

# HOSTAGE NATION

BRITAIN'S ESCAPE PLAN



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**Reading time:** 2 hours

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# CONTENTS

## **Section 1: Summary**

[Chapter 1: Executive Summary](#)

## **Section 2: Understanding the Trap**

[Chapter 2: The Truss trap](#)

[Chapter 3: Only one tool](#)

[Chapter 4: Who owns the debt](#)

[Chapter 5: The first duty of government](#)

## **Section 3: Why nothing changes**

[Chapter 6: Treasury mindset](#)

[Chapter 7: The tenth set of rules](#)

[Chapter 8: Inflation and currency](#)

[Chapter 9: Who really carries the risk](#)

[Chapter 10: Where markets work](#)

[Chapter 11: The repair kit](#)

## **Section 4: Raising the money**

[Chapter 12: The pound that comes back](#)

[Chapter 13: Money without middlemen](#)

[Chapter 14: ISAs and tax subsidies](#)

[Chapter 15: Pensions and tax subsidies](#)

[Chapter 16: Taxing wealth and digital profits](#)

[Chapter 17: The bank belongs to us](#)

[Chapter 18: The ways and means account](#)

[Chapter 19: Manage capacity to manage inflation](#)

[Chapter 20: Where the money is](#)

## **Section 5: Rebuilding the Nation**

[Chapter 21: The retrofit blitz](#)

[Chapter 22: Energy at cost](#)

[Chapter 23: Public ownership](#)

[Chapter 24: Homes, not assets](#)

[Chapter 25: Transport as infrastructure](#)

[Chapter 26: Places worth visiting](#)

[Chapter 27: Work worth having](#)

[Chapter 28: Can we build it?](#)

[Chapter 29: We have the powers](#)

## **Section 6: Choosing the future**

[Chapter 30: It has been done before](#)

[Chapter 31: The 20-year horizon](#)

[Chapter 32: We choose to go to the moon](#)

[Chapter 33: Call to action](#)

[Author's note](#)

## SECTION 1: SUMMARY

# Chapter 1: Executive summary

The first and most fundamental duty of a civilised state is the safety of its people.

Not just safety from overseas adversaries, or crime in the street. Economic security. A bill you can pay without going overdrawn. A house you can afford before your children have children of their own. A job that lasts long enough to plan around.

Britain guarantees none of these. Not for want of money, or land, or people who know how to build. Our nation has all of that.

For forty years we have outsourced that security to the global marketplace. We locked ourselves in a room and posted the key to a trading desk in New York. British government policy subservient to global winds.

They call it living within our means. We call it Hostage Nation.

“This is not a think-tank essay. It is an escape plan. It is about escaping four words: *we can’t afford it.*”

You have heard them applied to housing, to buses, to social care, to anything that would make ordinary life cheaper or safer. They arrive as a statement of fact, like a shipping forecast.

They are not a fact. They are the summary of a set of decisions, and every one of those decisions was made by somebody, in a meeting, in a building, on a date.

John Maynard Keynes said it in 1942, with the country at war and the outcome uncertain. “Assuredly we can afford this and much more,” he said. “Anything we can actually do, we can afford.” He was not claiming that money is unlimited. He was showing that the real question is can the thing be built. The financing is a decision about where the obligation sits, who holds it, and how the cost is counted. [\[1\]](#)

Change those decisions, and ‘we can’t afford it’ stops being true.

This report makes three arguments, each building on the last.

**First, the constraints are self-imposed.** Britain has had ten sets of fiscal rules since 1997 and abandoned nine of them. The Treasury has appraisal methods that cannot value an asset paying back over thirty years. The Bank of England has one instrument that reaches under a third of households. None of that is a law of nature. The Truss crisis of 2022 is the case study, and it is not the story most people were told. The market did not punish ambition. It choked on a supply of government bonds the Bank of England had announced the day before.

**Second, the state can fund what it builds without depending on a market that can panic.** The money already exists in British hands: cash sitting in accounts earning less than inflation, and pension funds holding under 5% of their assets in British companies. Offer savers a fair, index-linked return on assets the country needs, and the finance follows. Nobody is told where to save. Anyone who prefers a different investment remains free to make it — just not with a subsidy from other taxpayers. The gilt market continues. What changes is that new investment no longer waits on a good morning in London.

When the state finances a long-lived asset on its own balance sheet, the arithmetic changes. A project that fails a contractor's five-year investment hurdle rate can be plainly worthwhile for a country counting over thirty, because the country collects the tax, the wages, the health savings and the bills that the contractor never sees.

**Third, this can be done without inflation, by building the capacity first.** Skilled workers, supply chains, and an industrial base, all recruited and built before and alongside the money, not after it. Funding is released only when the capacity to use it exists. That is the discipline that makes the rest safe, and it is the part of this report that most resembles hard work.

Almost none of it needs a new law. The powers are on the statute book already, some of them for over a century.

**The evidence is in the endnotes, and will add to your reading time.** You don't need it to follow the argument. It is there because every figure in this report should be checkable by somebody who would rather it were wrong.

Two hours. It's a shorter argument than the one we have been having for forty years.

## SECTION 2: UNDERSTANDING THE TRAP

# Chapter 2: The Truss trap

Let's start with the ultimate ghost story used to frighten the British public into accepting permanent decline: the Liz Truss mini-budget of Friday 23rd September 2022.

Every mainstream commentator and orthodox politician has spent the last few years repeating the same campfire tale. The story goes like this: Truss broke the holy fiscal rules. She dared to suggest spending money without an accountant's permission, and the almighty Bond Markets rained down fire and brimstone to punish her insolence. The moral of the story? If you ever try to do anything bold, the markets will crash your economy, spike your mortgage, and destroy your pension fund.

That is not what happened.

The markets did not punish ambition. They choked on a supply of gilts the Chancellor had acknowledged in writing the day before he added to it.

When Chancellor Kwasi Kwarteng announced a wave of unfunded tax cuts for the highest earners, he did not particularly offend the sensibilities of international traders, some of whom would have personally benefited. What he did was ram a massive wave of supply straight into a structural bottleneck.

“Bond traders are not moral arbiters. They are like a betting shop responding to basic supply and demand.”

Their only concern is making a profit on their trades. They looked at the announcement and concluded that the government was about to flood the market with a glut of new tradable bonds (also called gilts)<sup>[2]</sup> to pay for these tax cuts.

When you flood a market with any asset, its price drops. And when the price of a government bond drops, its effective interest rate — the yield — spikes.<sup>[3]</sup>

The incompetence here was worse than ignorance. The day before the mini-budget, the Bank of England confirmed it would start selling its £838 billion pile of gilts<sup>[4]</sup> — £80 billion over the following year. Kwarteng knew. He wrote to the Governor that same day,<sup>[5]</sup> acknowledging the planned sales. Then he stood up the next morning and announced £45 billion a year of unfunded tax cuts regardless.

What traders had expected to be a wave of new bonds now looked like a tsunami. They hit the panic button. Sell, sell, sell. The thirty-year gilt yield rose 120 basis points (a 1.2% interest rate rise)<sup>[6]</sup> in three days, one of the sharpest moves on record<sup>[7]</sup>.

One thing to be clear about, since Truss has spent years arguing the opposite. The Bank’s announcement was not the problem. On its own it moved yields about twenty basis points (raising interest rates 0.2%) and the market took it in its stride.<sup>[8]</sup> The Bank has gone on selling gilts since then without breaking anything (though at a huge cost). The problem is that a modest, well-telegraphed monetary decision plus one fiscal statement was enough to bring the pension system to the brink inside a week. That is not a story about

one bad Chancellor. It is a story about a system so fragile that ordinary policy can break it.

Here's where the structural design flaw inside the City of London turned a market tremor into a national disaster.

Defined benefit pension schemes – like many employer pensions where your pension is linked to your salary – use Liability Driven Investment (LDI). LDI is an investment strategy designed to make sure pension funds can cover their payments when scheme members retire – the liabilities. And if interest rates fall, the amount a fund makes might not be enough to meet its liabilities by the time it comes to pay out. So LDI is a method of buying assets that increase in value as liabilities increase, hence 'liability driven'. Sounds sensible enough.

The UK government always pays out on gilts, but they don't earn as much as riskier investments like stocks and shares, and if you sell them early rather than hold them to maturity, you can't be certain of the price. So funds don't always buy the gilts outright. To keep their cash for other investments, they buy the benefits of gilts for a price. They use methods like repos (repurchase agreements), where they sell the gilts to an investment bank or similar dealer with the obligation to buy it back later, and invest the cash in the meantime. Or interest rate swaps, which is a contract to pay or receive money to a bank as interest rates change. In practice funds went round the loop more than once. Cash raised against gilts bought more gilts, which raised more cash. The same money ended up supporting several times its own value in gilt exposure. That is leverage.

Except: the bank doesn't do this out of charity. When gilt prices fall, the contract requires cash, that day. That is the margin call.

Here is the part that gets missed. The funds' assets had indeed fallen, because the gilts were worth less. But their liabilities had fallen further, because rates had risen, and a pound set aside today earns more compound interest by the time it pays out in, say, 2050. They were caught not because they were poorer in the long term, but because they were suddenly short of cash.

In the last week of September 2022 bond prices were falling, so the margin calls came in, demanding cash. The only asset the funds held in real size was gilts. So they sold gilts to raise the cash. Which pushed gilt prices down further. Which triggered more margin calls. If they were heavily leveraged, the margin calls were just as leveraged.

A classic doom loop, and it took six days to stop. On 28 September the Bank of England postponed the very gilt sales it had announced a week earlier and started buying instead, £19.3 billion to put a floor under the market.

Defined contribution schemes, where your pension depends on how much you invest and how well those investments perform, lost out too. Savers near retirement tend to hold much of their pot in gilts, to protect against stock market volatility. They got hit hard by falling gilt prices.[\[9\]](#)

And who paid the price? Not the traders. Commercial banks use gilt yields to price residential mortgages. So the moment yields spiked, the cost of shelter for millions of British families was repriced upwards.

Nor did it stop with homeowners. There are almost two million buy-to-let mortgages in Britain,[\[10\]](#) secured against homes that other people rent. Those landlords faced exactly the same repricing, and wherever the local market allowed it, the cost travelled on to the tenant.

The Bank of England's own forecast was that by the end of 2026, a million British households would be paying over £500 more, and a further two million would be paying between £200 and £500 a month more.[\[11\]](#) That's a family's food shop, or the gap between managing and struggling.

The IFS counted the result. By December 2023, mortgage rate rises had pushed 320,000 people into poverty.[\[12\]](#)

The mini-budget didn't do all of that by itself; fourteen rate rises did. What Truss demonstrated was the speed: in forty-eight hours millions of families were paying more to keep a roof over their heads.

“The Truss crisis proved that under our current financial setup the roof over your head is pegged to a volatile, leveraged market. Allowing that to happen isn’t ‘prudence’. It is failing the citizens of Britain.”

# Chapter 3: Only one tool

There's a saying: if the only tool you have is a hammer, every problem looks like a nail. For the last two decades, Britain has been battered by a relentless roll-call of external global shocks. The 2008 banking crash. The global COVID pandemic. War in Ukraine. War in the Middle East. Every one of these crises was a real-world resource shock. They were disruptions to international energy supply chains, global shipping routes, and physical production lines.

Yet, how did our institutions respond? By swinging the exact same financial hammer.

When Vladimir Putin choked off gas supplies to Europe, driving up the cost of electricity, the Bank of England's Monetary Policy Committee responded by aggressively raising interest rates.

Stop and think about that for a moment. Does raising the cost of a business loan in Newcastle create a single extra cubic metre of gas? Does making a mortgage more expensive for a family in Manchester harvest a single extra grain of wheat? Of course not.

Look at your own shopping bill. Food price inflation hit 19.1% in March 2023, the highest rate since 1977. Not because British shoppers suddenly wanted more bread. Because the war in Ukraine choked off grain and fertiliser, and the gas crisis pushed up the cost of running a food factory or a cold store.[\[13\]](#)

The Bank's answer was the same lever it pulls for everything: raise rates. Fourteen times, from near zero to 5.25%. That makes it more expensive for a British farmer to buy a tractor, or a food producer to keep the lights on. It doesn't grow more wheat. It just adds a domestic cost on top of a foreign shock, and hands the bill to a family already struggling at the till.

To be fair to the Bank of England, that's the fault of successive governments who've refused to hand the Bank any other tools. It has a one-dimensional mandate: keep inflation at 2%, and do that by lowering or raising interest rates. Or in a crisis, deploy quantitative easing: creating money to buy bonds back from the secondary market.

Growth and employment are in there as secondary objectives. But they are only to be supported once the inflation target has been met. So in practice, they never take effect.

The assumption is that raising interest rates takes demand out of the economy, dampening inflation. It does, but not evenly. It mainly works through affecting mortgage prices, and only 29% of English households have one. More older people own their homes outright; and if they have substantial savings, the opposite effect applies: high interest rates increase their spending power. So increasing rates bite hardest on under a third of the country, while savers and outright owners gain.

Some prices ignore it altogether. Rail fares, water bills, business rates, and mobile contracts are indexed to inflation by contract. They rise because inflation rose. Bank Rate doesn't touch them. That's not demand outstripping supply. That's inflation propagating through paperwork. The Bank knows this. In April 2026 the Governor wrote to the Chancellor to explain why inflation had missed the target. Most of the answer was a war, a shipping lane and the price of fertiliser. The Committee held the Bank Rate where it was.

Take a domestic example. In April 2025 employer National Insurance went up. The Bank's own estimate is that this fed through into services prices. A rate rise cannot reverse a payroll tax. It can only put a second cost (interest payments) on the firms already carrying the first (increased employment costs). And by the time a rate rise bites, the tax rise has already dropped out of the inflation figures, which only look at the previous 12 months and whether prices are now stable, rather than too high.[\[14\]](#)

The tool is also slow. The Bank's own working assumption is that a rate change takes eighteen months to two years to reach its full effect on prices.

Steering an economy this way is like steering a ship by dragging an anchor. It works. Crudely. But it takes miles to bite, and something gets torn up on the way.

It doesn't have to be done like this. The United States doesn't run its central bank this way. The Federal Reserve has a statutory dual mandate: maximum employment and stable prices, ranked equally.[\[15\]](#)

British Prime Ministers are falling like flies because they are trapped in this loop. They decline to fix the root problem: our dependence on volatile international markets for our foundational needs. Inaction is the real gamble. By failing to build domestic self-sufficiency, our leaders are making us hostages to the next global shock.

# Chapter 4: Who owns the debt

To defeat a system that holds you hostage, you first have to understand its wiring. So let's strip away the jargon and explain what the bond market is, how it operates, and why it currently strangles long-term investment in this country.

The main way the UK government currently finances its long-term infrastructure is by selling bonds, traditionally known as gilts. It is a simple mechanism. The Debt Management Office, an arm of the Treasury, sells a bond with a face value of, say, £100. An investor buys it, handing over £100 in cash.

Every bond comes with a fixed expiry date and a fixed interest rate, known as the "coupon." If you buy a £100 ten-year bond with a 4% interest rate, the government is legally bound to pay you £4 every year, usually in two instalments of £2, for a decade. When the ten years are up, the bond matures, the government cancels the ledger entry, and pays you back the original £100. Gilts come in different term lengths, too, from 1 year maturity bonds up to 30 years, and occasionally even longer.

Crucially, the interest rate set on that day never changes. It is a fixed-rate obligation. So when interest rates go up, or down, the cost of existing government debt does not change. Only the issuance of new bonds is affected by the current price.

So why do politicians live in terror of "bond vigilantes"? Because once these bonds are issued, investors buy and sell them among themselves on a secondary market. It is a global casino.

Bonds are treated as "near-cash" assets. Big corporations, multinational banks and hedge funds do not keep billions of pounds sitting in standard bank accounts earning miserable interest. They park their cash in UK government

bonds because the British state cannot go bust: it has the exclusive legal right to print its own currency.

UK pension funds are the largest domestic holders, and not out of caution. The structure obliges them.

A defined benefit scheme knows roughly what it owes its members decades ahead. The Pensions Regulator requires trustees to fund those promises to a standard called low dependency: the scheme's funding position must be highly resilient to short-term market movements, and its assets must carry enough liquidity to meet both expected and unexpected cash calls. Few assets do all of that. Government bonds do.

The Regulator's own worked example of a compliant portfolio is 85% gilts and other bonds. And the discount rate used to judge whether a scheme is adequately funded is itself defined as gilts plus half a per cent. Pension trustees are not legally compelled to buy gilts. But they are measured by a yardstick made of them.[\[16\]](#)

The danger arises when these bonds are actively traded. If the government issued a £100 bond at 0.125% interest during a low-rate era, that bond pays 12.5p a year. If interest rates later rise, nobody on the open market will pay £100 for a bond that pays 12.5p when they can buy a new one paying £4. So traders discount the price of the old bond, driving its market value down.

Here is the game theory at play. Just like the characters in the film *Margin Call*, these international traders act exclusively in their own short-term self-interest. That's their job. They do not consider British public services, regional inequality or child poverty. They respond strictly to momentum, supply and guessing what everyone else will do.

So who actually owns all these bonds?

Not, for the most part, the people politicians appear frightened of. The Bank of England holds around 18% of gilts, down from about a third at the peak of

quantitative easing, and falling as it sells. Roughly half sits with British institutions — pension funds, insurers, banks. These are captive buyers, held in place by the structure described above.

That leaves about a third with overseas investors.[\[17\]](#)

Here is what matters about that third. Prices in any market are set at the margin, by whoever is trading today, not by who is sitting still. The captive half rarely trades. The Bank of England sells on a published schedule. So the price of new or reissued British government debt — and therefore the interest rate this country pays — is set by the one group that can walk away whenever it likes.

## “A minority of the holders. All of the leverage.”

That is the sword hanging over every Chancellor’s desk. Not the size of the debt. The mobility of a third of it. What’s more, the attractiveness of buying or selling it is affected by factors far beyond UK government policy. If another investment with a better return comes along, they can still sell, lowering the prices. A rate rise in Washington. A panic in Tokyo. A war that sends money running for gold. None of it comes from UK policy. All of it can move the price of UK debt.[\[18\]](#)

By funding our national investment strategy through this secondary casino, successive Chancellors have handed that third a veto. Not over the detail of policy. Over whether we build the railway, the hospital, the school. That is what turned the British electorate into economic hostages.[\[19\]](#)

# Chapter 5: The first duty of government

We must redefine what public safety means in the twenty-first century.

For generations, the political establishment has defined national security through a narrow, defensive lens: the number of nuclear submarines in our oceans, the deployment of police on our streets. But true sovereignty and genuine safety cannot exist in a nation where the population is systematically ground down by economic instability.

Austerity is not a financial correction. It is a structural assault on national safety. When you cut the budgets of local planning departments, neglect the maintenance of the electricity grid, and allow millions of homes to sit uninsulated, you are actively dismantling the defences of the nation. You are making Britain structurally fragile.

How can we claim to be a proud, independent nation if a handful of short-sellers in New York or Singapore can effectively veto our ability to eliminate homelessness or cure juvenile crime?

“We were told that austerity would balance the books. It never did.”

The OBR did the sums. Austerity cut growth by a full percentage point in 2010-11, and another in 2011-12. By the second year the economy was 2% smaller than it would otherwise have been. What recovery did arrive came from interest rates on the floor, not from the cuts.[\[20\]](#)

The House of Lords Economic Affairs Committee examined the Bank of England's quantitative easing (QE) programme. They found limited impact on growth and aggregate demand, limited evidence of increased bank lending or investment, and a main effect that ran through asset prices. Those who already owned financial assets saw their wealth increase. The Bank's own staff, using confidential data on which banks received the reserves, found no evidence that QE directly boosted lending to the real economy.[\[21\]](#)

True public safety means economic, social, and environmental security. It means building a society where the baseline components of human survival – warm shelter, abundant clean energy, efficient transport, and community infrastructure – are structurally insulated from international market volatility.

Real de-risking doesn't mean allowing private corporations to extract wealth from our utilities while the taxpayer absorbs their losses. Real de-risking means using the sovereign power of the state to build permanent, tangible domestic capacity.

But given that the evidence shows that the current set up isn't working, why do governments persist with it? Until we understand that, we won't escape Groundhog Day. That's the theme of the next section.

## SECTION 3: WHY NOTHING CHANGES

# Chapter 6: Treasury mindset

You know when you sing the wrong words of a song for years. We've all done it. Once you think it's right, you stop checking.

What if it isn't song lyrics, but the overarching assumptions about macroeconomics and public finance? When we make our small corrections, what do we calibrate against? Those around us, those with more experience, the mainstream journals.

In political science there's a word for it: hegemony. Not a conspiracy – just the set of assumptions that have become so ordinary that testing them doesn't occur to anyone. And it answers the question you've probably already asked. If it is possible to rebuild Britain, the money is there, and the legal powers are there, why have all these Oxbridge PhDs and PPEs not figured it out?

It takes a lot of bravery to challenge the status quo. It takes a lot of time to research alternatives. And it often takes an outsider's perspective to spot the subtle inconsistencies in what has become hegemonic.

Risk aversion gets cemented into the structures. If you want a long career, avoid a project that promises a lot. It's safer not to innovate: a project never started is no career risk at all: no inquiry, no headline, no post mortem. Anyone who sees multiple structural bottlenecks at once concludes this will take years; the average tenure of a departmental minister is comparable to a professional football manager. Both systems treat complex, systemic challenges as problems solved by simply swapping the person sitting at the top.

“So real ambition for change gets displaced by personal ambition for status and office holding. Ministers find their grand plans mired in incrementalism, and settle for photo ops and ribbon cutting instead.”

The tragedy is that everybody knows the system is flawed. No less august a body than the Institute for Fiscal Studies said that fiscal rules are “patently ridiculous,” and described the way some policy is decided as “almost literally mad.”

But political parties seeking mainstream approval are trapped in a Mexican stand-off. Suggest that fiscal rules might not be the best idea, and the others will open fire on you. Broadcast producers face a similar dynamic. You’ve got a four-minute interview. Your audience is one thumb swipe away from watching a video of a cat. Do you ask for a patient explanation of the reasoning behind this policy? Or home in on why this is marginally different from what their party leader said, and ask if this is a leadership challenge?

None of us questions all of our long-held assumptions. But the wrong lyrics only last for as long as nobody sings them out loud.

# Chapter 7: The tenth set of rules

Politicians talk about the fiscal rules the way sailors talk about the tide. An external law of nature. Something you work around, because you certainly can't argue with it.

So it's worth knowing where they came from. Britain's fiscal rules were invented in 1997 by Gordon Brown in his first budget as Chancellor.

There were two. The golden rule: over the economic cycle, the government would borrow only to invest, never to fund day-to-day spending. And the sustainable investment rule: public sector net debt would be held at a stable and prudent level, which in practice meant below 40% of GDP.[\[22\]](#)

Before 1997 there were no numerical fiscal rules at all. None. Just conventions — an instinct towards balanced budgets, sometimes paying down debt when times were good. Britain built the NHS, the motorway network and millions of council homes without any of the constraints we are now told make such things impossible.

Brown's rules lasted eleven years, and were abandoned in 2008 when the financial crisis hit. Since then the churn has been relentless. The rules Rachel Reeves set in October 2024 were, by the Institute for Government's count, the tenth set Britain has had. We change our fiscal targets more often than any other country in the world.[\[23\]](#)

Of the twenty-six individual rules in place before the current set, only eleven were met or on course to be met at the point they were abandoned. Every set of rules since 2008 has been dropped because at least one part of it could not be delivered.

“This is not a story about weak-willed chancellors. It is a story about a system that produces absurdity as a matter of routine — and Britain’s most establishment fiscal institution, the IFS, has said so out loud.”

In November 2024 the Institute for Fiscal Studies examined how the rules shape decisions. It called the position “patently ridiculous,” and described the idea that £2 billion of forecast changes five years out should drive policy today as “almost literally mad.” It pointed out that the OBR is obliged to treat the Treasury’s stated future plans as fact — including the annual assumption that fuel duty will rise with inflation, which it has not done for fourteen years, and £20 billion of public service cuts with no indication of where they might fall.[\[24\]](#)

By February 2026 the IFS had gone further, proposing to replace the framework altogether and criticising what it called “an unhelpful obsession with fiscal headroom.”

To be scrupulous: the IFS is not endorsing the programme in this report.[\[25\]](#) But on the narrow question of whether these rules produce sensible government, one of Britain’s most respected fiscal institutions and this report agree.

In 2024 Reeves called her rules non-negotiable. When Andy Burnham suggested breaching them, she said he risked going the way of Liz Truss. Meanwhile her own headroom moved from £9.9 billion at the October 2024 budget to over £22 billion by November 2025 — not by changing the rules, but by changing taxes and spending until the numbers fitted back inside them. She valued the rules more than the real world effect of the policies.[\[26\]](#)

And Burnham? Twice he said what needed saying: that Britain has to stop being in hock to the bond markets. Once to the New Statesman ahead of the 2025

Labour conference, once in a speech to the IFS in January 2026. Then he became Prime Minister, and within days confirmed he would stick to the existing fiscal rules and look for flexibility within them.[\[27\]](#)

It would be easy, and wrong, to call that cowardice. The pressure on a new Prime Minister to reassure the market is enormous, and real. That is precisely the point. We can't just ignore the bond market. We must develop alternatives to fund public investment.

Which brings us to the fact that no discussion of the fiscal rules ever seems to mention. They are self-imposed. No treaty requires them. No market demands them. No law of economics produces them. A chancellor wrote them down, and every chancellor since has written a new set, and each new set has been announced as though it were carved into tablets of stone. Then changed a few years later.

So what would changing them involve?

The rules live in the Charter for Budget Responsibility. The Charter is approved by a motion in the House of Commons. That is the entire procedure. No legislation, no treaty, no consultation with anybody who trades gilts.

Since the rules are rewritten whenever they are missed, they are not meaningful fiscal discipline. Real fiscal discipline requires sending a signal to the market that is not political noise. Like, "for the next twenty years we will fund and build 100,000 council houses a year." Not, "we will empower the private sector to build more homes," but we will make sure it happens, backed with hard cash. That kind of discipline grows our asset base by 100,000 homes a year, strengthening the balance sheet.[\[28\]](#)

The whole point of fiscal discipline is to provide certainty.

# Chapter 8: Inflation and currency

Suggest using the financial power of the state to rebuild the country, and someone yells “inflation!” like they’ve won the bingo. Weimar. Zimbabwe. A wheelbarrow of banknotes.

It is worth being precise about what inflation actually is, because the explanation gives the answer.

Inflation occurs when spending outruns the ability to supply. In a specific good, that means demand exceeding what can be delivered, like when the Straits of Hormuz are too dangerous to sail. In aggregate, it means total spending in an economy exceeding what that economy can produce. Bid for bricklayers, steel and timber that are already in short supply, and you will push prices up. That is real, and it is the honest form of the objection.

The answer is to build the capacity to fulfil the demand before and alongside buying the goods.

Instead of the stop-start spending that leaves a contractor unsure whether to hire staff or buy machinery, the state gives a twenty-year pipeline. A firm that knows the country will be retrofitting homes and building council houses for two decades trains the apprentices now, and builds the supply chains now, a year before the first order lands. [Chapter 19](#) sets out how funding is released only when that capacity exists.

Hyperinflation is a different beast altogether. It requires political collapse, a collapse in physical production, or debts denominated in a currency the country cannot issue. None of those describes Britain.

**British government debt is denominated in sterling.** A gilt is defined by the Debt Management Office as a liability of the UK Government in sterling — not usually, not mostly, but by definition.[\[29\]](#)

“Britain does not owe anyone money it cannot issue. That is what separates us from the countries usually cited in these arguments, and it is why the Weimar comparison fails before it starts.”

We cannot be forced to default on a debt we can always meet, and we cannot be forced into anyone else’s programme to avompsid it.[\[30\]](#)

So what does a sovereign currency not protect you from?

The exchange rate. Britain does not buy gas in pounds. It buys gas in dollars, and to do that it must first sell pounds. The rate it gets is set on a market, by whoever happens to be trading that day. When fewer people want pounds, every import priced in dollars or euros – gas, food, steel, semiconductors, heat pumps – costs more before a single price has changed abroad.

An imported price can therefore rise two ways. The thing gets dearer, or our money buys less of it. In 2022 both happened at once.[\[31\]](#)

Which exposes the problem with the Bank’s single tool. Raising interest rates can be a method to attract money into sterling and hold the rate up. Higher purchasing power in sterling keeps imports cheaper, but makes exports more expensive. But whenever that lever is pulled it hurts the third of households with a mortgage. Defending the currency and defending your citizens are not the same job, and one tool cannot do both.

Every country is exposed to something. The only questions are what, and how fast it reaches your front door.

Britain's current exposure is to a market that can reprice a mortgage in seventy-two hours. That is not a hypothetical. It is [Chapter 2](#), and it happened, and it pushed 320,000 people into poverty.

Compare that to a currency shock. After the June 2016 referendum sterling fell 7% in a month and was 20% down on its effective rate by that October. As a result, consumer prices rose by between 1% and 2.9%, depending on whose figures you use.[\[32\]](#) The ONS found that the non-imported items in the reference basket barely changed in price. And ten months later, the Bank's own assessment was that most of the effect still had not reached the shops.

Currency shifts affect households partially, and slow. A gilt shock is total, and it arrives within days.

So neither the status quo nor this report's plan allows unfettered borrowing. But ours is a better trade, you can see its effects coming, and its exposure is time limited.

“Consider what we actually buy. Gas is a bill that never stops. A wind turbine is bought once and owned for thirty years. The programme replaces a permanent commodity import for a temporary capital one.”

The sequencing helps. Retrofit runs first, and it is the least import-intensive part of the programme. Most of its cost is labour that cannot be offshored, and it starts cutting gas demand while the heavier equipment is still arriving. Britain

already makes 60–70% of the wood panel it uses, with room to make more against a twenty-year order book. The raw timber comes overwhelmingly from Sweden, Finland, Latvia and Ireland. Stable, contracted, close, and not priced in dollars.

Norway supplied 69% of UK gas imports in 2025, mostly by pipeline. Domestic production and Norwegian pipeline gas together provided around 79% of UK supply. Globally traded LNG was 14%, Qatari imports were about 1%.[\[33\]](#) The point is that despite the bulk of Britain's gas not coming through the Straits of Hormuz or via a Russian gas pipeline, the global market sets the price of every unit, including the gas from the North Sea and the pipeline from Norway. It is precisely the mechanism [Chapter 22](#) describes in the electricity market, one layer further back. The remedy is renewables: we don't need to import wind or sunshine.

To do that we need to build supply chains. There will be imports, too, especially in machine tools. Some global supply chains are stretched – transformer lead times can be several years, worldwide. That is a physical constraint before it is a currency one. And it is an argument for building capacity with the guardrail, not an argument to being dependent on volatile gas prices.

In summary, too many imports, and things get expensive. The answer is not to wish the constraint away. It is to need less of what has to be bought in someone else's money.

Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime.

# Chapter 9: Who really carries the risk

For decades, the default government strategy for building infrastructure has been wrapped in a comfortable euphemism called “de-risking.”

The theory sounds great: the state cannot afford to build things itself, so it must partner with private equity firms and multinational contractors. To entice them, the government offers lucrative, guaranteed contracts. But these corporations are too big to fail and immune to genuine competition.

This costs us a fortune in the long term. Firms like G4S, Capita, and the private utility monopolies own our prisons, hospitals, water and energy systems. Small and medium enterprises (SMEs) cannot compete with these corporate giants when it comes to writing multi-million-pound government bids. So monopolies capture the market, extract dividends for offshore investors, and hollow out the service.

The Private Finance Initiative (PFI) ran this way for thirty years. Private consortia borrowed the money to build our schools and hospitals. The state paid it back over decades, at a premium. One group of schools cost around 40% more than if the government had simply borrowed. A hospital, 70%.

The Treasury knew. Its own value-for-money test measured private finance against a rate higher than the government actually pays to borrow. Rig the comparison and private finance wins.

Parklands High School in Liverpool cost £24 million to build. For years it stood empty, and the council were still charged £4 million a year for the PFI contract, almost £100 million in total.[\[34\]](#)

When the system works, the private investors keep 100% of the cash. When the system collapses – when the water companies pump raw sewage into our rivers

or a contractor goes bust – the state is legally and morally forced to step in and bail them out. Carillion shows what “de-risking” means in practice.

State outsourcing isn’t a market. It looks like one, but it isn’t. In a proper market, thousands of buyers and sellers keep everyone honest. Try a bad restaurant, and it closes, and a better one takes its place. State contracts don’t work like that. There’s one buyer—the government—and a handful of giant firms bidding for the work. A transaction, yes, a market, no.

Carillion collapsed in January 2018, holding 420 public sector contracts. The government didn’t rescue it. It refused a £223 million lifeline and let the company go into liquidation.

That did not spare the public the cost. The National Audit Office put the taxpayer’s bill at £148 million. The pension schemes, £2.6 billion short, landed on the Pension Protection Fund. The Cabinet Office kept paying Carillion’s staff to keep the services running.[\[35\]](#)

Here’s the part that shows who was actually captive. Carillion issued its first profit warning in July 2017, and the Cabinet Office began planning for its collapse almost immediately. Over the following six months the government handed it £1.9 billion of new work anyway, including £1.3 billion of HS2 contracts. Not because anyone was fooled. Because there was nobody else to give it to. It doesn’t stop at collapse, either. These firms often underbid to win the contract in the first place. Then they claw the money back through what’s politely called a “change control process” – premium fees for every tweak and variation, once the contract is signed and the competition’s gone. Underbid, then bill for the rest. That’s the business model.[\[36\]](#)

“A more honest term than de-risking would be privatising the profit and nationalising the loss.”

Real de-risking looks different. It means using the sovereign power of the state to provide absolute stability. Not stability for offshore financial speculators, but stability of demand, stability of supply chains, and stability of careers for our domestic workforce. Whenever I have spoken to CEOs, whether global corporates about green hydrogen or SMEs about making new kinds of modular clean rooms, they all tell me the one thing they want is to know that there will be demand in five, ten, twenty years' time. They're willing to risk fair market competition. What they can't risk is a government policy killing demand for wind farms or trains.

When government policy is insulated from the panic of hedge funds selling UK gilts, the state can act as a permanent anchor for the real economy. We remove the risk by eliminating the middleman.

# Chapter 10: Where markets work

To be clear, this report is not an argument for an old-fashioned, Soviet-style command economy where the state decides the price of a loaf of bread or the colour of your shoes.

Markets are spectacular tools for setting prices, driving genuine innovation, and allocating resources under the right conditions. If a market allows easy entry and exit for new businesses, encourages competition based on product quality rather than political lobbying, and is properly regulated to protect workers and consumers, it works beautifully. If.

Restaurants, as we saw, are the obvious case: the bad ones close. Food is the bigger case, and it points the same way. Britain has thousands of farms, dozens of processors, a dozen supermarket chains and a discounter opening somewhere every week. Entry is possible, competition is real, and it shows in the price: British households spend a smaller share of their income on food than almost anywhere in Europe.

That price is not costless, and it falls hardest on the people at the start of the chain. Farming margins are thin, volatile and heavily weather-exposed, and a farmer selling to four buyers is in a very different position from a supermarket buying from four hundred growers. That argument is not this report's to settle. But one part of it is ours: the support system farmers plan against has been rebuilt twice in a decade, with the rules still moving. You cannot plan a crop rotation against that, let alone a barn or a herd. It is the same failure this report identifies everywhere else – long-lived assets, financed against short-lived promises.[\[37\]](#)

Which is why this report has almost nothing else to say about food. Millions of people in this country cannot afford to eat properly, and that is a scandal. But it is not a scandal about the price of food. It is a scandal about wages, rents and energy bills — and those are what the rest of this report is for.

“A report claiming every market is broken is an ideology. Knowing which ones aren’t is the whole point.”

But privatised utilities – our water networks, energy grids, and regional transit systems – are not restaurants. You cannot choose a different water pipe if your current supplier fills your basement with filth. You cannot choose an alternative rail network if the local train to work is cancelled.

These are **natural monopolies** with inelastic demand. People cannot choose to stop using water or electricity when the price spikes.

When politicians try to force market mechanisms onto captive public infrastructure, it is not pragmatism, it is economic illiteracy. It creates a playground for corporate extraction, leading to high prices, underinvestment, and systemic decay. A pragmatic government knows the difference: it leaves consumer markets to innovate, but steps in to take sovereign ownership of the foundational utilities that make civilised life possible.

Finance sits awkwardly between the two, and deserves to be described accurately.

The City does real work. It moves money, prices risk, insures ships and buildings, runs the payments system, funds companies that need funding, employs a great many people and pays a great deal of tax. Strip that out and the country stops. Nothing in this report proposes to.

But a financial sector is a service to the productive economy, not a rival to it. Its job is to get capital to the firms that will do something with it. When it grows large enough to bid up the price of everything else — land, housing, companies, talent — it stops allocating capital and starts extracting it. And as we shall see, the rules we ourselves wrote made lending against a building that already exists more attractive than lending to a business that might build something.

That is not an argument for abolishing finance. It is an argument for pointing it at the real economy and setting boundaries that keep it there.[\[38\]](#)

We need affordable energy. We need affordable housing. We need to insulate our homes. We need to regenerate our high streets. We need reliable transport. We cannot sit back and hope that markets will take the lead and provide them. Governments must lead.

# Chapter 11: The repair kit

Twelve chapters is a lot to carry in your head. Before we open up the financial plumbing in Section 4, here's the plan stripped down to its bones. This is the bit you should still be able to tell your mates in the pub six months from now.

Everything in this report answers one of four old excuses.

**“We can't afford it. The bond markets won't allow it.”** Fund it off-market. The traders who can dump and run don't get a vote.

**“Energy and housing are commodities. Pay the market price.”** Treat them as infrastructure. Price them at cost.

**“Gig work is just modern flexibility.”** Guarantee the pipeline of work. Gig work gets replaced by a skilled trade.

**“Libraries and pools are luxuries we can't justify.”** One public asset does the job of ten thousand private ones. For a fraction of the cost.

Take the money question first. We allow tax relief only on savings that are used to invest in Britain: National Infrastructure ISAs for citizens and National Development Stock for pensions. We smooth the supply with Exchequer Notes. Different tools, same job, all covered in detail in chapters [14](#), [15](#) and [18](#). They fund Britain without going near the secondary market that turned your housing into a hostage during the Truss crisis. The gilt market continues. What changes is that new investment can proceed without it.

We use it to build real assets. Treat energy, housing and transport as infrastructure, not commodities, and the numbers change. The Retrofit Blitz – insulating every home – was projected in modelling submitted to Parliament to boost GDP by £3.20 for every £1 of public investment. The CBI says every £1 invested in construction adds £2.92 to GDP. Even the OBR's cautious estimate

says every public pound invested returns 40p to the Treasury in tax. Whichever figure is used, projects that fail a private investor's profit test make financial sense for the country.

The same money pays the wages. Twenty-year pipelines don't just fund the housing and energy programmes, they fund the jobs to build them. That's the difference between gig-app anxiety and a trade you can plan a life around.

And what's left over goes back to the street. A free sports centre and municipal pool does more for a town than ten thousand people each buying their own gym membership. That's not charity. It's just better maths.

“Fund it safely. Build what matters. Pay people fairly. Spend what's left on the places we all share.”

Everything from here is the how.

## SECTION 4: RAISING THE MONEY

# Chapter 12: The pound that comes back

Let's dismantle the myth that the state cannot afford to build things because it has "run out of money."

This argument is built on the false premise that government spending is a one-way street, like a household. When a family spends money on a home extension, they get the asset, hand over the cash, and that's the end of it.

But the cash doesn't disappear, it moves. It becomes someone else's income. Which is why a government is not like a household budget. When a currency-issuing state invests in its own economy, that money moves in a circle. Every pound the state injects into productive infrastructure sets off a powerful chain reaction known as an **economic multiplier**.

When the state funds a project, that money immediately pays the wages of engineers, project managers, and construction workers. Those workers don't stuff that cash under their mattresses. They spend it on the high street, paying for groceries, haircuts, and clothes, boosting local businesses. Those businesses, in turn, expand and hire more staff.

The Treasury takes a cut at every stage. It collects income tax and national insurance from the workers, VAT on their purchases, and corporation tax from the businesses.

This investment creates **downstream savings** across the state apparatus. If you build high-quality, insulated homes, you don't just create construction jobs. You reduce the number of people going to hospital with chronic respiratory illnesses

caused by damp housing. You reduce the welfare bill by moving people from low-wage gig insecurity into stable, high-skilled careers.

“The state has a unique capability. It can make investments that are unprofitable for a private hedge fund, yet profitable for the nation as a whole. It collects all the taxes those investments generate, and that changes the arithmetic.”

We said our nation is hostage to the idea that they are trapped in a room. The “unaffordable” narrative has stopped our leaders from even trying the handle. Nobody even checked whether the door was locked.

# Chapter 13: Money without middlemen

If the money comes back to the state through multipliers, how do we fund the initial outlay?

The answer is off-market financing.

Off-market financing means using financial instruments that are not traded on the secondary market. Instead of relying solely on gilts that can be shorted, dumped or sold in a panic, the state issues additional instruments that cannot be traded at all. They are held by the institutions and citizens who buy them, and paid interest in the same way a savings bond pays it.

The existing bond market continues. The government can refinance maturing gilts and issue new ones as it chooses. That is the ordinary work of the Debt Management Office, and nothing here stops it.

What changes is that a second funding channel opens, and it is not exposed to global market volatility.

“A speculator who wants to hit the panic button can still trade gilts with other speculators all day long. But their panic does not touch our ability to build a railway, a wind farm or a house.”

Which raises the obvious question: if nobody can sell it, how does anyone get their money back?

Non-tradable is different from non-redeemable.

Tradable means you sell to a stranger via an open market, like gilts, blue chip shares or bitcoins. The stranger you're selling to sets the price. That is where the hostage problem lives. Enough strangers sell at once, the price collapses, the yield spikes, and a family's mortgage gets more expensive by Friday.

Redeemable means you hand it back to the issuer, at a value written into the contract on the day you bought it. No stranger. No price discovery. No spike.

What we are proposing to abolish is not your ability to get your money back. It is the ability of a trading desk in another time zone to decide what your pension fund's financial assets are worth this morning.

We already do this.

None of this is theoretical. Britain has been running non-tradable government debt held directly by citizens for over eighty years.

It is called National Savings and Investment (NS&I) and it already has over 24 million customers. Income Bonds pay a variable rate and you can have your money back whenever you want, with no notice and no penalty. British Savings

Bonds pay a fixed rate over three years, for savers who don't need it back sooner. Green Savings Bonds go further still: three years, no withdrawals at all during the term, and the money earmarked for green projects. Savers buy them anyway. No hedge fund has ever shorted a Premium Bond.[\[39\]](#)

### **The money is already here.**

We do not need to look abroad for capital.

Start with who doesn't have it. 13.1 million UK adults have low financial resilience — one in four of us, one shock away from real trouble. One in ten has no savings at all. A further one in five has less than £1,000 to fall back on. That is people living on a financial precipice.[\[40\]](#)

The other side of the ledger comes from the same survey. Around 15 million adults hold a total of around £610 billion in cash, over and above six months' income kept back for emergencies. Barclays counts that money and calls it the investment gap. Real money, doing very little.[\[41\]](#)

We're not asking those savers for charity. We are offering a fair return on a safe investment, from an institution that cannot run out of pounds. And in exchange, a country where their children have decent work, where their town centre is worth walking into, and where the lights stay on when a gas market panics on the other side of the world.

Not only that, they will get tax relief on the interest they make, just as ISAs and pensions do now. But in return for this tax break it is not unreasonable to ask that their money does some good for the nation. At the moment, we give savings tax breaks even when the money ends up funding US corporations.

Those with an appetite for risk are still free to invest in existing stocks and shares and other volatile assets as they choose. No one is losing their freedom, just their tax subsidy on the unearned income.

## Match the instrument to the need

The rest of this section is about design, so here is the principle that governs it.

Different savers need different things. A pension scheme knows what it owes in 2050 and needs a payment that arrives in 2050. A household with £3,000 put by needs to know it can reach it. A company holding cash for payroll needs it on Friday.

The mistake would be to build one product and push everyone into it. The state can instead offer a term to suit the need, and price each one accordingly — longer money earning more, instant access earning less, exactly as the savings market already works. All with safety and security.

Which meets the objection an economist would raise. Not that longer money costs more than instant access — the savings market prices that already. The objection is narrower: against a tradable gilt of the same term, the holder gives up the right to sell, and will want paying for it.

On that like-for-like comparison the tradable bond may price keener, and the comparison leaves out what tradability costs its holder. Liquidity is the right to sell at whatever price the market offers on the day. Anyone holding a long-dated gilt bought in 2020 who needed the money in 2023 found out what that right was worth.[\[42\]](#) Redemption at a value written into the contract removes that risk entirely. The schemes dumping gilts into a falling market in September 2022 were not exercising a privilege. They were trapped by one.

Nor is liquidity of equal use for every buyer. Paying a premium for the option to change your mind is worth close to nothing to a pension scheme with no interest in selling because it is matching a payment due in 2050.

And whatever interest premium the state does pay lands in a British pension, or a British savings account.

# Chapter 14: ISAs and tax subsidies

Around 18 million people hold a Cash ISA (individual savings account). That's a specific kind of savings account where the interest you receive is tax free. Understandably, they're very popular. Roughly £70 to £85 billion goes into them each year, and the Treasury Committee puts the total sitting in them at £360 billion. The tax relief on ISAs costs the Exchequer somewhere around £9.4 billion a year.

That's a public subsidy on unearned income, on a scale that would fund a national retrofit programme on its own.

It is held by banks, mostly, where it becomes ordinary deposit funding. British banks lend the bulk of their money against residential property. Which means a large share of our tax-subsidised savings ends up financing the purchase of houses that already exist, bidding up the price of the very asset our children cannot afford to buy.

We pay £9.4 billion a year for that. The government has noticed. Twice.

In February 2025 a Treasury minister asked the House of Lords why Britain has hundreds of billions of pounds sitting in Cash ISAs, and called it a failure.[\[43\]](#)

Twice, ministers tried to attach a destination to the money.

Chancellor Jeremy Hunt proposed a British ISA in March 2024: an extra £5,000 of allowance, for UK-listed shares only. The investment platforms lobbied the Treasury not to, saying it would complicate the market. It was dropped that September.

Rachel Reeves came back with a version requiring a minimum fifth of the money to go into UK equities. Again the investment institutions pushed back. That was dropped too.

What survived was the one measure with no destination attached. From April 2027 the Cash ISA allowance falls from £20,000 to £12,000 for the under-65s, to push savers out of cash and into shares.

Which shares? Any shares. American ones qualify. A stocks and shares ISA can hold US-listed stock. In practice British taxpayers end up underwriting the capital of American corporations.

Tax policy has to be about more than raising money. It's about incentivising behaviour.

That is the case for a **National Infrastructure ISA**. Not a new tax. Not a compulsion. A savings account, backed by the Treasury, where the money is ring-fenced for tangible domestic assets – the grid, the retrofit programme, municipal housing. The saver's return is fixed and guaranteed, as it is with any NS&I product. What makes that rate affordable is the real boost they give the economy: income from energy, rents, and the taxes on the employment they create. The National Infrastructure ISA would be the name of the account available to savers, and various term lengths of **National Development Stocks** would be the instruments they buy.

“Keep the tax relief for savings that build Britain. Anyone who prefers to back Silicon Valley remains entirely free to do it. But with their own money.”

We recognise that savers need access, while infrastructure projects need decades. Most savers in Cash ISAs roll their money over. While they might switch from one provider to another, they don't withdraw it.[\[44\]](#) Term length is a choice the saver makes, not a condition the state imposes. Instant access for the emergency fund, at a modest rate. Longer terms for money that isn't going anywhere, at a better rate. That is how the savings market already works, and how NS&I already works.

No new institution is needed. NS&I exists. No new legal power. The Treasury already sets ISA rules every year, and has just used that power to cut the allowance. No compulsion. No confiscation. Nobody's savings are touched.

This is not financial repression. Everyone keeps their freedom to invest wherever they choose, and earn a fair market rate in the process.

It's just a condition that tax relief on British savings income should be used to benefit Britain.

# Chapter 15: Pensions and tax subsidies

British pension funds hold around £2.1 trillion. The state subsidises that saving by more than £50 billion a year. Five times what it spends on ISAs, and the largest single tax expenditure the Treasury makes. Again, without any conditions about where that money is invested.

Andy Haldane was Chief Economist at the Bank of England. He is now president of the British Chambers of Commerce, and an adviser to the Prime Minister. His account of where the money went is worth following.

In 2000, more than half of UK pension assets were invested in British companies. Today it is under 5%. In cash terms that's a cumulative withdrawal of over £2.5 trillion over that time, more than the funds hold today, and about the value of every listed company headquartered in this country. Ask the savers and more than 70% say they would prefer a system that favoured British firms. Many assume it already does.

Britain used to do exactly this. Before 1997 the dividend tax credit favoured pension fund investment in British companies, and Personal Equity Plans - which ISAs replaced - carried an explicit domestic bias. This home bias was not lost, it was legislated away.

The principle has been tested since. Chancellor Rachel Reeves proposed requiring schemes to place a share of their funds in UK assets. City firms lobbied against the mandation clause. She buckled. The Pension Schemes Act 2026 passed without it.

Same year, same lobbying ecosystem, same result as the British ISA.

Haldane wants the money in equities, to fund high-growth British firms. That gap is real and his case is sound. If savers want to invest in stocks and shares

ISAs, they should be free to invest where they want, but if they want a tax subsidy, that should depend on investing in British business.

“Shares pay what the market decides, when the market decides. A pension scheme knows what it owes in twenty years’ time. What it needs is an asset that pays in twenty years’ time. Infrastructure does that.”

We propose essentially the same instrument as would be available for private savers: National Development Stock. Available in different term lengths. Long-dated, with different fixed rates or index-linked, paying on a schedule. A closer match to a pension scheme’s obligations than equities have ever been. The state can afford to guarantee it because a grid connection pays what the meter says, every quarter, for forty years. Rent on a municipal home arrives every month.

This disposes of the objection that these instruments are illiquid. A pension scheme needs money to arrive when it is owed. Schemes were selling gilts into a falling market in September 2022 because of margin calls on derivatives, not because members retired unexpectedly. That liquidity crisis was manufactured by the liability driven investment structure described in [Chapter 2](#). It is not an inherent feature of paying pensions.

The Pensions Regulator’s model of a well-funded scheme is 85% bonds and gilts, measured against a yardstick of gilts plus half a per cent. National Development Stock, which is a state-backed, index-linked, long-dated instrument, sits inside that framework, giving pension schemes what they need more of.

Then there is the question of fiduciary duty: the pension fund trustees have a legal requirement to act in the best interests of their members. Quite right too. Sometimes there is an objection that serving government policy is not in the

financial best interests of the pension fund's members, even if they might like to see their money invested in Britain.

But that's a misreading: under our proposal the government is simply setting the tax framework. The trustees have no compulsion to invest in National Development Stock. They just get a tax break if they do. And if that makes the investment more attractive, such an investment is in their members' interests.

And the precedent exists. The dividend tax credit did precisely this until 1997. Nobody argued then that it put trustees in breach.

One caveat, and it binds the state rather than the trustee. A condition like this is only defensible if the instrument is worth holding on its own terms. Design it badly and you have asked trustees to choose between a tax break and their members. Design it as set out above – long-dated, index-linked, matched to the liability – and no such dichotomy arises.

So the ask is the same as the last chapter.

Not mandation. Nobody's pension is seized and no trustee is told what to buy. Just a condition on £50 billion a year of public money: if you want tax relief from the people of Britain, some of your savings should be invested in Britain. Not unreasonable.[\[45\]](#)

# Chapter 16: Taxing wealth and digital profits

To ensure the off-market investment strategy operates with price stability, we must pair credit creation, and borrowing of any kind, with disciplined fiscal management.

A state with a sovereign currency can create, borrow, earn or tax money. But price stability is a key component of the stability our proposal brings. Capital projects are funded off-market. Clean economic growth repays this through increased tax base, and increased receipts repay it through earnings.

Day-to-day running costs, known as revenue costs, also need to be in balance. Targeted, structural taxation is the primary method, not least because the structures already exist.

Although the state could just create all the money it wants, to avoid inflation money creation needs to be balanced by money cancellation and increased real assets. The primary short-term mechanism to do that is taxation. Rather than describe the full accounting process of creation and destruction of ledger entries, we're using the shorthand of just calling it tax.

We should tax wealth. This is not about penalising success. It's about moving capital out of speculation and into things that keep people safe. It is perverse that as a country we tax earned income from work at a far higher rate than unearned income from wealth. This alone makes the rich get richer while the poor get poorer.

“Anyone serious about tackling the size of the overall welfare bill needs to get serious about ending structural wealth inequality.”

The Green Party proposes 1% on assets above £10 million and 2% above £1 billion. Other models have been proposed, at different rates and thresholds.[\[46\]](#) The design is up for debate, the principle is not. Alternatives have been suggested such as a suite of taxes on investment income, including a 15% surcharge on interest, dividends and rents with the first £5000 exempt, which may be quicker to implement than a wealth tax on a full estate.[\[47\]](#)

And by the way, a billionaire doesn't have to build, invent or lead anything to become richer. According to Gabriel Zucman's 2024 G20 report, billionaires' capital taxes average just 0.3% of their wealth per year.[\[48\]](#) That's 0.3% of everything they own. Ask a minimum wage worker what share of their earnings disappears in tax and national insurance. Even after a wealth tax of 2%, even after accounting for inflation, someone with £1 billion will be £21 million a year better off without doing any work.[\[49\]](#)

And we should put teeth into the digital services tax.

We already have one. It charges 2% on UK revenues from the largest search engines, social media platforms and online marketplaces, and raised £944 million last year. Set that against what it is patching over. TaxWatch estimates that seven US technology groups made almost £15 billion of profit from British customers in 2021, and were liable for around £753 million in UK tax. In an earlier study of five of the same companies, the effective rate on their estimated UK profits was 2.9%.

Their avoidance mechanisms are legal. Services are sold between companies inside the same group, at prices the group itself sets, until the profit has moved somewhere it will barely be taxed.

Raising the rate to 10% – the level Labour proposed in opposition before quietly dropping it, and which the Liberal Democrats still support – would leave these companies highly profitable in Britain and raise a few billion more. It would not balance the books on its own. But a market where the biggest players pay 2.9% and their British competitors pay the full rate is not a market. It is a subsidy for size.[\[50\]](#)

There is one more reason to hold the line. Britain is currently under pressure from Washington to cut or scrap this tax, in exchange for relief on tariffs. A country that cannot decide how to tax companies operating on its own soil, without asking another government first, is not sovereign. It is a tenant.

The purpose of these taxes is not just to raise revenue, but to act as an economic regulator. By taxing hyper-concentrated, stagnant wealth pools, we disincentivise the accumulation of excess liquidity that fuels asset price inflation, luxury speculation, and rent-seeking behaviour. We're incentivising socially useful investment instead.

# Chapter 17: The bank belongs to us

Few subjects generate more heat and less light than the independence of the Bank of England. So let us be precise, because the facts are more interesting than the argument.

The Bank was nationalised in 1946. Its shares are held by the Treasury Solicitor on behalf of the Crown. It has been a publicly owned institution for eighty years.

It does not have independence like Lloyds or Barclays. Parliament sets its mandate. The Chancellor writes to the Monetary Policy Committee (MPC) at least once a year, specifying what price stability means and what the government's economic objectives are, and the Bank has to follow them. The Chancellor appoints the Governor and the Deputy Governors, and directly appoints the four external members of the MPC. Under the Bank of England Act 1998 the Treasury can direct the Bank on monetary policy. Under the Financial Services Act 2012 it can issue binding directions on financial stability.

What was delegated in 1997 was not the mandate. It was the monthly setting of one instrument against a mandate the government writes. That is narrower than the word "independence" implies. The gap between true independence and the limited operational reality is often deliberately conflated in political discourse.[\[51\]](#)

What Britain calls central bank independence would not qualify as independence under European treaties. The annual remit letter alone would fail the test, and the Treasury's power of direction would have to be repealed. We know this because Britain negotiated an explicit exemption from those provisions and held it for twenty-seven years.[\[52\]](#)

None of this is a scandal, and most of what the Bank does should carry on untouched: the payment system, banknotes, prudential supervision, the daily

work of financial stability. There are real questions here about democracy and accountability, and they deserve a hearing elsewhere. This chapter is about three decisions, and whether a government already has the power to take them.

### **First, halt Quantitative Tightening.**

The Bank is unique among major central banks in actively selling its bond portfolio back into a flooded market, locking in capital losses of between £50 and £130 billion. Under an indemnity the Treasury signed in 2009, the taxpayer covers them. That is around £22 billion a year to cover a loss nobody is obliged to take. Held to maturity, most of it does not arise.[\[53\]](#)

It is also pushing rates up. The Bank's own estimate is that QT has added 15 to 25 basis points to long-term rates — about £280 a year on a typical new mortgage.[\[54\]](#)

Does a government have the power to stop the Bank doing this? It doesn't need one. The indemnity is a Treasury instrument and the money is the Treasury's. A Chancellor who says the Treasury will indemnify bonds held to maturity but will no longer indemnify losses crystallised by active QT sales is not directing monetary policy. The Chancellor deciding what the Treasury will pay for is the Chancellor's job.

### **Second, tier the reserves.**

Commercial banks hold roughly £644 billion at the Bank of England. Reserves are simply the money commercial banks keep in their account at the Bank of England. Banks need a working balance to settle payments between each other each day. The £644 billion is far more than is needed for that, because most of it was created by the Bank itself during quantitative easing and had to go somewhere.

The Bank pays Bank Rate on every pound of it, risk-free, on money that sits still. Using the Bank Rate at the time of writing that is over £24 billion a year. It was not always so. Until May 2006 the Bank paid nothing on reserves, and so banks had no reason to maintain large reserves earning no interest. When it began paying, it was to induce banks to keep larger reserves, in sums of tens of

billions, to reduce volatility in overnight interbank lending rates. This was all before the financial crash, and before the QE programme that created reserves in the hundreds of billions. Interest rates were near 0% for over 13 years, but when rates rose from 2022, that became very expensive. The system was designed for a different era, and base rate has been paid on every pound of them ever since.[\[55\]](#)

Take Lloyds. Its largest shareholder is BlackRock. Its third largest is Norges Bank, Norway's sovereign wealth fund. Some of that payment leaves the country as a dividend cheque to Oslo.[\[56\]](#)

The European Central Bank, the Swiss National Bank and the Bank of Japan have all operated tiered reserves. Britain never has. Several institutions have costed a British version, and the estimates differ according to how much is left unremunerated and the Current Bank Rate. The New Economics Foundation estimated in 2023 that tiering would save £11.5 billion a year.[\[57\]](#) That's enough to pay the wages of around 300,000 council workers. Care workers, youth workers, librarians, park keepers, planners, transforming local services. And every pound of it would be spent in the towns where those people live.[\[58\]](#)

At present this is an operational decision for the Bank. But the Treasury has its own route: a levy on the interest banks receive on reserves is a Finance Bill measure, and needs an instruction to nobody. The Bank keeps its framework intact. The Treasury taxes the receipt. The net effect is much the same, a fact that would not be lost on any Governor, who might then prefer to reach an accommodation with the Chancellor.

### **Third, bring monetary policy inside economic policy.**

So who should set interest rates? The substantive change is to the mandate, and it doesn't depend on the institution. The advice that shapes monetary policy should be formed against the government's economic objectives in the round, rather than a single inflation number, and those objectives should be written by the Chancellor and published. Whichever body does the work, that is a real change, and it is the one that matters.

From there, two routes.

The first keeps the Monetary Policy Committee as it is and changes what it is aiming at. It requires no legislation and no new appointments process. It also has an underrated virtue: a government rebuilding the grid, the housing stock and the skills base at the same time has only so much institutional upheaval it can spend, and there are better places to spend it. Ask anyone in the NHS what a decade of restructuring bought them.

The second option makes the committee advisory, with members appointed through Parliament, and publishes its advice as OBR forecasts are published. A Chancellor may override that advice – they hold the electoral mandate – but they must explain why. That closes the “nothing to do with me, guv” defence, which is a problem worth fixing.

We know publication works, because we have run the experiment. Before 1997 the Chancellor set rates directly, and from 1994 his monthly meetings with the Governor were minuted and published. In June 1996 the minutes recorded that Eddie George wanted rates held at 6%. Kenneth Clarke cut them to 5.75%, said so in the Commons the following month, and defended it as a fine judgement. An election was due within a year.[\[59\]](#)

What disciplined that decision was not independence. It was public scrutiny. Clarke had to stand at the despatch box and account for overruling the Governor. Sunlight did the work. We do not ask for tax rates to be set independently of government, and a pre-election tax giveaway is the same abuse through a different instrument.

We should also accept that independence does not control inflation. It did not prevent the 2008 crash. Its QE programme increased wealth inequality by inflating asset prices, which are not owned by those living hand to mouth.

We think the second option is better. But nothing in this report requires it. The financing model set out here does not depend on what the committee decides, or on who sits on it.

None of this requires legislation.

“The Bank of England belongs to the British people. It’s time it started acting like it.”

# Chapter 18: The Ways and Means account

The government banks at the Bank of England, and the Ways and Means account is the overdraft on that account. It has been there since 1694, when lending to the Crown was the entire purpose of the Bank. There is a balance on it today, published every week. It was extended in April 2020 to smooth government cash flow if needed. It was never drawn on. The fact that it was there was enough.[\[60\]](#)

We know that no one will invest in building a factory until they are certain they can sell its output. The programme in this report provides the order book. But the money for that investment arrives in chunks. Pension trustees meet quarterly. An ISA season runs to the tax year. If you're waiting for the money before commissioning an order, you're letting money be the constraint. We have spent this whole report freeing us from that constraint. That freedom uses Britain's overdraft.

Here is what happens when it is used, and it is duller than it sounds.

The Treasury draws the money. The Bank credits the government's account. At this stage, it's just an electronic line on a spreadsheet. No real money has gone into the economy, and no interest is paid.

Then the government uses the overdraft money to pay a public body or a private contractor. At that point it enters the real economy. The contractor banks with Barclays, say. So the Ways and Means overdraft goes down, the contractor deposits their money in their bank account at Barclays, and so Barclays' reserve account at the Bank of England goes up by exactly the same amount. That is the whole operation. The money did not appear from nowhere and vanish into the economy. It moved from one account at the Bank of England to another.

The Bank pays interest on reserves at Bank Rate, which is where the twenty-five billion a year figure in the previous chapter comes from. So a drawing costs the government Bank Rate in interest for as long as it is outstanding. That's about the same rate the government normally pays for short term borrowing.

“This is not free money. It is an overdraft, priced at Bank Rate, from a bank the public owns.”

We have run the operation before. Between 2009 and 2021 the Bank created just under £900 billion of reserves and used them to buy government bonds that had already been issued, from people who already owned them. Nobody called that printing money. They called it monetary policy. So the argument that you can't just create central bank reserves has not been credible since 2009.[\[61\]](#)

Except that time Britain came out of it with no additional houses, no additional generating capacity and no additional engineers.

What the Ways and Means account gets you is control.

A gilt is a promise you must persuade a trader to accept on a particular morning, at a price that the bond market chooses. [Chapter 2](#) described a morning that went rather badly. The government's Bank of England reserve balance is a government promise to an institution the government owns, at a rate set in accordance with a government mandate.

That doesn't mean there is no market influence. It moves to the interest rate, which is set by the Bank. But the interest rate has an effect on sterling, albeit amongst other factors, which [Chapter 9](#) deals with. That constraint is real. If Britain needed to defend sterling, raising rates might be the method chosen to

do it, and those rates are what sets the price of this overdraft. If Bank Rates fall, the overdraft gets cheaper. It is still borrowing, but the cost is set by the Bank Rate, which moves slowly, and under the mandate to meet the government's economic objectives.

The account is a buffer and not a source. It is there to smooth the release of capital to fund the programme, so that the constraint is real resources – skilled labour, building materials, production lines.

The instruments are built to clear it. A National Infrastructure ISA is the account a saver holds. National Development Stock, in a range of term lengths, is what that account buys. We propose using an instrument called an **Exchequer Note** to record a drawing on the overdraft. This is simply an instruction from the Chancellor to the Bank to deposit money in the Ways and Means account. Then when Stock is issued, the proceeds retire the Note, and a liability at the central bank changes to a liability owed to a saver. Tax receipts could do the same job, or the rent from the homes built, or the bills from the grid the drawing paid for. Which route to take is an ordinary Treasury debt management decision. But our industry, our social housing, our cheap renewable energy no longer stalls for lack of investment.

The Bank is publicly owned and the facility is statutory, so a drawing cannot be refused – and that is precisely what critics of this mechanism worry about. So publish each one. Dated, termed, with a stated retirement. Currently, the government doesn't have to, but we advocate transparency.

This smoothing facility gives us control over investment. Certainty has a value of its own. No one builds a factory with stop-start demand. Sure, people want homes, people want better transport. But there's a coordination problem – the money and the supply are out of kilter. So by guaranteeing demand, we can guarantee that an increase in supply capacity will follow.

Without this guarantee, we keep importing. We don't train engineers. We don't build enough social houses. With the guarantee we build the homes, the grid,

the transport and generate the long term returns. That's supply right here, improving our balance of payments, strengthening sterling.

The state can coordinate this because it can act in a way that individual commercial actors cannot. It can create the demand, and because it collects around 40p of taxes for every pound it spends, physical projects can be viable for the state when they are not for commercial investors.

It's worth being open and clear: Article 123 of the European treaties exists to prevent exactly this, and Britain negotiated an explicit exemption from it. The objection has a name: fiscal dominance. A government borrowing from a central bank whose mandate that government writes.[\[62\]](#)

The answer is not that the risk is imaginary. It is that the constraint is physical, the guardrail is published, the balance has to clear, and every drawing can be seen.

None of this needs legislation. The account exists. It was drawn six years ago and repaid. It is the smallest instrument in this section, and the only reason it gets a chapter is that it is the one that's most misrepresented.

# Chapter 19: Manage capacity to manage inflation

We've got a promise to keep. In [Chapter 8](#) we set out the mechanism of inflation and said we'd explain how spending gets matched to capacity. Here it is.

The dinner-table version is that prices rise when something is scarce and lots of people want it. There are PhDs written on the nuances. The dinner-table version is close enough.

No serious economist has claimed sovereign governments can create or borrow money without consequence. The claim here is narrower, and it's accurate: money created to build what a country physically lacks, at a pace that country can physically absorb, does not behave like money created to chase goods that have inelastic supply.

So the question is what the money buys.

Retrofitted homes. Social housing. Generation and grid. Water that doesn't leak. Buses and trams that turn up. None of it arrives on next day delivery by Amazon Prime. These are projects measured in years.

Each has at least two costs. Wages and materials. Some also need land.

Land is the simplest. Buying a field consumes no bricklayers and no steel. It transfers a title. Money spent on land changes who owns something. It doesn't compete for the resources that build things.

Wages are the largest cost in the programme. And wages are paid here, in sterling, and spent here.

## Follow the money

A welder on £40,000. Her employer pays £5,250 in National Insurance on top, so the job costs £45,250. Income tax takes £5,486 of her salary. Her own National Insurance takes £2,194.

Before she has spent a penny, the Treasury holds £12,930 of the £45,250 that job cost. Nearly 29p in the pound.[\[63\]](#)

Then she spends it. VAT on the shopping. Duty on the beer. The pub pays business rates on the building and corporation tax on the profit, and income tax and National Insurance on the wages of the lad who pulled the pint. Who spends it again.

The Office for Budget Responsibility works on the basis that around 40% of the GDP an investment creates returns to the Treasury as tax.[\[64\]](#)

One thing about that figure. The OBR is required to forecast on stated government policy — not proposed policy, not plausible policy. It has never modelled the programme in this report, and it will not unless a government adopts it.

That is not a criticism. It is the job it was given. But it means the official numbers describe the country we have, not the one we could build.

Others have modelled it. The Confederation of British Industry (CBI) puts the return on construction spending at £2.92 for every pound. The International Monetary Fund (IMF) finds the effect of public investment builds over years rather than fading, and is strongest where there is slack in the economy – the condition the capacity guardrail exists to create. A worked study of a national retrofit programme put the return at £3.20 of GDP and £1.25 of tax per pound.

Different methods. Different questions. Different answers.[\[65\]](#)

So take the official one. The OBR's working assumption is that a pound of public investment produces a pound of GDP. At 40%, the Treasury gets 40p back. The real cost to the state is 60p in the pound, and we own the asset at the end.

A private investor recovers none of that 40p. It was never theirs to recover. That is the whole difference, and it's why the state can build what the market will not.

### **Keynes named the leaks**

Money escapes the circuit three ways: savings, imports, tax.

Only two of them cost the state anything.

Tax is not a leak from the Treasury's point of view. It is the return. A private firm loses everything that isn't its own margin. The state loses savings and imports, and recovers the third at every round, from everyone who touches the money.

Savings we have already addressed. National Development Stock offers ISA and pension savers a secure investment at a fair rate, and puts the money back to work.

Imports are the rest of this chapter.

### **The supply chain is the argument**

Order a million heat pumps from an overseas manufacturer and we have let ourselves down. That money is gone. No cascade, no tax, no wages spent on any British high street.

Build them here and the whole circuit runs.

This is not a call for protectionism. No tariffs. No import quotas. No shelter for firms that can't compete. What we should offer is a full order book to anyone who can supply, the skills training to build the capacity to do it, and social value clauses that make the work worth having.

“Certainty of demand is the thing British industry has never been given. A firm that knows the orders are coming for twenty years will expand the factory. A firm guessing at next year’s budget will not.”

That hits hardest for small firms. A large contractor can carry uncertainty on its balance sheet for a year or two. A firm of eleven people carries it on an overdraft, and cannot bid for work it might not be able to finance. It is not that small firms lack the skill. It is that certainty is worth more to them per pound than to anyone else, and they have never been given any.

Social value clauses are where that gets fixed. The 2012 Public Services (Social Value) Act has long allowed public procurement to embed clauses for social good – fair wages, high environmental standards. The 2023 Procurement Act takes this further. So we already have the legal powers to break contracts into lots a regional firm can actually bid for. Require apprenticeships. Require the skills and jobs to be created here. And apply the one condition that costs the Treasury nothing at all: everyone in the chain gets paid on time.[\[66\]](#)

Thirty-day payment terms are already legally implied into public contracts and already required to flow down the supply chain. They are widely ignored, because the consequence of ignoring them is a published statistic, and a power nobody uses. Make payment performance a condition of holding the contract, and the smallest firm in the chain stops lending money to the largest.

### **Why the state can pay more**

A contractor is building a wind farm. Two quotes for the fabrication. £750 million from a yard on the Tees. £748 million from overseas, shipping included.

The contractor takes the cheaper one. Of course it does. Two million pounds is two million pounds, and the contractor's job is to build the wind farm as cheaply as it can.

Run the same decision through the Treasury's books.

£750 million spent on the Tees returns something in the order of £300 million in tax. £748 million spent abroad returns close to nothing.

The state is around £298 million better off paying £2 million more.

The contractor cannot see that. No private company collects income tax. It sees a price, and it is behaving perfectly rationally in taking the lower one. The failure is not the contractor's. It is an appraisal system that scores the price of a project and ignores where the money lands.

Of course, this requires the capacity to supply, which is itself dependent upon a clear demand signal. The state's advantage is real only when it puts workers and machines to work that would otherwise be still. Which is exactly what the guardrail measures.[\[67\]](#)

### **The Real Value of Work**

The £300 million is only the tax. It is not the whole return.

A welder in work is a welder not on Universal Credit – around £11,500 a year for the average household, more where there's a health element. Council tax support on top. She is less likely to need the NHS. Her town has less crime. Her children grow up in a house with a wage coming in.

And the scarring stops. Someone who gets a trade at eighteen pays tax for forty-five years. Someone who gets three years of app work and then gives up costs the state for forty-five years. The decision runs the same distance in both directions.

The Treasury knows how to count all this. It maintains a database of these costs, and requires a council bidding for an employment programme to use it.

But it does not require anyone to use it when deciding where a wind farm's steel gets made.[\[68\]](#)

### **What we owe the world**

Britain buys more from the world than it sells, and has done every year since 1984. Recent deficits have run at roughly two to four per cent of everything we produce. Spend heavily at home while that gap stays open and sterling comes under pressure. A weaker pound makes every imported component dearer, including the silicon wafers and cables this programme runs on.[\[69\]](#)

Be fair about it, though. A weaker pound also makes British exports cheaper, and that is supposed to be the adjustment mechanism. Right now it is not working. What we import is mostly essentials – energy, food, components – so when the price rises we pay it, because essentials are essentials. And when the rate turns in our favour, we cannot take advantage, because in industry after industry we no longer have the plant or the workforce to scale up. Britain gets the loss and misses the gain.

That is not an argument against having a floating currency. It is an argument for rebuilding industrial capacity.

### **The rate moves anyway**

Sterling's value is not set by the British government. It floats based on market events. A rate rise in Washington. A flight to the dollar when a war starts. A shift in what global investors think of emerging markets, which has nothing to do with us at all. The pound moves, and the price of everything Britain imports moves with it – under any government, pursuing any programme, including doing nothing.

We have seen this argument before in this report. It is the same one made about gilt yields: a price this country depends on, set by people responding to events on the other side of the world.

You cannot make that volatility go away. What you can decide is how much of your national life is exposed to it.

## What the money buys

Our programme is aimed at the imports causing the problem. Britain burns imported gas to heat badly insulated houses. Retrofit cuts the demand. A sovereign grid replaces the supply with clean electricity generated here. Cambridge Econometrics modelled the insulation alone and found gas imports 26% lower than they would otherwise be. That is before a single boiler is replaced. That is the trade gap closing, not widening. [\[70\]](#)

There is a second drain nobody mentions. Stop dividend flight. Our water companies, energy networks and airports are largely foreign-owned, and the dividends leave every year, permanently. Building capacity does not fix that. Only changing the ownership does, and the moment it changes, the outflow stops.

Then there is what we sell. Trained engineers, plant that runs at scale, firms clustered around a guaranteed order book – that’s how a country becomes competitive in export markets. Britain does badly in industries where we lost the capacity to compete. Coordinated, long-term investment is the fix.

Be honest about the sequencing, though. We buy the heat pumps before we stop buying the gas. There is a window, some years long, where the imports come first and the savings arrive later. That is not an argument for continuing to import gas. It is an argument for building those supply chains here, now, at the pace the guardrail sets.

“A country that heats its homes with its own electricity, houses its people in homes it built, and moves them on transport it owns is a country that needs less foreign currency. That is not protectionism. It is the difference between weathering the next shock and being hostage to it.”

### **First we build capacity**

Which brings us to the rule that governs the whole programme.

Provide certainty of demand for labour and production. Then train the workers and build the supply chains. Then, and only then, fund the projects, in line with the capacity that exists to deliver them. But where they know that the money will be there when the capacity comes online.

Not a spending total announced in a Budget and dumped into a market overnight. Tranches, released against a measured answer to a simple question: can Britain physically build this yet?

That is what the capacity guardrail is for. Not immunity from inflation. A mechanism for spotting it early and easing off.

The machinery for measuring it already exists, and we set out how it works in [Chapter 28](#), including who assesses capacity, how the skills pipeline is built, and where the engineers come from.

# Chapter 20: Where the money is

We have covered a lot of ground in this section. Here are the mechanisms in one place.

Three things about how to read what follows.

These are not all the same kind of money. Money borrowed and repaid, money we stop paying out, and money raised in tax are three different things, and they are set out separately below for that reason. Some figures describe a pool that already exists; others describe a flow arriving every year. Both are marked.

This is third party research. It comes from different people, in different years, on different assumptions, and several of them disagree with each other. The Taxing Wealth Report does not propose a wealth tax at all, and still finds £90 billion a year by reforming existing taxes. The Wealth Tax Commission expects between seven and seventeen per cent of the tax base to be lost to avoidance. We have not smoothed those disagreements away, because they are the point. There is more than one way to do this, and the argument in this report does not depend on any single one of them.

And we have not added them up. That is deliberate. This report does not set out a costed budget, because the binding constraint on this programme is not money. It is capacity – how fast Britain can build, and how many people we can train to build it. That is what the capacity guardrail is for. A total here would imply a spending envelope, when we have already argued that the envelope should be set by what the country can absorb, not by what the Treasury can raise. Anything we can actually do, we can afford.

**1. Off-market financing** — existing pools and flows that could be directed into productive investment

|                                                               |                                  |
|---------------------------------------------------------------|----------------------------------|
| Annual flow into Cash ISAs                                    | £70–85bn a year                  |
| Redirecting ISA and pension contributions into infrastructure | up to £100bn a year              |
| Total funded occupational pension assets                      | c. £2.1 trillion (existing pool) |
| UK non-financial business cash deposits                       | c. £597bn (existing pool)        |

**2. Monetary policy savings** — money the state currently pays out and could stop paying

|                                                |                                |
|------------------------------------------------|--------------------------------|
| Tiered bank reserves, 10% non-interest-bearing | £11.5bn a year (2023 estimate) |
| Halting active QT gilt sales                   | up to £13.5bn a year           |
| Slowing active sales to the 2022–23 pace       | £4.4bn a year                  |

### 3. Tax revenue — money raised

|                                                           |                                                    |
|-----------------------------------------------------------|----------------------------------------------------|
| 2% annual tax on wealth above £100m                       | £10.4bn a year, rising to £18bn by 2036            |
| 0.6% annual tax on wealth above £2m                       | £10bn a year                                       |
| 1% annual tax on wealth above £10m, 2% above £1bn         | c. £9bn a year (Advani et al.; Green Party policy) |
| One-off 1% a year for five years, above £500,000          | £260bn total                                       |
| One-off 1% a year for five years, above £2m               | £80bn total                                        |
| Reform of existing taxes on wealth and income from wealth | up to £90bn a year                                 |
| Digital services tax raised from 2% to 10%                | c. £3bn a year (Labour costing, 2021)              |

No total. On purpose.[\[71\]](#)

There is a great deal of money in this country. Most of it is currently circulating inside the financial system rather than being built into anything, which makes us less resilient rather than more. The question this report asks is not whether the money exists. It is what we are prepared to do with it.

## SECTION 5: REBUILDING THE NATION

# Chapter 21: The Retrofit Blitz

We've discussed the economics, shown where the money comes from. Where do we start fixing things? A comprehensive, street-by-street national home insulation programme. We call it the **Retrofit Blitz**.

Britain has some of the oldest, coldest, and leakiest housing stock in Western Europe. Every winter millions of citizens blast expensive, imported gas through their boilers to heat their radiators, only for that heat to escape straight through their uninsulated walls and single-glazed windows. It is a catastrophic waste of energy, a major source of carbon emissions, and a primary driver of the cost-of-living crisis.

Successive governments have offered small scale stop-start schemes. We should replace this piecemeal approach with a comprehensive state-directed industrial rollout.

Instead of waiting for individuals to apply, local councils or regional authorities will be contracted to retrofit entire streets at a time. Teams of specialised workers will move down a neighbourhood systematically, installing high-quality external wall insulation, loft insulation, double glazing, and smart energy management systems. Where it works for a building, we should install heat pumps and microgeneration such as solar panels. Doing this at a civic scale creates demand certainty, economies of scale, and an efficient supply chain.

“Modelling submitted to Parliament puts the return on large-scale retrofit at £3.20 of GDP and £1.25 of tax for every pound of government investment.”

That is the optimistic end of a range. At the other end sits the OBR’s working assumption of a pound of GDP per pound spent, returning 40p in tax. [Chapter 19](#) sets out why the range is so wide, and why the case holds at either end. [\[72\]](#)

That multiplier doesn’t leak abroad. You can outsource electronics manufacturing to Vietnam. You can’t outsource the insulation of a Victorian terrace in Newcastle or Leeds. Every pound of off-market credit spent on retrofit lands in the wages of local surveyors, scaffolders, heat-pump engineers, and electricians. It stays in the homes it’s spent on, feeds the local high street, and boosts the regional tax base.

This isn’t theoretical. Sunderland tried it. From 2013, the housing association Gentoo ran a scheme called Boilers on Prescription – GPs referring patients with cold-related respiratory conditions straight into home retrofits. New boiler, double glazing, insulation, for about £5,000 a property. The results, in Gentoo’s own figures: GP appointments among those patients fell 60%. Emergency admissions fell 25% and visits to A&E fell by 30%.[\[73\]](#)

It’s easy to miss how much that’s worth. Free at the point of use doesn’t mean free. A patient admitted to hospital with a COPD flare-up typically stays three days, and costs the NHS somewhere between £1,900 and £5,000 each time.[\[74\]](#) Cut a quarter of those admissions across a street, a town, a region, and the savings stack up fast – money the NHS never has to spend treating an illness that a warm, dry house would have prevented in the first place. And these savings are on top of the multiplier quoted above.

The downstream savings are permanent. Energy bills drop for ordinary families, recycling millions of pounds of disposable income back into our high streets. Lives are saved, cold-related admissions to our overstretched NHS hospitals plummet, and the nation's total energy demand drops permanently.

“Retrofitting Britain lowers our bills. And it lowers global emissions. This is national security.”

# Chapter 22: Energy at cost

A British household pays 26.11p for a unit of electricity. In the units the industry uses, that is £261 a megawatt hour.

The government's own estimate of what it costs to generate a megawatt hour from a new offshore wind farm is £59. Onshore wind, £41. Large-scale solar, £44.[\[75\]](#)

Cheap to generate. Expensive to finance. Sold at the price of gas regardless.

## Take the bill apart

Under the spring 2026 cap, a typical household electricity bill was £875. Wholesale power – what the supplier paid to buy the electricity – was £333 of that. Network charges, the pylons and cables and substations, were £214. The remaining £328 was levies, supplier costs, metering, bad debt and VAT.[\[76\]](#)

So a quarter of the bill is the wires. Building and maintaining that has a real cost. But the private, often overseas based owners take a large share. Public ownership gets its own [chapter](#).[\[77\]](#)

The third slice moved this year. In April 2026 the government took two environmental and social schemes off energy bills and funded them through general taxation instead. Bills fell by about £150 because of a political choice. Worth remembering, next time you are told that sort of thing cannot be done.

## The price of the last gas plant

That leaves wholesale, the largest slice and the strangest.

Britain buys electricity in half-hourly auctions. The cheapest generation is taken first, then the next cheapest, until demand is met. Whatever the final unit costs sets the price paid to everyone in that half hour. On most days the final unit comes from a gas plant.

So a wind farm generating at £41 is paid whatever gas costs that afternoon. In 2022 that was several hundred pounds a megawatt hour. Britain has built one of the largest offshore wind fleets on earth and the price of electricity still tracks a commodity traded in Rotterdam.

If you want to run energy as a market, where capital gets a return, this works. Most electricity markets in the world work this way. If you want to provide abundant, cheap energy, it doesn't.[\[78\]](#)

This system is just a political decision. It can be changed.

### **The cost of the money**

The second failure is not about the market. It is about who pays for the concrete.

A wind farm or solar plant is almost all upfront cost and almost no running cost. You build it, and after that the fuel is free. Which means the price of the electricity is mostly the price of the money.

At present, wind farms compete for capital on global markets. So if a fund manager can make more money from a share buyback or a rental portfolio, they'll put their money there. By using off-market financing described in section 4, the state does not need to beat that rate of return. It needs the lights on, the factories running, and the bills down. And it collects around 40p in the pound of everything it spends, which no private investor does.[\[79\]](#)

Finance a wind farm that way and the same turbine in the same water produces cheaper electricity. Nothing physical changes. We just don't pay international finance large profits.

Existing contracts still need to be honoured. Legal certainty is worth more than the saving, and a state that tears up its own agreements pays for it in every deal it signs afterwards. The gain arrives as those contracts expire, and from everything built after that.

## How big is the job

Great Britain uses around 290 terawatt hours of electricity a year.

Take the gas out of heating and the petrol out of driving, and electric heat pumps and vehicles replace it. To hit net-zero, the government's energy system planners estimated demand of between 705 and 797 terawatt hours by 2050. Roughly two and a half times what we use now.

They increased the estimate by 17% in a single year, partly because the operator assumed Britain would scale back insulation.[\[80\]](#)

Which is the argument of this whole report, sitting in one statistic. Insulation is not a virtuous extra alongside the grid. It is the difference between building a system for 800 terawatt hours and building one for something closer to 580 TWh.

“Every house retrofitted is a power station nobody has to build, a cable nobody has to lay, and a battery nobody has to buy.”

## Storage

Demand peaks on cold winter evenings, when solar produces nothing. Wind usually covers it. But the same high pressure that brings the hardest frost brings the stillest air, so the coldest week can also be the calmest. On a glorious, breezy summer day we're generating far more than we use. Storage is the answer.

We should build, own, and operate our generation infrastructure directly, using the off-market finance described in section 4.

Offshore wind at scale, in the shallow North Sea, where the wind resource is among the best on earth and the supply chain already exists.

Solar on roofs. Supermarkets, warehouses, distribution sheds, car parks, and every suitable house the Retrofit Blitz reaches while the scaffolding is already up.[\[81\]](#) Power generated on a roof needs no transmission line, which matters more than it sounds, because transmission is the binding constraint.

That constraint is expensive. When the wind blows hard in Scotland and the cables south cannot carry the power, we pay the wind farms to stop. Then we pay gas plants in England to make up the shortfall. In 2025 that came to around £1.35 billion — a third of a billion to switch turbines off, and roughly a billion to switch gas on. The system operator expects it to reach £8 billion a year by 2030 if the network is not fixed, and £2.8 to £3.7 billion a year even if it is.[\[82\]](#)

We are paying twice not to use something we have already built.

Storage needs different technologies for different timescales.

Hours. Lithium-ion, already sitting in homes and substations across the country. Sodium-ion is coming on to the market now: cheaper, safer, built from salt, iron and aluminium rather than lithium and cobalt. They are heavier for the same energy, which matters in a car but not at all in a cupboard that never moves.

Days. Iron-air batteries. Heavier again, slower, and they lose roughly half of what goes in. They are also cheap enough that the loss is beside the point, because what goes in is the electricity we currently pay to throw away. They rust to discharge and reverse the rust to charge.

Weeks. Green hydrogen, electrolysed from water using power nobody needs at the time, stored industrially. It is useful as the fuel and feedstock for steel, ammonia and heavy haulage. Also as a seasonal reserve for exceptional calm, dark weather.

None of it is speculative. All three are being built now.[\[83\]](#)

Some materials we import. China makes raw silicon more cheaply than anyone and holds more capacity than the world can absorb, which keeps the price low. Buying wafers from China is sensible.

The value is not in the wafer. Most of the cost of a solar installation is the surveyor, the scaffolder, the roofer and the electrician, and none of that can be offshored, because the roof is in Coventry. The high-margin part is the electronics – inverters, power conversion, grid synchronisation – and Britain has the aerospace and automotive supply chains to build them. What Britain has never had is an order book long enough to justify building the factory.[\[84\]](#)

That is what a twenty-year pipeline is for.

The fitters and engineers who built and maintained the gas system are still needed to build this new system. The transition would be planned, and they'll still have good jobs. [Chapter 27](#) sets out how that Just Transition is handled. It has to be a commitment, not a footnote.

### **We have done this before**

Britain converted its entire domestic energy system once already, inside a decade, and most people have forgotten it happened.

North Sea gas would not burn in appliances built for town gas. So between 1967 and 1977 the state-owned gas industry converted or replaced around 40 million appliances across 14 million homes and businesses. Region by region. Fitters trained in advance, every appliance surveyed, replacement parts ordered before conversion day, a showroom in every town to handle the complaints. At its peak, 2.3 million properties a year. Around 100,000 people worked on it.

Denis Rooke, who went on to run British Gas, called it perhaps the greatest peacetime operation in the nation's history.[\[85\]](#)

In 1963 seven in ten British homes were heated by coal. By 1977 nearly half had gas central heating, and rooms that had been unusable between October and March became part of the house.

No market delivered that. It was planned, funded and executed by a public body, because the country had decided it was going to happen.

## **Your kitchen table**

Under the cap this summer, a typical household pays £1,862 a year: £914 for electricity, £949 for gas.

Now run the same house through this programme. Insulate it, so it needs forty per cent less heat. Take the gas out. Fit a heat pump, which delivers roughly three units of heat for every unit of electricity it draws. Then buy that electricity at what it costs to generate and deliver, rather than at the price of the last gas plant to come online.

The bill comes to around £611. Same house. Warmer. A third of the price.

Not a discount, a rebate, or a payment timed for an election. Waste engineered out of a system. For a typical household, about £1,250 a year, every year, permanently.[\[86\]](#)

That number assumes a decision to sell at cost. A government might decide otherwise – to fund a social tariff for the households that need one, or to return something to the Treasury.[\[87\]](#) Those are choices about who gets the benefit. None of them is a reason the electricity has to cost what it costs now.

Energy is the input to everything else. Every factory, every hospital, every home. Get it cheap, clean and domestic, and the rest of this report becomes affordable almost as a side effect. Get it wrong, and nothing else compensates.

## **What it does to the air**

Do all of this and Britain's territorial emissions fall by something close to two thirds.[\[88\]](#)

This is not a sacrifice, or a cost incurred for the sake of a target. It is a direct physical effect of insulating houses, building a power grid we own, and replacing imported gas. It is cheaper to save energy than to heat the sky.

This matters beyond the arithmetic. UK climate policy has vacillated. An announcement made, then cancelled a few years later. Often because it has

been framed around paying more now for a benefit somewhere down the line. That's a hard policy to maintain across a change of government. A programme that cuts emissions by cutting bills does not depend on anyone's goodwill surviving an election.[\[89\]](#)

“The cheapest way to heat a house turns out to be the fastest way to decarbonise a country. That is not a coincidence. Both problems have the same cause, which is burning gas we have to buy from somewhere else.”

# Chapter 23: Public ownership

More than a million British homes have solar panels on the roof. If yours is one of them, and it exports to the grid on a bright afternoon, you are a private electricity generator. Nobody is coming for your roof.[\[90\]](#)

Nationalisation, public ownership or common ownership are used as blanket terms, and carry a lot of assumptions.

In October 2008 the state took majority ownership of the Royal Bank of Scotland and held it for more than a decade. The shareholder register changed. How the bank operated did not.

The National Coal Board was a nationalised industry throughout the miners' strike. The most bitter industrial conflict in post-war Britain was at a nationalised industry, between the government directing it and its own workforce.

The Post Office was wholly owned by the state for every year of the Horizon scandal. It prosecuted innocent sub-postmasters. Public ownership neither prevented that nor brought it to light.

**And yet**

“In 2025 privatised water companies in England discharged untreated sewage 291,492 times.”[\[91\]](#)

Not one major new reservoir has been completed in this country in over thirty years.[\[92\]](#) That is an industry figure, not a campaign group. So in three decades a structure designed to attract private capital into water has not attracted private capital to build reservoirs.

And in a dry summer, farmers are told how much they may draw from rivers and boreholes, and have to decide which crops to water and which to let die. Some of that is the weather. The reason the weather bites this hard is that the storage was never built.

The sixteen water monopolies paid out £78bn in dividends in the 32 years from privatisation in 1991 to March 2023. That’s nearly half the £190bn spent on infrastructure over the same period. They accumulated £64 billion of debt, despite being sold with none. All Financial Times figures, inflation adjusted.[\[93\]](#)

Public ownership is not a magic bullet. Change the ownership and leave everything else the same, and you have bought a letterhead. But public ownership allows you to solve problems that are intractable structural faults with privately owned monopolies.

**So what are we trying to achieve?**

[Chapter 10](#) drew the line that matters. Markets work where entry is possible and exit is real. If the pizza shop serves you cardboard with burnt pepperoni on it, you walk down the road for a curry or fish and chips. Leave that market to take care of itself.

But there is a difference between market mechanisms that allocate resources, and unregulated free markets. That pizza shop is registered, inspected, rated and can be shut down by an environmental health officer on a Tuesday afternoon. Nobody calls that ideology. Nobody wants salmonella.

Everybody accepts regulation everywhere. But what if regulation is not enough? What if the customer cannot leave because there is no second pipe, no alternative grid, no other railway line. That is where regulation is being asked to do the entire job by itself.

We should ask what we need public ownership to do.

### **The questions**

Here is what any proposal for public ownership should be able to answer. Not all of them, in every case. But if it cannot answer several, it is a slogan.

#### **1. Does it lower the cost of capital on what still has to be built?**

Not on the assets that already exist, but on building new capacity we collectively need.

#### **2. Does it let us publish an order book?**

Will public ownership unlock a demand signal like a twenty-year commitment that a manufacturer can build a factory against?

#### **3. Does it address a coordination failure that regulation cannot?**

Connection queues, whole-system sequencing, building ahead of demand. A regulator can penalise a network for what it did; it struggles to instruct one to build something for which there is not yet a customer.

#### **4. Does the mandate change, or only the shareholder register?**

The RBS test. If it still operates to maximise return on capital, ownership has changed but behaviour has not.

#### **5. Is there a route for the people it can harm to be heard?**

Good governance does not arrive with the share certificate. It has to be designed in. This is the test the Post Office and the NCB failed.

#### **6. Does it rebuild capability, or just transfer a contract?**

Workforce planning is national resilience. Ownership that retains the same outsourced delivery model does not help.

#### **7. Does ownership capture consequences that currently land somewhere else?**

Would public ownership save the state money by preventing costs the state pays to fix?

#### **Not every case is the same**

**Water** answers 1, 3, 4 and 5. There is a forward capital programme of a size nobody disputes, it is financed at a private cost of capital on a regulated asset base, running up debt that bill payers foot. The business model rewards maximising existing assets, not building new capacity – a new reservoir won't get it any more customers. The government does not dispute the diagnosis. It commissioned a review under Jon Cunliffe, a former Deputy Governor of the Bank of England, which reported in 2025 and recommended abolishing Ofwat. Ministers accepted it, and a Bill replacing four regulators with one was announced in the King's Speech. But reorganising the regulator changes nothing about who owns the assets, what the capital costs, or whether a reservoir gets built. Their answer to a structural problem has been a new body.

**Energy** answers 1, 2 and 3 most strongly. The connection queue is the clearest case in British infrastructure of a coordination problem that regulation cannot solve, because the instruction required is to build ahead of demand.

**Public transport** answers 2, 3 and 7. A bus route is a monopoly on that route. And as [Chapter 25](#) sets out, the cost of not running it does not land on the operator. It lands on the people who cannot get to work.

**Council housing** answers 1, 2, 3 and particularly 7. A private developer is not paid for the homelessness it prevents. It cannot be. So it does not build for it. The state is on the other side of that bill – temporary accommodation, health, children’s services, the school a child changes four times in two years. It can benefit from positive externalities that no developer can. That the rents also anchor the private market, as [Chapter 24](#) sets out, is a bonus.

**Burger vans, barbers and pizza shops** answer none of them, which is the point. Inspect them. Rate them. Close the bad ones. Then leave them alone.

## **GB Energy**

In October 2024 Juergen Maier, the chair of Great British Energy, gave evidence to the Public Bill Committee on the Bill that created it. Asked when bills would come down, he said the way to lower them is to get more renewable generation onto the grid, and that every gigawatt added helps. But how those savings reach the consumer is a matter of policy, and “that is not the scope of Great British Energy.”[\[94\]](#)

He was right. The pricing rule set out in the last chapter is not his to change.

That speaks to what its mandate is. GB Energy pushes: it invests in supply chains, co-invests alongside private capital and takes stakes, in the expectation that supply will call forth the rest. The alternative is to pull — to publish twenty years of demand and let the supply chain assemble itself against a guaranteed market. Everyone knows you cannot push on a chain.

The difference matters because a firm handed capital still faces the same question it faced before: will anyone buy this? It now has money it did not have and no more confidence than it had yesterday. And it has watched what happened to the firms that geared up for the zero carbon homes standard, the feed-in tariff, the Green Homes Grant and the carbon capture competition.[\[95\]](#)

None of that is an argument against public equity or blended finance, which are respectable instruments with real uses. It is an argument about sequence. De-risking supply is second-order while demand is uncertain.

Then there is the size. The headline figure is £8.3bn over this Parliament. Around £2.5bn of it goes to Great British Energy – Nuclear, a separate company, leaving £5.8bn for GB Energy itself. The department rejects the suggestion that the budget was raided, saying a nuclear role was always intended.[\[96\]](#) Take either figure. Set it against a grid that needs rebuilding, and neither matches the scale of the task.

On the day GB Energy's last pound is spent, the following are unchanged. Gas still sets the price of electricity. The hurdle rates in the last chapter still apply to every project it co-invests in. The returns on the generation it does not own still leave the country. The connection queue is still there. And no manufacturer has been shown an order book.

This is not a criticism of the people running it. It is a description of what resources they were given and notes they were not asked to fix the broken structures.

# Chapter 24: Homes, not assets

“Housing cannot become affordable unless it becomes cheaper relative to what people earn. There is no version of this where prices keep climbing and your children can buy a home.”

## **The thing nobody will say**

Politicians are unwilling to tell this truth because millions of people have their wealth tied up in their home. So the problem has been skirted around for 40 years. Most of the policies claiming to make homes easier to buy – help with the deposit, help with the mortgage, help with the stamp duty – make the long term problem worse, not better, by pushing more money into the market.

The price correction need not be what people fear.

Prices do not have to fall. They have to stop rising while wages catch up. Ten years of flat house prices while wages grow three per cent a year is a real-terms fall of around a quarter. A house that costs eight times your earnings today will cost six times your earnings in a decade. Nobody goes into negative equity. Nobody loses their home. The family who bought in 2016 still has every pound they had. Their children can afford to move out.

Until we accept that fact, we'll continue to see more counterproductive policies.[\[97\]](#)

## **Follow the money, again**

Public discourse always focuses on supply. Supply matters. It's half the equation.

The demand side of the equation is not how many people want a house. It's how many people are willing and able to pay for a house.

Two scenarios. In one world, banks lend four times your income. In another world, they lend six times your income. The exact same house will be more expensive in world two. Fifty per cent more money chasing the same goods. Britain spent forty years increasing what banks would lend. We deregulated mortgage lending, ran interest rates to the floor, then subsidised deposits directly.

Regulations allow banks to lend far more against repossessable assets like houses than against a firm in Burnley that might fail. A mortgage ties up a fraction of the capital that a business loan of the same size requires. Same bank, same balance sheet, several times as much of one as the other.[\[98\]](#)

So the credit that could have built productive capacity chased existing buildings instead.

And it compounds. More lending raises prices. Higher prices make the collateral better. Better collateral justifies more lending. Nothing in that loop produces a factory, a machine, or a job. It produces a larger price tag attached to the same house.

## **Why the builders won't fix this**

The government's 2018 Letwin Review looked into why housebuilders took so long to build even when they have planning permission. Typically 15.5 years to complete a large site. It found no evidence of deliberate hoarding. What it found was simpler.

It concluded that developers release homes at the rate the local market will absorb without the price falling or devaluing the land they already own. These are profit making companies, we should not expect anything else.

The review then declined to propose a remedy, because any remedy would make housebuilders less profitable and risk destabilising the market.

This is the government's own review saying we cannot build our way to affordable housing because it breaks the business model of volume housebuilders. In that sense, the review was right. We draw a different conclusion, though: if the tool cannot do the job without destroying itself, get another tool.[\[99\]](#)

### **Viability and affordable housing**

The Residual Theory of Land Value is the industry standard. The cost to build a home is sticky – wages of bricklayers and joiners, the cost of timber and tiles is known. The sales price is set by the purchasing power of the market. Take away developer's margin and the build cost from the sales income, and what's left is the price of the land. This is the flexible part, or *residual*, in economic language.

But homes need schools, GP surgeries, and play parks. A developer must contribute through payments to your local council under Section 106 of the Town and Country Planning Act, 1990.

It produces a viability assessment showing what it can afford. Land cost, build cost, and a margin of around twenty per cent. It offsets them against expected sale value, and whatever remains is available for schools, parks and 'affordable' homes. If the margin is too low, the developer reduces the number of 'affordable' homes.

But there's a sleight of hand. Land price is the one genuinely residual item in that equation. But by the time the council sees the numbers, the land has been bought or optioned, and treated as a fixed cost. So instead of the price of the

land changing, the amount of money for public good absorbs the shock. Usually the number of 'affordable' homes is reduced.

The planning officer cannot win. She can be the best in England but she's stuck with the wrong formula. [Chapter 5](#) called cutting planning departments a dismantling of the nation's defences. This is what that looks like from the inside.

What we euphemistically call 'affordable' typically means 80% of local market rate. It is not indexed against wages or ability to actually afford it. Developers deliver about one affordable home in seven, and the taxpayer pays for most of the rest.[\[100\]](#)

### **Permission is a licence, not a possession**

There is a field on the edge of town worth its value as farmland. The council grants planning permission. The next morning it is worth a hundred times more. That value increase is created by a decision of the state.

That huge increase in value is given to the landowner. Then when the state wants the land to build a school or a council estate, it has to hand over cash in compensation for the value it created. We manufacture the value, give it away, and buy it back at full price.

This structural flaw inflates the price of land. We should mitigate that by treating planning permission as a licence rather than a possession. Apply three mechanisms.

*Grant it on terms.* Planning permission can already carry conditions. Set the price at which land changes hands for public purposes and we curb speculation and end hope value.

*Put a price on time.* Planning permission typically lasts three to five years before expiring. But if even one trench is dug, the permission lasts forever. Start putting a tax on land as soon as planning permission is granted, and the economics change. Developers will build or sell.

*Break the ransom strips.* Buy a site, and you may find that the only road onto it crosses a few square metres owned by somebody else. That's known as a ransom strip. If a council uses a compulsory purchase order (CPO) the ransom strip owner still gets about a third of the increase in value of everything to be built behind it, increasing costs by millions of pounds. That convention comes from a 1961 tribunal case.

But water companies can lay sewers by right. Gas networks can lay pipes. Parliament gave them these powers so no individual could hold the network to ransom. Bring in legislation so a local authority can build a road over ransom strips with a fair compensation based on the land's use value, not its ransom value.[\[101\]](#)

### **Buy the land**

The IPPR found that between 2010 and 2023, £15 billion of local authority land had been sold to balance councils' books under austerity.

The state should be buying land, not selling it. Buying land consumes no bricklayers and no steel. It transfers a title. So acquisition sits outside the capacity guardrail, and should begin immediately — while the workforce is still being trained, and the pipeline is becoming visible enough for a college to open a course against it.[\[102\]](#)

### **Where the market does not build at all**

In large parts of Britain the constraint is not planning permission. It is that nobody can make money building a decent house. Bricks and cement have a nearly uniform price nationally.

Though labour costs are lower in Teesside than central London, the drastically lower sales price wipes out any margin. In most of the country by area building homes is not viable for volume house builders. No amount of planning reform can alter this.

Only public finance closes that gap. And it is where the multiplier gives the most benefit. Homes get built, jobs get created.[\[103\]](#)

### **A hundred thousand a year**

The sector's estimate of what England needs is ninety thousand social rent homes a year. It comes from Heriot-Watt, commissioned by Crisis and the National Housing Federation, and it has been endorsed by the Commons housing committee, the Affordable Housing Commission, and Shelter. About as close to consensus as housing gets.

England built 9,561 social homes in 2022-23. Councils have managed around 1,760 a year since 2011. Over the last two years, sixty local authority districts built none at all.

“So let's build a hundred thousand council homes a year.”

We've done it before. From 1946 to 1980. An average of 126,000 council homes a year. Every year, for thirty-five years, under Attlee, Churchill, Eden, Macmillan, Douglas-Home, Wilson, Heath and Callaghan. Without the productivity tools we have today.

Again, we propose a rate, not a total. A total is a spending envelope, and this report does not issue those. A rate is a statement about capacity – how fast we can build and how many people we can train – which is the only constraint that binds.[\[104\]](#)

### **Build them closer together**

A bus route needs passengers who live near the bus stop. A corner shop needs customers within walking distance. A primary school, a library, a swimming pool

– need enough people within its catchment. A community where people never see each other is not a community.

Build at a density of thirty houses to the hectare with a car in every drive and you have not merely used more land. You have made the bus uneconomic. And then you call the bus unaffordable.

There's that sentence again: *we can't afford it*. The consequence of a decision nobody remembers making.

We're not talking tower blocks. Terraces and townhouses do the work. Post-war suburbs were built at around thirty homes to the hectare and today's greenfield estates are much the same. Georgian-style streets reach forty to sixty. Victorian terraces manage sixty-five to seventy-five, with a front door on the street and a garden at the back.

The most expensive residential streets in Britain are denser than anything we build now. Bath, Edinburgh New Town, Notting Hill. So are Amsterdam, Barcelona and Paris. People pay a premium for those streets precisely because density is what puts the amenities within walking distance.

Density also closes a viability gap. Less road, less pipe, less cable, less land per home. It is one of the few levers that improves the sums without a subsidy.[\[105\]](#)

### **What a council house is**

British social housing has become a last resort. Allocated by need, to the poorest, after years on a list. That is what happens when there is not enough of it. Recent changes to Right to Buy are a step in the right direction. The Social Housing Bill will mean newly built social and affordable homes for rent can't be sold for 35 years.

Vienna shows the alternative. Most of the city lives in council or subsidised housing, most residents are eligible, and you do not lose your tenancy when your income rises. Private rents there are far below comparable European cities,

because a Viennese landlord competes with a decent public alternative rather than just other private landlords.

We will not specify a tenure mix any more than we specified an electricity generating mix. Build enough good homes at fair rents and the mix is a detail. Build too few and it is a rationing system.[\[106\]](#)

Throughout we've used the words council housing or social housing, because that's what people are most familiar with. But this works just as well for co-operatives and community land trusts. And a secure, genuinely affordable rental sector is an anchor for communities to come together.

### **Turn off competing capital**

Britain has 16.5 million owner-occupied homes, 4.2 million social homes, and 4.9 million in the private rented sector (PRS). Every time a new buyer bids for a home, they compete with the cash of landlords and investors.

Let's make a democratic decision that housing is so important to quality of life that we will level the playing field. Change the law to introduce **owner-occupier protection**. A law where any existing home that comes onto the market can only be bought by a real person, who has to live in it. This is just for existing housing stock, not new builds, and no one has to sell what they currently own – any current holdings are grandfathered.

Parliament sets the threshold, so a retired couple letting a single flat are untouched while a portfolio landlord is not. Lower it over time and the tap opens further. Shrink the PRS sector too fast and renters pay for it in the gap. That is why this is a tap and not a switch, and why it should be turned no faster than the building.

This shifts the market. Because landlords now have to sell to real people who will live in the homes, and PRS is skewed towards the bottom of the market, first-time buyers will see prices stabilise. Some PRS properties that are undesirable may not find private buyers, so give councils the right of first

refusal to buy, and transfer them into council stock. This increases council stock over and above the 100,000 new builds a year without competing for resources.

Landlord capital now has to go into new builds. This sits outside the absorption rate the government's own review said was the constraint on building. This also solves the density problem – it's more cost effective for developers. Council planners should allow good quality townhouses funded by PRS capital. That would get Britain building. Across the country – because the arithmetic makes new build now viable in regions with lower land values.[\[107\]](#)

While we're on, let's tweak the banking regulations. Risk weighting rules currently make mortgage lending vastly more profitable for banks than lending to businesses. Raise the capital banks must hold against mortgage lending, gradually, and two things happen at once. Less credit inflates house prices. More credit reaches firms that make things. The aim is not to crash prices. It is to hold them steady while wages catch up.[\[108\]](#)

### **And if you rent**

Your rent is not set by your landlord's costs. It is set by what you can be made to pay. Which is why every reform aimed at landlord behaviour improves your conditions without touching the price.

Only one thing reduces rents, and that is having the freedom to walk away.

The [energy chapter](#) described a market where gas sets the price of everything because it is the marginal unit. The private rented sector works the same way. It sets the price because for most people there is no alternative to it. Build a large public sector at cost rents and the alternative exists, and the private market has to compete with it.[\[109\]](#)

### **We have done this before**

After the war, Britain needed towns. It did not ask the market to provide them.

Development corporations were given powers to buy farmland at its value as farmland. They built the town – houses, roads, schools, sewers, shops. And the land, now worth many times what it cost, paid for the infrastructure that made it valuable.

Stevenage. Milton Keynes. Homes for millions of people, built largely out of the value the building itself created.

The mechanism was not clever. It was obvious. Own the land when the uplift happens.

We knew how to do this within living memory. Then we stopped, and started paying private landowners for value the public created, and wondered why nothing gets built.[\[110\]](#)

## **Your front door**

This report began with a mini-budget, a trading floor and a mortgage.

In September 2022 a bond market took fright, and within forty-eight hours the cost of the roof over millions of British heads was repriced upwards. Not because anything happened to those roofs.

So: if you rent, a public sector large enough to compete for you means a landlord who has to. And if you are thirty-four and still living in a box room, and every plan you have ever made has been postponed by the price of somewhere to live, this is the chapter written for you.

“A house is a place to live. Successive governments turned it into a financial asset, and then acted surprised when it started behaving like one.”

# Chapter 25: Transport as infrastructure

There are towns in northern England where the electricity goes off at nine in the evening. In the cities the supply is patchy. It is unregulated, so a household wanting full coverage has to buy from three companies at once. The network cannot handle peak demand, and people lose hours every week waiting to start ordinary tasks. Those who can raise the money buy their own generator. It costs thousands a year to own, stands idle most of the day, and vents its exhaust into the street.

Obviously we're describing public transport, not electricity.

Transport is the second largest item in the British household budget. £96.40 a week, fourteen per cent of everything a household spends, behind only housing. Most of it goes on the generator: buying the car, insuring it, fuelling it, fixing it.<sup>[111]</sup>

For a low-paid worker that is a trap. A job three miles away is only worth taking if you can reach it. Reaching it means running a car, and running a car eats the wage the job pays. Every deprived area in Britain holds a large pool of part-time shop assistants and dinner ladies, and few of them can get to better work a few miles up the road.

Transport for the North found that 3.3 million people in the North of England – 21.3 per cent – live in areas at high risk of social exclusion because of the transport system. In the North East it is 31.5 per cent. The main driver is car dependency.<sup>[112]</sup> Meanwhile the alternatives thin out. The bus is where this shows up most clearly, because it is the mode most people depend on and the one we measure best: commercial bus mileage in England outside London now runs at 78 per cent of its pre-pandemic level.<sup>[113]</sup> Only a handful of British cities have a tram or metro at all. Most towns have one railway station, or none.

The physics does not work either. To move one person weighing 75 kilograms, we move 1,500 kilograms of steel with them, on high-friction rubber tyres, down a road shared with every other 1,500 kilograms of steel. A 3.5-metre wide lane of mixed traffic carries about 1,500 people an hour. Give the same strip of tarmac to buses and it carries 9,000. A dedicated cycle lane carries 12,000, a walkway 15,000.<sup>[114]</sup> Lay a tram or a railway along the same corridor and it carries more again. Land is the one thing nobody is making more of. We use ours to store and move empty seats.

Electric cars change the exhaust. They change none of the above.

So what should we build instead?

A network, not a series of purchases. Complete coverage of a city region and the countryside around it, with each mode doing the job it is good at. Heavy rail between towns and cities. Tram and light rail along the busy urban spines. Buses filling in the grid between them, on dedicated road space so they run to time. On-demand minibuses booked to the door in villages and the rural fringe. Bike hire, e-bikes and car clubs for the first and last mile. One account for all of it. Tap in with a phone or a bank card. No zones to work out, no operator to choose between, no ticket that works on the bus but not on the train that finishes the journey.

Cycle to the tram stop, tram into town, train across the region, minibus the last four miles home. Four modes, one journey, one fare, one account.

Transport then stops being something you buy and becomes something that is there. Like water. Like the phone network, where every connection added raises the value of all the others, and where we stopped charging by the minute a long time ago.

That is the transformation. Not a cheaper fare. A different category of thing.

The consequences run well past the fare box. A system an eight-year-old and an eighty-year-old both feel safe using is a system that gets a teenager to college, a carer to a shift, and an older person out of the house. Clear the roads and the plumber with a van of tools and the district nurse on call spend their

hours working rather than queuing. The second car stops making sense, and the thousands a year it costs stay in the household. Quieter streets, cleaner air, and a lower health bill follow.

This is a freedom argument, not a sacrifice one. Nobody is banned from anything. Motoring becomes a choice instead of a requirement. Most of us already accept that sharing an aeroplane with strangers beats chartering one.

The money is largely being spent already. It is going on 34.5 million private generators.<sup>[115]</sup> Off-market finance builds the network instead. The twenty-year pipeline gives bus and tram builders, rolling stock plants, signal engineers and track teams the certainty needed to train a workforce. And as with energy, the service is priced at what it costs to run rather than at what a franchise can extract. Delivery belongs to the city regions rather than Whitehall, a point we return to in [Chapter 29](#).

“Britain does not have a transport problem. It has a transport system built to move vehicles rather than people, and bought one journey at a time instead of being built once.”

# Chapter 26: Places worth visiting

British town centres have changed four times.

They began as strongholds. Walls, a gate, somewhere to run when raiders came. Then they became markets – the wool exchange, the corn hall, the cattle auction, places where things were bought in bulk and sold on. Then the mills and factories arrived, and the town became where the work was. And then, for a while, town was where you went shopping.

Four transitions. Each one deliberate. Somebody decided to pull down the walls, build the market hall, lay the tram tracks, pedestrianise the high street.

Now look how short the last phase was. The town centre as a place you mainly go to buy things is a post-war invention. The version we are nostalgic for – Saturday in town, the department store, the record shop – lasted about sixty years. We are mourning the briefest chapter in a thousand years of British urban history as though it were the natural order of things, and waiting for it to come back.

It isn't coming back. That is not the problem. The problem is that this is the first change nobody is steering.

**What can't be delivered**

“Almost everything a town centre used to do can now be done from a warehouse or a screen. Buy the thing, book the thing, watch the thing. One exception. You can’t order company.”

That is what a place is still uniquely good at, and it is not a small thing. Loneliness is a medical condition with a body count. Sitting still is another. Both of them cost the NHS money that never appears in any council’s leisure budget, which is why the leisure budget is the first thing cut.

So the question for every town in Britain is simple. When the shops have gone, what reason is there to walk into town?

### **The arithmetic of sharing**

Here is the part that ought to appeal to anyone who likes value for money.

A swimming pool with an empty lane costs no less than a full one. A library with an empty chair, a park with an empty bench, a bandstand on a Tuesday afternoon. The cost of one more person using any of them is close to nothing. Charging admission doesn’t ration a scarce resource. It just keeps people out of something we have already built and are already paying for.

Which is why one municipal pool beats ten thousand gym memberships, and one good library beats ten thousand private book collections. Not because sharing is morally superior. Because it’s cheaper and it’s better.

We’re proposing energy at cost. Housing at cost. This is the same argument for leisure: it’s a social good. Tool libraries. Rehearsal rooms. A sewing machine and someone who can teach you to use it. A workshop with a bench and a vice,

where a fourteen-year-old finds out she likes making things, four years before anyone offers her an apprenticeship.[\[116\]](#)

### **Trees, pavements and hanging baskets**

And then there is the state of the place.

The average British town has tree cover of about 18%. The European average is around 30%. Trees provide shade in a heatwave, drainage in a downpour, and are the difference between a street you walk along and one you hurry down.[\[117\]](#)

We should have pavements that aren't trip hazards. Benches. Public toilets that are open. Bins that get emptied. Somewhere to sit that doesn't require you to buy a coffee.

“Our cities used to be uplifting. We had hanging baskets. Nobody has ever seriously argued that hanging baskets are a Marxist-Leninist plot.”

This is where “we can't afford it” ends up. Not a debate about the size of the state. A country being told it cannot run to some flowers and a level paving slab.

A bench, a tree and a working public toilet are not decoration. They are the difference between a high street somebody walks down and one that has three empty units and a vape shop. Footfall is the whole business model of a small shop or cafe. A high street nobody walks down is a high street nobody trades on.

## Why it went wrong last time

One honest warning, because we have built these things before and then watched them rot.

The building is the easy part. But we have stopped staffing things. Around five hundred public swimming pools have closed since 2010, almost half of them in the last five years, and three in five of the survivors are beyond their design life or need major work. Something like eight hundred libraries have gone the same way, with hundreds more on reduced hours.[\[118\]](#)

One group has been quietly removed from British public life, and we complain about them constantly. Youth work is not childcare and it is not crime prevention, though it reduces the need for both. Spending is down 76% in real terms.

So teenagers stand around outside the shops, because there is nowhere else that is warm and doesn't require you to buy something. And we respond by designing benches they can't lie on and playing high-frequency tones to move them along.

A youth club is somewhere to go where there's an adult who is not your parent or your teacher and who'll ask you how you're getting on without telling you to do your homework. That is difficult to put on a spreadsheet, which is precisely why it was cut first.[\[119\]](#)

Cuts have a visible effect. Report a fly-tip and it will usually go. Report the rats and someone comes. The system mostly works and the people in it work hard. But a mattress on the verge is visible for four days, and the crew that takes it away is visible for four minutes at eight in the morning, when you are somewhere else. So the mess is the evidence and the fix isn't seen.

What actually breaks a public space is not vandals. It's absence.

The park keeper, the librarian, the pool attendant, the caretaker on the door – we cut them because they were revenue spending and revenue spending is where the axe falls. Then the place got wrecked, and we concluded that people can't have nice things.

People can have nice things. Somebody has to be there.

That makes this chapter different from the rest of the report. Everything else here is about capital – building assets that pay for themselves over decades. This is about running costs, which no clever financing structure fixes. It has to be paid for out of what the state raises each year, which is why the tax and monetary arguments in Section 4 matter as much as the investment ones.[\[120\]](#)

### **The deal**

The [housing chapter](#) asked people to live closer together. This is the other half of that bargain.

A smaller garden is no loss if the park over the road is superb. A smaller flat is fine if it's cheap and warm, the library is well stocked, the pool is free and there is somewhere to take the kids on a wet Sunday. Density without public luxury is just squeezing people in. With it, it is how the best cities in Europe have lived for two hundred years.

That is the trade, and it is a good one. We used to know it. Every Victorian corporation that built a library, a bathhouse and a park in the same decade knew it, in towns considerably poorer than ours.

# Chapter 27: Work worth having

Jo is eighteen. She lives in a town in the North East, she is good with her hands, and she has no particular plan.

Here is what happens to her now.

There is no apprenticeship, because the firms that might have offered one are bidding for six-month contracts and cannot commit to four years of anything. So she takes agency work. A warehouse, then a care home, then a warehouse again. Shifts confirmed on Thursday for the week after. By twenty-four she is competent at several jobs and qualified in none.

She rents a flat with poor insulation and a prepayment meter, and pays around £1,800 a year to keep it half-warm. Rent takes a third of what she earns. She cannot save a deposit, so she cannot buy, so she keeps renting, which is why she cannot save a deposit. The bus into town takes fifty minutes. If she's on early shift, there's no bus at all.

Her mother is sixty-eight and lives four miles away. She keeps the heating off until December.

Nothing terrible happens to Jo. She is not in the papers. She works hard, she is liked, she is never once asked to do anything that engages her creativity, and at forty she is doing roughly what she was doing at twenty-four.

Now the other version.

At eighteen she starts a four-year apprenticeship, because the firm that takes her on can see two decades of retrofit and grid work in front of it and needs people. At twenty-two she is a qualified heat pump and low-carbon heating engineer, on a nationally negotiated rate, in a trade that did not have enough people in it and still doesn't.

Her flat costs around £600 a year to heat, because it was one of the first streets retrofitted. She buys a house at twenty-seven, round the corner from the leisure centre. The bus is quicker and runs early on a morning. Her mother's house was insulated in the same programme and she has the heating on in November like anyone else. By the time she's forty, Jo has a savings ISA and is building up a decent pension.

Same person. Same town. Same aptitude. The difference is not character, and it is not luck.

It is whether the work exists.

### **A fair day's pay**

Most people in this country are not asking to be given anything.

They are asking for the deal they were promised, which is very old and very simple. Work hard. Be useful. Live decently. Own something eventually. And watch your children do a bit better than you did.

That deal has been broken. Not because people stopped working hard – they work longer and produce more than their grandparents did – but because the connection between doing the work and living decently has been broken, quietly, in several places. This report is a description of where.

At the heart of restoring it is changing what work is available.

### **What the pay isn't**

Public health expert Michael Marmot spent decades studying civil servants, which sounds like the least dramatic research project imaginable and produced one of the most uncomfortable findings in modern medicine.

Everyone in the study had a job, a home and enough to eat. And still, health tracked rank, all the way up. Not a cliff between poor and comfortable – a gradient, running from the bottom of the hierarchy to the top, with each grade doing measurably better than the one below.

The best explanation wasn't income, or diet, or smoking. It was control. How much say you had over your own work. Whether what you put in matched what you got back.[\[121\]](#)

Which is the argument of this entire report. A country with no control over its own conditions is a country in trouble, and so is a person. The absence of control is not merely undignified. It shortens your life.

“So when this report says good work, it means three specific things. Security, so you can plan. Control, so the job is yours and not just done to you. And effort matched to reward, so that being good at something means something.”

Everything else in this chapter is about how to get those three.

### **Why wages are what they are**

Your labour is priced by what else you could be doing.

In a town with three big employers, that price is set by the people hiring, not the people applying. Rents are set by what tenants can be made to pay. Electricity is priced at whatever the last gas plant costs. Same failure, three times: the price is set by the absence of an alternative.

A twenty-year pipeline of secure, skilled work changes the alternative. Not by legislating a wage. By giving you the freedom to vote with your feet.

That is why this programme raises pay for people who will never fit a heat pump. When the warehouse has to compete with a retrofit apprenticeship, the warehouse raises its game.

## Voice

“In 1979, around four in five British workers had their pay set through collective bargaining. Today it is two in five, and in the private sector one in five.”

One person negotiating against everybody else's wage bill has very little to bargain with. Bargaining at the level of a sector is a different instrument entirely, and it is how most of northern Europe sets pay.

The employer's case for it is not sentimental. Unionised workplaces hold on to their staff, and turnover is expensive – recruitment, induction, the months before somebody is up to speed. And a workforce with a voice tells you about the problem on the third floor before it becomes a legal claim.

There is a hidden cost in the other direction too. A gig worker cannot be an absentee. They simply stop being offered shifts. The cost of their bad back does not disappear, it moves to the NHS and the DWP, and the rest of us pay it. Insecure work does not eliminate the expense of human beings being human. It just puts it somewhere the accounts don't show.

And the money itself behaves differently depending where it lands. Wages get spent, mostly locally, and about 40p in the pound comes back to the Treasury. The same pound in a private equity dividend does neither.[\[122\]](#)

Bargaining at sector level requires a legal framework that permits it, and Britain's has been built over forty years to do the opposite. This is not the place to go into detail, but it cannot be left unsaid: you cannot bargain sectorally under rules designed to stop you bargaining at all.

## **Nobody is campaigning for the knocker-upper**

There was a man whose job was to tap on your window with a long pole so you got to the mill on time. The cheap alarm clock finished him. Nobody wants his job back.

Nobody wants the typing pool back either, and that one is recent enough that your mother may have worked in one. Mine was a telephonist.

Industries end. That's technology. It's how they end that matters.

Automatic exchanges came in over about twenty years, one exchange at a time, across the whole country, while other work was appearing in the same streets. Telephonists moved to another exchange, or into clerical work, or into the operator services that survived. Most of them experienced it as a career, not a redundancy.

Contrast that with the coalfields. Tens of thousands of jobs, inside a handful of years, concentrated in places where the pit was the only employer, with nothing arriving afterwards. Two generations on, the employment and health statistics in those towns still show it.

The difference is not that one industry was treated kindly and the other cruelly. The difference is pace and concentration – both are government choices.

Which turns just transition from a plea into a specification. An industry can close without doing lasting damage if the replacement work already exists, and if the closure is spread across enough time and enough places. That is the same discipline as the capacity guardrail. Pace the change to what the system can absorb.

Scotland's Just Transition Commission – a statutory body, not a campaign group – put it bluntly. There is still no transition plan for oil and gas workers, and warned that if the pace and sequencing are determined mainly by turbulent commodity prices, the transition will be unjust.

That is this report's thesis in a sentence, written by an official commission. Leave the timing to global markets and people get hurt. The offshore workers' own proposals, developed with their unions, ask for the same thing from the other end: a guarantee of equivalent work or funded retraining, bargaining rights across the sector, and public ownership of what replaces the rigs.[\[123\]](#)

So the promise has to be stated accurately, because a false one is worse than none. Not *your current job is safe*. Some jobs end. But *your future is safe*.

Your skills are needed. The jobs are coming. And they will be here first.

Notice, too, what a trade looks like when it ends well. There are still blacksmiths, still farriers, still chimney sweeps – fewer of them, doing skilled work for people who value it, keeping their dignity. That is what a slow ending looks like. Compare that with a pit village.

### **Work a machine can't do**

Someone will ask about artificial intelligence, and the answer here is short.

The work in this report is fitting a heat pump into a Victorian terrace where nothing is square. Laying cable in a wet trench in February. Bricklaying. Scaffolding. Sitting with somebody at four in the morning.

Nobody knows what this technology does to accountancy or graphic design over twenty years. What we can say is that the jobs this programme creates are among the hardest to automate, they are needed now, and they are needed at scale.

If you are eighteen and wondering which way to jump, that's a good option to have.

### **And the people who look after us**

Every job that builds infrastructure is underpinned by jobs that don't.

The retrofit engineer had teachers. The bricklayer's mother is in a care home. The site that catches fire needs firefighters, and the apprentice who falls off a ladder needs a hospital.

Think about what these services actually are, economically. Every other input to a business can be bought. Steel, machines, power, premises. A workforce cannot. A firm that hires a new apprentice is taking delivery of eighteen years of work it didn't pay for, and could not have commissioned.

That is not a cost the country carries. It is the input everything else runs on.

And there's a reason this work is chronically undervalued. It's not that anyone fails to appreciate it. It's that its output is an absence. A crime that did not happen, an illness that did not occur, a child who did not fall behind. Every other sector in the economy gets to show you what it made.

And be clear about what actually happened to a nurse's living standards. Pay did not keep up with prices. That is the whole of it. Not a failure of one settlement or one review body, but fourteen years in which the cost of heating a house and living in one rose faster than the wage did.

Which is why this matters to people who will never fit a heat pump. A pay round is fought over every year, in public, with a ballot and sometimes a picket line. What it costs to keep the house warm is settled somewhere else entirely, by a market nobody bargains with. £1200 off an energy bill is worth around £1700 of gross pay, because nobody taxes a bill you didn't have to pay. A teacher on a starting salary can live near the school she teaches at, because houses stop moving away from wages. And it arrives without anyone needing to go on strike for it.

The same is true of pensions. Every increase in contributions, every rise in the retirement age, every move away from final salary was justified by the same four words: "we can't afford it." This report is not about the funding or operation of public services. But it transforms the terrain on which that argument is had.

A country that is not hostage to a gas market, not paying a private financing premium on its own infrastructure, not handing tens of billions a year to

commercial banks in interest on their own reserves, is a country that can afford to invest in its public services.

And it affects what those services are. There is a teacher somewhere reading this who buys cereal bars out of her own money because some of the children in her class have not eaten. She didn't go into teaching to run a food bank. Nothing in this chapter will do more for her than a country where those children's parents have secure work and a warm house.

### **Jo, again**

Both versions of Jo's life are ordinary. Neither is a tragedy. One of them is just smaller, and duller, and shorter.

Which one happens is not decided by Jo.

# Chapter 28: Can we build it?

We've spent this report freeing Britain from being a hostage to global capital markets. But ask any engineer about constraints, and they'll tell you the same thing: clear one bottleneck, and you don't get perfection. You get the next bottleneck.

Ours is political, first. We need politicians willing to do this. That we need better politicians is hardly a new complaint, so let's take the need for political will as read and move to the harder question.

The next constraint is the state's own capacity to run a project. And here, this report has already solved the two most common causes of project failure. Clear long-term goals. Clear long-term finance. Most government programmes fail for lack of one or the other. Ours has both. That hands our civil servants the fighting chance most of them have never been given.

But a fighting chance needs a legal shield. We need mechanisms that keep the money and the mandate running when the minister in the office changes. We need to end the eighteen-month churn – the search for a policy announcement smart enough to survive one reshuffle, then get quietly dropped for the next one.

“Which brings us to the real constraint of this whole model. Not the money. Not the politics. Can the British state organise and mobilise what we’ve unlocked?”

We’d answer that with a question of our own: in this moment of global upheaval, if the British state isn’t being rebuilt for resilience, then what exactly is it for?

Here’s how we do it, without inventing a single new quango.

To ensure our programme never triggers the demand-pull inflation we exposed in [Chapter 19](#), the state must implement a strict operational rule: **First we build capacity.**

We should operate with a strict Capacity Guardrail. Before releasing each tranche of funding, the Treasury draws on two standing assessments that already exist: the National Infrastructure and Service Transformation Authority on physical and material capacity, and Skills England on workforce capacity. No new board. No new quango. The Treasury doing its existing job properly, with expertise already on the payroll.

Both need resourcing for the scale of the task, which neither currently is. And both need to know what capacity actually exists, which sounds like the hard part and isn’t.

Most of it is already counted. Every heat pump installer holds an MCS certification. Every gas engineer is on the Gas Safe register. Every retrofit assessor sits on a PAS 2035 register. These are live counts of people qualified to do a particular job, by postcode, updated as they qualify and as they lapse. No firm can inflate them, because somebody else keeps the list. What has never happened is anyone collating them as a national picture.

The rest comes from the way the work is let. You can't run a tender for every street. So retrofit runs on a standing framework: firms qualify once, and the work is called off against it. If you run a small building firm you already know the alternative. You are told there is public work coming. You look at the tender and it wants a bid writer you can't afford to employ. So you don't bid, and the contract goes to somebody bigger from somewhere else.

The price of the fast track is telling the truth about what you can do. How many people you employ. What they are qualified for. What you could take on if the order book doubled. Firms that misreport come off the list. Combined authorities have run adult skills this way for years and it works, because both sides want it to. The public body needs to know the capacity is real. The firm wants the work to keep coming.

If anything is still missing, there is a route that does not need a bill. The Statistics of Trade Act 1947 already lets a minister require businesses to file returns, and what can be asked for is set out in a schedule that can be updated by order. A debate, a vote, done.

The assessments are published before the funding decision, not after it. Neither body gets a veto. The Office for Budget Responsibility has no veto either, and it has shaped every fiscal decision for fifteen years, because a government that ignores a published assessment has to explain itself in advance and in public. That is a stronger discipline than a gateway, and it does not create a new bottleneck for a programme to get stuck in.

One caveat, because it matters more than it sounds. Capacity is not a national number. A finding that Britain has enough bricklayers is no use if they are all working in the South East and the houses are going up in Leicester. The assessment has to be granular enough for a combined authority to act on, or we will repeat the familiar mistake of matching a national average to a local shortage and wondering why the scheme underperformed.

## Training the workforce

Britain is not short of graduates. On STEM subjects broadly we sit level with America and Germany.

The gap is specific, and it's in the disciplines that build things. Just 8.9% of UK bachelor's degrees are awarded in engineering, manufacturing or construction. Germany manages 24.7%. China 33.2%. Even the OECD average is 12.6%.[\[124\]](#)

It shows up on site. The Institution of Mechanical Engineers puts annual demand at 124,000 engineers and technicians against a shortfall of 37,000 to 59,000 a year. In 2025, 76% of engineering employers reported difficulty recruiting the skills they needed, and Cambridge's industrial policy group calls the shortage structural, not cyclical.[\[125\]](#) Separate research puts 184 major projects, worth £542 billion, at risk from this skills gap.[\[126\]](#)

“No amount of off-market finance fixes a housing programme if there is nobody qualified to run the job. By signalling secure funding we should start to secure this skills pipeline immediately.”

The money supply expands only as fast as we expand the real-world, organisational power to build. By pacing our investment in line with this guardrail, we ensure that every pound injected into the economy maps directly to an expansion of production.

# Chapter 29: We have the powers

“There is a rule in engineering that applies just as well to government. When a system keeps producing the wrong result, find the flaw and fix it. Do not bolt a workaround on top and call it a solution.”

Britain has spent forty years bolting on workarounds.

Wages too low to live on, so we top them up with tax credits. Housing too expensive, so we pay housing benefit to landlords. Energy bills unaffordable, so we send out a winter payment. Each of these was a reasonable response to an immediate problem. None of them touched the thing generating the problem, and every one of them costs money forever.

That is not a criticism of the people who built them. People inside a broken system use the tools they have. A council officer negotiating a viability assessment, a family on Universal Credit, a landlord raising the rent – all of them are behaving sensibly given the machine they are standing in.

Fixing the machine is a different job, and only one body can do it. Government can change the law. Nobody else can.

So the fair question about everything in this report is not whether it would be nice. It is whether it can actually be done, and what it would take.

## **Most of it is already legal**

Here is the thing that surprised us in the writing.

The overwhelming majority of what this report proposes needs no new institution, no new department, no commissioner, no tsar, and no Act of Parliament. It needs ministers to use powers that already exist, and in several cases powers that were created for exactly this purpose and then left on the shelf.

The Procurement Act is in force. The Subsidy Control Act is in force. Development corporations have had the power to buy land at agricultural value since 1946, and Parliament refreshed compulsory purchase reform in 2023. The Bank of England Act already requires the Treasury to tell the Bank what the government's economic objectives are, every year. The mechanism for taking a failing water company into public hands has been on the statute book since 1991 and was strengthened last year.

We are not proposing to build a new machine. We are proposing to switch on the one we already have.

## **And the fiscal rules are a vote**

One thing deserves saying before the audit, because it is the load-bearing myth of British politics.

The fiscal rules that supposedly forbid all of this are not in a treaty. They are not in an Act. They sit in a document called the Charter for Budget Responsibility, and the Charter takes effect when the House of Commons votes for it.

That is the whole apparatus. A motion, a division, a majority. Britain has done it ten times since 1997 and will do it again.

Every time a minister says the rules will not allow it, what they mean is that they have decided not to ask the Commons.

## The audit

What follows is every substantive proposal in this report, the instrument that delivers it, and whether that instrument exists today.

| Proposal                                      | Instrument                                                | Status                        |
|-----------------------------------------------|-----------------------------------------------------------|-------------------------------|
| <b>Money</b>                                  |                                                           |                               |
| National Infrastructure ISA                   | Treasury regulations governing ISA eligibility            | Exists                        |
| Non-tradable national development stock       | National Savings and Investments; National Loans Act 1968 | Exists                        |
| Pension allocation to domestic infrastructure | Occupational pension regulations                          | Powers exist; new regulations |
| Direct credit for smoothing cash flow         | Ways and Means facility at the Bank of England            | Exists; extended in 2020      |
| Changing the fiscal rules                     | Charter for Budget Responsibility                         | Commons vote                  |
| <b>Guardrail</b>                              |                                                           |                               |

|                                               |                                                                                           |                            |
|-----------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------|
| Material and supply chain capacity assessment | National Infrastructure and Service Transformation Authority                              | Exists; needs resources    |
| Workforce capacity assessment                 | Skills England                                                                            | Exists; needs resources    |
| Capacity data to support both                 | Procurement framework conditions; Statistics of Trade Act 1947, schedule amended by order | Exists; order if needed    |
| <b>Tax</b>                                    |                                                                                           |                            |
| Capital gains taxed as income                 | Finance Bill                                                                              | Annual, routine            |
| Digital services tax rate                     | Finance Bill                                                                              | Annual, routine            |
| Annual tax on high wealth                     | New legislation and a valuation system                                                    | <b>New. Genuinely hard</b> |
| <b>The Bank of England</b>                    |                                                                                           |                            |
| Halt active QT gilt sales                     | Treasury remit letter to the Bank                                                         | Exists                     |

|                                                         |                                                                         |                        |
|---------------------------------------------------------|-------------------------------------------------------------------------|------------------------|
| Tiered reserve remuneration                             | Bank operating framework, under Treasury remit                          | Exists                 |
| MPC advisory, appointed by Parliament, advice published | Amendment to the Bank of England Act 1998                               | <b>New legislation</b> |
| <b>Land and housing</b>                                 |                                                                         |                        |
| Buying land without hope value                          | Levelling-up and Regeneration Act 2023 directions                       | Exists                 |
| Buying land at existing use value at scale              | Development corporation powers, New Towns Act 1946                      | Exists                 |
| Ending ransom strips                                    | New primary legislation, on the model of the utilities' existing rights | <b>New legislation</b> |
| Restricting portfolio purchase of existing homes        | New primary legislation; surcharge from announcement                    | <b>New legislation</b> |
| Protecting new council homes from sale                  | Social Housing Bill                                                     | Before Parliament      |

|                                                     |                                                                       |                                  |
|-----------------------------------------------------|-----------------------------------------------------------------------|----------------------------------|
| Rebalancing bank capital towards productive lending | Prudential Regulation Authority rules; Financial Policy Committee     | Exists                           |
| <b>Energy and utilities</b>                         |                                                                       |                                  |
| Water into public ownership                         | Special administration, Water Industry Act 1991, as strengthened 2025 | Exists                           |
| Personal liability for water executives             | Water (Special Measures) Act 2025                                     | Exists                           |
| Reforming how electricity is priced                 | Energy market arrangements, under the Energy Acts                     | Exists; review concluded in 2025 |
| Publicly owned generation                           | Company law; existing public energy company                           | Exists                           |
| Existing renewable contracts                        | Run to expiry                                                         | No action                        |
| <b>Work and procurement</b>                         |                                                                       |                                  |
| Social value conditions in public contracts         | Procurement Act 2023                                                  | Exists                           |
| Reserving contracts for local and smaller firms     | Procurement Act 2023                                                  | Exists                           |

|                                                   |                                    |                 |
|---------------------------------------------------|------------------------------------|-----------------|
| Strategic support for domestic industry           | Subsidy Control Act 2022           | Exists          |
| Bargaining at sector level                        | Employment legislation             | Partly in train |
| <b>Delivery</b>                                   |                                    |                 |
| Devolved single-pot funding                       | Existing combined authority powers | Exists          |
| Municipal energy, housing and transport companies | Existing local government powers   | Exists          |

Four rows in bold. Three bills and one hard problem, against forty years of being told the whole thing was impossible.[\[127\]](#)

When a minister tells you it cannot be done, ask which of the rows in that table they mean.

The powers are there. They have been there all along.[\[128\]](#)

## **Now, Brexit**

Britain left the European Union. That is a fact, not an argument, and this report is not going to relitigate it.

But an audit of what Britain can legally do has to say where that sits, so here it is, as flatly as we can manage.

The honest finding is that it barely matters to this plan. Almost everything above was lawful before 2016 and would be lawful again. State aid rules did not stop Germany from running KfW, a state development bank with a balance sheet in the hundreds of billions. They did not stop France keeping EDF energy, or Italy

running the development bank Cassa Depositi e Prestiti. The European Union borrowed €800 billion for its own recovery fund. Whatever prevented Britain from building things, it was not European Treaties.

That matters for the argument in this report, because it removes an excuse. If our paralysis had been imposed from outside, leaving would have cured it. We left, and nothing changed, because the constraint was always at home.

Two things do turn on membership, and they should be named.

Direct monetary financing by a central bank is prohibited by the EU treaties. So is the arrangement we propose for the Bank of England, since the treaties require national central bank independence. Neither is central to this programme – the financing model here runs primarily on savers' money and pension money, not on printed money – but they are real differences and we are not going to pretend otherwise.

A future government wanting both this programme and EU membership would have choices to make. It might note that Britain would also be expected to adopt the euro, which no serious person believes would happen, and that Sweden has declined to do so for a quarter of a century by the simple method of not qualifying. And if the UK started negotiations 10 years into this programme, this isn't a request for indulgence – it's an operating industrial programme with a supply chain, an order book and a workforce. That changes the character of a negotiation as a matter of course. Practical accommodations are the ordinary currency of European politics, and many exemptions have happened before and are in force now.<sup>[129]</sup>

And there is a cleaner route, which is the one this report would take anyway. Long-term contracts with arms-length companies in public ownership are compatible with almost any framework, because legal certainty is a principle every European state respects.

Whether Britain rejoins is a question for the public, and not one for this document. What can be said is that it will not happen soon. Any application

would follow a long period in which Britain had to demonstrate settled intent, and no one on either side of the Channel thinks otherwise.

So we get on with it in the meantime. If the question reopens in fifteen years, it will be answered by a country with cheaper energy, more houses and a functioning industrial base, negotiating from a considerably better position than the one we are in now.

### **Where it actually gets built**

One more thing the audit shows.

Almost none of this happens in Whitehall. Councils build the housing, run the planning departments, own the buses and hold the land. Combined authorities run transport and skills. Municipal energy companies are lawful and several already trade. The retrofit programme is a street-by-street operation that no central department could run and no central department should try to.

Which is the same lesson again.

“Whitehall’s instinct when something needs doing is to create a new body to do it, because it does not trust the ones it has.”

That is a workaround. The fix is to fund and empower the institutions that already exist, and then hold them to account for the results.

### **What we can’t audit**

Every row in that table has an instrument attached. But there are four things no Act of Parliament can confer.

The first is political will. Someone has to win this argument. Not impossible. Not in my power to complete this afternoon. That is the real constraint – not the law, not the technology, not the money. Politicians up to the task.

The second is state capacity. Spending rose for decades while the ability to deliver fell, because much of the money went on outsourcing. Recoverable: fund the institutions that exist. Civil servants get the chance they have never been given.

The third is continuity. At current rates, twenty years is fourteen Prime Ministers. But, if we give certainty for workers and business, perhaps we'll see stability return. The post-war housing programme ran under eight prime ministers of both main parties.

The fourth is a certainty not just a risk. Some of it will go wrong. Sites will hit contamination. Programmes will overrun. A leisure centre will open a year late. We might be hit by another pandemic. There is no plot protection.

Training project managers, engineers and project accountants does not make failure impossible. It makes it correctable. And public failure has one feature that private failure does not: you can see it. An overrun turns up in committee papers and the local paper. A PFI deal that went wrong sits behind commercial confidentiality, and the public finds out fifteen years later from the National Audit Office, if at all. Not a programme that never fails. One where the failures are visible and fixable.

Two other points. The compensation formula for common ownership of utilities will be litigated. That argument is well rehearsed elsewhere, no need to repeat it here. And Britain already depends on workers trained abroad, especially in health and care. This plan rests on training people here, whatever their heritage, and we want to be clear about that.

Then climate, the largest of them, and the only one where the honest answer is that this plan might not be enough. Britain will need mitigation infrastructure nobody has costed. Sea defences, water storage, drainage, cooling, a grid that holds in conditions it was not designed for. Doing all of this now does not make us immune to climate change. It does give a resilient country with trained people and a state that can deliver major projects. We are behind the pace climate physics is setting. We have to stop patching and start fixing things properly.

## SECTION 6: CHOOSING THE FUTURE

# Chapter 30: It has been done before

Clement Attlee's government took office in July 1945, in a country so poor it began rationing bread in 1946, after the war had ended. Debt to GDP ratio was 252%.<sup>[130]</sup> Inside eighteen months the coal industry was in public hands: more than 900 collieries, 225,000 acres of land and 140,000 miners' houses transferred in a single morning on the 1st of January 1947. The railways followed a year later. Electricity that April. Gas the year after.

“By 1951 roughly a fifth of the British economy had changed ownership – carried out by a government fighting a balance of payments crisis, through the worst winter in living memory, with the population eating less than it had before the war.”<sup>[131]</sup>

The scale is the point, and it is the part most often forgotten. Not one industry at a time, carefully, as conditions allowed. Six at once, in the worst peacetime conditions Britain has known. They also found the time to build the NHS and create the welfare state.

Nor is this uniquely British.

The United States in 1933 had a quarter of its workforce out of work. Federal credit built dams, power lines and roads through agencies created to do it. Rural electrification reached farms no private utility would serve, because serving

them did not pay. Glass-Steagall separated retail banking from speculation and held for sixty-six years. The assets outlasted the politics. Much of what America runs on today was paid for by a state that decided it could.

Modern China is the recent case, and it is worth separating the finance from everything else about it. Over three decades it built the largest infrastructure programme in history, financed largely through state credit rather than international bond markets. High-speed rail, grid, ports, housing, renewables. The constraint was never the money. It was steel, concrete and skilled people, and China acquired all three. Whatever else is true of that state, the physical record is not in dispute.

China's failure was a privately financed property bubble. Instead of local authorities funding homes people needed, they sold land to developers because that was their main income stream. Private developers funded a property boom using money buyers paid up front for flats not yet built, and the money was spent on the next site instead of on their flat. Evergrande was a private developer chasing returns on borrowed money, and it collapsed, leaving ghost cities.

That's the opposite of this programme, where the state meets a long-term physical need, rather than companies like Evergrande pursuing short-term speculative gains. The Capacity Guardrail is not a promise to be better at spotting a bubble. Credit is matched to a measurable physical shortage – homes, grid capacity, trained engineers – to build real assets.

None of these governments had powers we lack. What they had was the decision.

This is not about pulling up the drawbridge. Britain will be a major trading nation, with clean energy and modern industrial capacity. Scaling up technologies like sodium-ion and iron-air batteries matures an industry, makes storage cheap and helps the Global South decarbonise. This model is not a zero-sum game. Prosperity comes from building sustainable productive capacity, rather than from commodity exploitation of poorer nations.

“Somebody has to decarbonise first. It might as well be us.”

# Chapter 31: The 20-year horizon

## Two clocks

Everything in this report runs on one of two clocks.

The first is fast. A Commons vote, a remit letter, a vesting day, a drawdown from an account that already exists. The powers are on the statute book. [Chapter 29](#) lists them.

The second is slow, and no vote shortens it. An apprentice takes four years to train. A wind farm takes six from consent to power. [\[132\]](#) A house takes a year to build and longer to get planned. Concrete cures at the rate concrete cures.

Read the timeline that follows with those two clocks in mind. Where a date looks slow, it is a physical constraint. Where it looks fast, it is because the power already exists and only the decision was missing.

## Why the later years are not more of the same

We have written this report as a series of separate projects. Energy. Housing. Transport. Work. Somewhere to go.

They are not separate. Each one lowers the cost of the next, and past a certain point they stop adding and start multiplying.

Take traffic.

Build homes at density near a station and more journeys are short. Run buses, trains and Metros as one integrated network, with one fare and one timetable, and the psychological barrier of not driving disappears. Free up road space and, on its own, it refills. That is well established, and any honest case has to start there. But the Downs-Thomson relationship cuts the other way too: when the

alternative gets faster, the equilibrium moves with it. Congestion settles at the point where driving and the alternative take about the same time, so a public transport network that is genuinely quick reduces everyone's journey time.<sup>[133]</sup>

Then the slow part. A generation of children who travel independently from the age of eleven, safely and free, do not acquire a car the week they turn seventeen. Habits formed in childhood last a lifetime.<sup>[134]</sup>

None of those four things clears a jam by itself. Together they change what a road is for.

That pattern repeats across every chapter here.

“A warm house lowers the demand the grid has to meet, which lowers what the grid costs to build. Secure work makes a mortgage possible, which changes what gets built. Somewhere to go makes density desirable, which makes the homes possible in the first place.”

#### **How to read the four windows**

The unit changes as the window widens, and it changes on purpose.

Year one is decisions. Nothing is built.

Year four is first output. The projects are still separate.

Year ten is rates. A hundred thousand a year, not a total. The projects begin to meet each other.

Year twenty is what daily life is like.

We can be precise about a decision a year out. We can only be directional about a life twenty years from now. The further out the window, the less we should pretend to know, and the more the answer is a description rather than a law or a number.

### **Year one**

Nothing is built in the first year. Everything is decided.

The Charter for Budget Responsibility is revised. A motion, a division, a majority. The remit letter to the Monetary Policy Committee is reissued. Active quantitative tightening gilt sales stop. The Ways and Means account is used again.

Water is taken into public ownership under an Act that has been on the statute book since 1991.

The National Infrastructure ISA opens. The regional investment banks are capitalised. The first Exchequer Notes are issued.

Then the part that is unusual, and the part everything else depends on.

The first apprenticeship cohort is recruited before the first contract is let. Planning departments are staffed. Councils rebuild the in-house engineering, surveying and project accounting they were told to outsource. The procurement framework opens. The twenty-year order book is published, so that a kiln operator, a heat pump manufacturer and a training provider can each invest against it a year before the first order arrives.

No ribbon-cuttings. Nothing to photograph. A year of decisions, taken under powers that already exist.

### **Year four**

The first cohort qualifies. Four years is how long it takes, which is why this window falls where it does and not somewhere rounder.

The first council homes are complete and occupied. Not many. The first ones.

Retrofit is running at scale, because there are now people to do it. Households in retrofitted homes are paying less – and at this stage they are paying less mainly because they are using less. Abundant energy at cost has not arrived yet. Insulation works faster than infrastructure. That is the two clocks, visible in a single utility bill.

Water has been in public hands long enough to have a first set of accounts nobody is hiding.

Manufacturing lines signalled in year one are open. The order book was the reason they were built.

The projects are still separate. A housing programme, an energy programme, a transport programme. They have not yet started meeting each other.

### **Year ten**

The rates arrive.

A hundred thousand council homes a year. Not a total – a rate, sustained, the way Britain sustained a higher one for thirty-five years after the war.

Retrofit at a national rate rather than a bespoke scheme. The second cohort of installers is being trained by the first.

Energy is where the phase-in shows. Everything built off-market from year one is generating at cost. But the existing fleet is under Contracts for Difference that run fifteen years, and contracts signed in the late 2020s run into the 2040s. They have to be honoured. Legal certainty is worth more than the saving, and a state that tears up its own agreements pays for it in every deal it signs afterwards. So the system-wide price falls as the old contracts roll off, on a schedule no government can accelerate. Ten years in, the direction is unmistakable but the job is not finished.

This is also the point where the projects stop being separate.

Homes near stations, on a transport network that runs as one system with one fare. A town centre with a reason to walk into it. Work secure enough that a

mortgage is possible, which changes what gets built, which changes where people live, which changes what the network has to carry.

Each of these projects is worthwhile on its own. Together they compound.

## **Year twenty**

Twenty years is one childhood.

A child born in the first year of this programme leaves school in a different country. More than just statistics. A different country to live in.

There's no meter to feed. No coats on indoors. No damp on the bedroom wall. No food bank in the parish hall. No sleeping bag in the shop doorway on the way into town. No boarded-up unit on the high street. No queue of engines outside the school gates at half past three.

None of that took a campaign. It took a decision about who owns what, and what things cost.

Now look at what's become normal.

They walk to school, and so does everyone else. They get the bus into town at fourteen and think nothing of it. There is a bus home after ten. The pool is open and it is warm. The library lights are on. The playing field is still there, with trees on it old enough to climb.

They know the names of the people in their street. They ride a bike to their mates' house and come back. They go out in the morning and come home when they are hungry, the way their grandparents did.

Their youth club is warm, and they can't remember it being anything else.

That is not a policy. It is what a place looks like when the people in it can afford to live there.

They can hear birds in the morning. The air smells fresh.

And they grow up believing they will be better off than their parents.

Because they will.

# Chapter 32: We choose to go to the Moon

Choice is a muscle. Exercise it and it grows stronger. Outsource it and you learn helplessness. For forty years our future has been governed by the illusion that there is no alternative.

When Kennedy said “we chose to go to the Moon,” he framed it as a national choice. We choose not because it is easy, but because it is hard. Because the difficulty is what organises a nation’s best energies, and measures them. Choice is about self-determination. Nobody asked the bond market for permission to leave the planet.

We do not need an American president to tell us this.

An Englishman said it first, in April 1942 – weeks after the fall of Singapore, at the lowest point of the war. John Maynard Keynes wasn’t talking about funding the fighting. He was answering how Britain would pay to rebuild when it stopped.

“Anything we can actually do, we can afford.”

They tell us the country cannot afford it. I want to take that phrase apart in front of you, because it has done more damage to this country than any recession.

A country is not a household. It has no purse. A country can run out of bricks. A country can run out of steel, and cement, and people who know how to weld and teach and build. That is a real shortage.

But we are not short. We have the materials. We have the know-how. We have hundreds of thousands of citizens willing and capable of stepping up and

playing their part whose horizons are shrinking before them because there is no wage to be found. Homes go unbuilt while sharp minds lose their edge earning scraps from gig-work. And we're told they can't build homes or wire the nation because there's not enough yield in it.

“We refuse to believe that there are insufficient funds in the sovereign vaults of a country that finds forty billion in a weekend for a bank that's in trouble but cannot find a builder's wage.”

I am not asking you to admire a plan. I am asking you to refuse a sentence. When someone tells you we cannot afford to house our own people, do not argue with the figure. Reject the frame. Ask them which brick is missing. Ask them which worker is unwilling. And when they cannot answer – and they cannot – you will know they have outsourced their ambition to a spreadsheet.

We can build. We can insulate. We can restore.

A hundred thousand homes a year will rise, and they will rise on foundations of British steel, fitted by British hands, warmed by power drawn from our famous British weather.

Many of the people who will finish this work are at school today.

You are not a hostage. You have never been a hostage. You have been someone who was told the door was locked, by people who never turned the handle.

Try it.

# Chapter 33: Call to action

We said the biggest constraint was getting our politicians to make the decision. That means winning the argument. Want to help us?

Visit [HostageNation.com](http://HostageNation.com)

Join the mailing list and receive updates and notifications of tour events.

Spread the word, share on social media.

Let us know if you want a speaker for your group, podcast or show.

If you want to fund more research or promotion, please donate.

If you think we've got something wrong – the endnotes are there to be tested – tell us.

And if you're the Prime Minister and want to deliver it, well, you've got my number, Andy.

# Author's note

In 2021 I found myself in the Guildhall, in the middle of the square mile, the heart of Britain's finance industry. Rishi Sunak was the keynote speaker at the gala dinner before the Global Investment Summit. Not the natural stomping ground for a working-class engineer from Middlesbrough.

I got talking to the CEO of a global engineering firm. I asked him if they would be investing in green hydrogen. He said, "I'm not going to invest half a billion pounds in plant and machinery unless I can be sure there'll be a market for green hydrogen for the next 20 years, and the government has not given any signal that there will be."

That one conversation sums up the need for Hostage Nation.

I applied that same principle to the skills budget. Adult education was devolved to the North of Tyne Combined Authority from 1 August 2020. Think forklift truck drivers, welders, chefs. Course completion rates were low. We spoke to learners and discovered that flexibility was an issue. People didn't know what shifts they were on until late the night before, others had problems if grandma couldn't pick the kids up from school. We spoke to the suppliers, often small training firms, and asked them how they could deliver more flexibility. The biggest problem was they were living hand to mouth, which meant that even just a couple of months before the annual contract renewal, their staff did not know if they had a job next year. What would be the biggest thing that we could do that would help, we asked them. Give us certainty, was the answer. We moved to three-year rolling contracts, they were able to plan their workforce, and for the same real terms budget increased training places from 22,000 a year to 35,000, with a completion rate of 96%.

In October 2021 I published *Regional Wealth Generation*, via the RSA. I was North of Tyne Mayor, and like all metro mayors I was frustrated that the government gave funding at short notice and for projects that weren't always the best fit

for my region. What we needed was fiscal devolution: mechanisms to earn money, capitalise regional wealth funds, and retention of payroll taxes from new job creation.

These were far from partisan proposals, and won broad support. Former Treasury Minister and Goldman Sachs chief economist Jim O'Neill wrote the foreword. Andy Burnham spoke publicly in support of Land Value Uplift. In a meeting with Treasury officials and ministers one civil servant said, "This is so compelling!" I've never seen a Treasury official get excited in a meeting before. Or since. I landed some of the principles in the 2024 North East Devolution Deal. Once I left office no one else picked up the baton. You can find the paper on the HostageNation.com website.

Hostage Nation is offered as a solution to these challenges – uncertainty of demand, stop-start development of workforce capacity, and the need for secure, innovative finance to boost our economy. For the avoidance of doubt, this is my personal proposal, and is not Green Party policy.

Jamie Driscoll

[1] John Maynard Keynes, 'How Much Does Finance Matter?', a BBC broadcast given as part of a series on post-war planning and published in *The Listener* on 2 April 1942. Reprinted in *The Collected Writings of John Maynard Keynes, Volume XXVII: Activities 1940-1946: Shaping the Post-War World*. Secondary sources cite the passage at both page 264 and page 270 of that volume; the essay spans both. The talk was delivered weeks after the surrender of Singapore, and its subject was not the financing of the war but how Britain would pay to rebuild afterwards. Two things should be said, because the line is often quoted loosely. Keynes was making a claim about real resources rather than about money. He opens the talk by recounting his answer to an architect who dismissed plans to rebuild London by asking where the money would come from: he asks in return whether there will be a shortage of bricks, mortar, steel, cement or labour, and, told there will not, asks why the materials should not be assembled into houses. That is the argument this report makes throughout, and the reason for the Capacity Guardrail. And he was explicit about limits elsewhere in the same talk, offering a range for what he thought the building industry could absorb in the early post-war years. The line is not a licence to spend without regard to capacity. It is the opposite.

[2] For historical reasons, the most common type of UK Government Bonds are called gilts, because in their paper form they had gold edging. In the case of standard issues government bonds, the words gilt and bond are interchangeable. Some other kinds of bonds, like Premium Bonds, are not gilts. All gilts are bonds, but not all bonds are gilts.

[3] The interest rate on a standard, non-index linked gilt is fixed at the time it is issued and does not change. But because interest rates change over time, an old bond with a lower rate becomes less desirable if new bonds come on to the market with a higher interest rate, and vice versa. So although a £100 bond with a 2% interest rate will always pay £2 a year to whoever owns it at the time, a buyer might be unwilling to pay £100 for it if there are new bonds paying more. So the 2% bond might get sold on the open market for, say, £80. Which means its £2 interest is still 2% of the original £100 face value, but  $\frac{1}{80}$  of the new market price of the bond means it is earning 2.5% on the £80 its new owner paid for it. So although none of this affects how much the government pays, as far as current buyers on the secondary market are concerned when the price of a bond falls, its effective interest rate – its yield – rises. The converse is also true: if the price rises, the yield falls.

[4] The Bank of England held approximately £838 billion in gilts and confirmed on 22 September 2022, the day before the mini-budget, that it would begin selling some of them, with maturing bonds and sales together projected to reduce holdings by £80 billion over the following twelve months. Full Fact, October 2022.

[5] The MPC's vote to launch active quantitative tightening was published on 22 September 2022, immediately before the mini-budget of 23 September. Kwasi Kwarteng wrote to the Governor of the Bank of England on the same day acknowledging the planned gilt sales. Treasury Committee, Quantitative Tightening, February 2024; AJ Bell, September 2025.

[6] The financial markets use the term basis points to mean one-hundredth of a percent. So if the interest rises by 100 basis points, it rises by 1%.

[7] The 30-year gilt yield rose approximately 120 basis points over three days following the mini-budget, one of the largest yield increases recorded in such a period. EFG International, October 2022.

[8] The MPC announcement of 22 September raised yields by around 20 basis points on the day, an adjustment commensurate with the news, which markets absorbed smoothly. Wilkins, Financial Stability and Monetary Policy: Lessons from the UK's LDI Crisis, Princeton GCEPS Working Paper 336.

[9] On 28 September 2022 the Bank postponed the launch of active quantitative tightening and intervened in the gilt market, ultimately purchasing £19.3 billion of gilts between 28 September and 14 October. Treasury Committee, Quantitative Tightening, February 2024.

[10] UK Finance, Q1 2026: 1.47 million fixed-rate buy-to-let mortgages outstanding and 453,000 variable-rate, totalling approximately 1.92 million.

[11] Bank of England, Financial Stability Report, July 2023. Nearly one million households were projected to see monthly mortgage payments rise by at least £500 by the end of 2026, with more than two million facing increases of between £200 and £499.

[12] Institute for Fiscal Studies, funded by the Joseph Rowntree Foundation, July 2024. By December 2023, mortgage rate rises had pushed an estimated 320,000 people into poverty; because official statistics model mortgage interest rather than measuring it, they capture only about two-thirds of this effect, around 230,000 people. The IFS attributes the effect to the full tightening cycle of fourteen rate rises, from 0.1% in December 2021 to 5.25% by August 2023, not to the mini-budget alone.

[13] Food and non-alcoholic drink CPI inflation peaked at 19.1% in March 2023, the highest annual rate since 1977. House of Commons Library, Rising cost of living in the UK, and The impact of food inflation on the cost of living, 2025–26. The MPC raised Bank Rate fourteen times over the same tightening cycle, from 0.1% in December 2021 to 5.25% by August 2023.

[14] Employer National Insurance rose from 13.8% to 15% from April 2025, with the threshold at which employers begin paying reduced from £9,100 to £5,000, and the Employment Allowance raised to offset part of the cost for smaller employers. In its Monetary Policy Report of November 2025 the Bank estimated that unusually large increases in administered prices, including vehicle excise duty and sewerage charges, accounted for around 0.4 percentage points of the overshoot of inflation above target, that food, beverages and tobacco accounted for a further 0.4 points, and that much of the remaining percentage point reflected elevated labour cost growth, arising from past strength in wage growth as well as the higher employer contributions, which had pushed up services inflation and, to a lesser extent, goods inflation. The minutes of the December 2025 meeting describe the increase as a one-off shock to the price level rather than a continuing source of inflation. Two qualifications should be recorded. Pass-through to prices was not the principal response: asked in August 2025 how they had in fact adjusted, 66% of firms on the Bank's Decision Maker Panel reported accepting lower profit margins, 46% lower employment, 34% higher prices and 20% lower wages than they would otherwise have paid, and fewer had raised prices than had said in January that they expected to, though that question had at that point been put to only a third of the panel. And because the change took effect in April 2025, its contribution to the twelve-month inflation rate drops out of the comparison in April 2026. Nothing here is a judgement on whether the measure was justified. The observation is narrower: the effect on prices is a step rather than a spiral, and Bank Rate is not a tool that can address a step. Sources: Bank of England, Monetary Policy Report, November 2025; Monetary Policy Summary and Minutes, December 2025; Decision Maker Panel survey results, August 2025.

[15] The Monetary Policy Committee's remit is set by the Chancellor under the Bank of England Act 1998, which leaves it to the Treasury to specify what price stability is taken to consist of. The remit is reissued annually by letter; changing it requires no legislation. The current remit sets a 2% CPI target, and requires the Governor to write an open letter to the Chancellor if inflation deviates from it by more than one percentage point in either direction. Subject to the target, the MPC is also to support the Government's economic policy, including its objectives for growth and employment — a secondary objective, engaged only once the primary one is satisfied.

The 2% CPI target dates from December 2003. From October 1992 the target measure was RPIX — the Retail Prices Index excluding mortgage interest payments — initially as a 1–4% range set by Norman Lamont after sterling left the Exchange Rate Mechanism, and from 1997 as a 2.5% target set by Gordon Brown alongside operational independence. Mortgage interest was excluded because including it would have distorted the Bank's behaviour: a rate rise intended to reduce inflation raises mortgage payments, and so raises measured inflation on any index containing them. The exclusion is an acknowledgement, built into the framework from the outset, that the instrument contaminates its own measurement.

On transmission lags, the Bank's long-standing working assumption is that a change in Bank Rate has its peak effect on inflation after around eighteen months to two years. The MPC began raising Bank Rate from 0.1% in December 2021; CPI inflation peaked at 11.1% in October 2022 and fell back thereafter, substantially as wholesale gas prices declined.

Tenure figures from the English Housing Survey 2024-25: 29% of English households are mortgagors, 36% own outright, 19% rent privately and 16% rent socially. The proportion of outright owners has exceeded the proportion of mortgagors since 2013-14.

On mandates elsewhere: the Federal Reserve's objectives are set in statute by the Federal Reserve Act as maximum employment, stable prices and moderate long-term interest rates, conventionally described as a dual mandate and not ranked hierarchically. The European Central Bank treats 2% as a symmetric medium-term target rather than a point to be met immediately. The Reserve Bank of Australia targets a 2–3% band on average over the cycle, alongside full employment. The Bank of Canada operates a 1–3% control range around a 2% midpoint. The Reserve Bank of New Zealand added employment to its mandate in 2018 and removed it again in 2023, which demonstrates that the scope of a central bank mandate is a political choice rather than a technical necessity.

Examples of contractually indexed prices include regulated rail fares, water bills,

business rates, student loan interest and many mobile and broadband contracts, several of which were set at CPI or RPI plus a fixed margin.

[16] The Pensions Regulator's Defined Benefit Funding Code of Practice, in force since late 2024, and the funding regulations of April 2024. The regulations require scheme assets to be invested so that the funding position is highly resilient to short-term adverse changes in market conditions, and with sufficient liquidity to meet both expected and unexpected cash flow requirements. The Regulator's illustrative low dependency allocation is 85% corporate bonds and gilts to 15% growth assets, and the low dependency discount rate is set at gilts plus 0.5% per annum. The Regulator is explicit that there is no requirement to invest in line with low dependency and no restriction on trustees investing in line with their fiduciary duties; the point made here is that the regulatory yardstick is denominated in gilts, not that gilt-holding is mandated. Elements of the regime were revised in response to the gilt market volatility of autumn 2022.

[17] House of Commons Library, citing Debt Management Office data on the distribution of gilt holdings, June 2026. The Bank of England holds around 18% of gilts, down from a peak of about 34% in 2022, with around a third held by overseas investors and the remainder principally by UK pension funds, insurance companies and banks.

[18] Gilt yields move with US Treasury yields and Federal Reserve policy, with global risk sentiment, with expected sterling weakness, with competing sovereign issuance from the US, Germany and Japan, and with credit rating actions by agencies based outside the UK. Bank of England, Financial Stability Report, and IMF, Global Financial Stability Report, on international spillovers into UK gilt yields.

[19] Gilts are issued by the UK Debt Management Office, an executive agency of HM Treasury established in 1998 to separate debt issuance from monetary policy. The Bank of England performed this function before that date.

[20] OBR estimates, reported in *Austerity: Growth Costs and Post-Election Plans*, Centre for Economic Performance, LSE, and in Wren-Lewis, "The macroeconomic record of the coalition government", *National Institute Economic Review*, 2015. The OBR estimated that austerity reduced GDP growth by one percentage point in each of 2010-11 and 2011-12, leaving the level of GDP two points lower by the second year. Because Bank Rate had already fallen as far as the MPC considered possible, monetary policy could not offset the fiscal contraction and quantitative easing was used instead. The OBR's estimate is likely conservative: it applies average historical fiscal multipliers, whereas subsequent research finds fiscal contraction bites harder when an economy is depressed and interest rates are near zero. On the wider theory that spending cuts can themselves generate growth, the IMF tested "expansionary austerity" across the advanced economies and found that a consolidation worth 1% of GDP reduces output by around 0.5% within two years, with earlier findings to the contrary proving to be an artefact of how consolidation was measured. Guajardo, Leigh and Pescatori, IMF Working Paper 11/158.

[21] House of Lords Economic Affairs Committee, Quantitative easing: a dangerous addiction?, HL Paper 42, 16 July 2021. The Committee is cross-party and these are its own conclusions, not those of a witness. Two concessions it makes should be recorded. It found that the first round of quantitative easing in 2009, alongside expansionary fiscal policy, prevented a recurrence of the Great Depression, and in doing so limited the growth of the inequalities a depression would itself have caused. It also found the distributional effects hard to separate from other events, noted the Bank's own analysis that the effect on inequality was relatively small, and reached no conclusion on income inequality. Its finding was that quantitative easing is likely to have exacerbated wealth inequality, because raising asset prices primarily benefits households that already own assets. On bank lending: Giansante, S., Fatouh, M. and Ongena, S., 'Does quantitative easing boost bank lending to the real economy or cause other bank asset reallocation? The case of the UK', Bank of England Staff Working Paper No. 883, August 2020. The authors note that the Monetary Policy Committee did not expect strong transmission through the bank lending channel, so the finding confirms the Bank's expectation rather than contradicting it. They also find that retail lending fell further at the banks that received reserve injections than at those that did not, and that those banks moved towards lower risk-weighted assets such as government securities. The further argument that quantitative easing inflated house prices specifically, by pushing investors out of gilts and into property, is made in evidence submitted to Parliament rather than found by a committee.

[22] Fiscal Responsibility Act 2010, explanatory notes, [legislation.gov.uk](https://legislation.gov.uk). The golden rule provided that over the economic cycle the government would borrow only to invest and not to fund current spending; the sustainable investment rule provided that public sector net debt as a proportion of GDP would be held at a stable and prudent level.

[23] Institute for Government, *Fiscal rules in the UK since 1997*. The rules set in October 2024 are the tenth set since the first were adopted in 1997. In the first decade neither original rule changed and neither was broken, although the method of assessing the golden rule was altered when it appeared on course to be missed. Every set of rules since 2008 has been abandoned because at least one component could not be met, and of the twenty-six individual rules preceding the current set, only eleven were met or on course to be met when they were abandoned. The UK changes its fiscal targets more frequently than any other country (Tetlow et al., 2024, cited in Economics Observatory).

[24] Institute for Fiscal Studies, *Gaming fiscal rules is no way to make budget policy*, November 2024. The IFS describes the position as patently ridiculous and the idea that £2 billion of forecast changes five years out should drive policy today as almost literally mad, noting that the OBR must treat the Treasury's stated future plans as fact, including the assumption that fuel duty will rise with inflation despite not having done so in fourteen years, and £20 billion of unspecified public service cuts.

[25] Although if you're reading, and want to, please get in touch.

[26] OBR, *Economic and Fiscal Outlook*, October 2024, March 2025 and November 2025. Headroom against the current budget rule stood at £9.9 billion at both the October 2024 budget and the March 2025 Spring Statement, rising to £21.7 billion following the November 2025 budget. The OBR noted in March 2025 that £9.9 billion was one-third of the £31.3 billion average headroom Chancellors have set aside since 2010, and that the average absolute final-year revision to pre-measures borrowing across the previous ten forecasts had been £19.4 billion. At the November 2025 budget the Chancellor also announced that the fiscal rules would in future be assessed once a year rather than twice.

[27] The remark was made in an interview with Tom McTague, editor of the *New Statesman*, published as that week's cover story in September 2025 ahead of the Labour Party conference: Britain had "to get beyond this thing of being in hock to the bond markets". It was repeated in a speech to the Institute for Fiscal Studies in London on 20 January 2026, in which he described Britain as stuck in a low-growth trap and argued that an adversarial political system was incapable of lifting it out. Speaking to Reuters after that speech, he set out what he meant by it: restoring public control over key services would lower the long-term costs falling on the state, and that was how to reassure markets. His examples were welfare payments disappearing into private rents rather than into social housing, and bills set by private utility companies. The argument was therefore not that a government can disregard the bond market, and he later said as much directly, maintaining that his point had always been that politicians had left the country in hock by giving up the levers of control. In April 2026 he suggested the government should breach the existing fiscal rules, prompting Rachel Reeves to say he risked going the way of Liz Truss; he subsequently told ITV News that he supported the rules. On taking office as Prime Minister on 20 July 2026 he confirmed that the government would keep the existing rules and use the flexibility within them. Sources: *New Statesman*, September 2025 and January 2026; Reuters, 20 January 2026.

[28] The fiscal rules are set out in the Charter for Budget Responsibility, which under the Budget Responsibility and National Audit Act 2011 must be laid before Parliament and approved by a resolution of the House of Commons; modifications require the same approval. No primary legislation is required to change the rules, and the procedure has been used repeatedly since 2011. On the change of measure: at the Autumn Budget of 30 October 2024 the Treasury moved its debt target from public sector net debt excluding the Bank of England to public sector net financial liabilities, a measure which includes the government's financial assets — equity holdings, loans and equivalent instruments — as well as its liabilities. The effect is that financing a public investment through an equity stake in a publicly owned company is treated differently from financing the same physical asset directly. The broader measure, public sector net worth, additionally captures non-financial assets such as infrastructure and buildings; the OBR publishes it as a supplementary aggregate but it is not the target. The observation in the text is therefore narrow and factual: the principle that assets should count against liabilities has already been accepted by the current framework, and the remaining question is which assets.

[29] The distinction is not academic, and Greece is the most instructive case because it is the one that superficially resembles Britain: a developed European economy borrowing in a currency it called its own. Greece had not borrowed in dollars. It had borrowed in euros, having delegated the power to issue that currency to the European Central Bank. The consequence was that when investors lost confidence, Greece had no lender of last resort — the ECB was explicitly prohibited from acting as one — and its euro-denominated debt therefore behaved, in the standard analysis of the eurozone crisis, as foreign currency debt would in any other sudden-stop crisis. The trap closed at both ends: because the debt was denominated in euros, leaving the eurozone and adopting a devalued national currency would have increased the debt's value in domestic terms rather than reducing it. Devaluation, the ordinary means by which a country restores competitiveness after a shock, was unavailable both inside the euro and on the way out of it. The Argentine case shows the same mechanism in its more familiar form. Around 90% of Argentine public debt was dollar-denominated for most of the period leading to the 2001 default. When the peso was devalued, the debt-to-GDP ratio rose from around 55–62% before the crisis to between 150% and 164% afterwards; the ratios vary between sources depending on gross or net measure and valuation date, so a range is given rather than a point estimate. The debt had not grown. The currency it was measured in had. Nothing Argentina could decide domestically altered what it owed. Turkey is a variant worth noting because it is the more sophisticated form of the objection: the 2018 crisis was driven substantially by private foreign-currency borrowing — external debt of \$466.7 billion at end-Q1 2018 against reserves of \$114.5 billion — the consequences of which the state ultimately carried. A country can be sound on its own books and still be exposed through everyone else's. Britain's position differs from all three. The government's marketable debt is sterling-denominated, and the Bank of England is the issuer of sterling. The relevant contrast is not the name printed on the currency but who is able to issue it. Sources: Tooze, *Crashed*; Baldwin et al., "The Eurozone crisis: A consensus view of the causes", CEPR; Congressional Research Service, *Greece's Debt Crisis: Overview, Policy Responses, and Implications*; Kiguel, "Argentina's 2001 Economic and Financial Crisis", Brookings; Congressional Research Service, *Argentina's Sovereign Debt Restructuring*. See also the note to [Chapter 18](#) on Article 123 of the Treaty on the Functioning of the European Union, the provision that denied Greece a lender of last resort, and from which the United Kingdom holds an explicit exemption.

[30] On 1976, which is usually raised at this point. Before it is deployed as an argument, four things about it should be established rather than assumed. First, sterling was emerging from a fixed exchange rate system: the Bretton Woods parity, devalued in 1967 and abandoned in 1972. The exchange rate was a policy commitment to be defended, not a price that moves.

Second, the IMF assistance was denominated in Special Drawing Rights and drawn in foreign currency, because the problem was a shortage of foreign exchange with which to meet foreign currency obligations. The Letter of Intent of 15 December 1976 requested the right to purchase from the Fund the currencies of other members in exchange for sterling, up to SDR 3,360 million — then about \$3.9 billion, and the largest arrangement the Fund had made for any member country. That is the same category of problem as Argentina's. It is not the same as the position of a country that owes money in a currency it issues itself.

Third, Britain then held substantial foreign currency liabilities that it does not hold now. The Anglo-American Loan of 1946, denominated in US and Canadian dollars, was not finally repaid until December 2006. Under the Exchange Cover Scheme introduced in 1969 and its successors, the Treasury encouraged public bodies — primarily local authorities — to borrow abroad in Deutschmarks, Swiss francs, US dollars and other currencies, with central government carrying the exchange risk. The Bank of England records that the final repayment of Exchange Cover Scheme debt was made on 30 October 2007. Sterling balances held by overseas official holders formed a further class of obligation, addressed through the Basle arrangements, which were restored alongside the standby specifically to reduce the use of sterling as a reserve currency.

Fourth, the 1976 conditions were negotiated against that specific structure of external liability, and cannot be detached from it. The conclusion usually drawn from 1976 is that Britain must never test the patience of external creditors. The more accurate conclusion is that owing money in a currency you cannot issue is a bad idea, and that ending that dependency is worth doing. Both are lessons this report agrees with. Britain in 1976 was not brought to the IMF by ambition. It was brought there by obligations denominated in other people's money — some of them incurred by war, some of them arranged by the Treasury itself.

The programme set out in this report creates no such obligations. It finances domestically, in sterling, and reduces over twenty years the volume of what Britain

must buy in currencies it cannot issue. Anyone invoking 1976 against it should first establish what a fixed-rate economy carrying dollar-denominated war loans and a state-sponsored programme of foreign currency municipal borrowing has in common with a floating currency and sterling-denominated debt.

Sources: Bank of England, "Further details about UK central government and other public sector foreign currency debt data", which records Exchange Cover Scheme borrowing under the 1969 and subsequent schemes as principally local government borrowing in foreign currency, with final repayment on 30 October 2007; HM Treasury statements on the final repayment of the Anglo-American Loan, December 2006; IMF records of the 1976 standby arrangement, including the Letter of Intent of 15 December 1976. See also the preceding note on Greece and Argentina.

[31] Wholesale gas prices rose steeply through 2022 following the invasion of Ukraine, and sterling fell against the dollar over the same period, from around \$1.35 at the start of the year to a record low of about \$1.03 on 26 September. The pound cost of imported energy therefore rose by more than the dollar price alone. On the simplification in the text: UK wholesale gas is quoted at the National Balancing Point in pence per therm, not in dollars. The dollar exposure is real but indirect — Britain's marginal supply is imported LNG, bid for on a global market against buyers paying in dollars, so the sterling price tracks the dollar benchmark whatever the contract currency. Oil, and refined products including diesel, are dollar-priced directly.

[32] Sterling fell approximately 7% in the month following the June 2016 referendum, and its effective exchange rate was around 20% below its pre-referendum level by October 2016 (ONS, "Exchange rate pass through and transmission to consumer prices following the 2015 to 2016 depreciation of sterling", Economic Review, July 2019). CPI inflation rose from 0.4% in June 2016 to 3.0% in September 2017. Attribution of that rise to the depreciation is contested and the estimates are given here in full rather than selecting one. Breinlich, Leromain, Novy and Sampson (CEP/LSE) initially estimated the depreciation raised consumer prices by 1.7% in the first year, revising this to 2.9% with later data, equivalent to around £870 a year for the average household. The Federal Reserve Bank of San Francisco attributed close to two-thirds of the UK inflation spike to the exchange rate move. Lower-end estimates put the effect of the initial 10% depreciation at around one percentage point of CPI. The point made in the text does not depend on which figure is correct. On timing: in an April 2017 speech, ten months after the referendum, the Bank of England's assessment was that most of the depreciation had not yet been reflected in consumer prices and that full pass-through would take longer. On distribution: the ONS found that half the subsequent CPI increase was driven by the components of the basket with more than 25% import intensity.

[33] DESNZ, Digest of UK Energy Statistics 2026, [Chapter 4](#). Norway accounted for 69% of total UK gas imports in 2025, down from 76% in 2024, equivalent to 40% of gross supply, with Norway supplying 98% of pipeline imports. NESO's 2025 review records UK and Norwegian fields together supplying 79% of gas, LNG 14% and storage withdrawal 7%. Qatar accounted for approximately 1% of UK gas supply in 2025. The distinction drawn in the text is between volume exposure and price exposure: because gas is traded on an internationally linked market, the marginal LNG cargo influences the price paid for domestically produced and pipeline-imported gas alike. NESO figures are operational rather than audited statistics.

[34] National Audit Office, PFI and PF2, HC 718, 18 January 2018, unless stated otherwise. The NAO's analysis of Department for Education data for one group of PF2 schools found cumulative cash costs around forty per cent higher than a project financed by government borrowing. The Treasury Committee's equivalent analysis in 2011 estimated the cost of a privately financed hospital at seventy per cent higher than the public sector comparator.

On the financing premium itself: the 2010 National Infrastructure Plan gave an indicative PFI cost of capital of 2% to 3.75% above government gilts, and Infrastructure and Projects Authority data on deals since 2013 shows debt and equity investors forecast to receive between 2% and 4% above government borrowing. On the six PF2 deals agreed to date the projected post-tax return to investors was 4.5% to 5%, approximately double the cost of government borrowing at the time.

On the appraisal method: the value-for-money assessment discounts future costs at the Social Time Preference Rate, 3.5% in real terms or 6.09% with inflation, which has exceeded the government's actual cost of borrowing for most of the period since 1992. The higher the discount rate, the lower the apparent cost of paying later — which is what private finance does. HM Treasury does not consider the government's cost of borrowing relevant when making financing decisions on PFI and PF2 deals; Germany and the United States do make that comparison. When the NAO remodelled the assessment in 2013 using the government's actual borrowing costs, the outcome changed in the majority of cases to show public finance as the better value option.

On Parklands High School: Liverpool City Council pays around £4 million a year for the school, stood empty for years, and will pay an estimated £47 million between 2017-18 and the contract end in 2027-28 if no changes are made. The school cost an estimated £24 million to build.

Two further findings bear on the risk transfer said to justify the premium. The NAO reports it is not aware of any operational PFI deal in which debt holders have suffered a loss once the asset was constructed and operating. And on equity returns, its analysis of a 2016-17 sale of half the M25 contract equity estimated an annual return of around thirty-one per cent over the preceding eight years.

In fairness to the model, the NAO does not reach an overall verdict on value for money, and records that departments generally regarded construction cost certainty and

maintenance standards as better under PFI. Its more fundamental criticism is that the benefits which would have to offset the higher financing costs have never been quantified: HM Treasury has collected no outturn data on them, and the NAO has been unable to identify a robust evaluation of the actual performance of private finance at project or programme level.

A commonly cited figure holds that the NHS received £13 billion of investment for an £80 billion bill (IPPR, *The Make-do-and-Mend Service*, 2019). The capital figure is confirmed by the Treasury's own database, which records £13.0 billion of PFI capital investment across 127 health projects. The comparison should be read with care: around half of annual PFI unitary charges relate to debt repayment and financing, with the balance covering maintenance and services the public sector would have purchased in any case, and the repayment figure is undiscounted cash spread to the 2040s, much of it index-linked. The financing premium set out above is the sounder measure of what private finance cost.

[35] National Audit Office, *Investigation into the government's handling of the collapse of Carillion*, June 2018. Carillion entered liquidation on 15 January 2018 holding 420 public sector contracts and employing over 18,000 people in the UK. The NAO estimated the cost to taxpayers at £148 million, subject to significant uncertainty. Carillion had requested £223 million in support in January 2018; the Cabinet Office declined, citing concerns about the company's business plans, legal implications, open-ended funding commitments, the precedent it would set, and the likelihood of further requests. The Cabinet Office continued funding Carillion staff to maintain public services while joint venture partners took over construction contracts. The company's thirteen defined benefit pension schemes carried liabilities of £2.6 billion, which passed to the Pension Protection Fund.

[36] Same source. Carillion issued its first profit warning on 10 July 2017. The Cabinet Office began contingency planning shortly afterwards, accelerated it in October 2017, and completed it across central government by 15 January 2018. In the intervening months the government awarded Carillion £1.9 billion of new work, including two HS2 joint venture contracts worth £1.3 billion. No contracting authority believed it had grounds to disqualify Carillion under procurement rules.

[37] UK households spend approximately 11% of total expenditure on food and non-alcoholic drinks, below the European average (ONS, Family Spending in the UK, financial year ending 2025). The consistent finding of research into food insecurity in the UK — by the Joseph Rowntree Foundation, the Trussell Trust and the Food Foundation — is that it is driven by inadequate and unstable income rather than by food prices, with benefit levels, housing costs and energy costs the principal determinants. On farm incomes and market power: the imbalance between a concentrated buying side and a fragmented supply side is a live issue, addressed through the Groceries Supply Code of Practice and the Groceries Code Adjudicator, and more recently through fair dealing regulations in specific sectors. Farm business incomes are volatile year to year and a significant proportion of farm businesses fail to make a positive return from agriculture alone before support payments. On policy stability: agricultural support in England has been restructured twice since 2020 — the phasing out of direct payments under the Basic Payment Scheme and their replacement by environmental land management schemes, followed by further changes to scheme design, delinked payment rates and application arrangements. This report takes no position on the merits of any particular scheme. The observation made here is narrower and applies across every sector it examines: capital assets with lifespans measured in decades cannot be financed against policy commitments measured in years.

[38] On the scale of UK financial services: the sector accounts for around 8 to 9% of economic output and a substantially larger share of exports (House of Commons Library, Financial services: contribution to the UK economy). The argument that financial sector growth becomes counterproductive beyond a certain size is not a heterodox position: research by the Bank for International Settlements and by the IMF finds that the relationship between financial development and growth is positive up to a point and turns negative beyond it, principally through the diversion of skilled labour and capital away from productive sectors. The specific regulatory mechanism referred to here — the differential capital treatment of mortgage lending against lending to businesses — is set out in the [housing chapter](#).

[39] NS&I is an executive agency of the Chancellor of the Exchequer, established in 1861 and given its modern savings-bank function over the following century; money invested in its products is used by HM Treasury to contribute to the government's financing needs. It has more than 24 million customers and all products carry 100% capital security, being backed by HM Treasury. Its Net Financing target — the net contribution it makes to government financing each year — was set at £15 billion, within a range of £4 billion either way, for 2026-27. Product terms as at mid-2026: Income Bonds pay a variable rate with money available at any time, with no notice period and no penalty; British Savings Bonds, relaunched in April 2024 as three-year fixed-rate issues of the older Guaranteed Growth and Guaranteed Income Bonds, take investments between £500 and £1 million; Green Savings Bonds pay a fixed rate over a three-year term during which no withdrawal is possible, with a minimum of £100 and a maximum of £100,000 per issue, and are treated by the Treasury as a policy product rather than a financing one. Source: NS&I corporate reporting and quarterly results.

[40] Financial Conduct Authority, Financial Lives Survey 2024. 13.1 million UK adults, around one in four, have low financial resilience. Approximately one in ten adults have no cash savings at all, and a further one in five hold less than £1,000.

[41] Barclays, The UK Investment Gap, September 2025, analysing the Financial Conduct Authority's Financial Lives Survey 2024 (fieldwork February to June 2024, 17,950 respondents, published May 2025). Barclays estimates that approximately 15 million UK adults hold around £610 billion of what it terms possible investments in cash; the unrounded figure is £614 billion. The measure counts cash held by individuals with savings above £10,000, after setting aside six months' income as a reserve, which makes it a conservative estimate, six months' income being a more generous buffer than the three to six months' expenditure usually recommended. The comparable estimate from the 2022 survey was 13 million people holding £430 billion, revised to £460 billion on a refined methodology. Barclays attributes around 23% of the subsequent increase to the accrual of interest as Bank Rate rose from 1% to 5.25% over the period, and around 15% to population growth. On what the figure does and does not cover: the underlying survey measures investable assets, which exclude property, defined contribution pension savings and physical assets such as art or jewellery. The population identified here is therefore not wealthy in general but cash-heavy in particular — on the 2024 survey around three in five adults with more than £10,000 in investable assets hold at least 75% of them in cash, and on the earlier survey the largest group held everything in cash. Their holdings of stocks, shares and other investments are small by construction. It also follows that this sum and the pension assets discussed in [Chapter 15](#) are separate pools, and nothing here is counted twice. Two qualifications. The figure is modelled from banded survey responses using range midpoints, and is an estimate rather than a measured stock. And Barclays publishes it to argue for greater retail investment in markets, not for public borrowing: the disagreement in this report is about where the money should go, not about whether it is sitting idle.

[42] The technical objection is that non-tradable debt should command an illiquidity premium relative to a tradable instrument of equivalent term and issuer. On a strict like-for-like basis that is likely correct, and the text does not dispute it. The point made in the text is that a like-for-like comparison omits several countervailing factors. First, tradability carries market risk for the holder. A conventional long-dated gilt purchased at the yields prevailing in 2020 and sold in 2023 would have realised a substantial capital loss; long-dated index-linked gilts fell particularly sharply during 2022. Redemption at a contractual value eliminates that exposure, transferring interest rate risk to the issuer, which is a real cost to the state and should be priced into the instrument's design. Second, the premium is buyer-specific: it compensates for an option to sell before maturity, whose value approaches zero for a liability-matching investor intending to hold to a known date. Structural demand from that class of investor is rising, as defined contribution default funds de-risk members automatically as they approach retirement and closed defined benefit schemes run off. Third, the gilt yield is an imperfect benchmark at present, since it incorporates a supply effect from active quantitative tightening, discussed in [Chapter 18](#). Fourth, index-linked issuance carries a different risk profile where it finances inflation-linked revenue — rents, regulated grid income, fares — than where it finances general expenditure, which is the mismatch that has made index-linked gilts costly in the past. Fifth, insurers writing annuity business receive capital benefit under the matching adjustment for holding illiquid assets with predictable cashflows matched to their liabilities, so for that buyer non-tradability is not straightforwardly a disadvantage; the Prudential Regulation Authority's own rationale for the adjustment is that insurers with closely matched predictable asset and liability cash flows are not materially exposed to the risk of being forced sellers. National Savings and Investments demonstrates that non-tradable instruments can be raised at scale over a long period; its rates are benchmarked against the retail savings market rather than gilt yields and therefore do not establish a direct cost comparison. The net position is that the direction of any premium, not merely its size, depends on the instrument, the buyer and the point in the cycle.

[43] Emma Reynolds, Economic Secretary to the Treasury, February 2025.

[44] On the scale of the pool and the subsidy, see the note to [Chapter 16](#), which gives HMRC Annual Savings Statistics for Cash ISA subscriptions of £69.5bn in 2023/24, a Lloyds Banking Group projection of over £85bn for 2025/26, and an estimated Exchequer cost of ISA tax relief of around £9.4bn in 2024/25. A cross-party Treasury Select Committee report of October 2025 estimated total UK household holdings in Cash ISAs at £360 billion. Around 18 million people hold one. Between 2021-22 and 2023-24 money going into stocks and shares ISAs fell by 9% while Cash ISA subscriptions more than doubled.

The observation that the average pound has been held for around five years is derived by dividing the stock by the annual flow, and should be read as an order of magnitude rather than a measured average holding period; it takes no account of withdrawals, transfers between providers, or the distribution of balances, which is heavily skewed.

On the attempts to attach a destination: Jeremy Hunt announced a British ISA at the Spring Budget of March 2024, offering an additional £5,000 allowance restricted to UK-listed equities. It was abandoned in September 2024, after investment platforms including Hargreaves Lansdown and AJ Bell warned the Treasury that a further ISA product would add complexity and might deter use of the wrappers. A second proposal, requiring a minimum 20% allocation to UK equities, was considered before the November 2025 Budget and dropped following opposition from ISA providers. In February 2025 the Economic Secretary to the Treasury, Emma Reynolds, told the House of Lords that the sums held in Cash ISAs represented a failure to drive investment, and that the money was being drawn away from the London Stock Exchange.

At the November 2025 Budget the Chancellor announced that the Cash ISA allowance would fall to £12,000 from April 2027, with savers aged over 65 retaining the full £20,000. The stated purpose was to move savings from cash into equities. The Treasury Select Committee had recommended prioritising financial education rather than reducing the allowance. On the day of the announcement AJ Bell shares rose 3.2% and IG Group 8.6%. Commentators noted at the time that savers moving into equities might favour overseas markets: US-listed stocks are eligible for a stocks and shares ISA, and the S&P 500 returned an annualised 15.5% over the preceding five years against 13.2% for the FTSE 100.

[45] Total funded occupational pension assets stood at approximately £2.1 trillion (ONS, Funded occupational pension schemes in the UK: April to September 2025, released April 2026).

Andy Haldane's remarks are from *Field of Dreams*, his address as President of the British Chambers of Commerce to the organisation's Global Annual Conference, 25 June 2026. He gives UK household gross financial assets of around £9 trillion, three times annual GDP, of which more than £2 trillion sits in bank accounts and around £6 trillion in pensions and other investments including ISAs, and estimates that only around 5% of the total is recycled into British companies. On pensions specifically: over half of UK pension assets were invested in UK equities in 2000 against less than 5% today, a shift he values at more than £2.5 trillion, roughly the market capitalisation of every UK-headquartered listed company. He attributes it to a flight to safety into government bonds and a flight to passivity into global index trackers in which the weight of UK companies is modest. He records that pension funds in Canada, Australia, Japan and across Europe invest between 20% and 40% of assets domestically, and that the UK system is the only one without such a home bias. He cites survey evidence that more than 70% of British investors would prefer a pensions system favouring UK companies, and that many believe more than 40% of their pension is already so invested. He gives pension tax relief as over £50 billion a year and ISA relief as more than £10 billion.

On the historical precedent: Haldane notes that prior to 1997 the UK's dividend tax credit regime favoured pension fund investment in UK companies, and that Personal Equity Plans, the predecessor to ISAs, carried an explicit bias towards domestic companies. The dividend tax credit for pension funds was abolished by Gordon Brown in his first Budget in July 1997, the same Budget that introduced the first fiscal rules. The stated purpose of the abolition was revenue, not the removal of a domestic preference; the effect was to remove it. Haldane explicitly rejects government mandation of allocation as a step too far, proposing instead that tax relief be conditioned on domestic investment while leaving specific choices with asset managers and trustees. He also suggests a case for the default under pensions auto-enrolment being allocation into UK assets. His focus throughout is corporate equities and domestic growth assets rather than physical infrastructure; the extension of the principle to infrastructure is this report's, not his.

On the mandation clause: the Chancellor had suggested requiring pension schemes to devote a proportion of their funds to UK investments, but did not mandate it in the

Pension Schemes Act 2026, following opposition from City firms during the consultation period. Haldane describes the Act, together with the Mansion House Accord, as well-intentioned but likely modest in quantitative impact. On scheme funding requirements and the low dependency standard, see the note to [Chapter 4](#).

On fiduciary duty: pension scheme trustees are required to act in the best interests of beneficiaries, generally understood as their best financial interests. The Law Commission's 2014 report *Fiduciary Duties of Investment Intermediaries* (Law Com No 350) found that this does not require the pursuit of maximum short-term return to the exclusion of other financially material considerations, and that trustees may take account of factors relevant to the long-term interests of members. The conditionality proposed here operates through the duty rather than against it: relief alters the net return on an asset, and a trustee comparing net returns is discharging the duty rather than being directed. Pension tax relief is already conditional in several respects — on registration of the scheme under the Finance Act 2004, on the annual allowance, and on payments being authorised — so conditionality as such is established, and what is proposed is a condition of a different subject matter rather than a novel principle. The relevant historical precedent is the dividend tax credit that pension funds could reclaim until its abolition in 1997, which favoured domestic equity holding and was not treated as compromising trustee duties for as long as it operated.

The counter-argument should be stated fairly: industry bodies contend that conditionality of this kind is direction by another route, since a trustee who declines the condition forgoes relief that competitors will take, and that trustees should not be placed in that position by the tax system. The answer given in the text is that the condition is only defensible where the instrument is competitive on its own terms, which is a constraint on the design of the instrument rather than on the trustee.

[46] Gabriel Zucman, A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals, EU Tax Observatory / Brazilian G20 presidency, June 2024. Zucman proposes a coordinated global minimum tax of 2% of wealth per year on billionaires, arguing that income-based reforms cannot reach the core of the problem, since most billionaire wealth consists of unrealised gains that never appear as taxable income at all. On valuation, he notes that roughly half of global billionaire wealth sits in publicly listed shares with an observable market price, and that privately held wealth can be valued using formulas based on book value and profit multiples, as Switzerland already does, drawing on business data tax authorities collect for corporation tax purposes in any case. On avoidance, he points to evidence that the scale of leakage tracks the strength of third-party reporting rather than the tax itself: a 1% wealth tax reduced reported wealth by under 1% in Sweden and Denmark, which have extensive reporting, against 23–34% in Switzerland, which has none. On relocation, he argues capital flight is a policy choice rather than an inevitability, pointing to the US practice of taxing citizens on worldwide income regardless of residence as a precedent for a “trailing tax” applied after departure.

[47] Richard Murphy, Taxing Wealth Report 2024, Finance for the Future / Tax Research UK, April 2024, [taxingwealth.uk](https://taxingwealth.uk). Murphy takes a different approach to taxing wealth from Zucman’s, but with the same ultimate objective. The report sets out around thirty changes to existing UK taxes — rather than a new wealth tax — which Murphy estimates could raise up to £90 billion a year, almost entirely from the best-off tenth of the population. Individual measures include a 15% surcharge on investment income (interest, dividends and rents, with the first £5,000 exempt), taxing capital gains at income tax rates (£12bn a year), restricting pension tax relief to the basic rate (£14.5bn a year), and equalising National Insurance rates across all earned income (up to £12.5bn a year). Murphy’s case is that wealth in the UK is taxed far more lightly than income from work, and that closing that gap through the existing tax system is administratively simpler and faster to implement than introducing an annual wealth tax, which would require new valuation machinery HMRC does not currently have.

[48] Gabriel Zucman, A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals, commissioned by the Brazilian G20 presidency, published 25 June 2024.

[49] The £21 million figure is the author's own calculation, not a figure from a published source. The assumptions are set out here so that readers can test them, and are deliberately conservative.

Starting position: an individual holding £1.01 billion, invested passively. Assumed nominal return on a diversified portfolio, 7% a year. Existing effective tax on wealth, 0.3% a year, per Zucman. Inflation, 2.6%, per ONS. Wealth tax, 2% on wealth above a £10 million threshold.

Without a wealth tax: an investment gain of £70.7 million, less £3.03 million in existing tax, gives £1,077.7 million at year end. Adjusted for inflation that is £1,050.4 million in start-of-year terms, a real gain of £40.4 million, or 4.0%.

With the wealth tax: the bill is £20 million on the £1 billion above the threshold, giving £1,057.7 million at year end, or £1,030.9 million after inflation. A real gain of £20.9 million, or 2.1%.

The result is sensitive to the return assumption. At 6% nominal the real gain falls to about £11 million; at 5%, to roughly £1 million, or break-even; at 9%, to about £41 million. A poor year could erase it altogether — as it could for anyone with a pension invested in the same markets. The claim is not that the gain is guaranteed. It is that a 2% wealth tax roughly halves the rate at which passive wealth compounds, and never touches the principal.

Note that this understates the effect described in the source. Zucman finds that ultra-high-net-worth individuals have seen their fortunes grow by 7.5% a year in real terms over the past four decades, and calculates that a 2% minimum would reduce their net-of-tax return from 7.2% to 5.5%. On those figures the same individual would be around £55 million better off, not £21 million. The lower figure is used here.

Sources: Gabriel Zucman, A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals, commissioned by the Brazilian G20 presidency, published 25 June 2024; ONS consumer price inflation data.

[50] The Digital Services Tax was introduced on 1 April 2020: a 2% charge on UK-derived revenues from search engines, social media platforms and online marketplaces, applying to groups with more than £500 million in global in-scope revenue and more than £25 million from UK users. It raised £380 million in 2021-22, £808 million in 2024-25 and £944 million in 2025-26. Around 90% of receipts came from five business groups in the first year, and only eighteen companies paid it at all. Administration has been notably cheap: HMRC implemented the tax for £6.3 million, below budget. The OBR projects receipts of £1.4 billion by 2030-31. The government reviewed the tax in November 2025 and proposed no changes, while restating its commitment to removing it once an international agreement is in place.

On the underlying avoidance, TaxWatch estimates that seven large US technology groups — Apple, Microsoft, Meta, Amazon, Adobe, Cisco and Alphabet — generated almost £15 billion of profit from UK customers in 2021 but were liable for around £753 million in UK tax, against roughly £2.8 billion had the profits been taxed where earned. An earlier TaxWatch study of five of these companies found estimated UK profits of £8.1 billion in 2018 against £237 million paid, an effective rate of 2.9%. For context, HMRC's own estimate of corporation tax avoidance by all large companies is around £700 million a year — a figure that excludes profit shifting, which is the mechanism at issue here.

On pass-through: the effect varies by business model. Amazon responded to the DST by adding a corresponding fee for marketplace sellers, and there is evidence of similar treatment of advertisers. Advertising revenue is harder to pass on, because auction prices are set by what advertisers will bid rather than by the platform's costs. Any increase in the rate should be designed with pass-through to third-party sellers in mind.

[51] Bank of England Act 1998 and Financial Services Act 2012. The Monetary Policy Committee has nine members: the Governor, three Deputy Governors, the Bank's Chief Economist, and four external members. The Governor and Deputy Governors are appointed by the Crown on the recommendation of the Prime Minister, advised by the Chancellor; the four external members are appointed directly by the Chancellor. Section 11 of the 1998 Act sets the MPC's objectives — price stability, and subject to that, support for the government's economic policy — and section 12 requires the Treasury to specify the inflation target and the government's economic policy objectives at least once every twelve months. Section 19 gives the Treasury a reserve power to direct the Bank on monetary policy where it is satisfied that directions are required in the public interest and by extreme economic circumstances; such an order lapses unless approved by Parliament within 28 days. Under the financial stability framework established by the Financial Services Act 2012 and the Banking Act 2009, the Treasury may direct the Bank in circumstances where public funds are at risk. The point is not that these powers are routinely used — the section 19 power never has been — but that they exist, and that the target, the remit and the appointments are all set by elected government.

[52] Protocol 15 to the Treaties, the United Kingdom's opt-out from the third stage of economic and monetary union, expressly disappplied the central bank independence provisions to the UK, and preserved the Bank of England's Ways and Means facility notwithstanding the prohibition on monetary financing, for as long as the UK did not adopt the euro. Britain therefore held an explicit right to an overdraft at its own central bank for the whole period of its membership thereafter. An acceding state would not inherit that protocol. It would join with a derogation on the euro, as Sweden and Poland did, and the independence provisions apply to derogation states in full; the European Central Bank assesses compliance in its periodic Convergence Reports. On the current treaty text, accession would require the repeal of the Treasury's reserve power of direction under section 19 of the Bank of England Act 1998, and probably a statutory rather than annual specification of the price stability objective. The financing model set out in this report is not affected: borrowing from savers and pension funds through non-tradable instruments is ordinary borrowing from the private sector.

[53] Treasury Committee, Quantitative Tightening, February 2024, citing estimates of lifetime losses across the QE and QT programmes. The OBR's estimate of the lifetime net loss on the Asset Purchase Facility has moved substantially between forecasts: £63 billion in March 2023, £126.0 billion in November 2023, £104.2 billion in March 2024 and £115.7 billion in Autumn 2024. More recent estimates are higher: the House of Commons Library and NIESR both put the net lifetime cost of the APF at around £160 billion. On the Bank's uniqueness: the Treasury Committee records that the Bank was among the first central banks in the world to undertake active QT, and that other major advanced-economy central banks — the Federal Reserve, the European Central Bank and the Bank of Canada — are proceeding with passive runoff only, allowing holdings to mature without replacement. The Bank began active gilt sales on 1 November 2022. The distinction matters: the Bank is not unusual in shrinking its balance sheet, it is unusual in selling into the market to do so. In fairness to the counter-argument, the Bank's Asset Purchase Facility Quarterly Report, 2026 Q2, sets out scenarios in which the debt-servicing savings generated by QE substantially or fully offset the lifetime transfers from the Treasury to the APF, giving a combined range of between -£70 billion and +£65 billion. That analysis concerns the QE programme as a whole rather than the decision to unwind it by active sale, which is the specific policy at issue here.

[54] The Bank of England's staff assessment, August 2025, estimates that quantitative tightening has raised long-term UK interest rates by 15 to 25 basis points cumulatively since February 2022. Applied to the average new UK mortgage of £205,298 over a 25-year term at the prevailing average two-year fixed rate, a 20 basis point increase equates to approximately £24 a month, or £280 a year. Independent estimates run higher: Milas (December 2025) puts the effect at 25 to 37 basis points, which would imply £430 to £530 a year. Average mortgage size from Q1 2026 lending data; average rate from the House of Commons Library, June 2026.

[55] Commercial banks were paid no interest on their central bank reserve balances until the Bank's reformed Sterling Monetary Framework took effect on 18 May 2006. Before that the Bank implemented monetary policy by keeping the banking system short of cash and lending at its official rate, an approach that requires reserves to be scarce.

The 2006 reform was undertaken to reduce the volatility of overnight market rates, which between 2002 and 2006 diverged materially from the official rate; the first of the four objectives set out in Reform of the Bank of England's Operations in the Sterling Money Markets, April 2005, was overnight rates in line with the MPC's rate out to the next decision date with very limited day-to-day volatility. The mechanism was reserves averaging: banks set voluntary reserve targets which they were required to meet on average over the maintenance period between MPC decisions, and balances averaging within a tolerance range around the target were remunerated at Bank Rate. Remuneration was the condition that made a voluntary target viable rather than the object of the reform. Balances under that scheme were measured in tens of billions.

In March 2009, alongside the launch of large-scale asset purchases, the reserves-averaging scheme was suspended and all reserve balances were remunerated at Bank Rate; that is the arrangement still in force. The Bank has since revised the quantity of reserves repeatedly, and is at present transitioning to a repo-led, demand-driven framework in which the stock is set by bank demand through the Short-Term Repo and Indexed Long-Term Repo facilities. The rate paid on the whole stock has not been altered since 2009.

Two points of fairness. The volatility objective that motivated the 2006 reform has been questioned by the Bank's own staff: Osborne, Monetary policy and volatility in the sterling money market, Bank of England Staff Working Paper No. 588, April 2016, finds that overnight volatility had little effect on longer-term rates and none on three-month Libor, and that the results give limited support for prioritising volatility reduction in framework design. Staff working papers do not represent the views of the Bank.

And the Bank's Executive Director for Markets has observed that the framework now being adopted resembles the 2006 arrangement — "you could say it was repo-led and demand-driven" — so the current position is transitional by the Bank's own account rather than settled (Victoria Saporta, Learning by doing, Bank of Finland and SUERF conference, Helsinki, 11 June 2025).

On the size of the balances and the cost: the total stock of UK central bank reserves

fell from £706.7 billion in March 2025 to £643.5 billion at end-February 2026, the reduction driven principally by APF sales and maturities and by repayments of Term Funding Scheme drawings (Bank of England, Report on the Bank's official market operations, March 2025–February 2026). The figure given in the text is the stock multiplied by Bank Rate and is an order of magnitude rather than an audited total. The nearest audited figure is for the largest single component: the Bank of England Asset Purchase Facility Fund Limited Annual Report 2025-26 records interest payable at Bank Rate on the APF loan of £24.6 billion in 2025-26, down from £35.0 billion the previous year, the fall reflecting both the shrinking stock and the lower Bank Rate. Interest on the APF loan and interest on total reserves are distinct quantities and should not be read as the same number. Between 2009 and 2022 the APF transferred a cumulative £123.9 billion to the Treasury before the position reversed; the first quarterly transfer in the opposite direction, from the Treasury to the APF, was made in October 2022.

[56] Shareholding data for Lloyds Banking Group, mid-2026: BlackRock 9.71%, Norges Bank Investment Management 3.39%, Vanguard 3.18%.

[57] On the pre-2006 framework and the change made in 2009, see the note above. The argument for tiering does not depend on returning to a scarce-reserves system, which is not available at current levels. Tiering leaves the marginal pound remunerated at Bank Rate, which is what anchors market rates, and so differs from proposals to end remuneration altogether — costed at around £35 billion a year and assessed by fact-checkers as overstated; neither NEF nor the IFS supports that figure. Estimate: New Economics Foundation, November 2023, that requiring banks to hold 10% of their liquid assets in non-interest-bearing reserves would save £11.5 billion a year, or £55 billion over five years, against around £30 billion paid out in 2023. Ten per cent is below the level operated in the United Kingdom during the 1970s; the European Central Bank's current 1% reserve requirement would save considerably less. The saving scales with Bank Rate and with the stock of reserves, which is falling as the asset purchase facility unwinds, and it is bounded by the Bank's Preferred Minimum Range of Reserves, its own estimate of the reserves the system needs for settlement and precaution, most recently in the region of £365 billion to £515 billion against a stock of £643.5 billion. Tiering below that range would produce scarcity rather than savings, so the practicable saving is a function of the surplus above it and shrinks as quantitative tightening proceeds. On the international comparison: the tiered systems operated by the European Central Bank between 2019 and 2022, and by the Swiss National Bank and the Bank of Japan, were introduced under negative or near-zero policy rates, and in the European case the effect was to exempt part of banks' balances from a negative rate rather than to reduce a payment to them. The comparison establishes that a single rate on the entire stock is not the only available design, not that other central banks have adopted tiering in order to save money. UK Finance argues that remunerating reserves below market rates amounts to a tax on the banking sector, with potential financial stability implications if large enough. Readers who want the full case either way should start with the NEF paper and with Andrew Bailey's lecture on central bank reserves, London School of Economics, 21 May 2024.

[58] Calculated at £37,050 per post per year: a salary of £28,000, employer National Insurance at 15% on earnings above the £5,000 threshold, and an employer pension contribution at 20%, consistent with typical Local Government Pension Scheme employer rates. On this basis £11.5bn covers around 310,000 posts; we round down to 300,000. The figure is a wage bill and does not include buildings, energy or other running costs. The gross cost overstates the net cost. Employer National Insurance is returned to the Exchequer immediately, and income tax and employee National Insurance on a salary at this level return a further sum, giving a certain return of around a fifth before any wider effects. Applying the fiscal return used elsewhere in this report would raise the number of posts affordable for the same net cost by around two thirds. We do not claim that figure as a headcount. Recruitment on that scale would need to be tested against the availability of labour in the way set out in [Chapter 28](#), and the fiscal return depends on those recruited not already being in work.

[59] Following the UK's exit from the Exchange Rate Mechanism in 1992, the government adopted an inflation target and, from 1994, published the minutes of the Chancellor's monthly monetary meetings with the Governor — an arrangement known in the press as the "Ken and Eddie show," after Chancellor Kenneth Clarke and Governor Eddie George. Interest rates remained the Chancellor's decision until operational independence was granted in May 1997. Clarke set out the June 1996 disagreement himself in the House of Commons on 17 July 1996, stating that the minutes published that day showed the Governor had, on balance, thought rates should remain at 6%, and that he had decided to move to 5.75%. He described it as a fine judgement. A general election was required by May 1997 and was held on 1 May. Hansard, HC Deb 17 July 1996. Britannica records that George later acknowledged Clarke had been right to overrule him and hold rates down, as signs of a slowdown became clear through 1995 — a point worth retaining, since the case made here is about the value of publication rather than about who had the better forecast.

[60] On 9 April 2020 HM Treasury and the Bank of England announced a temporary extension of the Ways and Means facility to provide short-term liquidity as the government implemented its Covid-19 support package. Interest was charged at Bank Rate, then 0.1%. The Treasury stated that markets would remain the primary source of financing, that the Covid-19 response would be fully funded through normal debt management operations, and that any drawings would be repaid before the end of the year. In the event the extended facility was never drawn on. It operated as a standby, and its availability was sufficient. The facility is the government's overdraft at the Bank of England and derives from the Bank's founding purpose in 1694, which was to lend to the Crown; a standing balance has been carried on it for most of its history and is published in the Bank's weekly return, and has stood at £370 million since April 2008, when the Debt Management Office completed three part-repayments reducing it from £13.4 billion. EU law prohibits central banks from directly financing public authorities. The UK negotiated an exemption preserving the Ways and Means facility unless it adopted the euro, and that provision survived the UK's departure from the EU. Sources: Bank of England news release, 9 April 2020; Debt Management Office statements on the reduction of the Ways and Means facility, January and April 2008; IMF reporting on the operation of the facility during 2020.

[61] The Asset Purchase Facility peaked at approximately £895 billion, comprising around £875 billion of gilts and £20 billion of sterling corporate bonds, reached in December 2021. Purchases were settled by the creation of central bank reserves, which is the same operation described in this chapter. Two qualifications, since the comparison is doing work here. Quantitative easing purchased assets already in existence on the secondary market and was undertaken as monetary policy to lower long-term interest rates, not as a means of financing expenditure; that distinction is real and is the reason it did not require an exemption from the monetary financing prohibition. And the reserve stock has been falling since active sales began, standing at around £644 billion at end-February 2026. The point made in the text is narrower than an equivalence: the creation of reserves at scale is established practice under the existing framework, and the objection to this chapter's proposal cannot rest on the operation alone.

[62] Article 123 of the Treaty on the Functioning of the European Union prohibits overdraft facilities and any other type of credit facility with the European Central Bank or national central banks in favour of governments or public bodies. Protocol 15, the United Kingdom's opt-out from the third stage of economic and monetary union, expressly preserved the Bank of England's Ways and Means facility notwithstanding that prohibition, for as long as the United Kingdom did not adopt the euro. See also the note to [Chapter 18](#) on the treatment of central bank independence. The concern the prohibition addresses is usually described as fiscal dominance: the risk that monetary policy comes to be conducted so as to accommodate the financing needs of government rather than the stability of prices. The literature on this is substantial and the historical cases are real. This report's response is set out in the text and rests on three things: the constraint on the programme is physical capacity rather than finance, the guardrail governing tranche release is published, and the buffer is required to clear rather than merely to grow more slowly.

[63] Worked at 2026/27 rates. On a salary of £40,000, the employer pays National Insurance at 15% on earnings above the secondary threshold of £5,000, giving £5,250 and a total employment cost of £45,250. The employee pays income tax at 20% on earnings above the personal allowance of £12,570, giving £5,486, and National Insurance at 8% on the same band, giving £2,194. Total receipts to the Exchequer from the employment itself are £12,930, or 28.6% of the cost of the job. The personal allowance, the higher rate threshold of £50,270 and the employer secondary threshold are all frozen until April 2031. Small employers can offset up to £10,500 of employer National Insurance through the Employment Allowance, which reduces the first-round figure for a small contractor but is immaterial for a large one. Rates from House of Commons Library, Direct taxes: rates and allowances for 2026/27.

[64] Office for Budget Responsibility, Economic and Fiscal Outlook, October 2024, Box 3.3, page 82 ([obr.uk/efo/economic-and-fiscal-outlook-october-2024](https://obr.uk/efo/economic-and-fiscal-outlook-october-2024)), drawing on Suresh, N., Ghaw, R., Obeng-Osei, R. and Wickstead, T., OBR Discussion Paper No. 5: Public investment and potential output, August 2024. The OBR estimates the real economic internal rate of return on public investment, measured as GDP produced per pound of upfront cost, at around 9%, rising to 13% when the additional GDP from induced business investment is included. The corresponding fiscal return to the public finances is around 2%, rising to 3%. The difference between the economic and fiscal figures arises because the Treasury captures only part of the GDP created; the OBR's calculations assume an effective tax rate of 40%. That 40% assumption is the figure used in this chapter. It should be read as an average across the whole cascade of activity an investment generates, not as a rate applying to any single transaction.

[65] The stated-policy constraint arises from the Budget Responsibility and National Audit Act 2011, which requires the OBR to prepare its forecasts on the basis of current government policy. The OBR describes the position itself: it is no better equipped to see into the future than other forecasters, and is subject to constraints others are not, including the legal requirement to condition its central forecasts on stated rather than anticipated government policy. Comparators. Confederation of British Industry and Oxford Economics, *Fine Margins*, February 2020, which puts the value created by construction spending at £2.92 per £1 and updates an earlier L.E.K. Consulting estimate of £2.84. This is a gross output multiplier derived from input-output modelling, covering direct, indirect and induced effects; it is not a fiscal multiplier and is not directly comparable with the OBR's. The same applies to the retrofit figure. International evidence: Abiad, Furceri and Topalova, *The Macroeconomic Effects of Public Investment: Evidence from Advanced Economies*, IMF Working Paper 15/95, and *Journal of Macroeconomics*, 2016. An unanticipated increase in government investment worth 1 percentage point of GDP raises output by about 0.4% in the same year and around 1.5% after four years in advanced economies. Demand effects are stronger where there is economic slack and monetary accommodation, and under those conditions the public-debt-to-GDP ratio may decline. Note that the IMF's same-year figure is below the OBR's assumption of 1; the difference between them is persistence rather than magnitude. On horizon: the OBR's own modelling of a public investment uplift worth 1% of GDP shows the effect on GDP rising over time — around 0.5% after five years, and 2.5% over fifty. The benefits are therefore at their smallest at the point the fiscal rules take their reading. Against all of this, three concessions. The Resolution Foundation's evidence to the Treasury Committee estimates that independent fiscal institutions reduce government borrowing costs by the equivalent of £37-55bn a year at current UK debt levels. Julian Jessop of the Institute of Economic Affairs told the same inquiry that the widespread belief that the OBR's forecasting record is poor is largely unjustified. And former chair Richard Hughes told the Committee that OBR forecasts were more accurate and less biased than Treasury forecasts over the first three years of the forecast horizon, though wider of the mark in years four and five. The Treasury Committee inquiry *The OBR: 15 Years On*, opened December 2025, was still taking evidence in June 2026.

[66] The Public Services (Social Value) Act 2012 requires contracting authorities in England and Wales to consider, before procuring services above threshold, how what is proposed might improve the economic, social and environmental well-being of the relevant area. It is a duty to consider at the pre-procurement stage rather than a power to impose conditions; Scotland operates under the Procurement Reform (Scotland) Act 2014. The operative powers are in the Procurement Act 2023, in force from 24 February 2025 and not retrospective, so procurements commenced before that date remain under the Public Contracts Regulations 2015.

Section 18 requires a contracting authority, before publishing a tender notice, to consider whether the goods, services or works could reasonably be supplied under more than one contract and whether those contracts could appropriately be awarded by reference to lots; an authority that decides against lotting must give reasons. Section 19 replaces the most economically advantageous tender with the most advantageous tender.

Section 13 requires most authorities to have regard to the National Procurement Policy Statement, published 13 February 2025, which directs public bodies to spend more with small businesses, charities and social enterprises, to secure good employment conditions, and to take account of priorities in local and regional economic growth plans.

Procurement Policy Note 002 sets a minimum 10% weighting for social value in the overall score and requires social value commitments made during procurement to be reflected in the contract as terms or performance indicators; these requirements are mandatory for central government departments, executive agencies and non-departmental public bodies, and discretionary for other public bodies. One limit should be stated plainly.

Section 23 requires award criteria to relate to the subject matter of the contract, which permits criteria on skills, apprenticeships and employment but not a requirement that suppliers be local. The Government's consultation Public Procurement: Growing British industry, jobs and skills identified this as an obstacle to targeting benefit where it is most needed and proposed removing the restriction in specified circumstances; the Government published its response on 26 March 2026, and no legislation has followed. Local benefit is at present achieved through lot structure and through employment and skills criteria, not through a locality condition.

On payment: sections 68 and 73 of the Act imply thirty-day payment terms into every public contract and every public sub-contract, whether or not the parties write them in, and section 68(6) provides that any term purporting to restrict or override them is without effect; section 88 applies the same terms to regulated below-threshold contracts. The equivalent provision for earlier contracts is regulation 113 of the Public Contracts Regulations 2015. Enforcement is the weak point rather than the drafting.

Section 69 requires authorities to publish payment compliance notices every six months, in force from 1 October 2025. Schedule 7 makes poor payment performance a discretionary ground for exclusion, and an authority may terminate a contract for a supplier's failure to pay its sub-contractors, but both are discretionary and neither is routinely used. For major central government contracts a Cabinet Office procurement policy note already makes payment performance a selection threshold at the bidding stage, requiring suppliers bidding for contracts above £5 million a year to pay 95% of invoices within 60 days and within an average of 45 days.

The proposal here is narrower and different in kind: to make continuing payment performance a condition of holding the contract, applied across the public sector rather than to central government's largest procurements.

[67] Two conditions govern whether the effect is real. The first is slack: if the capacity would have been fully employed in any case, the tax receipts would have arisen anyway and no additional return is generated. The second is displacement: where workers are drawn from other employment rather than from unemployment, the net fiscal gain is smaller than the gross figure suggests. Both are reasons to pace investment against measured capacity rather than to assume the return.

[68] The database referred to is the Unit Cost Database, which brings together more than 600 cost estimates covering crime, education and skills, employment and economy, fire, health, housing and social services, most derived from government reports and academic studies. Its derivation and underlying calculations were quality assured by New Economy in co-operation with HM Government, and it is intended to allow project managers to forecast the costs and benefits of a programme before undertaking detailed cost-benefit analysis. It is used routinely in local authority and combined authority business cases. The estimates require updating, having been compiled some years ago.

No attempt is made here to put a figure on the wider costs avoided. Doing so credibly would require assumptions about how many workers would otherwise have been unemployed and how many were drawn from other employment, which is beyond the scope of this report. The mechanisms are well established: benefit expenditure falls, health costs fall, and long spells out of work are known to depress a person's earnings for years after they return, with the effect most severe for the young.

[69] The UK has recorded a current account deficit in every year since 1984 (Office for National Statistics, Balance of payments, UK: October to December 2025, released 31 March 2026). The deficit was £63.2 billion, or 2.2% of GDP, in 2024, narrowing from a revised £98.3 billion, or 3.6% of GDP, in 2023 (ONS, UK Balance of Payments, The Pink Book: 2025, released 31 October 2025)

[70] Washan, P., Stenning, J. and Goodman, M., Building the Future: The Economic and Fiscal Impacts of Making Homes Energy Efficient, Verco and Cambridge Econometrics, October 2014. The 26% figure is modelled output, not observed data. It is the projected reduction in natural gas imports against a do-nothing baseline, under a scenario in which a national home retrofit programme is funded and delivered as infrastructure investment rather than as a series of time-limited schemes. Import substitution is the principal driver of the wider economic gains the modelling reports. The modelling dates from 2014, so the size of the gain moves with gas prices and it should be read as indicative of direction rather than as a current estimate. The programme, the investment assumptions behind it and the full set of results are set out in [Chapter 21](#). The modelled programme is one of fabric energy efficiency — insulation, glazing and heating efficiency, bringing the housing stock up to a defined standard. It does not assume the replacement of gas boilers with heat pumps, which were not a material part of UK housing policy at the time. The 26% is therefore attributable to reduced demand for gas rather than to fuel switching, and should be read as a floor rather than a ceiling for the effect of the wider programme described in [Chapter 21](#).

[71] Cash ISAs. HMRC, Annual Savings Statistics, September 2025. Cash ISA subscriptions reached £69.5bn in 2023/24, a 67% increase year on year; total ISA subscriptions were £103bn, and the total ISA market was worth £872bn as at April 2024. Lloyds Banking Group projects over £85bn into Cash ISAs in 2025/26. The estimated Exchequer cost of ISA tax relief in 2024/25 is around £9.4bn — the state already subsidises these accounts at that cost without any requirement as to where the money goes. Note that the Cash ISA allowance is due to fall to £12,000 for under-65s from April 2027, the first reduction in any adult ISA limit since 1999.

Redirecting ISA and pension flows. Richard Murphy, Taxing Wealth Report 2024, [taxingwealth.uk](https://taxingwealth.uk). Estimates that if all new ISA funds and 25% of new pension contributions were required to be saved in ways that fund UK infrastructure, including projects linked to climate change, up to £100bn a year could be made available for that purpose.

Pension assets. ONS, Funded occupational pension schemes in the UK: April to September 2025, released 2 April 2026. Private sector defined benefit and hybrid schemes stood at £1,120bn; combined private sector defined contribution and public sector defined benefit and hybrid schemes at £945bn. The composition is shifting: the Investment Association reports defined benefit assets falling 12% in a year to £1.7 trillion, while workplace defined contribution assets rose to £650bn, up 40% since 2019, and the Local Government Pension Scheme grew to £415bn.

Corporate cash deposits. Deposits in currency and repos held by UK non-financial businesses stood at £597bn in 2025, having grown by £126bn since 2019. This figure should be treated as indicative: the OBR notes that measuring corporate cash reserves is difficult, since non-financial holdings are estimated as a residual from aggregate data that also covers financial institutions, and that the apportionment may be too high. Deloitte analysis found that 25% of non-financial FTSE 100 companies hold 80% of total cash reserves — the money is highly concentrated.

Tiered reserves. New Economics Foundation, November 2023. Requiring commercial banks to hold 10% of their liquid assets in reserves paying no interest would save £11.5bn a year, or £55bn over five years, against around £30bn paid out in 2023. Proposals to end interest payments on all reserves, costed at around £35bn a year, have been assessed by fact-checkers as overstated; neither NEF nor the IFS supports that figure. UK Finance argues that remunerating reserves below market rates amounts

to a tax on the banking sector, with potential financial stability implications if large enough.

Active gilt sales. New Economics Foundation, February 2025: halting active QT sales would save up to £13.5bn a year, and slowing them to the 2022–23 pace would save £4.4bn a year. The Treasury's position, set out in the Chancellor's November 2024 letter to the Governor, is that different unwind paces affect the time profile of APF cashflows but are unlikely to have a material impact on the lifetime profit or loss of the facility. NEF's counter is that active sales crystallise real losses, with recent sales at as little as 28% of the original purchase price. Between 2009 and 2022 the APF transferred £123.9bn to the Treasury, before the position reversed.

2% tax above £100m. Tippet et al., King's College London, the Paris School of Economics and the University of California, Berkeley, July 2026. A 2% minimum annual tax on wealth above £100m, net of existing income taxes, would raise £10.4bn in 2026 from fewer than 1,000 households, with administrative costs under 1% of revenue, rising to almost £18bn a year by 2036. Nearly half of revenues would come from fortunes built in finance, real estate and land. The design keeps households liable for up to ten years after leaving the UK.

Wealth Tax Commission figures. Advani, Chamberlain and Summers, A Wealth Tax for the UK, Wealth Tax Commission, December 2020, [wealthandpolicy.com](http://wealthandpolicy.com), with revenue modelling also published by the IFS. An annual tax at 0.6% above £2m raises £10bn a year; a one-off tax at 1% a year for five years raises £260bn above a £500,000 threshold or £80bn above £2m. The Commission estimates that 7–17% of the initial tax base would be lost to avoidance at a 1% rate. A separate study by Tippet at King's College London found that had UK tax residents on the annual rich lists paid 2% on assets above £10m from 1994, at least £160bn would have been raised — while their share of total UK wealth would still have nearly doubled.

Timing. Tax Policy Associates, July 2025, notes that a wealth tax announced in an Autumn 2026 Budget would not produce revenue until January 2030 at the earliest, and more probably January 2031.

[72] Washan, P., Stenning, J. and Goodman, M., *Building the Future: The Economic and Fiscal Impacts of Making Homes Energy Efficient*, Verco and Cambridge Econometrics, October 2014. The modelling projects £3.20 of additional GDP and £1.25 of tax revenue per £1 of government investment, a 0.6% relative GDP improvement by 2030 worth £13.9 billion in that year, up to 108,000 net additional jobs, and a 26% reduction in natural gas imports — the principal driver of the GDP effect. The report was sponsored by a coalition including the Energy Bill Revolution, Kingfisher plc, the Mineral Wool Insulation Manufacturers Association, the Sustainable Energy Association, the UK Green Building Council and Willmott Dixon; the modelling was carried out by Cambridge Econometrics and has been cited in written evidence to several parliamentary select committees. Subsequent modelling by Cambridge Econometrics for Greenpeace in 2022 reached comparable conclusions.

The modelling dates from 2014 and its central mechanism is import substitution, so the value of the projected gain moves with gas prices and should be read as indicative of direction rather than as a current estimate.

[73] Gentoo Group Annual Report 2015/16. The Boilers on Prescription scheme, run in Sunderland from 2013, referred patients with cold-related respiratory conditions into home retrofits at a cost of approximately £5,000 per property, and recorded a 60% reduction in GP appointments, a 25% reduction in emergency admissions and 30% reduction in A&E attendance among participants.

[74] Academic Health Science Network case study on COPD admission avoidance, which puts the cost to the NHS of a COPD-related hospital admission at £1,900 to £5,000 per patient per admission. NHS Digital data indicates a median hospital stay of around three days for COPD exacerbation admissions.

[75] Department for Energy Security and Net Zero, Electricity Generation Costs 2025, published January 2026. Central levelised cost estimates for projects commissioning in 2035, in 2024 prices: large-scale solar PV £44/MWh (range £36–50), onshore wind £41/MWh (range £33–55), fixed offshore wind £59/MWh (range £50–72), floating offshore wind £91/MWh (range £65–121). Hurdle rates, being the minimum internal rate of return required for a project to proceed, are assumed at 6.5–8.9% for solar and onshore wind (central 7.6%), 7.3–10.6% for fixed offshore wind (central 8.9%) and 9.6–13.3% for floating offshore wind (central 10.1%). DESNZ commissioned CEPA to review hurdle rates across thirty power sector technologies and reports a general increase of one to two percentage points on the previous research. The report states that technologies with high upfront capital costs and relatively low operating costs — it names nuclear, fixed offshore wind and solar PV — are particularly sensitive to hurdle rates, because a higher rate sharply reduces the present value of future generation while leaving the initial capital cost relatively unchanged. Note that levelised costs are estimates for a generic plant, exclude land costs, and exclude wider system costs such as transmission, balancing and storage. The retail unit rate of 26.11p per kWh is the Ofgem price cap for electricity, 1 July to 30 September 2026, direct debit customers, including VAT.

[76] House of Commons Library, What costs make up an electricity bill?, CBP-10505, July 2026, drawing on Ofgem price cap data. Under the April to June 2026 cap, the typical direct debit electricity bill was £875, of which wholesale costs were £333 (38%) and network infrastructure charges £214 (23%), the balance comprising balancing services, policy costs, supplier operating costs, metering, bad debt and VAT. Ofgem reports that wholesale costs rose to around 45% of the cap in the July to September 2026 period following the increase in gas prices. On the April 2026 change: Ofgem, Changes to energy price cap between 1 April and 30 June 2026, records that funding for two environmental and social schemes either ended or moved to general taxation from April 2026, saving customers an average of £150, while network costs rose £66 under the RII0-3 price control.

[77] Network charges are a genuine cost of a genuine asset, and the network requires substantial expansion to carry the generation described in this chapter. The question raised here is the rate of return earned on regulated monopoly assets and the destination of that return, which is dealt with in the chapter on public ownership.

[78] Marginal pricing sets the wholesale price in each half-hourly settlement period at the cost of the most expensive unit of generation required to meet demand. Gas plant sets that price in a large majority of periods. The Energy and Climate Intelligence Unit estimates that existing wind generation reduced the wholesale price by up to a quarter in 2024, around £25/MWh, by displacing gas plant from the merit order — an effect that operates within the existing pricing rule rather than replacing it. Reform options, including zonal or locational pricing, are contested within the industry: proponents argue they would reduce constraint costs and locate generation more efficiently, while generators and investors argue they would raise the cost of capital by introducing revenue uncertainty. This report takes no position on which reform is preferable, only that the current rule is a design choice rather than a physical constraint.

[79] The scale of the required return is published by the government itself. The Department for Energy Security and Net Zero assumes a hurdle rate — the minimum internal rate of return needed before a project proceeds — of 8.9% for fixed offshore wind, 7.6% for onshore wind and large-scale solar, and 10.1% for floating offshore wind. Those rates rose by one to two percentage points at the most recent review, which covered thirty power sector technologies. The department is explicit about the consequence: technologies with high upfront capital costs and low running costs are the most sensitive to hurdle rates, because a higher rate sharply reduces the present value of thirty years of future generation while leaving the construction bill unchanged. What that produces is visible in the government's own auctions. In January 2026, contracts for 8.4 GW of offshore wind cleared at £91.20 per megawatt hour in 2024 prices. Solar followed in February at £65 and onshore wind at £72.24. Strike prices are conventionally announced in 2012 prices — offshore wind was reported as £65.45 — which understates them against current money by roughly a third. Three points of fairness. The developers are not overcharging: separate analyses by Aurora Energy Research and Baringa found that an offshore wind strike price of around £94 would have been cost-neutral to bill payers, and the auction cleared below it. The Contract for Difference is a two-way instrument, under which generators pay money back when market prices exceed the strike price, as they did during the gas price spike; it is a price stabiliser, not a one-way subsidy, and it is not the mechanism criticised here. And the department states that its levelised cost estimates should not be read as a direct guide to strike prices, since auction prices also reflect revenue assumptions, transmission losses, route-to-market discounts, decommissioning and contract terms. Nor is any of this a criticism of investors, who are behaving rationally. Capital is allocated to whichever use offers the best risk-adjusted return, and a wind farm in the North Sea has to outbid every other claim on the same money. The observation made here is simply that a state financing the same asset is not in that auction, and does not have to pay what winning it costs. On the 40% figure, see the endnote to [Chapter 19](#). Sources: DESNZ, Electricity Generation Costs 2025, January 2026; DESNZ, Contracts for Difference Allocation Round 7 results, January 2026, and Allocation Round 7a results, February 2026; Energy UK.

[80] National Energy System Operator, Future Energy Scenarios: Pathways to Net Zero 2025, July 2025. Electricity demand in Great Britain is approximately 290 TWh at present, rising to between 705 and 797 TWh by 2050 across three net zero pathways, with generation of 757 to 822 TWh. UK electricity consumption, which includes Northern Ireland, is approximately 322 TWh. FES 2025 raised its 2050 demand projection by up to 17% against FES 2024, attributed in part to faster electrification and in part to lower assumptions about energy efficiency. NESO pathways are explicitly scenarios rather than forecasts, and are constructed against current policy rather than against what policy could be. The figure of 580 TWh is the author's own estimate and not a modelled projection. It is the upper end of a range of roughly 540 to 580, taken deliberately, and is set against a comparably constructed official figure of around 820. Its components: around 250 TWh of useful domestic heat, cut by half through fabric retrofit and delivered at a seasonal performance factor of 3.5, requires around 36 TWh of electricity against around 85 TWh unretrofitted; Great Britain's 412 billion car-kilometres, reduced by 60% and replaced by a public transport network operated at London bus frequencies nationally, require around 53 TWh against around 94 TWh on the official baseline; the remainder assumes direct electrification in place of a large hydrogen economy, together with efficiency in industry and in existing loads. Two qualifications are material. Most of the collapse in heat demand comes from the coefficient of performance of the heat pump rather than from the insulation: halving the heat demand of a house that already has a heat pump saves around 48 TWh nationally, which is a large number but a smaller one than the framing in the text implies. And the electricity saving from modal shift saturates — a 60% cut in car-kilometres saves only around 24 TWh more than a 30% cut, because the network carrying the displaced journeys must itself be run — so the case for modal shift made in [Chapter 25](#) rests on avoided vehicles, road capacity and network reinforcement rather than on terawatt hours. Against that, the official pathways assume movement in the opposite direction: the Climate Change Committee's Seventh Carbon Budget assumes that the lower running cost of electric cars raises car-kilometres by more than modal shift reduces them, and identifies the resulting rebound as something to monitor rather than to prevent. All figures are final consumption rather than primary energy, on both sides of the comparison. Sources: NESO, FES 2025; Climate Change Committee, The Seventh Carbon Budget, February 2025; DESNZ, Energy Consumption in the UK 2025; DfT, Road traffic estimates in Great Britain 2024 and Annual bus statistics, year ending March 2025; Energy Systems Catapult, Electrification of Heat Demonstration Project, which found a median seasonal performance factor of 2.80 in 742 installed systems.

[81] This chapter does not attempt a design for the British electricity system. New nuclear, small modular reactors, tidal, hydro and interconnection all have serious advocates and serious literatures, and the technology is moving quickly. This is a report about economics, not about engineering. The illustration given here is intended to convey the scale and character of the task to a general reader, not to specify a generating mix.

[82] Constraint payments arise where transmission capacity is insufficient to move generation from where it is produced to where it is needed, principally across the B6 boundary between Scotland and England. Total constraint costs in 2025 were approximately £1.35–1.5 billion, comprising roughly £350–380 million paid to wind generators to reduce output and roughly £1 billion for replacement generation, predominantly gas. Comparable costs in 2020 were around £282 million against 3.8 TWh of curtailed wind. NESO forecasts that constraint costs could reach approximately £8 billion a year by 2030 absent network reinforcement, and would remain between £2.8 and £3.7 billion a year even with the planned upgrades delivered. Figures should be verified against NESO's published Monthly Balancing Services Summary before publication, as they are revised.

[83] Technology readiness. Lithium-ion battery storage is fully commercial and deployed at grid scale across Great Britain. Sodium-ion is at technology readiness level 7 to 8, with multi-gigawatt manufacturing capacity commissioned and cell costs at or near parity with lithium iron phosphate; round-trip efficiency is 80–90% against 85–95% for lithium-ion, a difference immaterial for stationary storage. Iron-air batteries are in early commercial deployment, with round-trip efficiency of 40–50% and target capital costs an order of magnitude below utility-scale lithium-ion; the efficiency penalty is economically acceptable where the input is otherwise-curtailed generation. Green hydrogen round-trip efficiency, accounting for electrolysis, compression and regeneration, is approximately 30–35%; it is appropriate only for seasonal storage and as an industrial feedstock. Ofgem operates a cap and floor revenue support scheme for long-duration electricity storage. Separately, perovskite-silicon tandem photovoltaic cells, developed substantially in Britain, offer efficiencies materially above conventional silicon and represent a manufacturing opportunity the UK is well placed to take.

[84] The distribution of cost within a domestic solar installation is heavily weighted towards labour and local services rather than hardware. Panels themselves represent a minority of installed cost at prevailing global module prices; the balance is surveying, scaffolding, roofing, electrical work, inverters, mounting, freight and administration. Figures vary by installation type and should be treated as indicative. China holds over 90% of global polysilicon and wafer capacity, with global manufacturing capacity substantially exceeding global annual installation, which sustains low module prices.

[85] The conversion of Great Britain from town gas to North Sea natural gas ran from 1967 to 1977, converting or replacing approximately 40 million domestic appliances for around 14 million customers, at a peak rate of approximately 2.3 million properties a year, employing in the order of 100,000 people, at a reported cost of approximately £600 million. The programme was planned and delivered by the Gas Council and subsequently the British Gas Corporation, both publicly owned, working region by region in step with the expansion of the high-pressure grid. Households were surveyed in advance and appliances repaired, converted or replaced. Sir Denis Rooke, chairman of British Gas from 1976 to 1989, described it as perhaps the greatest peacetime operation in the nation's history. In 1963 around 70% of UK homes were heated by coal; by 1977 nearly half had natural gas central heating.

[86] The £611 figure is the author's own calculation rather than a figure taken from a published report. The assumptions are set out here so that readers can test them. Baseline, Ofgem price cap for July to September 2026: electricity 2,700 kWh at 26.11p plus £209 standing charge, £914; gas 11,500 kWh at 7.33p plus £106 standing charge, £949; total £1,862. A note on that baseline. From 1 July 2026 Ofgem reduced its Typical Domestic Consumption Values to 2,500 kWh of electricity and 9,500 kWh of gas, which restates the same cap as £1,663. No household's consumption changed. The figures used here are on the previous consumption values, which permit like-for-like comparison with what households have actually been paying, and the proportionate reduction is unaffected by which basis is used. Modelled scenario: insulation reduces heat demand by 40%, taking 11,500 kWh of gas-equivalent thermal demand to 6,900 kWh. A heat pump with a seasonal coefficient of performance of 3.2 meets that with 2,156 kWh of electricity. Adding unchanged appliance and lighting demand of 2,700 kWh gives total electricity demand of about 4,850 kWh. Priced at 12.6p per kWh — a blend of renewable generation costs with network and distribution costs, assuming networks in public ownership and network costs recovered through the unit price rather than a separate standing charge — the annual bill is approximately £611. VAT on domestic electricity falls from 5% to zero from 1 October 2026, worth around £45 a year against the current bill. That change is not assumed in the modelled scenario, and is a further reduction on the baseline rather than on the modelled figure. The result is sensitive to its inputs. A heat pump coefficient of 3.0 rather than 3.5 moves the total by around £40. A retrofit achieving 30% rather than 50% demand reduction moves it by around £150. An electricity price of 10p rather than 15p per kWh moves it by £150 to £250. The plausible range is therefore roughly £450 to £900 — a substantial reduction on £1,862 in every case, but the central figure should be read as an indication of the scale of the prize rather than a precise forecast. Input sources: Ofgem price cap; household consumption via industry averages; CfD strike prices via Energy UK, Allocation Round 7 and 7a results, and Carbon Brief.

[87] Selling at cost is a policy choice, not an automatic consequence of public ownership. A publicly owned system could price above cost in order to fund a discounted social tariff for low-income households, to build a capital reserve for network expansion, or to return a surplus to the Exchequer. Each of those is a decision about distribution, and each has a respectable case. The claim made in this chapter is narrower: that the current price bears little relation to the cost of production, and that the difference is largely the product of the pricing rule and the cost of capital rather than of any physical constraint. What is done with the difference is a separate question. This report does not address the related question of who should receive the benefit of rooftop microgeneration — householder, landlord or public body — which raises issues of property and tenure beyond its scope.

[88] UK territorial greenhouse gas emissions were 371 MtCO<sub>2</sub>e in 2024 (ONS, Measuring UK greenhouse gas emissions, drawing on DESNZ). The UK's consumption footprint, which includes emissions embodied in imported goods, was 699 MtCO<sub>2</sub>e in 2023, or approximately 10 tonnes per person (Defra, Carbon footprint for the UK and England to 2023). Of that ten tonnes, roughly 5.4 arises within UK borders and roughly 4.6 from imports and international travel. The estimated reduction to around 135 MtCO<sub>2</sub>e, approximately 63%, is the author's own calculation of the combined effect of decarbonised electricity, electrified heat and electrified surface transport, and is not taken from a published projection. It excludes agriculture, aviation, shipping, industrial process emissions and imported goods. Reducing imports through domestic manufacture powered by zero-carbon electricity would reduce the footprint figure further, but that analysis is beyond the scope of this report.

[89] Examples of reversal are readily available and span successive governments of different parties, which is the point: the pattern is structural rather than partisan. In 2006 the Code for Sustainable Homes was introduced alongside a commitment that all new homes would be zero carbon from 2016. The Code was withdrawn by Written Ministerial Statement on 25 March 2015 following the Housing Standards Review, and the zero carbon homes requirement itself was scrapped in the Productivity Plan published alongside the July 2015 Budget, roughly nine months before it was due to take effect. An amendment to reinstate it was narrowly defeated during the passage of the Housing and Planning Bill in May 2016. Housebuilders had by then spent a decade preparing to meet it. The Energy and Climate Intelligence Unit estimated that the cancellation would cost households as much as £1 billion in avoidable energy use by the end of 2020, with occupants of affected new homes paying up to £200 a year more than they would otherwise have done; that estimate runs only to 2020, and the homes built to the lower standard since then continue to accrue the cost. The date for ending sales of new petrol and diesel cars has moved four times in eight years: announced as 2040 in 2017, brought forward to 2030 in the Ten Point Plan of November 2020, pushed back to 2035 in September 2023, and restored to 2030 in April 2025. Feed-in Tariffs, introduced in April 2010, were cut in a fast-track review in 2011, reduced by around two thirds for domestic solar from January 2016, and closed to new applicants on 31 March 2019; the UK solar installation industry contracted sharply over that period. The Green Homes Grant was announced in July 2020 with an initial £1.5 billion for domestic retrofit and closed to new applications on 31 March 2021, six months after it opened. The National Audit Office found that it was expected to spend £314 million of the £1.5 billion available, upgrading around 47,500 homes against an initial expectation of 600,000 and supporting some 5,600 jobs against an expectation of 82,500. The £1 billion carbon capture and storage commercialisation competition, launched in 2012, was cancelled in November 2015 shortly before contracts were due to be awarded, after bidders had incurred substantial development costs. In each case the announcement created an investment signal, firms responded to it, and the signal was then withdrawn. The cost falls not only on the emissions foregone but on the supply chain that geared up and then stood down — which is why a programme whose durability rests on lower bills rather than on continuing political commitment is a different proposition.

[90] MCS, the certification body for small-scale renewables, recorded a cumulative total of 1.85 million certified solar PV installations in the UK by the end of 2025, following a record 257,397 installations in that year alone — the highest annual figure on record, exceeding the previous peak set in 2011 during the Feed-in Tariff boom. DESNZ deployment statistics put total UK solar capacity at 22.8 GW at the end of June 2026 across 2,076,000 installations of all sizes, of which the large majority by number are domestic rooftops (DESNZ, Solar photovoltaics deployment, table ET 6.3, published 30 July 2026). The figure of a million in the text is deliberately conservative: MCS certification is not mandatory for rooftop solar, so unregistered systems are not captured, and the MCS count includes some non-domestic installations. Households with a certified installation are eligible for the Smart Export Guarantee, under which licensed suppliers pay for surplus electricity exported to the grid. New build is an increasing share: installations on new build properties accounted for 35 per cent of the 2025 total, and the Future Homes Standard is expected to make solar effectively standard on new homes.

[91] Environment Agency, Event Duration Monitoring — Storm Overflows — Annual Returns, published 26 March 2026 for the 2025 return year. 291,492 spill events were recorded across storm overflows in England in 2025, totalling 1,873,751 monitored hours. Three qualifications are material. The 2025 figure represents a fall of approximately 35 per cent against 2024, with total duration down 48 per cent and average spills per overflow down from 31.8 to 20.5; the Environment Agency attributes much of the reduction to a drier than average year, since storm overflows operate in response to rainfall. Storm overflows are permitted to discharge during rainfall and snowmelt, and a discharge is therefore not in itself unlawful; the Environment Agency takes enforcement action where discharges fall outside permit conditions. And what is discharged is untreated wastewater diluted with rainwater, not undiluted sewage. The figure is given here as a level in a single, comparatively good year rather than as evidence of a trend, because monitor coverage rose from fewer than 1,000 devices in 2016 to every storm overflow in England by the end of 2023, which means year-on-year comparisons across that period are dominated by changes in coverage rather than in behaviour. Comparable annual totals are 301,091 spills in 2022 and 464,056 in 2023, the latter exceeding 3.6 million hours in England's sixth-wettest year on record. Volume is not measured anywhere in the national dataset: event duration monitors detect the level at which an overflow begins to spill and record start and end times only. The water industry's own open data hub confirms the data carries no information on discharge volume or on resulting water quality, and Water UK's assessment, cited by Northern Ireland Water, is that the cost of upgrading monitoring to capture volumes would be better spent addressing the underlying problem than on improving its measurement.

[92] Water UK, the industry body, states that no new reservoir has been built in more than thirty years, and attributes this to Ofwat and previous governments blocking construction. Nine new reservoirs have now been approved, in addition to Havant Thicket, which is already under construction: built by Portsmouth Water under a bulk supply agreement with Southern Water, it broke ground in October 2024, will hold 8.7 billion litres, is due to open in 2029, and is described by the Institution of Civil Engineers as the first major new UK reservoir in over thirty years. The last completed was Carsington in Derbyshire, begun in 1979 and finished by Severn Trent in 1992, three years after privatisation. The industry's explanation is recorded here in full because it does not weaken the point in the text but sharpens it: a regulatory settlement under which the regulator and successive governments could prevent construction for three decades, and under which no company had sufficient commercial reason to overcome that, is a description of the structure rather than a defence of it. On leakage, the regulator's figures are more favourable to the industry than the industry's own: Water UK states that companies have reduced leakage by around 40 per cent since privatisation, while Ofwat's Water Company Performance Report 2024-25 puts the reduction at 43 per cent, from a benchmark of 5,000 megalitres a day at privatisation to 2,869 megalitres a day in 2024-25, the lowest on record. The further 17 per cent reduction by 2030 is a target set by Ofwat rather than an industry undertaking. Both claims are accepted.

[93] Financial Times analysis based on regulatory data and adjusted for inflation, covering the 32 years from privatisation in 1991 to March 2023. The sixteen regulated water monopolies in England and Wales paid £78bn in dividends over the period, against £190bn of infrastructure spending, and accumulated more than £64bn of net debt despite being sold with none. At privatisation the existing debts of the water authorities were written off and public money was injected alongside the sale. Ofwat's own "Historic dividends since privatisation" dataset gives a lower figure — approximately £52.7bn in statutory dividends for 1992/93 to 2023/24 — because it is expressed in nominal terms and records dividends declared by the regulated companies rather than flows through the wider holding structures above them. Other figures in circulation reflect different endpoints and methods: £57bn against £123bn of capital expenditure to 2018 in 2018 prices, from research at the University of Greenwich; £65.9bn cited in the House of Lords in February 2024; £72bn cited in the House of Commons in June 2023. The Financial Times figure is used here because it is inflation-adjusted and set against capital expenditure on the same basis. The direction of the argument does not depend on which is preferred.

[94] Official Report, Great British Energy Public Bill Committee, 8 October 2024, column 6, Q5, in response to a question from Stephen Flynn MP. Juergen Maier is chair of Great British Energy; Dan McGrail is chief executive. The answer is quoted in the sense in which it was given: Maier's position was that additional renewable generation is what lowers prices and that every gigawatt added helps, but that the mechanism by which any saving reaches the consumer is a matter of policy rather than one for the company. That is an accurate account of the company's remit, and it is the remit rather than the answer that is under discussion here.

[95] See the endnote to [Chapter 22](#) on withdrawn climate policy, which sets out the zero carbon homes commitment and the Code for Sustainable Homes, the Feed-in Tariff, the Green Homes Grant and the £1 billion carbon capture and storage commercialisation competition, together with sources and dates. The examples span successive governments of different parties, which is the point: the pattern is structural rather than partisan. In each case an announcement created an investment signal, firms responded to it, and the signal was then withdrawn — so the cost falls not only on the emissions foregone but on the supply chain that geared up and then stood down.

[96] The Spending Review of June 2025 allocated £8.3bn over this Parliament to Great British Energy and Great British Energy – Nuclear together. Around £2.5bn is for the latter, a separate government-owned company established in July 2023 as Great British Nuclear and renamed in June 2025, whose principal current commitment is to small modular reactors. That leaves approximately £5.8bn for Great British Energy itself, of which £1bn is the Supply Chain Fund. The Department for Energy Security and Net Zero rejects the characterisation that Great British Energy's budget was raided, stating that a nuclear role was envisaged from the outset. Great British Energy is not an energy supplier and does not sell electricity or gas to households or businesses; its functions are investment, project development, supply chain support and local power. Its Strategic Plan, published in December 2025, commits it to owning and operating at least 15 GW of clean generation and storage by 2030, to mobilising £15 billion of private finance, to a £1 billion supply chain programme, and to supporting over 1,000 community and local energy projects. None of those commitments takes the form of a forward order book shown to a manufacturer, which is the distinction drawn in the text.

[97] ONS, Housing affordability in England and Wales, 2025 edition. In 2024 the median home in England cost £290,000 against median full-time earnings of £37,600, a ratio of 7.7; in Wales £201,000 against £34,300, a ratio of 5.9. When the series began in 1997 the average home cost three to four times average earnings, and 88% of local authority areas sold homes at under five times earnings; by 2025 that had fallen to 7% of areas. London stood at 11.1 times earnings in 2024, having peaked at 12.9 in 2021. The arithmetic in the text: if nominal prices hold flat while earnings grow 3% a year, earnings rise by around a third over a decade and the ratio falls by roughly a quarter, with no nominal loss to any owner and no mortgage pushed into negative equity. This is materially different from a nominal fall, which can leave recent high loan-to-value borrowers owing more than the asset is worth, as happened in the early 1990s and after 2008. The mechanism is not hypothetical. ONS records that between 2021 and 2025 median house prices rose 5% while average earnings rose 25%, improving affordability in two thirds of local authorities without a nominal correction.

[98] On credit and price: because housing supply responds slowly, an increase in what lenders will advance is capitalised into price rather than into output. Successive decisions expanded that capacity — removal of quantitative lending controls and deregulation of the mortgage market from the early 1980s, falling interest rates from 1992 and again after 2009, and direct demand-side subsidy through Help to Buy and its predecessors. Contemporaneous reporting recorded ministers' awareness that these schemes would raise prices rather than lower them (see, for example, *The Independent*, October 2013, on the intended effects of Help to Buy).

On bank capital: the claim in the text is a matter of published regulation, not inference. Under the standardised approach now in force, a fully secured residential mortgage below 80% loan-to-value carries a 35% risk weight. Lending to an unrated small or medium-sized business carries 100%, discounted by the SME supporting factor to 85% for exposures above €2.5 million and to 76% below it; qualifying retail SME exposures carry 75%, discounted to 64% or 57% on the same basis. Larger banks using internal models are subject to a UK retail residential mortgage risk weight floor of 10%. These weights change on 1 January 2027, when the PRA's final Basel 3.1 rules take effect. Residential weights become more granular, ranging from 20% to 105% by loan-to-value. The SME supporting factor is removed from Pillar 1, the unrated corporate SME weight is set at 85% and the qualifying retail SME weight at 75%, and a firm-specific Pillar 2A adjustment is applied, with the stated intention that removal should not raise overall capital requirements for SME lending. The figures used here are those in force at the date of writing. A bank therefore holds roughly two and a half times as much capital against a loan to a manufacturer as against a mortgage of the same size. Whatever the prudential justification, the effect is a standing regulatory preference for lending against existing property over lending to firms that make things. The rules are not arbitrary — a repossessable asset genuinely does reduce loss given default — but the aggregate consequence is a systematic bias in where credit is allocated, independent of which use generates more productive capacity.

The same risk weights can be expressed as lending capacity rather than capital held. Under the Basel framework's Pillar 1 minimum, a bank must hold total capital equal to at least 8% of risk-weighted assets. A pound of capital held against a mortgage risk-weighted at 35% therefore supports up to  $£1 \div (35\% \times 8\%)$ , or approximately £35.71, of lending; the same pound held against an unrated corporate SME loan risk-weighted at 85% supports  $£1 \div (85\% \times 8\%)$ , or approximately £14.71. The plate rounds these to £36 and £15. The 85% weight is the one applying today to unrated corporate SME exposures

above €2.5 million, and to all such exposures from January 2027; below that threshold the supporting factor currently gives 76%, and £16 rather than £15. The 8% figure is a regulatory floor rather than what banks actually hold: capital conservation and countercyclical buffers, and for larger banks a systemic surcharge, typically push effective requirements to 10–12% or higher, which lowers both figures in absolute terms without changing the ratio between them. This calculation is the author's own, built from the published risk weights above, and has not been taken from a regulatory or industry publication. Sources: PRA Policy Statement PS1/26, Implementation of the Basel 3.1 standards, 20 January 2026; UK Capital Requirements Regulation, Article 501; Bank of England.

[99] Independent Review of Build Out Rates, Rt Hon Sir Oliver Letwin MP, commissioned by HM Treasury and MHCLG, final report October 2018. The review examined large sites and found average build-out periods of around 15.5 years. It found no evidence of deliberate land banking by volume housebuilders intended to distort the market, and identified the absorption rate — the rate at which new homes can be sold into a local market without depressing prices — as the fundamental constraint, explicitly ruling out planning delay, site logistics, infrastructure, remediation and materials or labour shortages as significant causes at that stage. Letwin declined to recommend measures requiring major housebuilders to reduce prices, on the grounds that this would create very serious problems for the housebuilders and potentially for the housing market and the economy as a whole. His remedy was greater diversity of type, design and tenure on large sites, on the basis that a wider product range raises the aggregate absorption rate. This report accepts the diagnosis and draws a different conclusion. The criticism is not of the review's findings, nor of housebuilders' conduct, but of relying on an instrument whose output is constrained by the requirement not to reduce prices.

[100] Planning obligations under section 106 of the Town and Country Planning Act 1990, with the Community Infrastructure Levy, are the principal means by which development contributes to the infrastructure it generates. Where a developer contends that required contributions render a scheme unviable, a viability assessment is submitted using the residual method: expected sale value less build cost, less land cost, less a developer's return, conventionally around 20% of gross development value. National planning guidance provides that the price paid for land should not justify a reduction in policy compliance, and that land value should reflect policy requirements. In practice contributions are frequently renegotiated downwards. The structural criticism is that land value, which is the residual item in the valuation, enters the negotiation as a cost already incurred, which necessarily transfers the adjustment onto the public benefit. On the numbers: 64,760 affordable homes were delivered in England in 2024-25, around 30% of net additions to the stock, of which 58,960 were new build, about 31% of new build completions. But 44% of affordable homes were delivered through section 106 nil-grant agreements in 2023-24, the remainder funded by government grant through Homes England and the Greater London Authority. Developer contributions therefore deliver in the order of one new home in seven; the state pays for most of the rest. Social rent specifically accounted for 9,866 completions in 2023-24 — the highest since 2013-14, and around one new home in twenty. "Affordable" is a defined term meaning, for affordable rent, up to 80% of local market rent inclusive of service charges; it is indexed to market rates rather than to earnings. Sources: MHCLG, Affordable housing supply in England, 2023-24 and 2024-25; Housing supply: net additional dwellings, England, 2024-25.

[101] Compensation for compulsory purchase is governed principally by the Land Compensation Act 1961, under which the assessment includes hope value: the value attributable to the prospect of planning permission, whether or not permission exists. The Levelling-up and Regeneration Act 2023 introduced a power for acquiring authorities to seek a direction removing hope value for certain scheme categories including affordable housing, education and health, subject to a public interest test and ministerial consent; the Planning and Infrastructure Act 2025 has since made further changes to compulsory purchase procedure and compensation, and the Law Commission is reviewing the field with a report and draft Bill expected in 2027. On the duration of permission: a full planning permission normally lapses if development is not begun within three years, but a lawful material operation on site — which can be modest — implements the permission indefinitely. A charge on permitted but unbuilt land would need relief where delay is outside the owner's control, such as withdrawal of development finance, discovery of contamination or insolvency of a contractor, since the purpose is to price the option value of waiting rather than to penalise misfortune. Note the distinction from the Letwin findings: that review examined large sites with detailed permission held by volume housebuilders intending to build, and did not examine land held under option by strategic promoters, permitted sites held by parties who are not builders, or long-stalled sites. On ransom strips: there is no statutory framework governing their valuation. The convention derives from *Stokes v Cambridge Corporation* (1961) 13 P & CR 77, in which the Lands Tribunal attributed to the access land one third of the increase in value of the land it unlocked. It is a principle of valuation rather than of law, was decided on its own facts — *Cambridge Corporation* held adjoining land that would itself benefit, which argued the figure downwards — and has been treated as guidance in later cases including *Wards Construction (Medway) Ltd v Barclays Bank Plc* and *Kent County Council* (1994) 68 P & CR 391. Practitioners report negotiated settlements reaching half the uplift. By contrast, statutory undertakers for water, gas, electricity and telecommunications hold powers to install and maintain apparatus across private land with compensation set by statutory formula rather than by negotiation. Extending an equivalent formula-based easement to development access would require primary legislation but no new institution.

[102] IPPR estimates that local public assets worth around £15 billion have been sold since 2010, much of it to meet revenue pressures under austerity — land and buildings disposed of once and unavailable thereafter. Land acquisition consumes no construction labour and no materials; it is a transfer of title. It therefore sits outside the capacity constraint described in the capacity chapter, and can proceed at a pace the construction workforce could not sustain. Acquiring ahead of designation also avoids compulsory purchase altogether: the process is deliberately protective of the person whose property is taken, and the answer to its slowness is standing powers held by a designated development corporation rather than fewer safeguards.

[103] Development viability gaps, where the value of a completed dwelling is below the cost of building it, are widespread outside the highest-value regions and are the principal reason speculative private development is absent across much of northern England, the Midlands and Wales. Build costs are set largely by national materials and labour markets and vary far less by region than sale values do. Where this condition holds, planning liberalisation has no effect on output, because the binding constraint is not permission but the absence of a commercial return.

[104] Research by Professor Glen Bramley of Heriot-Watt University, commissioned by Crisis and the National Housing Federation in 2018, estimated England's requirement at 340,000 homes a year across all tenures, including 90,000 for social rent, against a backlog of 4 million households in housing need. The Housing, Communities and Local Government Committee endorsed the social rent figure in 2020, finding compelling evidence for at least 90,000 net additional social rent homes a year; the Affordable Housing Commission concurred in 2020 and Shelter restated it in 2024. Bramley revised the near-term figure on capacity grounds in April 2024, proposing at least 300,000 homes including 60,000 to 70,000 social rent to 2030, rising to 350,000 including 90,000 thereafter — a capacity argument identical to the one this report makes. Delivery: 9,561 social rent completions in England in 2022-23; local authority delivery averaging approximately 1,760 a year since 2011; sixty of England's local authority districts delivering none at all across 2023-24 and 2024-25. Historic delivery averaged 126,000 council homes a year between 1946 and 1980, with 154,500 local authority completions in 1967 alone, 46% of all homes built that year. Social housing stock in England peaked at 5.49 million in 1981 against approximately 4.1 million today. Two qualifications. These are England figures; Scotland, Wales and Northern Ireland operate separate systems with separate assessments. And need estimates are modelled from a backlog defined partly by affordability together with projected household formation, so measured need is itself partly a function of price: a programme that reduces prices reduces measured need. This does not invalidate the estimates but should be understood when using them.

[105] Residential density is expressed as dwellings per hectare, and figures should be checked for whether they are gross (full site boundary) or net (developable residential area only), since net figures typically run 1.4 to 2 times higher for the same site. Post-war suburban development was built at around 30 dwellings per hectare and typical greenfield schemes today are 30 to 35. Georgian-style schemes achieve 40 to 60 while commanding a value premium. Victorian terraced development is typically 65 to 75. Kensington and Chelsea, London's densest borough, averages approximately 70; Greater London as a whole around 24. CPRE London estimates that outer London built at inner London's average density would contain some 4.6 million more homes. Bus route economics, retail catchment and the population thresholds for primary schools, general practice and other local facilities are functions of population within a walkable or serviceable distance. Low-density development therefore raises the per-household cost of these services and, below certain thresholds, makes them uneconomic at any price. Britain's post-war experiments with high-density system-built housing produced well-documented failures of construction quality, maintenance and management, of which the Ronan Point collapse in 1968 remains the reference point. The argument here is for density achieved through terraced and mid-rise forms at high design and space standards, and that record is why the qualification matters. Note also that tower construction is more expensive per square metre than terraced or low-rise, so density does not automatically reduce cost per home; the saving described arises from reduced land, road, drainage and utility provision per dwelling, and holds for terraced and mid-rise forms rather than for towers.

[106] Vienna's housing system comprises approximately 220,000 municipally owned dwellings, around a quarter of the city's stock, together with roughly 200,000 limited-profit subsidised dwellings; around 60% of Viennese residents live in one or the other. Eligibility thresholds are set high — of the order of €57,600 net annual income for a single person — so that a large majority of the population qualifies, and tenants are not required to leave if their income subsequently rises. Average rents are the lowest of any major Western European city: around €10.50 per square metre in 2023, against Inner London at roughly three times that, with new limited-profit rents approximately 27% below private market rents in the same city. Three qualifications, since the model is often presented uncritically. Access requires two years' prior residence in the city and, for municipal housing, meeting one of several needs-based criteria. Critics note that a substantial share of higher-income households occupy subsidised housing, which is the intended consequence of universal provision but has distributional effects worth acknowledging. And a significant proportion of the older municipal stock lacks amenities standard in modern housing. The relevant lesson is not that Vienna is perfect but that a large, non-residualised public sector holds down rents across the whole market, including the private part of it. On cost rent: a rent covering debt service, management, maintenance and provision for major works falls in real terms once construction debt is retired, typically over 40 to 60 years, in contrast to a market rent which tracks local earnings and asset values indefinitely. On Right to Buy: approximately two million homes have been sold since the Housing Act 1980. Reforms in force reduce maximum cash discounts to between £16,000 and £38,000, extend cost floor protection from 15 to 30 years so homes cannot be sold below what has been invested in building and maintaining them, and allow councils to retain 100% of receipts and combine them with grant. Further measures announced on 28 April 2026 — a ten-year minimum tenancy, discounts from 5% rising to a 15% maximum, and a 35-year exemption for newly built social homes — are contained in the Social Housing Bill introduced on 14 May 2026 and are not yet law.

[107] Stock figures: ONS estimates that of 25.4 million dwellings in England in 2023, 15.9 million (62.4%) were owner occupied, 5.3 million (20.8%) privately rented and 4.2 million (16.7%) socially rented. Measured by households rather than dwellings, the English Housing Survey 2024-25 gives 65% owner occupation, 19% private rented and 16% social rented of approximately 24.8 million households. These are England figures; UK totals are higher. The mechanism proposed here is novel in combination but not in its parts. The Netherlands introduced *opkoopbescherming* — purchase protection — on 1 January 2022, allowing municipalities to require that homes below a value threshold in designated areas be bought only by someone who will live in them, for four years after purchase. Around 130 municipalities adopted it; Amsterdam applied it citywide at a threshold of €512,000, covering about 60% of owner-occupied homes. Evaluation by Erasmus University and the University of Amsterdam, using Rotterdam's neighbourhood-level implementation as a natural experiment, found investor purchases in regulated areas fell 73%, replaced largely by first-time buyers, with owner occupation rising a full percentage point in a year. House prices did not fall; they rose slightly in the following two quarters. Rents in regulated neighbourhoods rose around 4%, and the researchers found the benefit accrued disproportionately to better-off tenants already close to affording purchase. That finding is the reason for the sequencing argument in the text: the restriction should tighten behind the public building programme, not ahead of it. Ireland has operated the new-build distinction since May 2021: a 10% stamp duty on the acquisition of ten or more residential units within twelve months, with apartments exempted on the explicit grounds that apartment development faces viability constraints and additional cost would reduce supply, and with local authorities and approved housing bodies outside the charge. Planning guidance separately requires new houses and duplexes to be available to individual purchasers for two years after completion. The Irish measure raised only €40 million over three years and was weakened by an exemption for units leased back to the state, which is an argument for calibrating the instrument as a threshold rather than a tax rate. New Zealand applied the same existing-versus-new-build split twice, banning most non-resident purchase of existing homes in 2018 and withdrawing mortgage interest deductibility on existing but not new-build investment property from 2021; both were subsequently reversed by an incoming government — the same vulnerability to repeal identified in Britain's four attempts at betterment taxation. The proposal in the text differs in three respects: the threshold is portfolio size rather than property value or purchaser nationality, so a household letting a single property is unaffected; disposal is restricted to owner-occupiers, so each exit adds to owner-occupied supply; and new build is the deliberate release valve, which directs capital into the one purchasing channel not

limited by the absorption rate.

[108] The risk weights are set out in the endnote to “Follow the money” above. Two points on implementation. Britain already operates macroprudential limits of this kind: the Financial Policy Committee restricts the share of a lender’s new mortgage lending that may be advanced at or above 4.5 times income, so the question is calibration rather than principle. Ireland has run both loan-to-income and loan-to-value limits for over a decade. And the honest objection should be conceded: tighter credit limits favour buyers with family deposits over those without, at least in the short run. The counterfactual is not a world of easy deposits — unrestricted credit is what made deposits large in the first place — but the transition genuinely disadvantages first-time buyers without inherited wealth, which is an argument for pairing credit restraint with public supply rather than deploying it alone.

[109] The incidence of taxation on landlords, and of increased landlord costs generally, falls substantially on tenants where supply is constrained, since rents are set by tenant ability to pay rather than by landlord cost. This is the same incidence analysis applied to the digital services tax in [Chapter 16](#) and is not specific to housing. It follows that measures raising landlord costs should be expected to improve conditions and security without reducing rents, and that reducing rents requires either additional supply or an available substitute at a lower price. The Renters’ Rights Act came into force for private tenancies in England on 1 May 2026, addressing security of tenure, eviction and standards; it is not a measure directed at price and should not be criticised for failing to be one. On rent control: first-generation hard caps applied in isolation have a poor empirical record, protecting incumbent tenants while reducing supply and quality over time. Rent regulation performs better where a substantial public sector already sets a reference price, as in Vienna, than where it is asked to substitute for one.

[110] The New Towns Act 1946 established development corporations with powers to acquire land compulsorily at existing use value, ahead of and independent of the development they carried out, expressly excluding hope value from the assessment. Thirty-two new towns were designated across the United Kingdom between 1946 and 1970, housing over two million people. Infrastructure was financed by fixed-rate Treasury loans on sixty-year terms with interest rolled up, on the expectation that the uplift in land value generated by the development would repay the borrowing. The record is more mixed than the model's reputation suggests, and the reason matters. For the first generation of towns — Stevenage, Crawley, Harlow and their contemporaries — the expectation was, in the government's own assessment in 1985, on the whole fulfilled. For the second and third generations, including Milton Keynes, it was not: the inflation and interest rates of the 1970s and early 1980s outran the land value growth, and the New Towns and Urban Development Corporations Act 1985 provided for financial reconstruction, writing off part of the debt. Most loans had been repaid with interest by 1999, and surpluses on wind-up returned to the Treasury. That failure is an argument for the financing proposed in this report rather than against the model. The land value capture worked; what defeated the later corporations was the cost of the money. The House of Lords Built Environment Committee examined the mechanism in *New Towns: Laying the Foundations* and confirmed that the enabling powers remain available. Sources: Hansard, New Towns and Urban Development Corporations Bill, 28 January 1985; House of Lords Built Environment Committee; Town and Country Planning Association.

[111] Office for National Statistics, Family spending in the UK: April 2024 to March 2025. Average weekly household expenditure on transport was £96.40, fourteen per cent of total household spending and the second largest category after housing, fuel and power at £118.40. Transport spending rose by £8.10 (nine per cent) on the previous year, with the increase driven largely by car purchases.

[112] Transport for the North, Transport-related social exclusion in the North of England, September 2022, with Social Research Associates and Temple. The study combines an accessibility score, built from Department for Transport journey time statistics, with a vulnerability score drawn from the 2019 English Indices of Multiple Deprivation. It finds 3.3 million people in the North (21.3 per cent) living in areas at high risk of transport-related social exclusion, against 16 per cent in the rest of England and 31.5 per cent in the North East. TfN is careful about the claim: the figure describes the population living in areas of high risk, not a count of people currently excluded. High car dependency, compounded by declining bus provision, is identified as the principal driver.

[113] Department for Transport, Annual bus statistics: year ending March 2025. Commercial bus mileage in England outside London stood at 78 per cent of pre-pandemic levels. Commercial mileage was broadly stable between 2005 and 2017 before declining. Accredited official statistics.

[114] Transformative Urban Mobility Initiative (TUMI), Passenger capacity of different transport modes, comparing passengers per hour on a 3.5-metre lane: approximately 1,500 in mixed traffic, 5,000 for buses in traffic, 9,000 in a dedicated bus lane, 12,000 in a dedicated cycle lane and 15,000 on a pedestrianised walkway. These are engineering estimates of theoretical corridor capacity under favourable conditions rather than observed British averages, and comparable figures are published by the Institute for Transportation and Development Policy and by NACTO. Segregated light rail and heavy rail corridors carry higher volumes again, though the comparison is less direct because they cannot be laid in a general traffic lane without reconstruction. The ranking between modes is not in dispute; the absolute numbers vary by source and by assumed vehicle occupancy.

[115] Department for Transport and DVLA, Vehicle licensing statistics, United Kingdom: 2025. 34.5 million licensed cars at the end of 2025, out of 42.3 million licensed vehicles.

[116] Libraries of things. The first UK library of things opened in 2015; there are now well over a hundred, some run by councils, some by co-operatives and some by charities. Edinburgh Tool Library holds an inventory of several thousand tools across multiple sites, staffed by a small part-time team and over a hundred volunteers, and estimates cumulative savings to member households of approximately £3 million; annual membership is around £30 against average UK household expenditure on tools of roughly £110 a year. The London Borough of Waltham Forest operates a Library of Things as a council service. The frequently quoted figure that the average power drill is used for thirteen minutes over its lifetime is folklore rather than research: published estimates range from six to twenty minutes and none traces to a primary study. It is repeated here because the order of magnitude is not in dispute and the precise figure does not affect the argument. Beside it: a wallpaper stripper, a carpet cleaner, a pressure washer, a gazebo. Things bought once, used twice, stored for a decade.

[117] Urban tree canopy. Energy and Climate Intelligence Unit analysis of Copernicus satellite data covering 767 European towns and cities, July 2026: the average UK urban area has 17.9% tree canopy cover against a European average of approximately 30%, placing the UK 31st of 38 countries. Of 47 UK urban areas in the dataset, 45 fall below the European average and none appears in Europe's top 200. London is at 18%, ranked 565th. Comparators include Nice 39%, Barcelona 31%, Madrid 29% and Marseille 28%. Forest Research's separate citizen science assessment of 5,749 UK urban wards gives an area-weighted mean of 17.3%, with low canopy cover associated with deprivation in England. Note that satellite and ground-survey methods produce different figures for the same places; the gap against European comparators appears in both.

[118] Facility closures. Research by the GMB union, supported by a coalition including the Local Government Association, Swim England and ukactive, indicates approximately 500 public swimming pools have closed in Great Britain since 2010, with nearly half closing in the last five years, representing a loss of more than 34,000 square metres of water space. The coalition reports that 60% of remaining pools are beyond their expected lifespan or require refurbishment, and that 30% of children in Year 7 cannot swim 25 metres competently, up from 27% in 2017-18. On libraries: BBC Shared Data Unit research recorded 343 library closures between 2010 and 2016 with 8,000 jobs lost, and a further 180 or so closed or transferred to volunteer operation by 2024, with around 950 surviving libraries reducing opening hours and over 2,000 further jobs lost. Estimates of total closures since 2010 are around 800. Figures vary with definition, particularly over whether volunteer-run libraries count as open.

[119] Youth services. YMCA England & Wales annual analysis of local authority youth service expenditure, published February 2026: councils in England spent £419 million on services for young people in 2024-25, a real-terms fall of 76% since 2010-11, representing a loss of £1.3 billion a year. The number of council-run youth centres in England has fallen from 917 to 427 over the same period, with the count falling 11% in a single year, and one in twelve councils reporting no youth centres at all. Full-time equivalent youth worker numbers fell by approximately a third between 2012-13 and 2023-24, to 1,662. Spending per five-to-seventeen-year-old in England was £50.09 in 2023-24, against £97.83 in Wales. The government's National Youth Strategy is backed by an initial £85 million together with £100 million from the Dormant Assets Scheme. Note that part of the 2024-25 fall reflects a change in how councils report expenditure on the Holiday Activities and Food programme; YMCA adjusts for this, and reports that the majority of the decline is real.

[120] On the economics: shared public facilities are, in the technical language, non-rival at the margin over their normal operating range — the cost of an additional user is close to zero until the facility approaches capacity. Charging for access therefore does not allocate a scarce resource efficiently; it excludes users from capacity that has already been paid for. This is the standard case for public provision of such goods and is not contested in economics. The distinction that matters for this report is between capital and revenue. The investment arguments in Section 4 address the cost of building; the recurring cost of staffing and maintenance falls on annual local government revenue, which is why the tax measures in [Chapter 16](#) and the monetary savings in [Chapter 21](#) carry the load here rather than any financing mechanism.

[121] Sir Michael Marmot, the Whitehall studies. The first followed over 17,000 male civil servants from 1967 and the second over 10,000 men and women from 1985. Both found a social gradient in mortality and morbidity running the full length of the occupational hierarchy rather than a threshold effect at the bottom, and identified degree of control over one's work, together with the balance between effort and reward, as the principal explanatory factors once income, diet and smoking were accounted for. See also Marmot, *The Health Gap* (2015), and the Marmot Review, *Fair Society, Healthy Lives* (2010), and its ten-year follow-up.

[122] Collective bargaining coverage in the UK fell from approximately 80% of employees in 1979 to around two in five today, one of the sharpest declines in the OECD. The Department for Business and Trade's trade union statistics for 2025 record 39.9% of employee jobs as having pay set with reference to a collective agreement, on the Annual Survey of Hours and Earnings basis the Department treats as its primary measure — 89.6% in the public sector and 19.5% in the private sector. The Labour Force Survey series gives a lower figure, 26.1%, because it asks whether pay is directly affected by an agreement between the employer and a trade union, where ASHE asks only whether pay is set with reference to an agreement affecting more than one employee. The Department notes that the ASHE question encompasses broader criteria. The gap between the two is almost entirely a public sector phenomenon, and is consistent with a public sector in which most pay is administered rather than negotiated: pay for a large part of it is determined by review bodies whose members are appointed by ministers, which operate under an annual remit letter, which receive Treasury evidence on affordability, and whose recommendations ministers may accept or decline. This is a materially different interpretation of 'collective bargaining' from being represented by a trade union negotiator.

On the wage premium: the same statistics report that private sector union members have recently seen slower wage growth than non-members, making the private sector premium estimate marginally negative, while cautioning that the figure is heavily influenced by other differences between union and non-union employees and that collectively agreed pay generally applies to non-members in the same bargaining unit. Academic estimates using matched-sample methods find a substantially larger raw premium. The argument made in the text does not rest on the size of the individual premium: it is that a premium confined to individual workplaces in a national labour market should be expected to be small, which is an argument for the level at which bargaining takes place rather than against bargaining. On turnover: the association between union recognition and lower voluntary quit rates is long established and is the most robust of the employer-facing findings. The relationship between unionisation and productivity is contested in the literature and no weight is placed on it here. Recorded sickness absence is in some studies higher in unionised workplaces, which is consistent with employees having sick pay and job security and using it; the point made in the text is that the underlying health cost does not disappear in insecure work, it is transferred to the health and benefits systems. The 40% figure for the proportion of public spending returning to the Exchequer is discussed in [Chapter 20](#).

[123] Scotland's Just Transition Commission is a statutory advisory body established by the Scottish Government. Its 2025 report on Aberdeen and the North East found that the decline of North Sea production has been under way for a quarter of a century, that the current path is not delivering a just transition, that there is still no transition plan for oil and gas workers, and that a transition whose pace and sequencing are determined mainly by turbulent commodity prices will be unjust. The workers' proposals referred to are set out in the Our Power report, produced by Platform with Friends of the Earth Scotland and Greenpeace on the basis of consultation with offshore oil and gas workers, and backed by Unite the Union Scotland, RMT, PCS and Unison Scotland. Its principal demands are a jobs guarantee providing equivalent alternative employment or funded retraining with a negotiated wage and conditions floor, the expansion of sectoral collective bargaining across the energy industry and its supply chain, expanded public ownership of energy generation, and investment in domestic manufacturing and skills. The two documents are cited here as a matched pair, in the same way as the wealth tax proposals in [Chapter 16](#): one from organised labour, one from a government-established commission, reaching compatible conclusions from different starting points. An energy sector Skills Passport, intended to allow workers to move between oil and gas and other offshore energy work, was introduced in early 2025; no assessment of its effect is yet available.

[124] Cambridge Industrial Innovation Policy, Science and engineering workforce, UK Innovation Report 2026. The share of UK Bachelor's degree graduates in engineering, manufacturing and construction was 8.9% in 2023, against an OECD average of 12.6%, China 33.2%, Germany 24.7%, Korea 20.8%, Mexico 18.7% and Japan 16.3%. The same source records that the UK performs strongly on overall tertiary attainment, with 60.6% of 25-to-34-year-olds holding a degree against an OECD average of 47.6%, and that 41.3% of new Bachelor's graduates are in STEM or health disciplines, comparable to the USA at 41.7% and Germany at 41.4%. The shortfall is specific to engineering, manufacturing and construction, not to graduate output generally.

[125] Institution of Mechanical Engineers, Engineering the UK's Future, which puts annual demand at 124,000 engineers and technicians against an annual shortfall of 37,000 to 59,000. Cambridge Industrial Innovation Policy, UK Innovation Report 2026, records that 76% of engineering employers reported difficulty recruiting workers with the required skills in 2025, and describes the shortages as structural rather than cyclical.

[126] Stonehaven research, reported by the Institution of Mechanical Engineers, estimating 59,000 engineering roles unfilled annually and at least 184 major engineering projects worth £542 billion at risk, including HS2, hospital infrastructure and renewable energy developments. This is consultancy research rather than an institutional study.

[127] The table summarises the legal position as this report understands it and is intended as a guide rather than as legal advice; each item is discussed in the relevant chapter. Several entries warrant amplification. ISA eligibility rules are set by Treasury regulations and have been amended repeatedly, most recently in relation to the cash ISA allowance, so directing a category of ISA towards infrastructure requires no primary legislation. The Ways and Means facility is the government's overdraft at the Bank of England; it was extended in April 2020 during the pandemic and, although the extended facility was never drawn on, the arrangement establishes that the mechanism is available and operable. The Levelling-up and Regeneration Act 2023 permits acquiring authorities to seek a direction removing hope value for specified categories of scheme; the extent of its use in practice is discussed in the housing chapter. On the Bank of England: section 12 of the Bank of England Act 1998 requires the Treasury to specify the inflation target and the government's economic policy objectives at least annually, which is the instrument referred to as the remit letter. On water: the special administration regime under sections 24 and 25 of the Water Industry Act 1991 may be invoked not only on insolvency but where a company is failing its statutory functions to such an extent that transfer to a new owner is the only reasonable way to protect customers; section 153 permits the Secretary of State, with Treasury consent, to fund the company directly, with government repayment ranking ahead of other creditors. On sectoral bargaining: the Employment Rights Act 2025 received Royal Assent on 18 December 2025 and provides for an Adult Social Care Negotiating Body, to be established by regulations, bringing unions and employers together to negotiate pay, terms and conditions across the sector, with equivalent powers for Scottish and Welsh Ministers. The Government published its response to the design consultation on 16 July 2026, with regulations expected in October 2026, first negotiations in 2027 and a first agreement by April 2028. The enabling power exists and is being used; what does not yet exist is a general power extending the model beyond adult social care. The Social Housing Bill was introduced on 14 May 2026 and was before Parliament at the date of writing. On electricity: the Review of Electricity Market Arrangements ran from 2022 and reported on 10 July 2025. The government reviewed how electricity is priced, took three years over it, and decided to keep the model it has. The question the review asked was whether Great Britain should move to zonal pricing or retain a single national market; it chose a reformed national market. The rule under which the most expensive generator dispatched sets the price paid to all of them was not what was under review. That framing is the point. Successive governments have treated the prices that rule produces as an emergency — an Energy Profits Levy from May 2022, an Electricity Generator Levy from January 2023, and household subsidy

through the Energy Price Guarantee and the Energy Bills Support Scheme — while leaving the rule that produces them in place. The powers to change it sit under the Energy Acts. They were not used.

[128] On the EU comparison: KfW, established in 1948 and owned by the Federal Republic and the Länder, has a balance sheet in the hundreds of billions of euros and operated throughout Germany's EU membership. Électricité de France was majority state-owned throughout the period and was fully renationalised in 2023. Cassa di Risparmio di Roma performs a comparable function in Italy. The NextGenerationEU instrument agreed in 2020 authorised borrowing of up to €750 billion in 2018 prices, equivalent to around €800 billion in current prices. State aid rules constrain the form and justification of public support rather than prohibiting public investment as such, and the largest EU economies have maintained substantial state development banking throughout. On the treaty provisions referred to: Article 123 of the Treaty on the Functioning of the European Union prohibits central bank credit facilities to public bodies, and Article 130 requires that national central banks neither seek nor take instructions from governments. Sweden is required by treaty to adopt the euro but has remained outside the exchange rate mechanism since 1999, with the practical consequence that the convergence criteria are not met.

[129] Protocol 15 to the Treaties, the United Kingdom's opt-out from the third stage of economic and monetary union, expressly disapplied the central bank independence provisions to the UK, and preserved the Bank of England's Ways and Means facility notwithstanding the prohibition on monetary financing, for as long as the UK did not adopt the euro. Britain therefore held, and used, an explicit right to an overdraft at its own central bank for the whole period of its membership. Denmark holds a permanent derogation on the acquisition of second homes under Protocol 32. Sweden has remained outside the euro since 1999 by not joining the exchange rate mechanism, a precondition it is under no deadline to meet. An acceding state would not inherit Protocol 15. It would join with a derogation on the euro, as Sweden and Poland did, and the independence provisions apply to derogation states in full; the European Central Bank assesses compliance in its periodic Convergence Reports. On the current treaty text, accession would require the repeal of the Treasury's reserved power to direct the Bank under section 19 of the Bank of England Act 1998, and probably a statutory rather than annual specification of the price stability objective under section 12. The Ways and Means facility would not survive in its present form. The financing model set out in this report would: borrowing from savers and pension funds through non-tradable instruments is ordinary borrowing from the private sector, and is not affected. One further mechanism would need redesign. Conditioning pension and ISA tax relief on domestic investment is a restriction on the free movement of capital, and the European Court has consistently struck down tax rules that favour domestic holdings. The condition can be written on asset class, duration and illiquidity instead of geography. Long-dated infrastructure debt qualifies wherever it is issued, and British projects attract the money because they are the ones being originated at scale. That is a better instrument in any case, and it is the one this report proposes.

[130] UK national debt peaked at 252% of GDP in 1946, the year of both the National Health Service Act and the National Insurance Act (House of Commons Library). The OBR gives close to 250% of GDP for 1946-47; other measures range from 238% to 270% depending on whether gross or net debt is used. Parliament's research notes two differences between that period and the present. Around a third of government debt was in the form of US post-war loans on concessional terms — a genuine disanalogy. And capital and foreign exchange controls meant British lenders could not freely buy foreign government bonds, leaving fewer alternatives to UK government debt. The second is not a disanalogy but a description: a captive domestic market for government debt is precisely what the proposals in Section 4 set out to rebuild by consent rather than by exchange control.

[131] Nationalisation dates: Bank of England Act 1946; Coal Industry Nationalisation Act 1946, vesting day 1 January 1947; Transport Act 1947, creating British Railways from 1 January 1948; Electricity Act 1947, effective 1 April 1948; Gas Act 1948, effective 1949; Iron and Steel Act 1949, effective 1951. By 1951 the nationalised industries accounted for approximately one fifth of the British economy. Conditions of the period, including the extension of rationing after the war, the first rationing of bread in 1946, the 1947 balance of payments crisis and the winter of 1947, are described in the National Archives' education resource on the Attlee government.

[132] Every project is different and no single figure describes them all. Recent British experience runs at roughly four to six years from development consent to first power. Hornsea 1 was consented in 2014, began construction in January 2018 and delivered first power in February 2019. Hornsea 2 was consented in 2016 and reached first power in December 2021, fully operational the following August. Outer Dowsing received consent in February 2026, with construction expected from 2027 and first power in 2030. Several of these programmes spanned the pandemic, which delayed almost everything. Two things are worth noting. The figure used here is consent to power, which is the part a government controls least; the phase before consent — leasing, survey, environmental assessment, grid agreement — commonly runs longer than the construction itself, and grid connection dates have been the binding constraint on some projects rather than any physical difficulty at sea. And the six-year figure is used illustratively, to make a point about the difference between the speed of a decision and the speed of construction. It is not a delivery estimate.

[133] The Downs-Thomson relationship is named after Anthony Downs, who described it in 1962, and J. M. Thomson, who set it out independently in 1977. It is not the same as induced demand, though the two are often confused. Induced demand says that new road capacity generates new traffic until the road is as congested as before. Downs-Thomson says something more specific about where that congestion settles: on a corridor with a parallel public transport route, the equilibrium speed of driving tends towards the door-to-door speed of the alternative. People switch modes until the two are about equally unattractive. The consequence is counter-intuitive and it is the reason this report treats transport as a system rather than a set of separate schemes. If road capacity is expanded while the alternative stays the same, some passengers switch to driving. Fewer passengers means less revenue, which means reduced frequency, which means longer waits, which pushes more passengers into cars. The equilibrium moves down. Run the mechanism in reverse and it works in your favour: a faster, more frequent, better integrated network raises the speed at which driving stops being worth it, and congestion settles at a lower level. The reinforcing effect on the public transport side is sometimes called the Mohring effect, after Herbert Mohring's 1972 work on economies of scale in scheduled services. Higher patronage justifies higher frequency, higher frequency reduces average waiting time, and reduced waiting time attracts further patronage. Two qualifications. The relationship holds most clearly on corridors where a genuine parallel alternative exists, which in much of Britain it does not, and that absence is the point. And it describes a tendency, not an arithmetic law; the equilibrium is affected by parking cost, fares, land use and much else. It is well established in the transport economics literature but it is not a formula into which numbers can be fed.

[134] This is a description of what becomes possible, not a proposed rule. When a child travels alone is a decision for their parents and nobody else, and no government should have a view on it. The point is that the decision is currently made under constraints that are not natural. The largest international study of children's independent mobility surveyed more than 18,000 children aged seven to fifteen across sixteen countries between 2010 and 2012. Finland ranked first on almost every measure. England ranked seventh. The single biggest factor cited by parents for restricting their children was fear of traffic. See Shaw, B. et al., *Children's Independent Mobility: an international comparison and recommendations for action*, Policy Studies Institute, 2015. Finnish children are not braver and Finnish parents are not more relaxed. They are making a different calculation because the streets, the services and the distances are different. Free travel and a reliable network do not make the decision for a parent. They change the terms on which it is made.