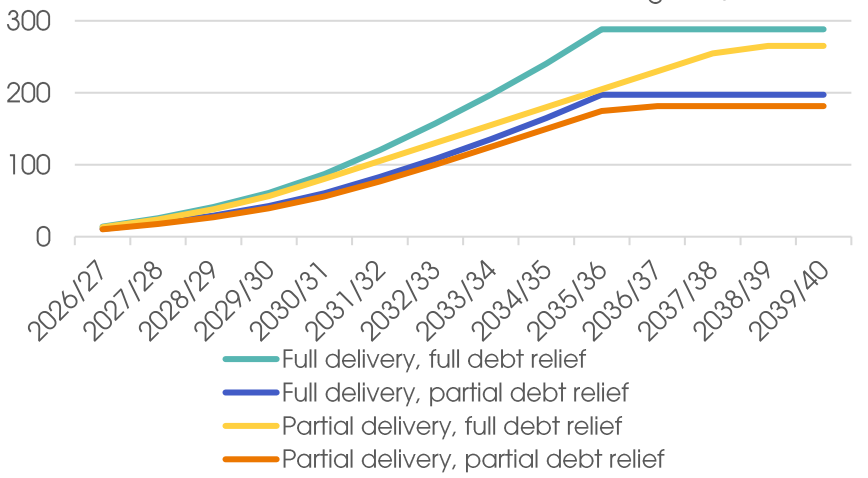
Under the partial delivery scenarios, the annual rate peaks at 24,900, one that would still require meaningful improvements from current delivery levels of a few thousand homes a year. The rate then trends down as the programme completes as the delivery cap means the total number of debt-relief-financed homes is reached sooner, after which new starts reduce. In all scenarios, housebuilding ends once the homes financed by debt relief have been built.

The cumulative stock of new homes drives the long-term fiscal returns.

Some benefits occur only in the short term, largely those related to the construction of the homes.

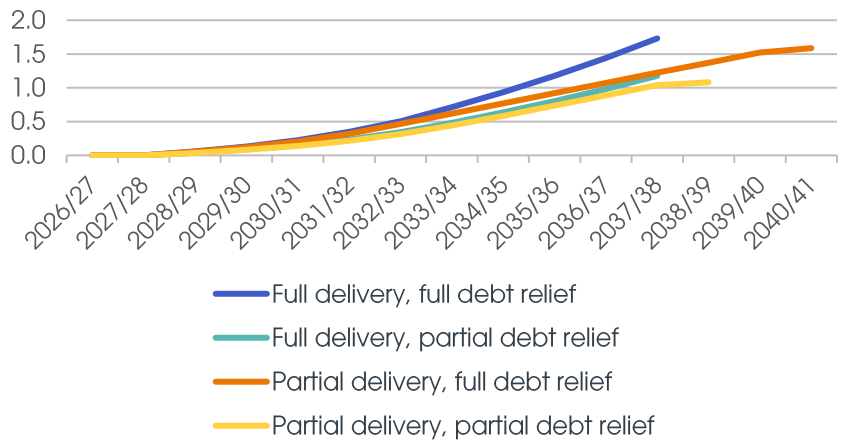
Over time, these are usurped by the benefits related to the tenancies. This includes the rent that households newly living in social homes pay, the greater likelihood that residents are in work and the reduced likelihood that they need various public services.

Cumulative total number of new homes for social rent commenced
England, thousands



Source: Pragmatix Advisory analysis of Savills, Shelter and Arup data (top left and bottom right)

Annual income tax and National insurance take due to new homes for social rent
£ billion, (construction + indirect + induced)



Construction activity generates income tax and national insurance contributions.

Utilising the ratio of compensation to gross value added across different industries, we can model the employment taxes associated with the construction of new houses.

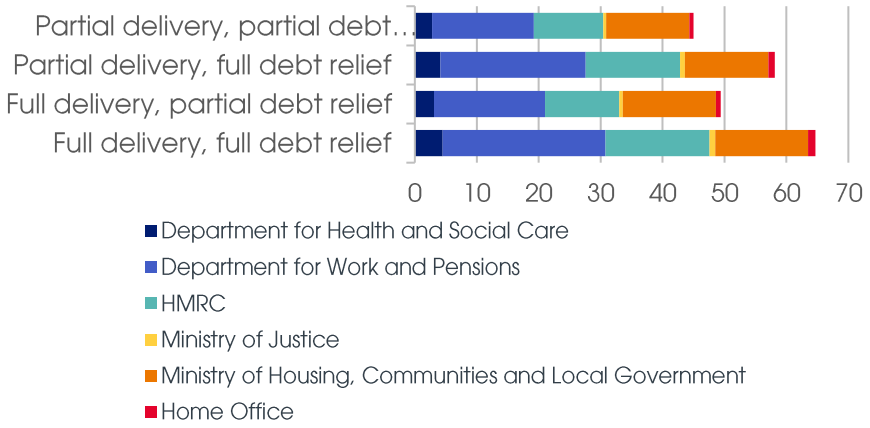
We model the taxes associated with the workers of the construction firms as well as across the supply chains and the firms that benefit from additional spend from those workers (the indirect and induced supply chain effects captured in the input-output model). The construction of homes for social rent creates an average of 83,000 and 129,000 jobs over the period in which they are being built. Construction generates £135.3 billion of gross value added, while ongoing maintenance and management of the completed homes generates a further £47.8 billion.

Although smaller in comparison, other government departments see savings from social housebuilding.

The modelling includes positive impacts from reduced criminal justice system costs, reduced rough sleeping, fewer school engagement issues linked to housing instability and reduced fire service demand. Each is smaller in scale than the temporary accommodation and healthcare savings, but each represents an additional reduction in central government expenditure.

The model also captures the saving that arises when households move from private renting (where they receive housing benefit at Local Housing Allowance rates) into social rent, where the lower rent reduces their benefit entitlement. This housing benefit saving is included within the lower benefits spend figure.

Central government benefits by department of new homes for social rent
£ billion (present value, 60 years)



Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

The fiscal benefits of additional social housing are distributed across government departments.

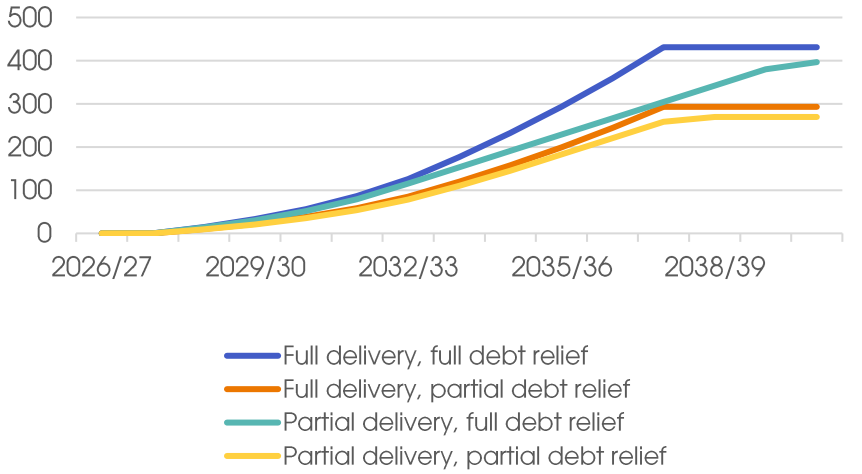
Central government's largest savings come from the Universal Credit taper as more tenants move into work, followed by lower housing benefit as households move from private rent to social rent, and by the temporary accommodation subsidy. Councils spent £2.65 billion (excluding administration) on temporary accommodation in 2024/25, of which £1.26 billion was funded from their own budgets. The remainder was reimbursed by the Department for Work and Pensions. This gap exists because housing benefit for temporary accommodation residents is frozen at 90 per cent of 2011 Local Housing Allowance levels, while costs have risen. Households often pay some of the cost themselves, largely through service charges, but this hasn't been captured, making these figures conservative.

Over 135,000 households are currently in temporary accommodation. As social-rent homes are built and households move out, the subsidy and net council spend will decrease. The modelling captures the central government share of this saving as homes are delivered and occupied, building to a stable annual level once the housebuilding programme is complete.

Category	£ billion
Drug & alcohol	3.1
Adult social care	1.2
Rough sleeping	0.2
Poor condition	0.1
Total	**4.5**

Savings for the NHS by category
Full debt removal, full delivery scenario, £ billion

Annual temporary accommodation saving to central government of new homes for social rent
England, £ million



Savings to the NHS total £4.6 billion in present value terms.

Adult social care savings of £1.2 billion are due to a reduction in falls, injuries and mental health deterioration linked to poor housing, as tenants move into decent, accessible homes. Poor housing conditions are an established cause of preventable health costs.

Hazards such as excess cold, damp and overcrowding generate treatment costs that are avoided when households move into decent, well-maintained social housing. This benefit has been modelled using the Building Research Establishment's analysis of Category 1 housing hazards and is applied to the proportion of new social lettings where their previous home was in poor condition.

Source: Local Government Association, Ministry of Housing, Communities and Local Government Local authority revenue expenditure and financing England: 2024 to 2025 individual local authority data - outturn, Table RO4 and Statutory homelessness live tables, Table TA1 (top left); Pragmatix Advisory NPV models (top right and bottom left); Note: All figures present value, 60-year horizon

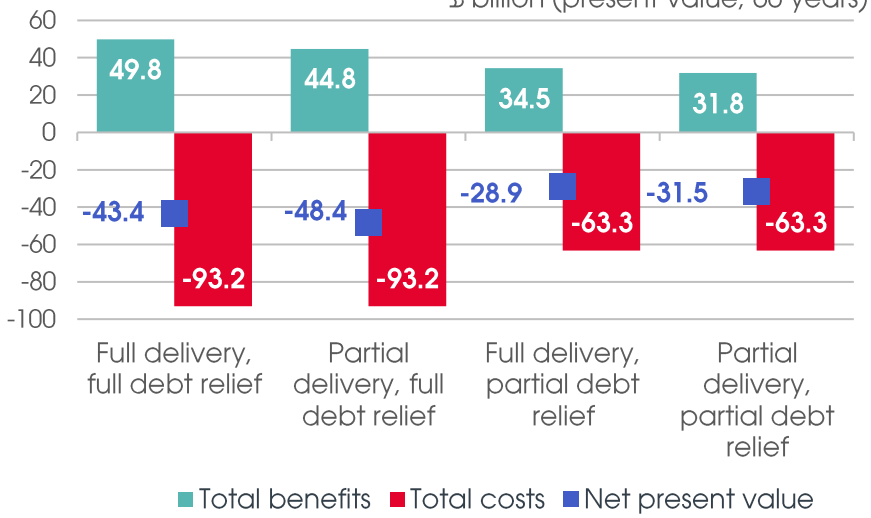
The central government does not break even from its own perspective.

The fiscal cost of Housing Revenue Account debt relief and construction of new homes exceeds the discounted value of fiscal benefits flowing directly to the centre.

This is not surprising and is not in itself an argument against relief, as social housing has always required some form of public subsidy. What the modelling shows is the scale of those net costs and how it compares to the benefits accruing to local government, households and the wider economy. Assessing debt relief solely from a central government perspective is therefore incomplete, as the policy is designed to generate returns across the whole public sector, not just for the Exchequer.

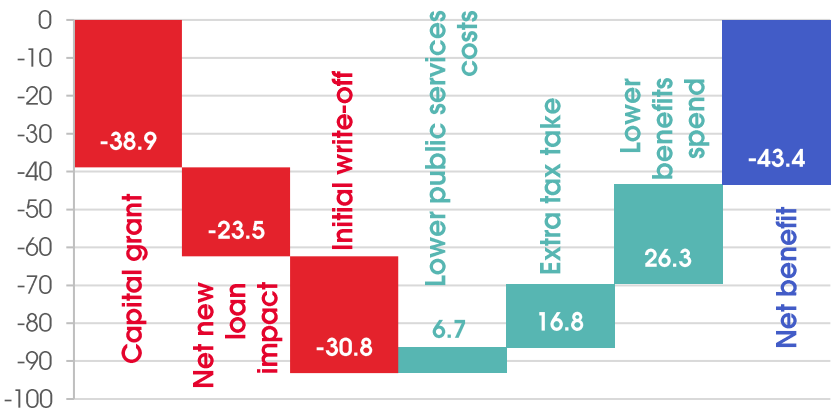
Central government benefits of new homes for social rent

£ billion (present value, 60 years)



Overall impact of Housing Revenue Account debt relief for central government

Full delivery, full debt relief scenario, 60-year horizon, net present value, £ billion



The timing of costs and benefits drives the negative present value

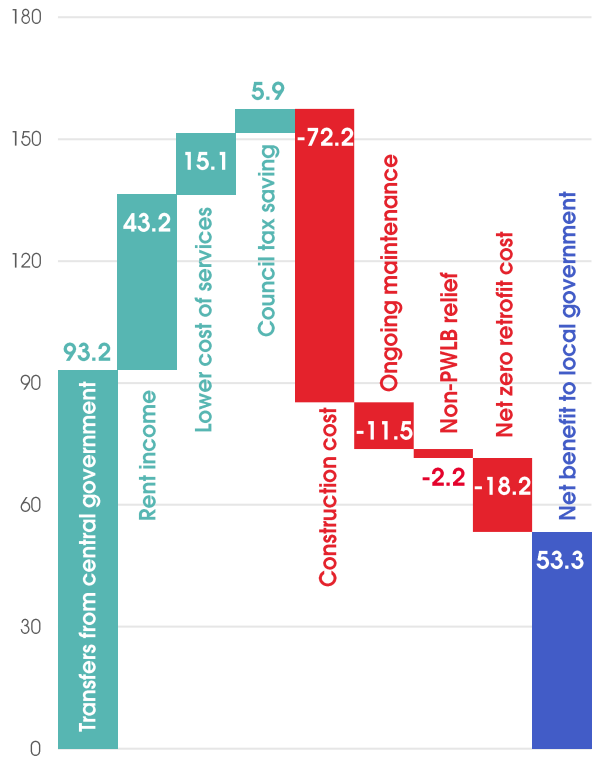
While the undiscounted net benefits are positive for the central government over the 60-year horizon, most of the costs are felt in the first decade to fund the housebuilding. While central government receives lasting fiscal benefits and debt repayments, they are broadly backwards-loaded.

This timing issue works in reverse for local government, which benefits from the front-loaded debt write-off.

Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

Debt relief will unlock the capacity of councils to build

Overall impact of Housing Revenue Account debt relief for local government
Full delivery, full debt relief scenario, 60-year horizon, net present value, £ billion



For those local authorities most constrained by legacy debt, Housing Revenue Account debt relief will not just marginally improve their financial position but will change what is structurally possible.

Councils spend an average of fifteen per cent of their rental income on Housing Revenue Account debt interest, with some paying more than 100 per cent. This means that maintaining existing stock to the standard required by the Decent Homes programme, or building the financial reserves that regulatory guidance recommends, becomes structurally impossible for the most constrained authorities. The removal of that interest burden would free resources that are currently committed to repaying historic debt. The scale of the spending released varies by council and depends on how much debt is written off and what interest rate the council was paying. For example, a local authority with £20,000 of debt per dwelling paying four per cent interest would be paying around £800 a year in interest. Across a stock of ten thousand homes, that would be £8 million being paid in interest each year, enough to fund a significant programme of new build social rent homes or maintenance.

The modelling captures this impact through the rent income channel. As debt is written off and new homes are built, local authorities receive rental income on a larger stock of homes. Over 60 years, this is the largest financial benefit to local government. Building new homes does not leave councils in debt indefinitely. Our modelling assumes new borrowing to fund construction is repaid through rental income over a 60-year period. By the latter half of the appraisal period, councils are growing the financial headroom to invest in further maintenance and new development. This reflects the reality that homes for social rent, once built and occupied, generate a steady, long-term income stream that underpins the viability of Housing Revenue Accounts. Beyond the Housing Revenue Account itself, local authorities stand to benefit from reduced pressure on a range of services as additional homes for social rent are delivered. The model also captures the additional capacity that debt relief creates for investment in existing stock including improvements to insulation, heating systems and general condition that both reduce ongoing maintenance costs and improve the quality of life for existing tenants.

Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

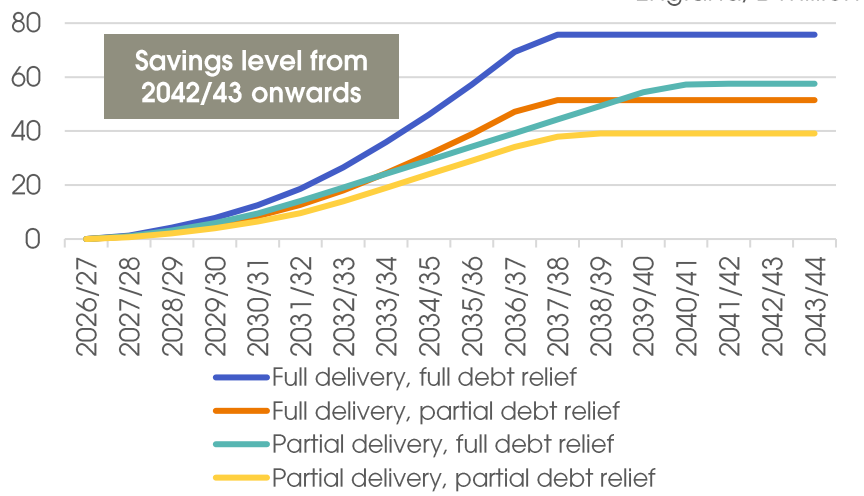
Temporary accommodation costs are the most significant saving for councils.

Local authorities bear the net costs of providing temporary accommodation after housing benefit subsidy. The gap between the benefit rate and the actual cost of accommodation has grown significantly in recent years because the housing benefit subsidy for temporary accommodation has been frozen at 90 per cent of 2011 Local Housing Allowance rates and has not increased since then, while actual accommodation costs have risen substantially.

In 2024/25, councils funded £1.26 billion of temporary accommodation costs from their own budgets. As the stock of social homes grows, this burden reduces. The modelling shows savings building to eventually hit £672 million a year. The modelling applies the national share of social housing lettings to households previously in temporary accommodation.

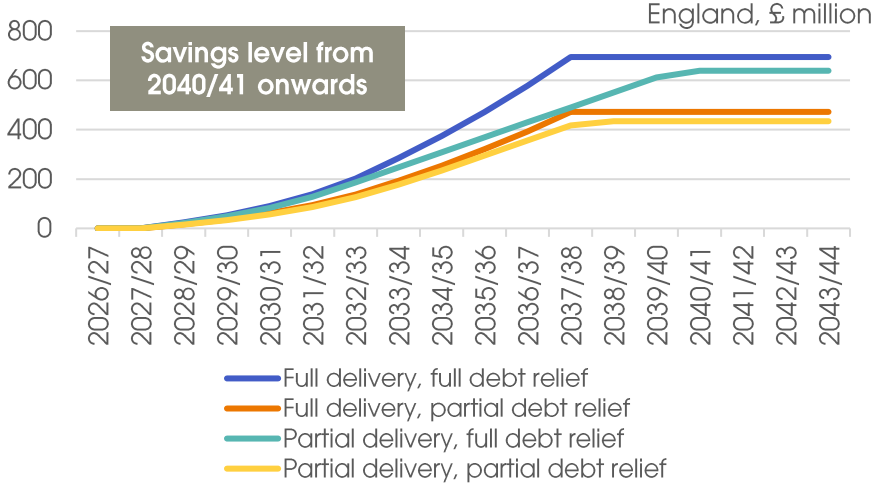
Annual adult social care costs avoided by local government due to new homes for social rent

England, £ million



Annual temporary accommodation costs avoided by local government due to new homes for social rent

England, £ million



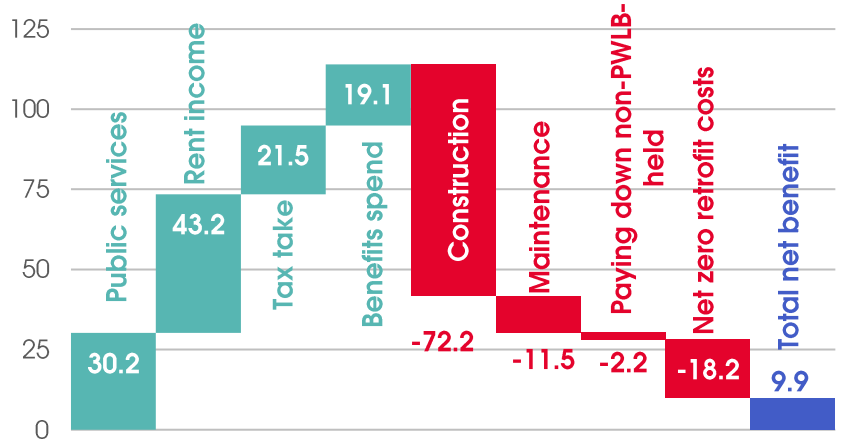
Adult social care demand falls as tenants move into decent, stable housing.

Poor housing conditions are associated with falls, injuries and mental health deterioration that can result in social care referrals and care packages being put in place. Moving into a new, social rent home, typically designed or adapted to modern accessibility standards, reduces that demand. The modelling draws on `value of a social tenancy' research to quantify this effect on a per-dwelling basis, applied to the cumulative stock delivered in each scenario.

Children's services costs are also modelled as housing instability and overcrowding are established risk factors for child protection referrals and social care involvement. The scale of effect is smaller than the adult social care channel, but it is evidenced and quantifiable. Councils' share of fire service demand is also modelled using the share contributed through council tax rather than central government grant.

Source: Pragmatix Advisory NPV models Note: All figures present value

Total government benefits and costs
Full delivery, full debt relief scenario, £ billion (present value, 60 years)



The four benefit streams together generate £114 billion under the most ambitious scenario.

Rental income accounts for the largest share at £43 billion, followed by public service savings at £30 billion. Benefits are back-loaded as they depend on homes being built and occupied.

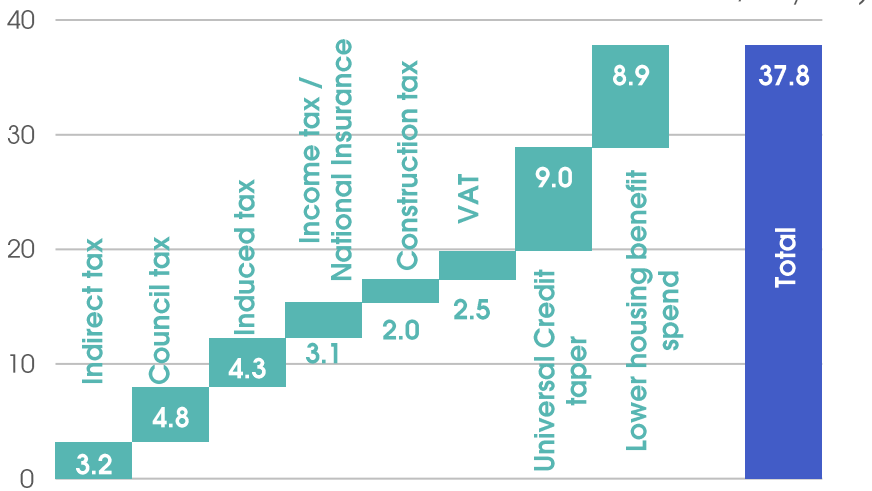
Against these benefits, construction costs account for the largest share at £72 billion. On the Exchequer gains side, the largest single components are the Universal Credit taper and the reduction in Housing Benefit as households move into social rent, as more tenants move into work and into settled tenancies.

The Exchequer gains build from a wide base of revenue sources.

Aside from the housing benefit saving, there is a reduction in benefit payments and the Universal Credit taper effect as more tenants move into employment once housing is secure.

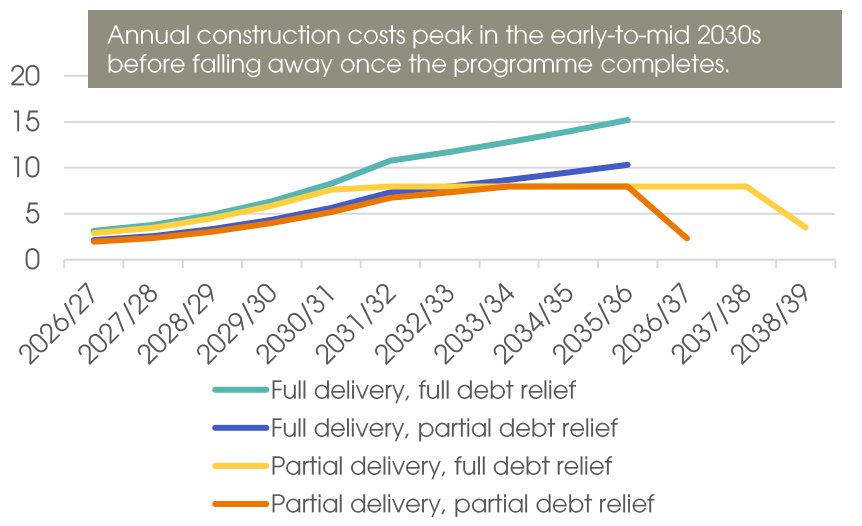
Construction activity contributes across several taxes, including VAT on materials and services, income tax and National Insurance from direct employment and indirect and induced effects through the supply chain. Council tax revenue on the new stock adds a further steady stream as homes are completed and occupied.

Extra tax take and lower benefits spend,
Full delivery, full debt relief scenario, £ billion (present value, 60 years)

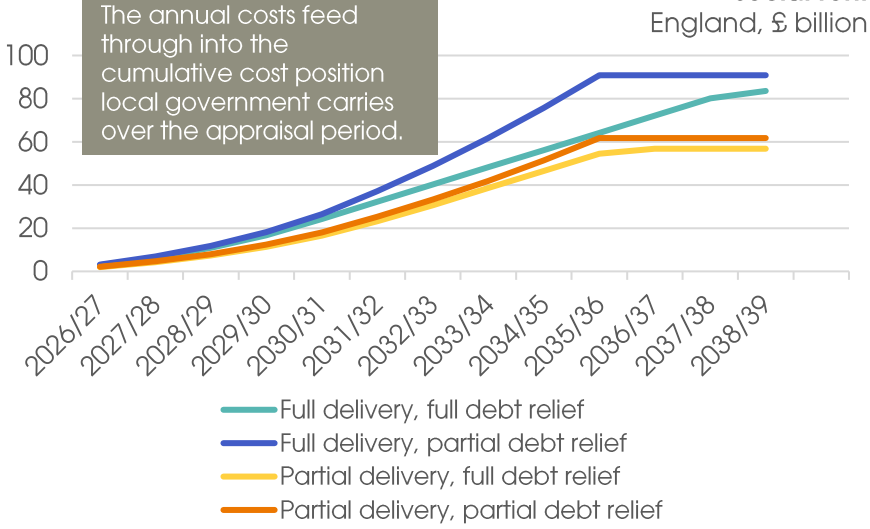


Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

Annual cost of building new homes for social rent
England, £ billion



Cumulative total cost of building new homes for social rent
England, £ billion

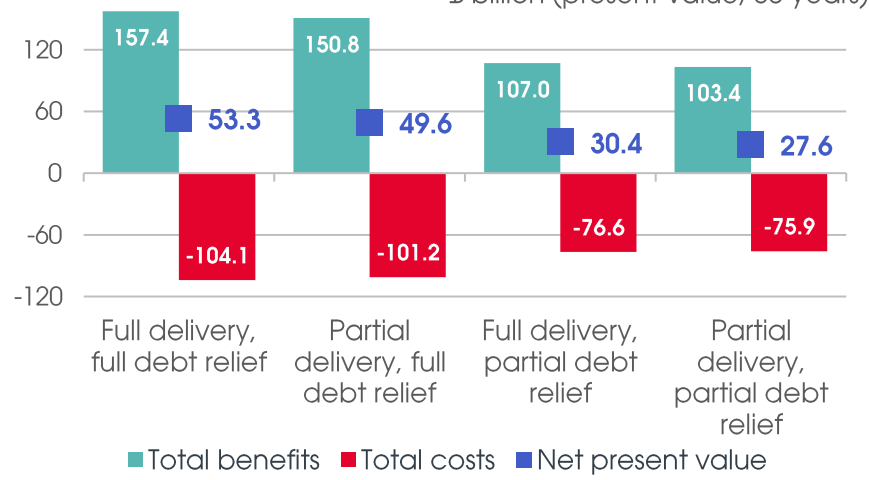


Local government has the most to gain from debt relief.

Viewed from a local government perspective, Housing Revenue Account debt relief generates a net positive financial return over 60 years in all four scenarios. The upfront investment in construction costs and ongoing maintenance is substantial, but it is outweighed by the combination of rental income received on a growing stock, temporary accommodation costs avoided and other service savings.

This reflects a well-established structural feature of social housing investment. Once built, homes for social rent generate a long-term income stream that more than covers their ongoing costs, provided the initial capital can be deployed without exceeding the revenue capacity of the council. The problem for authorities with high levels of debt is that their existing debt burden has already absorbed that headroom. Debt relief directly addresses this constraint.

Local government benefits and costs of new homes for social rent
£ billion (present value, 60 years)



Source: Pragmatix Advisory NPV models Note: All figures present value, 60-year horizon.

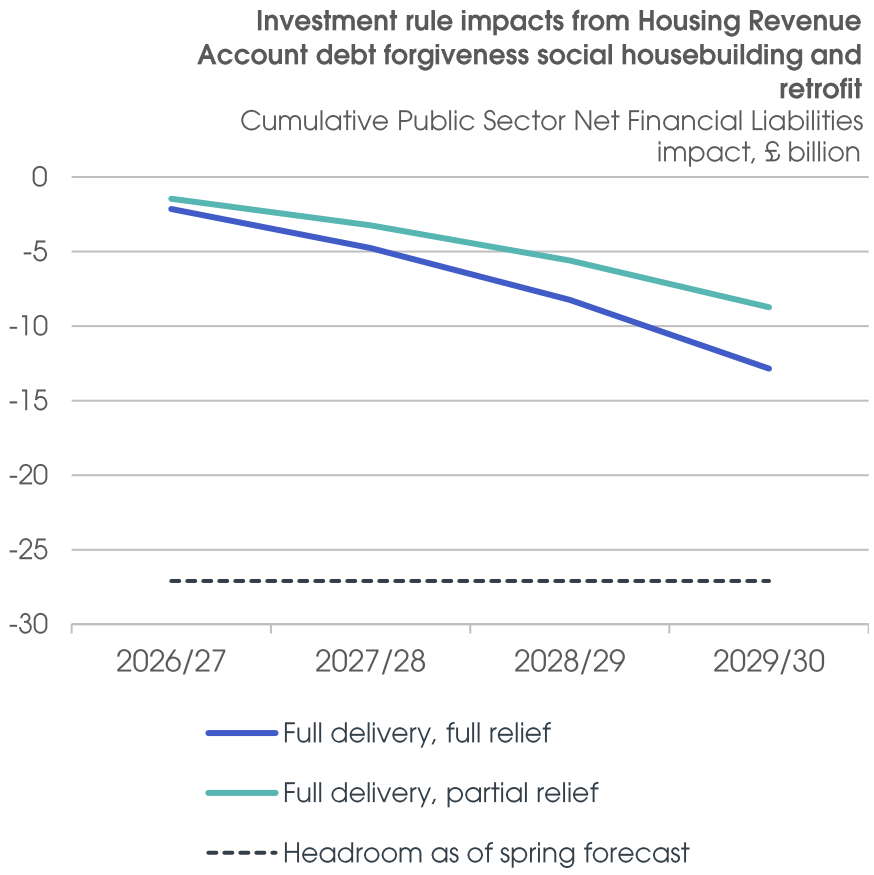
Impact on fiscal rules

This section assesses whether Housing Revenue Account debt relief and part-funding of social homes is affordable against three fiscal constraints:

- Across the four scenarios, the programme uses between 38 and 56 per cent of available fiscal headroom
- The investment rule (Public Sector Net Financial Liabilities falling as a share of GDP)
- The stability rule (current budget in balance by 2029/30)
- The welfare cap.

This section is based on nominal, undiscounted figures, aligned to the Office for Budget Responsibility approach to calculating the fiscal headroom. Therefore, these figures do not align with the rest of the report.

Investment rule is binding test and debt relief passes it



The government's investment rule requires Public Sector Net Financial Liabilities to be falling as a share of gross domestic product by 2029/30.

For Housing Revenue Account debt relief, one critical analytical point is that writing off Public Works Loan Board debt does not affect the investment fiscal rule, as it is an intragovernmental transfer that requires no debt financing.

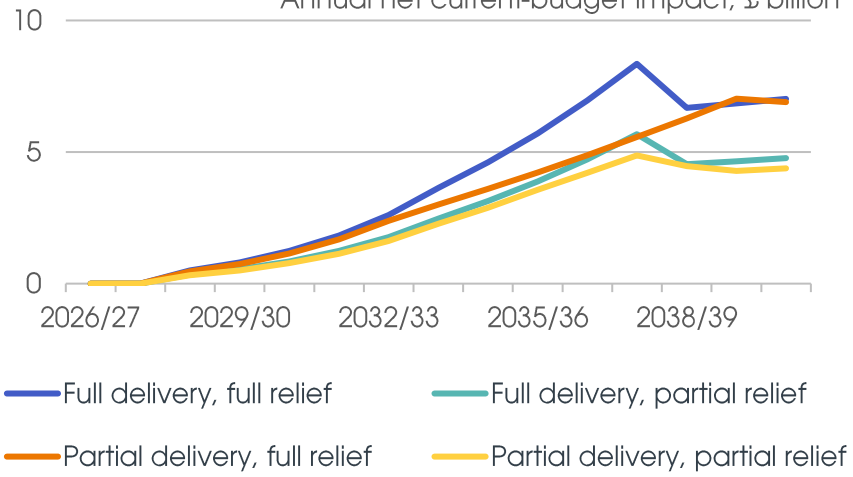
An exception is the small portion of the debt write-off held by third-party lenders. This is assumed to require a direct transfer of funds to local councils to pay for, rather than being a write-off between them; therefore, it would require debt issuance.

This, alongside debt issuance for grant money and new loan advances to fund new housebuilding, adds up to around £15 billion of additional liabilities by 2029/30, against the £27.1 billion of investment rule headroom recorded at the spring forecast. Across the four scenarios, the programme uses between 38 and 56 per cent of the available fiscal headroom. Total grant money needed to fund new housebuilding ranges from £33.3 billion to £49.0 billion, but only a small portion of that is needed in the first three years of the programme.

There is no divergence in headroom impact between the partial and full delivery scenarios, given our application of optimism bias, which separates them and keeps all costs the same. The divergence between the scenarios lies in the volume of houses built for that cost. Therefore, we show only the differing investment rule impacts for full debt relief and partial debt relief.

Source: Pragmatix Advisory fiscal rules model (left); Office for Budget Responsibility, HM Treasury, Resolution Foundation (right)

Stability rule benefits from Housing Revenue Account debt forgiveness social housebuilding and retrofit
Annual net current-budget impact, £ billion



Debt relief and council housebuilding programme is broadly neutral for the stability rule

The stability rule requires the current budget to break even or be in surplus by 2029/30, assessed in that single year, not cumulatively. Capital transfers, including write-offs and re-borrowing, are excluded; only recurring savings and costs count. This includes reductions in temporary accommodation spending, NHS demand and other public service costs, offset by ongoing maintenance.

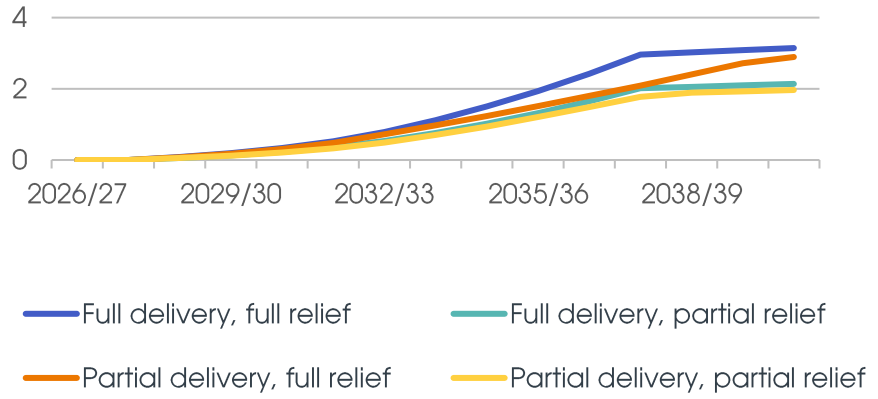
The only cost is interest payments on gilts issued to pay for the non-PWLB debt write-off and grant funding for new homes. This broadly offsets the positive benefits in 2029/30, removing 0.0 to 0.3% of fiscal headroom on net across our four scenarios.

Debt relief reduces welfare spending by up to £192 million in 2029/30.

The welfare cap limits aggregate social security spending assessed in 2029/30. In-cap Department for Work and Pensions savings in that year total between £120 million and £192 million across the four scenarios. This covers reductions in the temporary accommodation subsidy, the Universal Credit taper effect as more tenants move into employment and the housing benefit savings as households move from private renting to social rent. These are savings, not costs, as the policy reduces welfare spending rather than adding to it.

Set against the £204 billion cap threshold, the amounts are immaterial. The welfare cap presents no constraint and cannot, as a policy that reduces benefit spending can only improve the position relative to any spending ceiling.

Welfare cap impacts from Housing Revenue Account debt forgiveness social housebuilding and retrofit
Cumulative in-cap Department for Work and Pensions savings, £ billion

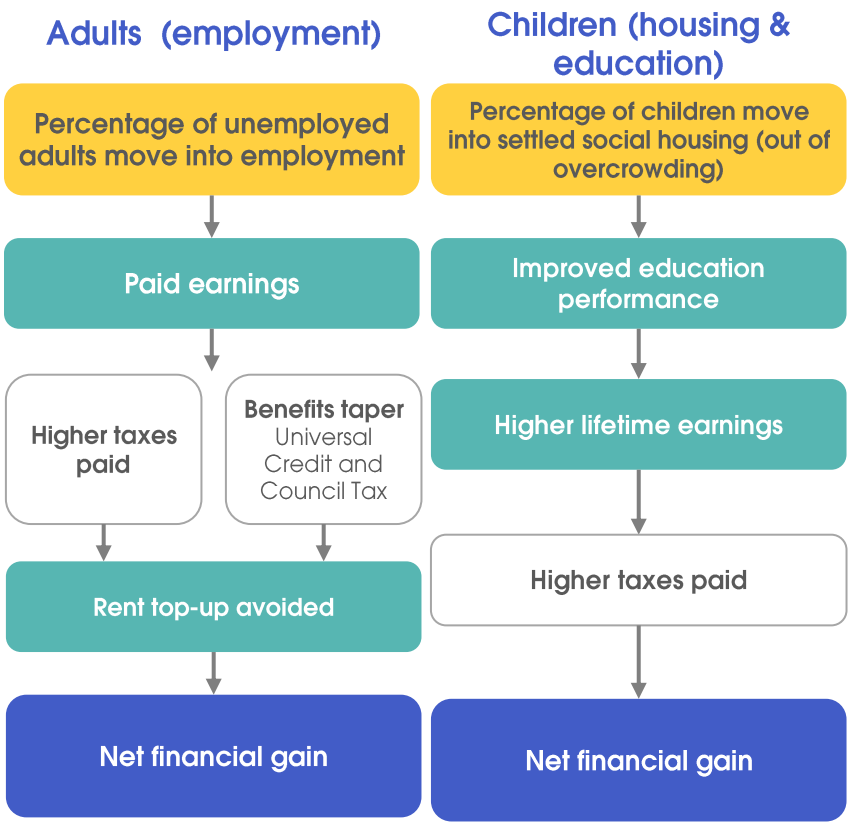


Source: Pragmatix Advisory fiscal rules model

Household impact

This section examines what Housing Revenue Account debt relief would mean for the households who move into new homes for social rent as a result of the additional housebuilding it would enable. It explores the financial impacts such as changes in rent, energy costs, employment and earnings, and the broader wellbeing impacts including health, tenure security and the consequences of moving out of temporary accommodation or overcrowded housing.

Moving into social housing provides immediate impact



Impact per housing unit of households moving into social housing
Full delivery, full debt relief, present value, 60 years

Moving into a new social rent home produces an immediate and lasting improvement in household finances.

Social rents are set by a national formula and are substantially below market levels. For households previously paying private rents at or above Local Housing Allowance rates (which have been frozen since 2020 while market rents have continued to rise), the move into social housing eliminates a rent shortfall they have been meeting from their own income. The model quantifies this as the difference between the 30th percentile private rent and the frozen Local Housing Allowance rate, applied to the share of new social lettings where the households are moving from the private rented sector.

New homes built under the Future Homes Standard will also be significantly more energy efficient than most of the private rented homes many of the tenants will be leaving. Using consumption data from the Department for Energy Security and Net Zero's National Energy Efficiency Data framework, the model estimates the reduction in energy bills as households move from lower-rated stock into new, well-insulated homes. This is a real and immediate financial benefit that accrues independently of any change in employment or income.

For households moving into social housing, the model captures three financial benefit channels: Avoided cost of topping-up rent above the housing benefit cap, the reduction in energy bills and the net earnings uplift as stable social housing removes a significant barrier to employment, minus the additional taxes they pay and the lower benefits they can receive.

Source: Pragmatix Advisory household financial impact model

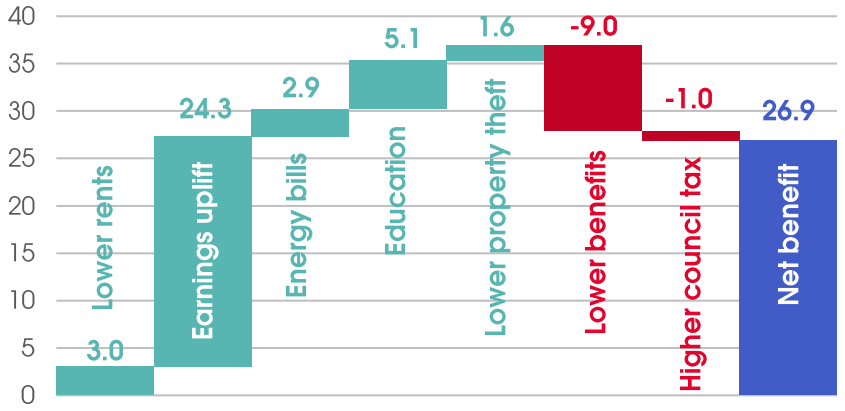
Earnings uplift is the largest financial benefit to households moving into social housing.

Across all four scenarios, net earnings uplift is the largest component of household financial benefit. The model applies an employment uplift rate derived from the Continuous Recording of Lettings and Sales (CORE) lettings data on the employment status of new social rent tenants before and after the move, combined with published earnings data for the relevant occupational profile. This is net of higher income tax and National Insurance.

Under the scenario of full housing delivery and full Housing Revenue Account debt relief, earnings uplift alone contributes £24.3 billion in present value terms over 60 years, demonstrating the link between housing stability and employment. Combined with rent, energy and other savings (net of benefit tapers), the overall household financial net present value reaches £26.9 billion.

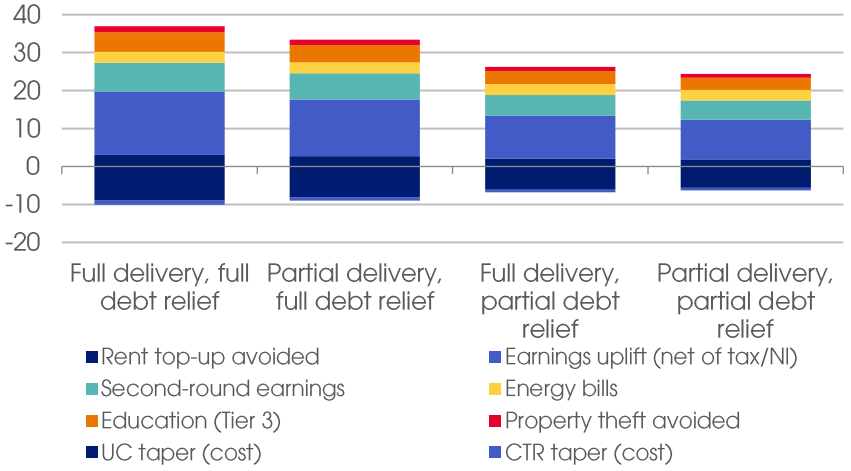
Net Present Value financial impact on households of new social housing and retrofit

Full delivery, full debt relief scenario, £ billion, present value, 60 years



Breakdown of financial impact on households of new social housing and retrofit

£ billion, net present value, 60 years



Moving into employment reduces Universal Credit and Council Tax reduction entitlement.

This happens through the benefit taper mechanisms. The model treats these as a cost to the household as they are a reduction in income that partly offsets the earnings gain.

After accounting for both the Universal Credit taper and the Council Tax reduction taper, the net household financial position from increased employment remains positive. The modelling estimates that the benefit-cost ratio after netting these costs is 3.67. This means that for every £1 of reduced benefit entitlement, households receive £3.67 in combined rent, earnings and energy savings.

Source: Pragmatix Advisory household financial impact model

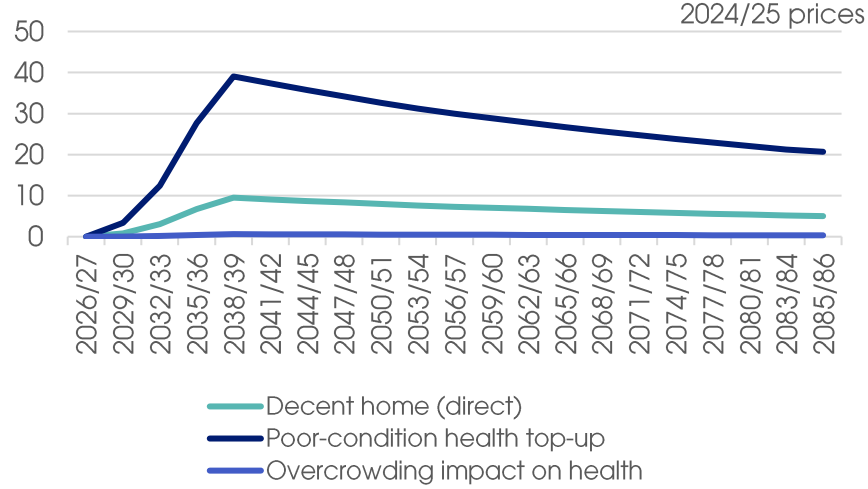
Decent housing, new or improved, directly reduces preventable health costs.

The model captures three housing-condition channels: the direct wellbeing gain from living in a decent home rather than a non-decent one, a health top-up for households leaving homes with Category 1 hazards such as damp, excess cold and structural defects, and a health top-up for households leaving overcrowded accommodation. These three channels apply both to households moving into new social homes and to existing tenants whose homes are improved through the retrofit programme that debt relief also enables.

Poor-condition health savings are the largest of the three channels, building to around £39 million a year by the mid-2030s, alongside smaller but persistent savings from the decent-home and overcrowding channels. These are valued using Green Book wellbeing methods and discounted at the health rate of 1.5 per cent.

Real household health and wellbeing benefits over time of new social housing and retrofit
Full delivery, full debt relief scenario, £ million, 2024/25 prices

Real benefits over time of improved housing conditions from new social housing and retrofit
Full delivery, full debt relief scenario, £ million, 2024/25 prices



Health and wellbeing benefits build as homes are delivered and continue across the appraisal period.

The aggregate health and wellbeing benefit builds steeply as the programme delivers homes and retrofit works improve existing stock, plateauing once the programme completes around 2037/38 before remaining stable across the rest of the appraisal period.

Health benefits settle at a steady-state £11.7 million per year, over four times less than the £48.9 million per year for broader wellbeing benefits, which include improved mental health, reduced stress and greater housing security. Both streams are durable, as once the improved stock is in place, gains persist across the remaining horizon without further intervention.

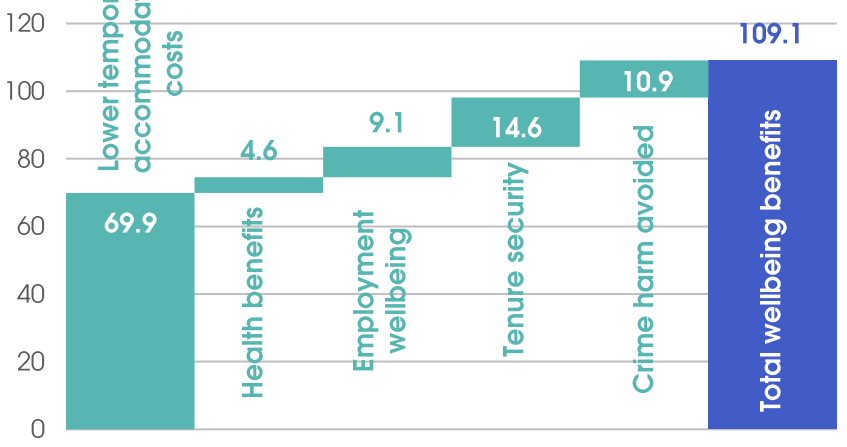
Source: Pragmatix Advisory household wellbeing impact model

The transition from homelessness is the largest wellbeing benefit to households.

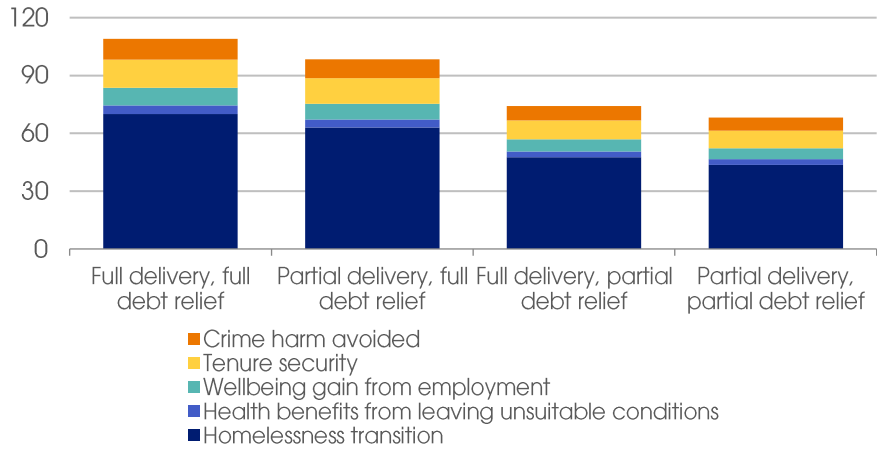
Under the full-delivery, full-debt-relief scenario, this channel generates £109 billion in present value terms at the health discount rate, incorporating the direct wellbeing gain for adults moving from rough sleeping or temporary accommodation into settled housing, with a separate value for children avoiding temporary accommodation.

The scale of this benefit is directly linked to the number of homes delivered and the proportion of lettings that go to households who were previously experiencing homelessness. The remaining wellbeing benefits are also significant. Health benefits from leaving unsuitable conditions contribute £4.6 billion, wellbeing gains from employment £9.1 billion and tenure security £14.6 billion.

Net Present Value wellbeing impact on households of new social housing and retrofit
Full delivery, full debt relief scenario, £ billion, net present value, 60 years



Net Present Value wellbeing impact on households of new social housing and retrofit by delivery scenario
£ billion, undiscounted, 60 years



Under the most optimistic delivery scenario, household wellbeing gains total £109 billion.

This total is undiscounted. The level of wellbeing gains scales with delivery ambition. The partial delivery and partial debt relief scenario reduces the wellbeing gains to £93.6 billion.

Source: Pragmatix Advisory household wellbeing impact model

Homelessness transition	• Rough sleeping to settled • Temporary accommodation to settled (adults) • Temporary accommodation children to settled (Child Wellbeing-Adjusted Life Year)
Health benefits from leaving unsuitable conditions	• Decent home (direct) • Poor-condition health top-up • Overcrowding health top-up
Wellbeing gain from employment	• Employment, non-pecuniary
Tenure security	• PRS to SR tenure security • Overcrowding relief
Crime harm avoided	• Physical & emotional harm (core wellbeing line)

Data channels by evidence tier
(see appendix for full tier classification of every channel included in these totals)

Combining financial and wellbeing benefits generates substantial returns to households.

Under the full delivery, full debt relief scenario, total household benefit reaches £136 billion in present value terms (£27 billion in financial net present value and £109 billion in wellbeing net present value). These two figures use different discount rates and measure things differently, so should be read as complementary perspectives rather than a single total.

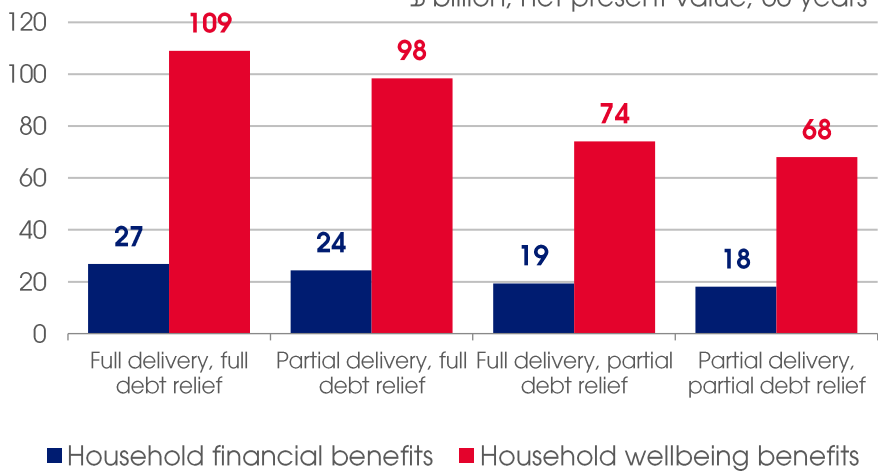
The scale of benefit falls as delivery ambition reduces, but remains positive in every scenario. The wellbeing component dominates in every case, reflecting the depth of impact moving from homelessness or unsuitable housing into a secure social tenancy has on quality of life, an impact that financial metrics alone cannot fully capture.

The quantified wellbeing benefits are the minimum of what debt relief means for the people it houses.

The quantified wellbeing channels are those where the evidence is strong enough to support monetisation using established Green Book coefficients, but they are not the complete picture. Community cohesion, intergenerational effects, educational outcomes for children housed in early childhood and the reduction in domestic abuse linked to secure tenancies all represent genuine wellbeing gains supported by the research literature.

They are excluded from the headline numbers not because they are not real impacts but because they would require assumptions that cannot currently be made with confidence. The wellbeing figures therefore represent the minimum, not the maximum, of what debt relief would mean for the households it reaches.

Total household benefits of new social housing and retrofit by delivery scenario
£ billion, net present value, 60 years



Source: Pragmatix Advisory household financial and wellbeing impact models

Wider economic and carbon impacts

This section explores wider economic or societal impacts associated with the Housing Revenue Account debt relief.

In addition, it examines the carbon consequences of Housing Revenue Account debt relief, quantifying the emissions associated with delivering additional homes for social rent and exploring how these costs evolve over time across the different delivery scenarios.

Debt relief generates £411 billion in wider activity

£142 billion
Direct demand

£135 billion
Indirect demand (supply chain)

£135 billion
Induced demand (household spending)

2.51 million
Years of jobs supported (full time equivalent)

- 1.6 million construction job years
- 780,000 maintenance and management job years
- 142,000 consultancy job years

Economic activity and employment associated with Housing Revenue Account debt relief
Full delivery, full debt relief scenario

Housing Revenue Account debt relief is associated with £411 billion in economic activity, and these are conservative estimates.

Building, maintaining and managing 284,000 new social homes generates £411 billion of economic output over the 60-year horizon, approximately the combined annual size of the Scottish, Welsh and Northern Irish economies.

Direct construction and maintenance activities account for £142 billion of this, supply chain spending a further £135 billion and induced household spending as workers recirculate their earnings locally generates a further £135 billion.

Over 2.5 million full-time equivalent jobs are supported across the programme, comparable to the total employment of the United Kingdom financial and professional services sectors.

These long-run effects are not captured in the net present value figures in this report. Green Book guidance allows us to capture only the fiscal and employment impacts of the additional economic activity rather than call the activity itself a benefit. This £411 billion is shown for context. It is not counted as a separate net present value benefit. Only the tax and reduced benefit spending this activity generates (already included in the central government net present value) are counted to avoid double counting.

Source: Pragmatix Advisory input-output model

Building has a significant but manageable carbon cost

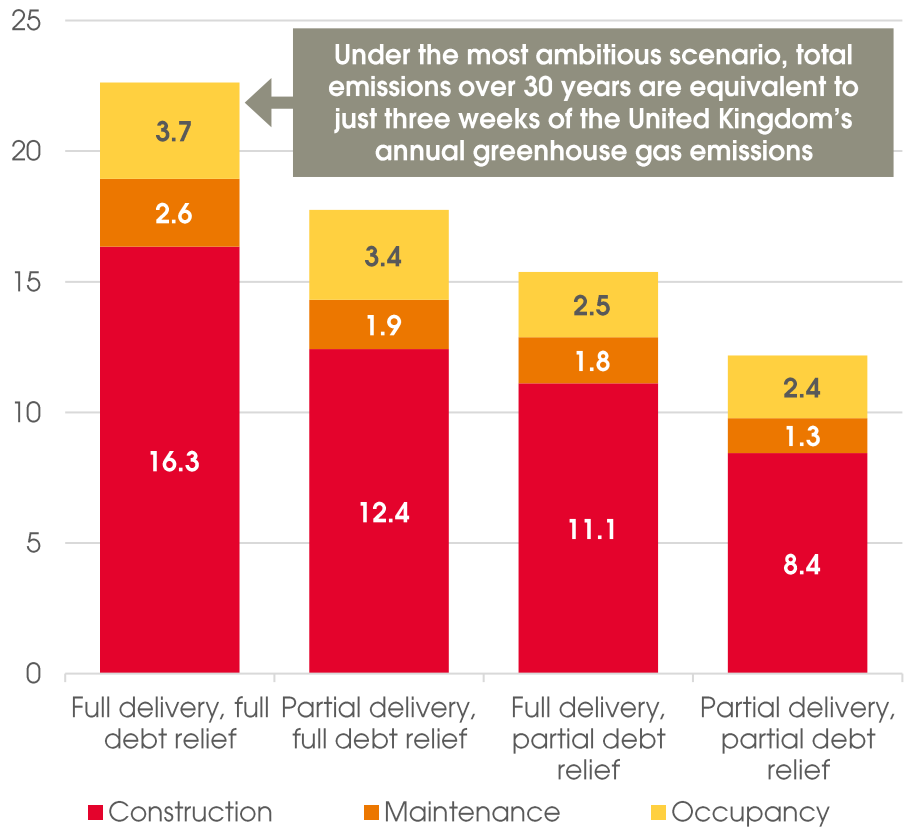
The construction of new homes for social rent generates greenhouse gas emissions during the build phase, the maintenance and repair of stock over time and the energy consumed by residents.

The supply chain and logistics behind the construction of new homes is the dominant source of carbon emissions. Across all four scenarios, our carbon impact model estimates that construction emissions associated with building new homes account for between 69 and 72 per cent of total carbon costs over 30 years. The biggest component within construction is the supply chain, manufacturing, materials and logistics, rather than on-site activity.

Maintenance and occupancy emissions grow as the stock grows. They reach a stable level once construction is complete, reflecting the ongoing carbon cost of managing and heating homes built. Occupancy emissions are calculated using the Future Homes Standard notional emission rate, consistent with government guidance on carbon assessment for new residential development. Energy consumption before the move is not separately modelled, as the occupancy figures represent the forward cost of the new homes rather than a net saving against the previous tenure.

Savings to household energy bills from moving into a more efficient home are captured in the household financial model and are not double-counted here. Wellbeing or health effects arising from improved energy efficiency are excluded from the carbon model for the same reason.

Total carbon emissions created by new homes for social rent under four delivery scenarios
2026/27 to 2055/56, MtCO2e

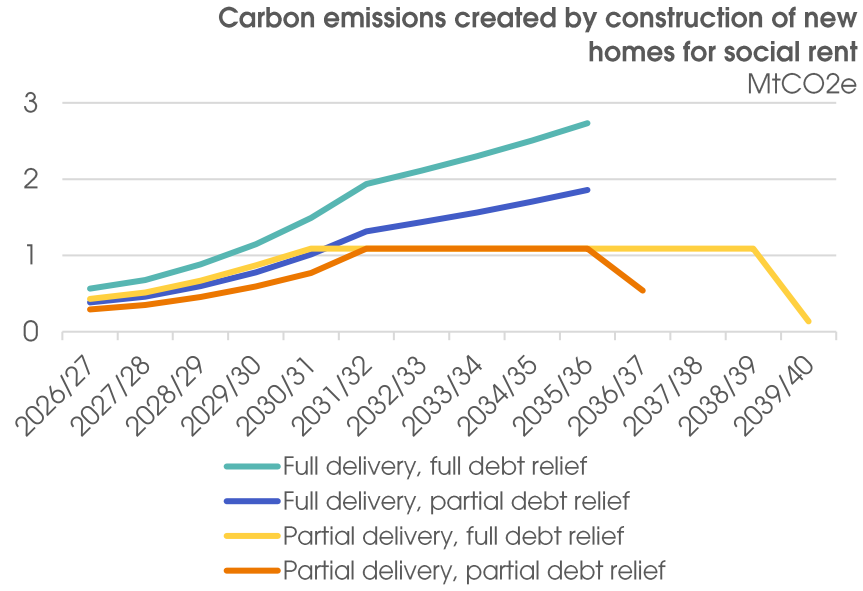


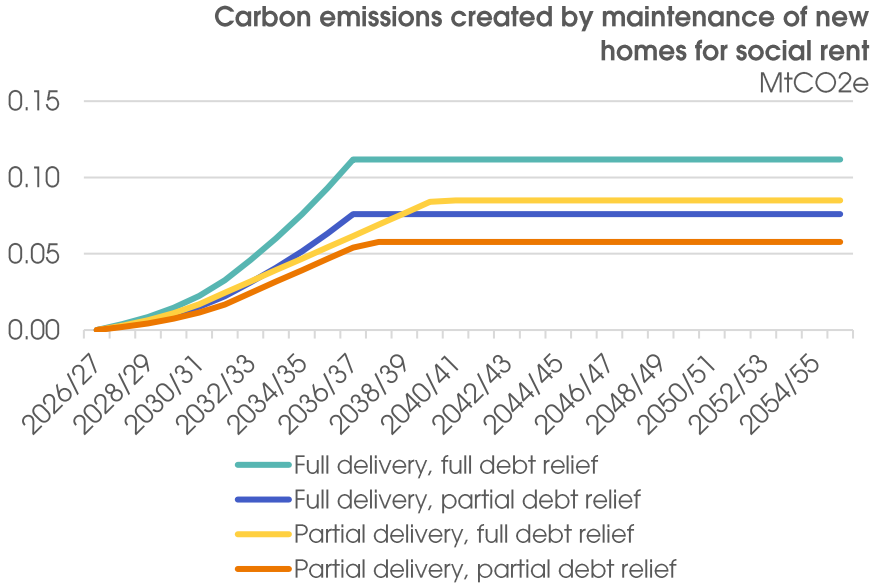
Source: Pragmatix Advisory carbon impact model and Department for Energy Security & Net Zero (right)

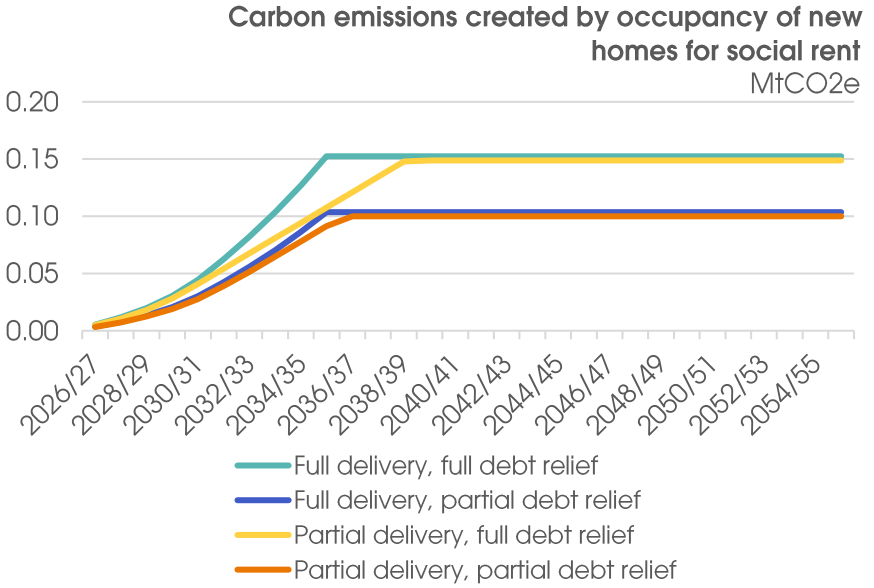
Construction emissions are concentrated in the first decade when build activity peaks.

Once built, the ongoing carbon cost falls sharply. The long-run annual occupancy cost per new home of 0.54 tCO2e, derived from the Future Homes Standard Target Emission Rate, is less than a quarter of what the homes they replace currently emit.

While there are carbon costs to building, the carbon cost of not building is not zero. Households currently in temporary accommodation, overcrowded homes or unsuitable private rentals generate their own emissions. The model quantifies the carbon cost of building, but the counterfactual is continued reliance on housing types that are often older, less efficient and maintained to lower standards. The charts on this slide show construction-phase carbon emissions by scenario over the built-out period and the breakdown of total carbon costs by phase across all four scenarios.



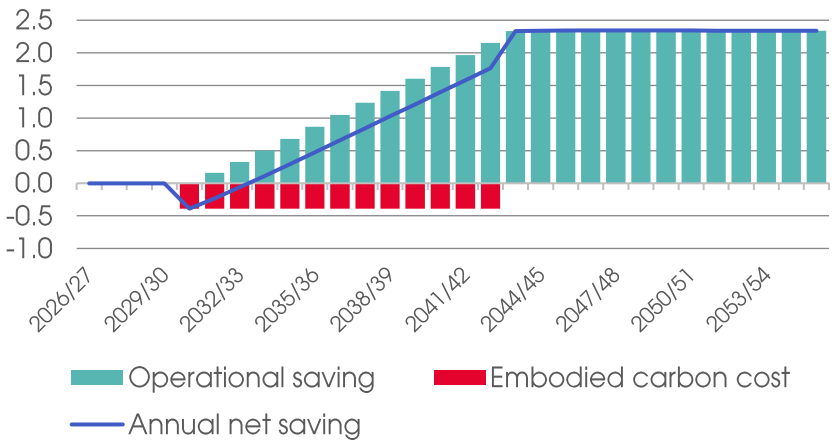




Source: Pragmatix Advisory carbon impact model

Annual carbon saving or retrofitting existing social rent housing

MtCO2e saved against business as usual scenario



Debt relief also creates capacity to invest in improving the energy efficiency of existing stock.

The new homes modelled in this analysis are not the only carbon consequence of Housing Revenue Account debt relief. Freeing up finances creates capacity for councils to invest in improving the energy efficiency of the existing social housing stock, work that would reduce operational carbon emissions from heating and hot water across authorities' current portfolios.

Savills research finds that HRA debt relief would free up almost £4 billion to retrofit around 1.5 million homes, about £17,000 each in 2025 prices. We model the benefits and costs of fitting heat pumps and insulation to get homes to net zero.

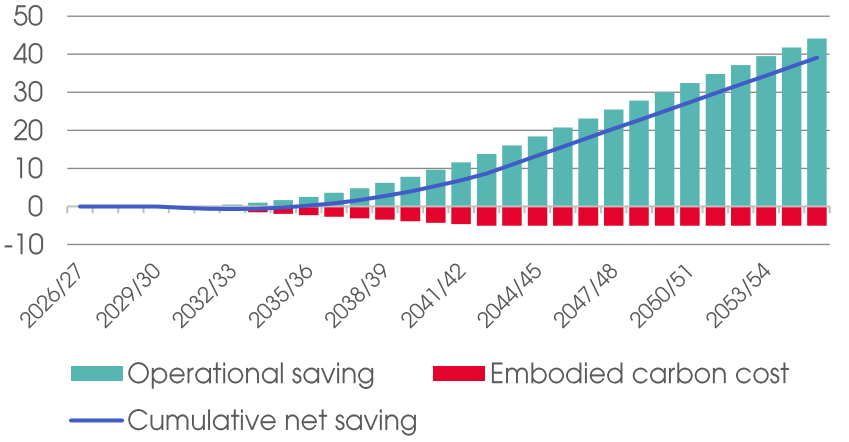
Retrofitting existing stock generates carbon savings that compound over time.

The annual carbon savings from retrofit begin to accumulate as improvement works are delivered and grow as more existing stock is upgraded. In the early years, the embodied carbon (emissions associated with manufacturing and installing insulation, heat pumps and other retrofit measures) partially offsets the operational saving. As the stock of improved homes grows and the embodied cost of work, the annual net saving becomes increasingly positive.

This channel is modelled separately from new-build emissions. The operational saving is calculated using consumption data from the Department for Energy Security and Net Zero's national energy efficiency data framework, applied to the proportion of existing stock that would be upgraded.

Cumulative carbon saving of retrofitting existing social rent housing

MtCO2e saved against business as usual scenario



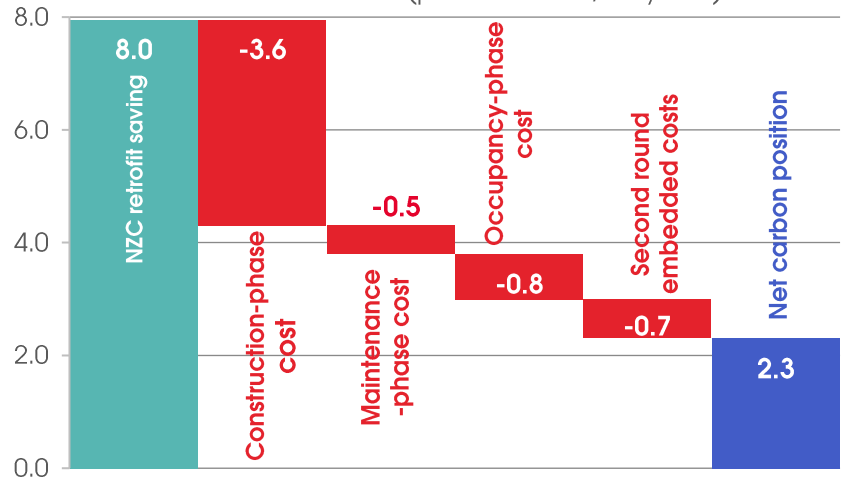
Source: Pragmatix Advisory carbon impact model

When retrofit is included, the overall carbon impact of debt relief is positive.

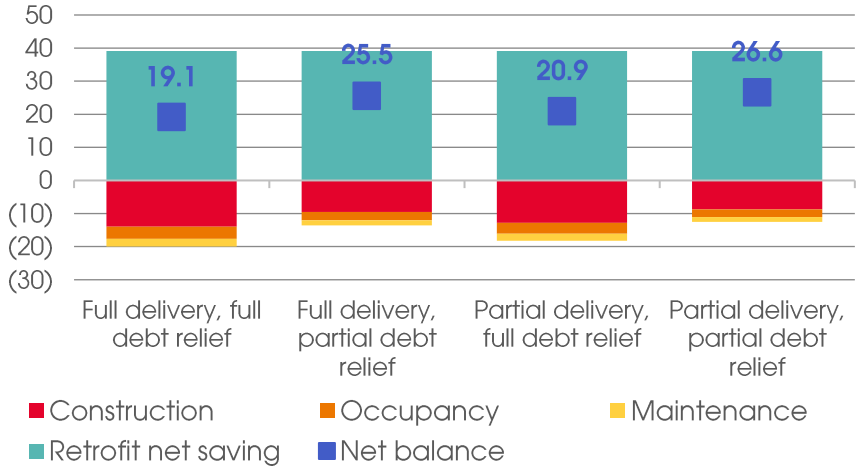
Building, maintaining and living in new social homes generates a net carbon cost. We also account for emissions associated with economic activity throughout the supply chain driven by additional spending by businesses and households due to the range of modelled benefits. But when the carbon savings from retrofit that Housing Revenue Account debt forgiveness enables are set against the cost of construction, the overall balance shifts.

The retrofit saving (the operational carbon avoided as existing homes are upgraded) is the largest single component of carbon impacts, and it more than offsets the maintenance and emissions from new homes. The net position is a carbon saving across the full programme. We use Green Book carbon valuations to monetise carbon emissions.

Total carbon saving by category
Full delivery, full debt relief scenario
£ billion carbon values (present value, 60 years)



Total whole-life carbon saving
By delivery route and ambition, MtCO2e saved, real



The net carbon saving holds across all four delivery scenarios.

The scale of carbon saving varies with the extent of both new build and retrofit activity. The full delivery scenarios generate a larger gross retrofit saving (because more financial headroom is freed for councils) but also carry greater new build emissions.

The monetised value of carbon savings is highest in the partial delivery, partial debt relief scenario at £4.1 billion, because fewer houses are built.

Source: Pragmatix Advisory carbon impact model

Conclusion

This section summarises the research, which found that HRA debt relief and part-funding the construction of up to 284,000 new council homes deliver a positive social net present value within 20 years.

Housing Revenue Account debt relief addresses both structural constraints identified at the start of this report, the debt burden limiting council borrowing, and the gap between rental income and the cost of building new homes.

Across all areas considered in this analysis, the case for debt relief is positive.

Findings:

- Debt relief generates up to £141.5 billion net benefit to the whole economy over 60 years, paying for itself within twenty years, roughly a decade after the last home is completed.
- Total government sees a positive net return in three of four scenarios. The investment rule is met in every scenario, using 38 to 56 per cent of available headroom, and the current budget turns positive by 2028/29.
- Local government gains up to £53.3 billion in net present value, as debt relief removes the structural constraint that has stopped councils investing in existing and new stock. Councils currently spend, on average, fifteen per cent of rental income servicing HRA debt and over 100 per cent in some cases.
- Households gain up to £136 billion in combined financial (£26.9 billion) and wellbeing (£109 billion) benefits from moving into new and improved homes.
- The wider economy gains up to £411 billion of economic output and up to 2.5 million job-years, including 1.6 million in construction, 780,000 in ongoing maintenance and management, and 142,000 in consultancy.
- Adding up to 284,000 new council homes cuts the number of households in temporary accommodation, currently over 135,000 households and 177,000 children, with savings spread across government departments (up to £64.7 billion combined), the largest going to the Department for Work and Pensions (up to £26.3 billion).
- The programme is carbon-positive overall: a net monetised carbon saving of up to £4.1 billion (present value, 60 years), as the carbon saved through retrofitting the existing stock outweighs the carbon cost of new-build construction. Unlike most benefits, this is lowest in the full delivery, full write-off scenario as the retrofit is fully unlocked in all cases, but more homes delivered lead to higher emissions.
- These figures are conservative. Several genuine benefits, including children's long-term life chances, community cohesion and reduced domestic abuse, are not included because they cannot yet be monetised with confidence.

Source: Pragmatix Advisory HRA debt models

Sensitivity analysis

This section reviews the modelling results with the modelling approach changed in two, separate ways. The first is where we take a more hardline approach to being Green Book compliant, the second is where we restrict the benefits channels to those of tier-one robustness.

In both circumstances, we find reduced but still positive net present values.

Positive NPV even under strictest Green Book principles

While we take a broadly Green Book-compliant approach to our modelling, there are three key areas in which we make a judgement to include benefits which could be argued to be non-compliant. These are:

- Not applying a deadweight adjustment to account for crowding out private housebuilding. We note ongoing uncertainty over the true scale of crowding-out effects in public housebuilding (see Bramley, 2025) and given that 100% of homes are built for social rents in our modelling, we believe the deadweight and displacement effects would be much smaller than other forms of social housebuilding.
- We include wellbeing benefits for children related to avoided temporary accommodation, in line with emerging literature but not yet currently Green Book guidance.
- We include induced spending effects.

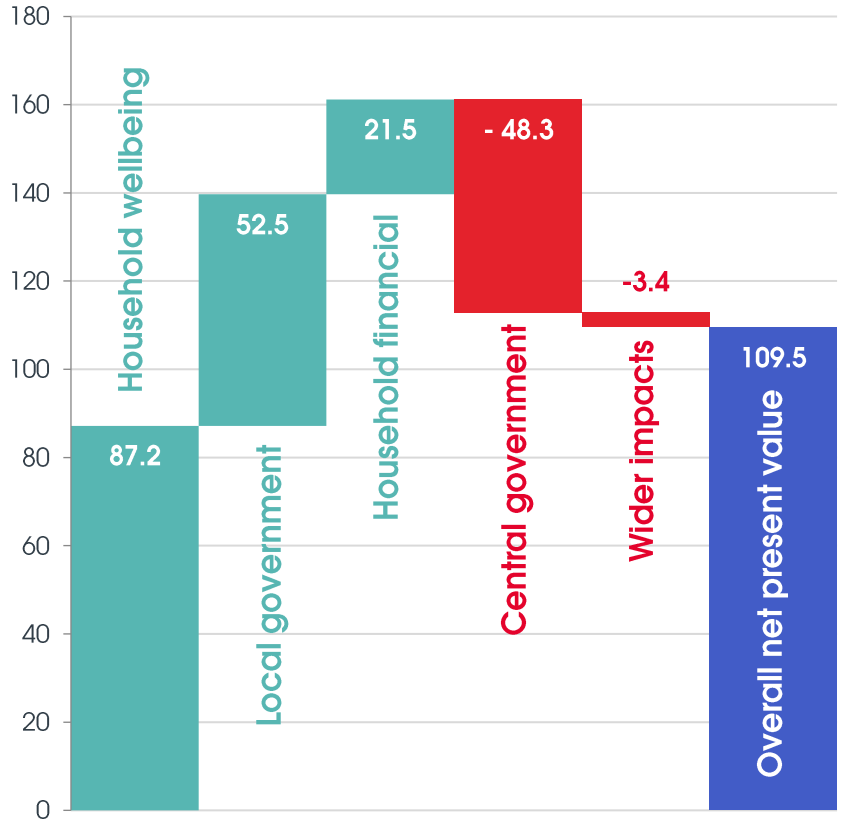
We think these are defensible decisions for the objectives of this research, particularly in our full delivery scenarios, given that they assume government takes action to avoid capacity constraints.

We nonetheless show that our results are insensitive to these factors; by applying a 20% deadweight adjustment and removing the two contestable benefit streams, we still see positive net present values for total government and the wider economy.

Overall benefit by strand, strict Green Book compliance

Full delivery, full write-off scenario

Net present value, £ billion, 60-year horizon



Source: Pragmatix Advisory impact models (right); Bramley (2025) ' The crowding-in effects of social housing' in *Safe as Houses*. Shelter. P.59 (left)

Benefits positive even with only most robust channels

Economic modelling of this kind always relies on a set of assumptions and third-party data sets to produce estimates. These assumptions and data sets will naturally differ in robustness, therefore inserting a level of uncertainty into the models.

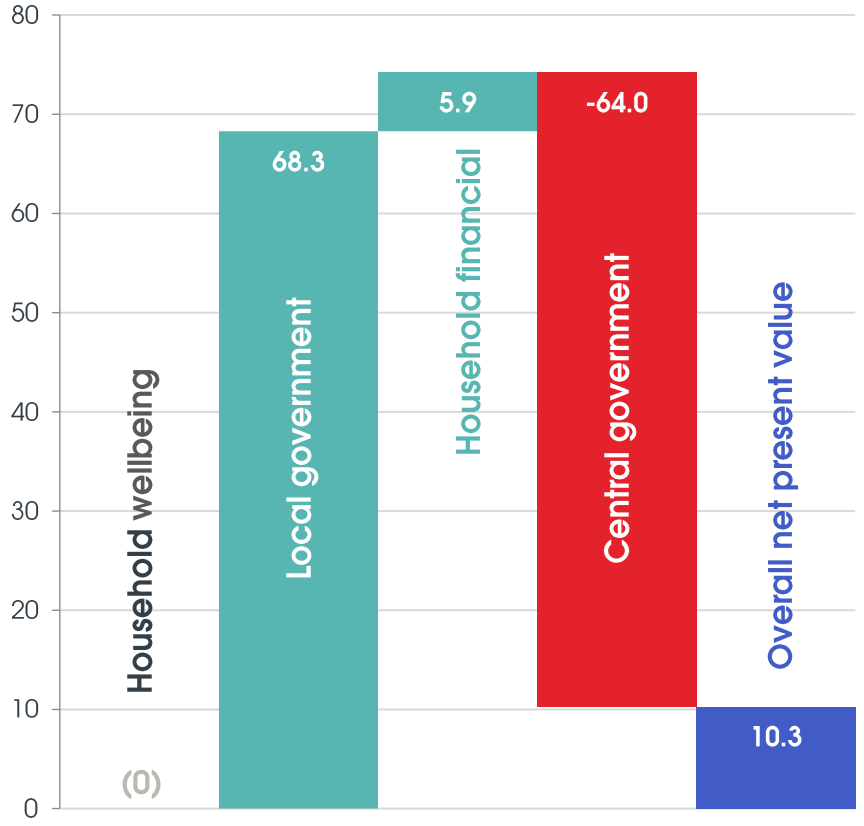
All data channels have been categorised into one of two tiers based on their level of robustness, although this task is highly judgmental.

Nonetheless, when re-running the analysis on just the tier one channels, we maintain a positive net present value for total government and the wider economy.

While this removes all wellbeing channels, important ones remain such as the increase in tax revenues and household spending due to greater employment levels, and the cost savings related to lower use of temporary accommodation.

Overall benefit by strand counting only Tier 1 channels

Net present value, £ billion 60-year horizon



Source: Pragmatix Advisory impact models

Appendix

- Data channels by tier
- Additional data channels not included in the modelling
- Modelling assumptions

Data channel	Tier	Benefit / cost	What happens	Source
Less spent on Temporary Accommodation subsidy	1	Benefit	Households leaving or avoiding temporary accommodation reduce DWP Housing Benefit subsidy claims that central government reimburses to local authorities.	DWP Housing Benefit subsidy claims data (CG element from claims).
Reduced NHS costs from poor-condition housing	1	Benefit	Moving households out of Category 1 hazard homes avoids NHS treatment costs linked to poor housing.	BRE, 'The cost of poor housing in England' (2023 tenure update).
Reduced NHS drug and alcohol treatment costs	2	Benefit	More stable housing reduces NHS spend on drug and alcohol treatment for affected occupants.	Value of a Social Tenancy 2025 (Hyde/MTVH/Guinness), drug and alcohol benefit columns.
Reduced criminal justice system costs (CG share)	2	Benefit	Lower offending reduces the CG share of criminal-justice spend (police, health, other CJS).	Value of a Social Tenancy 2025 Police & Justice figure, decomposed to CG components.
Reduced rough sleeping costs (NHS and CJS shares)	1	Benefit	Fewer people sleeping rough reduces NHS and criminal-justice costs falling on central government.	MHCLG Rough Sleeping Questionnaire 2025; CG share and department split per Table 1 (non-VoST channel).
Higher Income Tax and NI (occupant employment plus construction supply chain)	2	Benefit	Higher occupant employment plus construction, supply-chain and induced activity raise Income Tax and NI receipts.	HMRC rates on newly-employed headcount, with input-output multipliers for indirect/induced legs.
Reduced Universal Credit spend (taper)	1	Benefit	As newly-employed occupants' earnings rise, their Universal Credit award tapers down, reducing DWP spend.	DWP published UC taper rate and work allowances, applied to the newly-employed cohort.
Higher VAT receipts (maintenance and management spend)	1	Benefit	VAT on repairs, maintenance and management spend flows to HMRC (new build is zero-rated, so shown as roughly nil).	HMRC VAT rules (Notice 708, new build zero-rated), applied to the repairs/maintenance and management spend driver.
NZC retrofit — VAT, Income Tax and NI receipts	2	Benefit	Net-zero-carbon retrofit spend generates VAT and Income Tax/NI receipts across direct, indirect and induced activity.	Decomposition of the £17,000/property retrofit basket, phased per the carbon model.
Reduced Housing Benefit — private-rented tenants moving to Social Rent	1	Benefit	PRS-history households moving to Social Rent avoid LHA-capped Housing Benefit they would draw in the PRS.	DWP LHA rates (bedroom-weighted average) on the PRS-origin cohort.
Reduced Fire Service costs (CG grant share)	2	Benefit	Lower demand on Fire & Rescue services reduces the centrally-grant-funded share of fire service costs.	Fire service saving split by national grant/precept proxy; central grant share only.
Financing cost of debt relief (grant, PWLB interest, write-off)	1	Cost	The CG cost of funding HRA debt relief: capital grant, net PWLB interest and principal written off.	Pragmatix HRA debt-relief financing model.

Data channel	Tier	Benefit / cost	What happens	Source
Rent income to the HRA landlord	1	Benefit	Occupied new social homes generate gross rental income for the local-government (HRA) landlord.	Model build: occupied stock × Savills gross annual rent.
Less spent on Temporary Accommodation	2	Benefit	Households moved from TA into settled social housing remove the nightly-rate/subsidy cost local authorities carry.	Catalytic impacts model, TA tab (Value of a Social Tenancy-derived unit cost).
Lower adult social care costs	2	Benefit	Better, more stable housing reduces demand on local-authority adult social care services.	Catalytic impacts model, VoST supplementary (adult social care).
Lower children's services costs	2	Benefit	Stable settled housing reduces demand on local-authority children's services (safeguarding, care).	Catalytic impacts model, VoST supplementary (children's services).
Fire service saving (LG precept share)	2	Benefit	Fewer fire-service incidents linked to poor/temporary housing; only the local precept share is counted.	Catalytic impacts model, VoST supplementary × LG precept share.
Rough sleeping avoided cost (Local Council share)	2	Benefit	More social-housing supply reduces rough sleeping; only the Local Council share of avoided cost is counted.	Catalytic impacts model, rough-sleeping tab × Local Council share.
Additional council tax revenue	1	Benefit	Newly-built, occupied dwellings generate council tax receipts (net of discounts and support), lagged to occupancy.	Model build: occupied stock × per-dwelling charge × discount/support factors.
Council Tax Reduction saving	2	Benefit	Newly-employed tenants have Council Tax Support withdrawn, reducing the authority's CTS outlay.	Mirror of household-side CTR taper (80% withdrawal cliff-edge upper bound).
Capital construction / build cost	1	Cost	Local government funds the capital cost of building the incremental social homes, booked ahead of occupancy.	Model build: completions × debt-weighted build cost per home (Savills).
Ongoing maintenance and management cost	1	Cost	The HRA landlord bears ongoing repairs, maintenance and management costs on the occupied stock each year.	Model build: stock × £2,175/unit/yr (repairs, maintenance and management, Savills).
Net Zero Carbon retrofit capital cost	2	Cost	HRA-funded retrofit of existing stock to net-zero standard, funded from freed headroom, phased 2030/31–2042/43.	Model build: £17,000/property × 1.55m properties.
Financing cost of debt relief (LG share, net)	1	Cost	The net local-authority financing impact of HRA debt relief within the debt model.	Pragmatix HRA debt-relief financing model.

Local government modelling data channels

Data channel	Tier	Benefit / cost	What happens	Source
Rent top-up avoided	1	Benefit	Households in social rent no longer top up the gap between the frozen LHA rate and market rents from their own pocket.	DWP/VOA LHA tables (30th-percentile rent less frozen LHA), at the 85% support-receipt rate.
Net earnings uplift (incl. tax/NI and second-round)	2	Benefit	Higher, more stable earnings for occupants in settled housing, net of tax/NI, including second-round re-spending.	Catalytic impacts model earnings/tax profile, scaled by headcount and churn adjustment.
Benefit taper (Universal Credit and Council Tax Reduction)	2	Cost	As earnings rise, Universal Credit and Council Tax Reduction taper away, reducing the net household gain.	DWP UC taper rate (mirror of the CG taper channel); CTR cliff-edge modelling.
Lower energy bills	1	Benefit	New, energy-efficient social homes cost less to heat than the PRS counterfactual, lowering household energy bills.	PRS EPC-band mix (EHS), Ofgem cap and DESNZ real price path, on the PRS-equivalent share of movers.
Property theft / damage avoided	2	Benefit	Lower area-level crime risk means households suffer fewer property thefts and less damage.	Value of a Social Tenancy 2025 Police & Justice figure (property-crime component).
Children's education / intergenerational earnings	2	Benefit	Children in stable social housing achieve better educational outcomes, raising lifetime earnings; a household share is booked.	DfE educational-attainment monetisation on a churn-driven child flow (non-headline).
Wellbeing of moving to settled housing (rough sleeping, TA, children)	2	Benefit	Improved life satisfaction for adults and children moving out of rough sleeping and temporary accommodation into settled homes.	Fujiwara & Vine transition value via MHCLG Housing First CBA, uprated; WELLBY-monetised.
Decent-home and overcrowding relief (wellbeing)	2	Benefit	Direct occupant wellbeing from decent-standard homes and relief from overcrowding.	What Works Centre for Wellbeing (2024) EHS regression × WELLBY (HMT 2021).
Housing-condition health wellbeing (poor condition, overcrowding)	2	Benefit	Health-related wellbeing gains from removing poor-condition and overcrowding hazards.	BRE (2021) Cost of Poor Housing societal/NHS ratio, applied to the NHS line.
Employment — non-pecuniary wellbeing of moving into work	2	Benefit	Newly-employed people gain wellbeing from being in work beyond the pay itself (pecuniary gain sits in the financial model).	What Works Centre for Wellbeing (2024) EHS unemployment coefficient × WELLBY.
PRS → social-rent tenure security (wellbeing)	2	Benefit	Moving from private-rented to social-rented tenure improves security-related life satisfaction.	What Works Centre for Wellbeing (2024) tenure coefficient × WELLBY (illustrative).
Physical and emotional harm avoided (crime)	2	Benefit	Reduced offending among rehoused households avoids victims' physical and emotional harm.	Value of a Social Tenancy 2025 Police & Justice figure (victim-harm component), welfare-discounted.

Household financial and wellbeing modelling data channels

Data channel	Tier	Benefit / cost	What happens	Source
Wider economic output (GVA) from construction and maintenance	2	Benefit (general economy)	Construction and maintenance activity, plus induced re-spending, add gross value to the wider economy.	ONS UK Input-Output Analytical Tables 2023, Type II multipliers (construction and related sectors).
Employment supported (FTE job-years) from construction and maintenance	1	Benefit (general economy)	The same demand supports full-time-equivalent employment across the sector and its supply chain, over the appraisal horizon.	ONS UK Input-Output Analytical Tables 2023, Type II FTE effect (jobs per £m demand).
Net carbon (retrofit saving less new-build carbon)	1	Cost	New-build embodied and operational carbon, net of carbon saved by net-zero retrofit of existing stock.	Green Book (2026) carbon values; Savills retrofit programme, heat-pump performance and BEIS cost components.
Reduced policing and criminal justice costs	2	Benefit	Secure social tenancies reduce offending and anti-social behaviour, cutting police callouts and justice-system costs.	Value of a Social Tenancy 2025 (Hyde/MTVH/Guinness) Police & Justice section, scaled per dwelling.

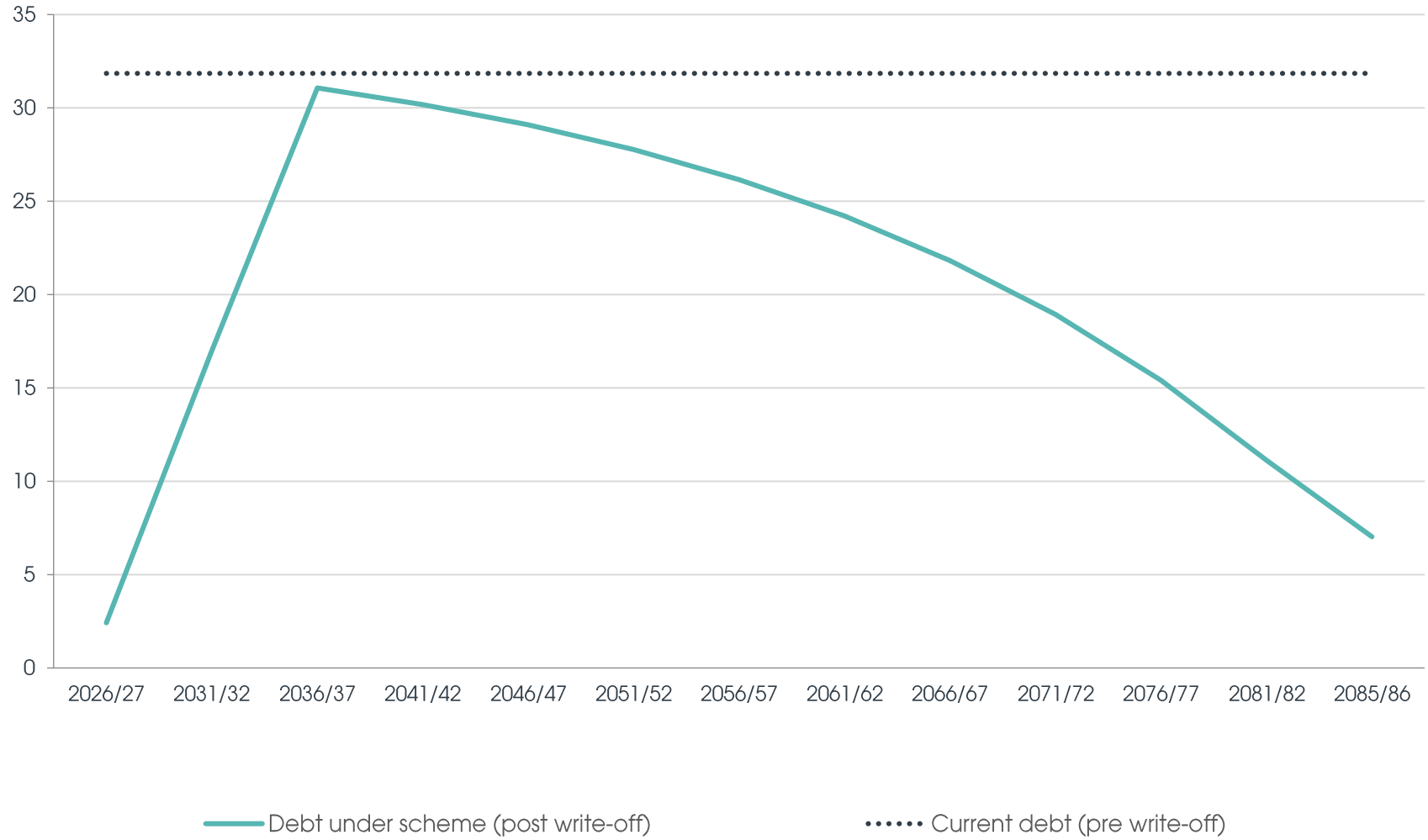
Other modelling data channels

Many other potential data channels weren’t included

Potential benefit	What it covers	Why we didn't include it
More homes built and maintained in future	Once councils have paid down the new borrowing, they regain the headroom to build and improve even more homes well beyond the ones debt relief directly pays for.	Our modelling stops at the homes financed directly by debt relief. All the further building and maintenance this unlocks in the later years is real but counting it would mean guessing at each council's future plans, so we've left it out and treated our figures as a floor.
Wider economic activity and jobs	Building, maintaining and letting these homes drives roughly £411 billion of economic output and supports around 2.5 million years of employment across the country and its supply chains.	We count the tax and household spending this activity generates and report the output and jobs alongside our results , but we don't add the broader economic stimulus into the benefit total, so it sits as extra value outside the headline.
The value of the homes themselves	The new social homes are long-lived, valuable assets, worth many billions, that councils own outright at the end.	Standard appraisal values the stream of rents and benefits the homes produce over time, not the bricks-and-mortar value on top. So the asset councils are left holding never appears as a benefit line, even though it plainly has worth.
Fewer losses to banks and lenders	More financially secure households fall behind on payments less often, so lenders write off less bad debt.	This is a real saving to the wider economy, but it does not fit neatly into any of the accounts we set out to measure, so we left have excluded it.
Lower private rents more widely	A large increase in social housing supply can take some heat out of local private rents for everyone, not just the households who move in.	The evidence on how big this knock-on effect is remains genuinely contested, so we've left it out rather than risk overstating it.
Better life chances for children as they grow up	Children raised in stable, decent homes tend to do better in health, education and earnings well into adulthood.	Much of this benefit lands decades into the future and rests on evidence that's hard to pin down, so we've counted only the nearer-term schooling gains and left the longer-run effects aside.
Skills from construction apprenticeships	The building programme trains apprentices whose new skills raise their earnings for years afterwards.	We couldn't find a robust enough figure to put a credible value on it.

Potential benefit	What it covers	Why we didn't include it
Reduced domestic abuse	Secure, settled housing helps protect people from domestic abuse.	The available evidence is mostly from overseas and doesn't transfer reliably to the UK, so we've kept it out of the headline.
Stronger communities and less loneliness	Settled tenancies help people put down roots, get to know their neighbours and take part in community life.	These are real gains, but they can't yet be valued with confidence.
Less stress from an insecure home	The constant worry of an insecure tenancy carries a mental-health toll of its own.	We couldn't find evidence firm enough to value this separately from the other wellbeing gains we do count.
Less anxiety from damp, cold and heating bills	Living with damp, cold or unaffordable heating is a source of stress in itself, over and above any illness it causes.	We've described this rather than valued it, as the evidence isn't strong enough to monetise.
Greater independence and dignity	Suitable, well-adapted homes let people live independently and avoid the indignity of institutional care.	We count the care costs this saves, but not the added sense of dignity and control, which is harder to value.
A better space to work from home	A proper, quiet place to work from home lifts people's productivity.	This fell outside the scope of our modelling, so we didn't value it.
Shorter, cheaper, less stressful commutes	Homes closer to work and amenities cut commuting time, cost and stress.	We didn't put a value on this.
Cleaner local air	Retrofitting homes off gas heating improves local air quality as well as cutting carbon.	We captured the carbon benefit but not the separate local air-quality gain.

Housing Revenue Account debt position over time
Full delivery, full write-off scenario
Debt balance, £ billion year-end



Source: Pragmatix Advisory Housing Revenue Account debt relief impact models

Homes are financed from a combination of debt, grants and cross-subsidisation from other HRA revenue

Region	Target rent (£/week)	Delivery cost including land (£)	Borrowing potential/unit (£)	Grant requirement/unit (£)	Implied cross-subsidy (£)
London	160	440,000	141,094	248,092	50,814
East	134	350,000	115,971	194,244	39,785
South East	138	350,000	120,130	190,792	39,078
South West	118	350,000	101,198	206,506	42,296
East Midlands	112	230,000	96,307	110,965	22,728
West Midlands	115	250,000	96,031	127,794	26,175
Yorkshire & Humber	108	230,000	93,726	113,107	23,167
North West	110	230,000	90,308	115,944	23,748
North East	111	230,000	94,017	112,866	23,117
Weighted average	**130**	**319,840**	**112,144**	**183,440**	**37,572**

Source: Savills research for Shelter

The four trajectories differ by the total number of houses and the pace in which they are built

	Full delivery, partial debt relief	Partial delivery, partial debt relief	Full delivery, full debt relief	Partial delivery, full debt relief
Total homes built (ten years)	193,042	177,598	283,997	261,277
Max capacity applied (homes/year)	32,275	24,900	47,483	24,900
Optimism bias applied	No	Yes	No	Yes

The Savills modelling gives the total number of houses that can be built under the total debt write-off and partial debt write-off scenarios. We make two key adjustments to end up with our four trajectories.

- **Maximum capacity –** Arup modelling in 2024 for Shelter found that it is possible for councils to build up to 33,600 homes by 2030 with the right government support to reduce a number of existing barriers. While government has made some progress in many of the areas outlined in the report, there is a long way to go to achieve the conditions to allow for this pace of housebuilding. We therefore split the full and partial write-off scenarios into four. Two of these assume that government does whatever it takes to ensure housebuilding is not constrained by capacity issues. We call this the delivery potential scenario. However, if further progress is not realised, we are in the `partial delivery' scenario, where maximum annual housebuilding capacity is capped at 24,900 a year. This figure is also derived from the 2024 Shelter report.

- **Optimism bias –** In line with our broader modelling approach, we look to maintain Green Book compliance in our scenarios. Doing so requires including an eight per cent haircut on all benefits, to account for a general tendency for models to be overoptimistic with assumptions. By applying the haircut to the volume of houses that are built, this automatically feeds through to all benefits, while costs remain unadjusted. We apply this only to the two partial delivery scenarios, to maintain the optimistic outlook of the full delivery scenarios.

Source: Shelter

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