

Re-building the Fabric of our Local Communities

Background

Despite Department and Agency-led initiatives, including the Rented Housing Sector report of 20 June 2013, the Affordable Housing Guarantee Scheme and the 2013-15 Affordable Homes Guarantees Programme Framework, there has still been reluctance on the part of UK Pension Funds to invest in this area of “*Community Infrastructure*”, together with care, education and health.

The Pensions Infrastructure Platform is a further example of Treasury and the NAPF signing a Memorandum of Understanding, but will investment flow to Community Infrastructure or mainstream General Infrastructure, such as HS2, roads, airports, utilities etc?

There is a need for Government to separate out Community Infrastructure (care, education, health and housing) in its overall strategic thinking, setting specific goals and targets.

There is no shortage of willing institutional investors in General Infrastructure, but only for existing income producing portfolios in Community Infrastructure.

There is a growing groundswell of opinion in the Local Government Pension Scheme (LGPS) sector that there is undue pressure coming down from the DCLG, Government, the Pensions Regulator and HM Treasury for investment in local Community Infrastructure, with evidence that Independent Investment Advisors to the funds are confirming this is a “conflict of interest”

The Idea

The long-term National crisis in Community Infrastructure investment requires a long-term National solution, provided by a generational “*Big Political Idea*” similar to the formation of The National Health Service.

We propose that the Government sets up “*The National Wealth Service Community Infrastructure Fund*” to facilitate investment specifically in to the four key areas of care, education, health and housing.

Similar to the Green Bank, this fund would act as the repository for both Government and institutional investment monies, would be Government-backed with specialist functions privately delivered and a communication strategy to engage with the public consciousness similar to that of the Government-backed Money Advice Service.

To ensure that *The National Wealth Service Community Infrastructure Fund* is an attractive investment proposition, Central and Local Government will need to:

- Recognise Community Infrastructure as a separate entity and class of investment from General Infrastructure, with requisite strategic thinking and definitions
- Earmark £500m - £1bn of Government Investment, re-deployed from areas such as the £40bn Housing Guarantee Framework
- Provide an income covenant for the long-term use of facilities that are built



The National Wealth Service Model, which was explained at length via a response to the Treasury call for evidence on Reform of the Private Finance Initiative, deadline 10 February 2012, and subsequently placed in to the public domain, ensures complete transparency to all stakeholders, fair but not excessive profits and investment returns, whilst satisfying all value for money criteria with the Citizen at the heart of decision-making not political expediency.

Benefits

Just as *The National Health Service* changed the way in which the health of the Nation was viewed after WWII, *The National Wealth Service* can make a step change in the infrastructure of our communities:

- Providing an investment structure that will be attractive to pension funds, particularly Local Government schemes, alleviating any potential conflicts of interest through diversification of projects and geographical locations
- A trusted brand name “*The National Wealth Service*” that will bring together all the Coalitions policy strands in this area, gaining public recognition for the significant improvements the Coalition has made
- A generational Community Dividend through long-term job creation and Community Infrastructure renewal, with an Environmental Dividend through the utilisation of cutting edge technologies

Next Steps

NWS Fund Managers LLP has lobbied Government for over three years, meeting with The Right Honourable Nick Hurd MP, Gordon Birtwistle MP, Officials from the Treasury, the Education Department and the Department for Communities and Local Government, together with individual constituency MP’s and Select Committee Members, it is now seeking the backing of the Treasury Secretary.

Given the lead time for pension fund investment (typically 12 months, but considerable work already completed) we would recommend that the Government moves without delay to set up pilot schemes with NWS Fund Managers LLP, under *The National Wealth Service* brand.

Two constituencies in particular have provided consistent support and expressed interest, Liberal Democrat- held Leeds North West and Conservative-held Mid Norfolk.

We estimate that an initial pilot investment of c£100m from Government into *The National Wealth Service Community Infrastructure Fund* would be sufficient to enable re-engagement with institutional investors and their advisers, who have expressed an interest if Government backing can be achieved.

NWS Fund Managers LLP would like to Partner with Government in this initiative, making available their investment sector expertise and knowledge, together with their extensive contacts in the development industry, to initially facilitate the pilot schemes, attracting institutional investors and ensuring value for money for all stakeholders.

Conclusion

The National Wealth Service brand will provide the trusted instant public recognition that is needed for this Generational “*Big Political Idea*” it will then immerse itself in to the long-term public consciousness, whilst *The National Wealth Service Community Infrastructure Fund* facilitates and re-builds the Fabric of our Local Communities.