

Treasury Committee

Oral evidence: National Wealth Fund, HC 806

Wednesday 14 May 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Glen; Dame Siobhain McDonagh; Lola McEvoy; Dr Jeevun Sandher.

Questions 1 - 72

Witnesses

I: Chris Cummings, Chief Executive, Investment Association; Joe Dharampal-Hornby, Head of Public Affairs and Communications, UK Sustainable Investment and Finance Association; Signe Norberg, Head of External Affairs, Aldersgate Group; Richard Threlfall, Policy Fellow, Institution of Civil Engineers, and Global Head of Infrastructure, Government and Healthcare, KPMG International.

Examination of witnesses

Witnesses: Chris Cummings, Joe Dharampal-Hornby, Signe Norberg and Richard Threlfall.

Chair: Welcome to the Treasury Committee on Wednesday 14 May 2025. Today we are starting an examination of the National Wealth Fund. This was announced by the Chancellor of the Exchequer as an extension to the old UK Infrastructure Bank, which is now becoming the National Wealth Fund, with additional funding from Government. I am pleased to welcome our witnesses today to discuss how this is going to work in practice, supporting businesses to invest.

I am pleased to welcome Chris Cummings, chief executive of the Investment Association; Joe Dharampal-Hornby, head of public affairs and communications at the UK Sustainable Investment and Finance Association, or UKSIF; Signe Norberg, head of external affairs at the Aldersgate Group; and Richard Threlfall, policy fellow at the Institution of Civil Engineers and global head of infrastructure, government and healthcare at KPMG International. A warm welcome to you; I think Mr Threlfall gets the longest title award today. We are pleased to welcome you and keen to hear from you how you think this will work.



Q1 John Glen: I would first like to address the size of the fund and the sufficiency of it. There has been some commentary about how dissimilar or similar the National Wealth Fund is to its predecessor, the UK Infrastructure Bank. There is a £5.8 billion difference in the amount of money. I wonder whether each of you in turn could comment on how significant a difference you think this will make in the context of the growth narrative of the Government.

Chris Cummings: I am delighted to be able to give evidence in front of the Committee today. It is a privilege. We are great supporters of the National Wealth Fund. We think that it is building on the firm foundations laid by the current predecessor organisation. We would argue that it needs time to develop. It is building on firm foundations, but still has a long way to go.

For us, its new strategic direction, as set by the Chancellor, is talking to the right issues on climate change and local and regional growth. Of course, it is starting with somewhat limited firepower. Even with the injection of further resources, it is still starting with limited firepower. If you were to look internationally at how the NWF could be compared with similar organisations, the Norwegian oil fund is looking after some \$1.7 trillion. The Australian Future Fund has around 290 billion Australian dollars. Even the German KfW has €626 billion under management.

We would argue for a degree of patience to make sure that the firepower of the NWF is applied appropriately, that it sticks to its four guiding investment principles that are so well laid out and that it bears in mind three things. The first is that it should be additive. It has a great role to play in helping to build market competence and confidence for regional investment and investing in new areas, whether that is green steel or hydrogen capture. Additionality is the first thing.

The second thing is working in partnership with existing investors. That is where the crowding-in benefit can show through in its commitment for a 1:3 ratio. We could be even more ambitious than 1:3 as markets get normalised.

The third thing is that it should be focused on sharing the expertise that it gains through its activities with the rest of the market. That will help existing and future investors learn from the NWF experience.

If I was to have a final word of caution, I would highlight the statement that the NWF itself makes, which is that it is not there to bail out failing businesses. That is so important if it is going to continue to build its reputation as an investor of calibre and international standing.

Q2 John Glen: Can I follow up on that before I move to the other witnesses? The business plan for the UK Infrastructure Bank made some assessment of the balance between debt, equity and guarantees. As I understand it, the National Wealth Fund has now added five new sectors. You have already said, Mr Cummings, that it is a relatively small amount of money.



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It needs time to bed in. Is there not a risk that, with those five additional sectors, the actual opportunities in terms of investable propositions are very modest indeed?

Chris Cummings: There are examples already, such as the Octopus infrastructure fund, where the NWF and its predecessor acted as the anchor investor, providing the initial confidence to the market that then attracted investment in. The individual investments from the NWF do not need to be huge per se, but there needs to be a laser-like focus on creating that additionality and working with understanding the market dynamics, so that other investors are crowded in. Otherwise, there is a risk that, in trying to let a thousand flowers bloom, nothing actually takes root.

Q3 **John Glen:** That is very helpful. Thank you. Can I move to our next witness, Mr Dharampal-Hornby?

Joe Dharampal-Hornby: I would agree with a lot of the points that Chris makes. I would add that there is potentially a slight tension between generating a return for the taxpayer on the sum of money allocated to the National Wealth Fund and attracting in private capital. We think that, given the relatively small amount of additional money allocated to the National Wealth Fund, it really has to target the slightly riskier areas with huge potential upsides. That is what is crucial to crowd in that private capital.

We have over 300 members with £19 trillion of global assets under management, but key in that is the word “global”. They can invest anywhere; there is huge competition for this private capital. For the National Wealth Fund to make a real difference, it needs to be targeting these sectors, such as green hydrogen and carbon capture, usage and storage, that are not quite fully market ready yet, but where there are huge quantities of private capital ready to come in if the National Wealth Fund can play a strategic role.

That is what we would say. Spread across different sectors, it is a relatively small amount of Government money, therefore it really needs to focus on crowding in that private capital.

Q4 **John Glen:** If you have those five additional sectors added in—and I think we all understand the strategic role that a small investment can deliver in terms of crowding in other private money—is there a risk that the actual sums will be very small, given its inherited portfolio of obligations?

Joe Dharampal-Hornby: Yes, there is. Maybe we will touch on it later, but there is also a conversation to be had about how private capital can come in. Is it perhaps not at the project level but at the portfolio level? Certainly for our pension fund members, for example, there are individual projects that are potentially too small-fry for them, particularly if you look at the work in social housing retrofitting and that sort of thing. If there



can be opportunities for larger investors to come in at the portfolio level, you can begin to tackle that issue.

Chris Cummings: It would also be useful to explore with the Committee the potential of the National Wealth Fund going to the capital market and raising its own finance separate to Government, and whether that is a good or bad idea. Other sovereign wealth funds have that ability, which can then enable them to move at pace to better finance and better invest in sectors that their own economic capital could not be put to use in as readily.

Q5 **John Glen:** Mr Cummings, do you think that the size of what we have here is sufficient to do that? When will that be a likely option?

Chris Cummings: The market is looking very closely at the National Wealth Fund. We are in the foothills at the moment, so this would not be my first recommendation. When I think about the coverage for the Government green gilts, which is 3.2 times, so up at £6 billion on a £2 billion offer, there is definitely appetite from the markets to finance climate change backed by Government.

Q6 **John Glen:** Ms Norberg, would you like to come in?

Signe Norberg: Thank you so much for letting us come here today. From our perspective, capitalisation has a really critical role to play, and my fellow witnesses have covered that fairly well in terms of how it compares internationally. It is important that we also look at the capitalisation as one pillar on which we can really build on the National Wealth Fund. From our perspective, it is equally important that we see wider policy support alongside the size of the capitalisation of the fund, that it is supported by the UK infrastructure strategy, and that the wider policy programme provides additional support for those initial public investments that the wealth fund can capitalise.

Q7 **John Glen:** One challenge, I seem to recall, was that in local authorities, there often is inadequate expertise to deal with the aspirations of local politicians around infrastructure. I say this with the greatest respect, but it is quite a technical process to evaluate a significant capital investment, no matter how much noise a local politician or a constituency MP makes. Is that an area where you think this fund can help?

Signe Norberg: Absolutely, yes. That is the third pillar that would highlight how the National Wealth Fund can make a difference. It has a history to build on. In the fact that we have had the UK Infrastructure Bank and now it has evolved into the National Wealth Fund, there is knowledge and expertise that it can build on. The National Wealth Fund can hone in on that and serve as a good vehicle for distributing insights and knowledge to the wider stakeholder community, investors and local communities on how it can maximise the benefits. That will be very important. Capitalisation has its role, and there is the wider policy programme, but it is also, rightly, about the knowledge, the skills and the



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right governance to be able to guide the National Wealth Fund in how to maximise the opportunities that it has before itself.

Q8 John Glen: Mr Threlfall, would you like to come in now? Do not feel you have to repeat everything, but if you have something new to say we would love to hear it.

Richard Threlfall: Thank you for the opportunity to appear in front of the Committee. Broadly, the Institution of Civil Engineers strongly supports the creation of the National Wealth Fund. We believe, for the reasons that have already been expressed here today, that its ability to crowd in private capital is really critical. I have a few things to reinforce and add to what other witnesses have said.

First, we need to recognise that it is about additionality, to Chris's point. We are fortunate in the UK, because there is a huge amount of private capital interest in infrastructure broadly. It is not the place of the National Wealth Fund to replace or substitute for any of that. Over the last 20 years, we have seen the rise of markets where previously there was none—perhaps the best example is offshore wind. Specifically, the UK was instrumental in moving a market that, when we first started, no private investor would put any money into because it was too risky, to one where now wind farms proceed without any public money going into them at all.

That was at least partly because of the early projects where the Green Investment Bank put in that little bit of seed funding that created it. In the same way, the opportunity today is, in areas such as green hydrogen, to move those markets to the point at which they become investable, and then for the National Wealth Fund to get out and allow the private sector to come in. That is really important. That means that the risk appetite is really critical. Relative to its predecessors, there is a strong argument that it needs to have a higher degree of risk appetite to accelerate the UK's competitive position in some of these critical green industries of the future.

The third point I would like to make is also a reinforcement point. In due course, for sure, we would hope that the National Wealth Fund could start to borrow on the capital markets. KfW was mentioned by Chris. About 90% of KfW's money comes from capital market bond issuance. For sure, that would be the way, in due course, to build up the money that it had available to invest.

To your question, I do not think that we can run before we can walk. The timing depends on the track record being built up by the National Wealth Fund, in terms of showing the investor market that it can successfully invest. Then, in turn, it will be able to go to the capital markets.

Q9 Lola McEvoy: On that point of the risk appetite, I was guesting on the Business and Trade Committee with the National Wealth Fund CEO and he assured me that the risk appetite is high. I wonder whether you have



any more technical specifications on the risk appetite, for the purpose of the Committee.

Richard Threlfall: I guess that there are a couple of points to make. One is that, at the portfolio level of everything that the National Wealth Fund is investing in, there needs to be an appetite and a recognition that there will be some things that it will invest in, therefore, that will fail. It would be helpful if the rest of the political and administrative environment in which it is operating—the relationship with Treasury and so on—was supportive of this. That means telling the public, when certain investments fail, that this is part of a bigger picture of taking risk and that, at the portfolio level, if it is successful, a few things not being successful is part of being on the frontline of getting the UK into a position where it is backing the green investments of the future.

It then relates a bit to the return expectation of the fund and the expectation that, in aggregate, it makes a return. The Canadian investment bank is allowed to make a negative return. There is a bit of thinking required there as to what the appropriate level is.

Q10 **Chair:** Is that in a year, or is that over a period?

Richard Threlfall: I would need to check and come back to you on that.

Q11 **Chair:** That would be helpful if you have that.

Richard Threlfall: The predecessor body was expected to make a higher return than that. It needs a bit of attention and maybe for the Government to be open to representations from the National Wealth Fund, once it has had a chance to look at the portfolio of what it invests in, as to what the appropriate return expectation should be.

Joe Dharampal-Hornby: The National Wealth Fund has also spoken recently about businesses and investors needing to be bolder in how much risk they are going to take. Frankly, that is not necessarily realistic because, again, it is not as if they can invest only in the UK. There is a real need for the National Wealth Fund to meet investors where they are. It cannot expect investors to be taking much greater risk, because investors will simply invest in similar projects in other countries where the risk-reward profile is more attractive.

Chris Cummings: Can I build on that point? Of course, we are talking about different asset classes, and different asset classes will attract a different appetite for risk. The investment industry has different appetites to risk at different moments. I would counsel against a phrase such as “appetite for risk” because that implies a single metric, which would be massively misleading.

The National Wealth Fund has a market capability-building profile. Of course the risk profile is going to be higher first time than third time. We are talking about a spectrum where different investment houses can then



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plug in at different moments. I would argue for a degree more sophistication in the conversation, because that is how business operates.

Q12 John Glen: My final question is about the measures of success. We are in a competitive international environment. You have pointed out that, if you are a global company in one sector, in one type of green hydrogen project, you will look around the world and say, "What are the different sovereign wealth fund or National Wealth Fund opportunities for co-investment?" How do we, in scrutinising this entity, look for reasonable comparisons, or how do we measure success? You have all said, in different ways, that we need some time. How much time and what do we need to look for to measure whether there are sufficient resources for this to be successful in the UK?

Chris Cummings: It should not be quarterly reporting as a measure of success. I have several notes on this and would be very happy to follow up. For me, there are a number of metrics, which start off with capacity building in the marketplace. We often talk about frontier markets. In climate change and regional development, these could be first-time investments, so you are looking for time-weighted returns.

There are then other metrics about how well crowding in of other investment has taken place and what level it is at. Is it 1:3 or have we gone beyond 1:3? Where then have similar organisations invested in parallel? Outside of the NWF, our members are currently investing £1.4 trillion in the UK economy. We did not need the National Wealth Fund to help us do that. We are investing substantially in UK infrastructure, such as wind. I think that my members own the majority of wind.

We are looking for how successful it has been as an icebreaker and then the financial metrics in terms of return to the taxpayer. The triple bottom line approach is the right one, but I would urge reviewing success, at a minimum, over the lifetime of a Parliament, not before.

Signe Norberg: I very much agree with what was just said. From our perspective, it is also important that we include considerations of emissions savings and the socioeconomic benefits that come alongside the investments, so we get a holistic picture of what the benefits have been around particular investments. Alongside the private sector investment that it is able to attract, we should consider carbon, conditionality, local jobs produced and so on, so we meet those objectives that the National Wealth Fund has been set in terms of tackling climate change, as well as the local and regional opportunities.

Q13 Dr Sandher: Ms Norberg, we have spoken a bit about the international examples and about how they have much larger capital bases. I think that Germany's KfW is 1% of GDP—€500 billion. We have similarly spoken about other international examples. France and Japan are the same. What are the benefits to having a larger capital base?



Signe Norberg: We have seen with those examples that they have been able to mobilise really large, complex projects and crowd in large investment. There are certainly opportunities with that, but the more that we can look in addition to the capitalisation base, the more the National Wealth Fund will have a unique place in the market, where it can generate very unique insights into what is holding back investments in particular sectors and what the benefits are around particular projects.

One thing that we are particularly keen on is whether the National Wealth Fund can learn from the example in the US around the loan programme. It was able to utilise its unique insights on the market to produce insights around the barriers to investment, and that helped. In addition, perhaps in the UK case, where we will have a smaller capitalisation base, we will be able to utilise those insights to provide further certainty for the private sector. Knowing that we have a slightly smaller capitalisation base, there are additional ways in which we can make sure that the National Wealth Fund can play a really proactive role in mobilising private capital.

Q14 **Dr Sandher:** If we think that having a large capital base helps us mobilise more private capital, what are the seed cells growing the capital base of the National Wealth Fund?

Signe Norberg: One particular area that will be important is to look at these priority sectors, but taking a whole value chain approach and looking at opportunities alongside the whole supply chain. As was indicated by Chris and others on the panel, the challenges will vary depending on the technology or specific infrastructure projects, so the more that we can look at the whole value chain, the better. Look at, for example, the Cornish Lithium investment that the UK Investment Bank did.

Q15 **Chair:** This is the tin mine.

Signe Norberg: Yes. That is a good example of where we take that whole value chain approach and look for opportunities to grow strategically.

Q16 **Chair:** Could you give us some examples? That is an interesting one, but what other supply chain businesses were in that investment?

Signe Norberg: That was one example where you can see the UK Investment Bank took a decision to support Cornish Lithium. That has helped us grow in terms of our critical minerals supply chain.

Q17 **Chair:** I see; you are saying the tin mine was part of a supply chain.

Signe Norberg: Yes, that is a history on which we can build. Tapping into that and developing those unique insights will help, knowing that we have a slightly smaller capitalisation baseline.

Q18 **Dr Sandher:** The Chancellor says we are going to increase the National Wealth Fund's economic capital limit from £4.5 billion to £7 billion. Do you welcome that announcement and, if so, why?



Signe Norberg: Yes. We think that that is a very good indication of enabling the National Wealth Fund to have a slightly higher risk appetite, so we certainly welcome it. It will also be about making sure that we have the right governance in place and that we have the private sector investment mindset that will go through the fund as well, so that the culture of the National Wealth Fund is also reflective of it. We certainly welcome that announcement.

Q19 **Dr Sandher:** Going further as a part of this increased investment, there is a huge shortfall in investment nationally and particularly regionally. I am from the east midlands. I think that our investment gap is about £1,000 per person, with the lowest transport infrastructure spend in the country. Outside of London, we see the impact of low investment, compared with in London, where we can get around very quickly. The National Wealth Fund has a target leverage ratio of 4:1 and the German KfW has 13:1. What do you think explains the gap between our target and the achieved leverage ratio in other places around the world?

Signe Norberg: I am sure that there are perhaps others who would like to come in on that question.

Chris Cummings: It is time, actually. What I point to is that the NWF is still a new organisation, which is about to replace its CEO, with the current one stepping down. We took the announcement from the Chancellor as a clear political signal of intent that the NWF was going to be a growing organisation, and one that the private sector could take seriously.

In some ways, I worry about rushing to too much leverage in a fund anyway. It is the kind of thing where you have to know the direction of travel that you are heading in. As investors, we would be looking to make sure that we were comfortable with that level of exposure. I have spent the last few years arguing that we should be more risk-on as a nation. Here I am arguing for a step at a time, but that is where I am.

Q20 **Dr Sandher:** So 4:1 is an initial target and you would like to see that ramp up in the future, as and when it becomes operational, if it does well.

Chris Cummings: Yes, along with a clear definition of what "well" looks like.

Q21 **Dr Sandher:** That was brilliant stuff. Mr Dharampal-Hornby, in terms of where we are and the historical experience of the UKIB, which now is being folded in, what do you think has been wrong with the UKIB to date, or what could be improved going forward?

Joe Dharampal-Hornby: I have a couple of quick things. I think that the amount of private capital crowded in was about £2.60 on the pound with the UKIB. We want to see the National Wealth Fund hitting 3:1 or 4:1. It also, at times, has failed to release the amount of capital allocated to it on a year-by-year basis. As long as the National Wealth Fund can



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properly co-ordinate with the Government's wider industrial strategy, with wider efforts around planning reform and trying to recharge the UK's clean energy ambitions, we think that it should be able to meet the capital allocations it has.

If I could very quickly come back on your previous point, we have to contextualise the National Wealth Fund with regard to international comparisons. If you take the German fund, for example, that was created post reunification to essentially rebuild half of the country. The National Wealth Fund is nowhere near that scale, obviously, and is not being brought in with that kind of political and infrastructure challenge to fix. The Norway and Saudi examples are much bigger as well.

The final point about the size—although I appreciate that this session is about the National Wealth Fund—is that we do not have just the National Wealth Fund. We have the British Business Bank, GB Energy and similar devolved bodies as well. The key for the National Wealth Fund is to work out what role it plays within that wider ecosystem. If I would be frank, we have had huge amounts of coverage of the National Wealth Fund and GB Energy since the election last summer. There is still a fair amount of uncertainty among our members and investors about the exact role that these organisations are going to play in relation to one another and to private finance. That uncertainty is slowly clearing, but we would welcome more clarity and guidance, potentially with regard to the industrial strategy coming up.

Q22 Dr Sandher: I agree with the role it has to play within the industrial strategy, and that to do so it has to deploy its capital. You spoke about the UKIB. The UKIB only ever deployed about 30% of its capital. Clearly, there is a huge demand for investment. I agree with you that we are not in the same situation that Germany was in post reunification but, outside of London, you really see the infrastructure and investment needs across the nation. With the UKIB in particular, and thinking about how that institution now needs to change, why do you think it did not deploy its capital in ways that it perhaps should have?

Joe Dharampal-Hornby: One challenge, to the point raised earlier, is about capacity of local authorities to develop this pipeline of projects. The National Wealth Fund should be using not only its expertise more effectively to support local authorities, but its convening power.

To take a slightly different example, we saw very recently that GB Energy announced a project with UK schools, bringing together DESNZ and DfE to put solar panels on schools. That is fantastic. It can convene those organisations but, frankly, that investment could then be made by private capital. That could be an investment proposition organised by a National Wealth Fund or GB Energy-type organisation, and then it could be ready for private capital to take on. More effectively using its convening power with local authorities and Government Departments would be one thing.



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Also, frankly, as has been discussed many times, there is a huge need for planning reform and wider economy reform in the UK to get infrastructure projects up and running. That partly explains the 30% hit that the UKIB had on reaching its allocation.

Signe Norberg: It is important that we also recognise the point in time that we are in right now. There are so many opportunities to make sure that we get alignment between the National Wealth Fund and the wider policy support programmes. We have the modern industrial strategy coming through. We have all these big Government projects and the planning reform that Joe just referred to. The fact that all this is happening concurrently is an opportunity to make sure that we get alignment across the policy environment that will also then help accelerate investment by the National Wealth Fund.

Q23 **Lola McEvoy:** That leads me nicely on to my next question, which is about the balance between being a competitor and getting the return that it needs, and derisking projects so that everybody else can crowd in behind it. I am interested in international comparators of other markets that are booming across the world that we could try to initiate or get off the ground here that are slow to be derisked. If you were seconded to the National Wealth Fund to give advice on one sector, are there any sectors where your investors or members are chomping at the bit for derisking?

Richard Threlfall: Broadly, across the whole world, there are a number of markets today that everyone knows are on the forefront of green transition, but are not developed enough to be freestanding as private investment areas. They include actually quite a number of the ones that have already been identified as the areas for the National Wealth Fund to focus on. Green hydrogen, which we have mentioned before, is an absolute classic of that, and particularly attractive because there are so many use cases for green hydrogen when we get to that point. You could add sustainable aviation fuel as another example. It is that sort of thing.

To the point that Joe made earlier, there is also a fight for the capital for these areas. Economies all over the world recognise that these are growth areas. There is huge investment, for example, going into hydrogen in Australia and Japan. Therefore there is something really important about the UK setting out a clear and consistent ambition for how the UK is going to invest and build these industries so that, in turn, that brings the interest of the private capital that we are trying to leverage in, alongside what the National Wealth Fund is trying to do.

If I may just tie that back to a previous point about over what period of time we measure success in the fund, for me it is incredibly critical to recognise that these are not quick fixes. These are about changing our entire economy, and the entire world's economy, to a sustainable green future. It is going to take decades before we get there—unfortunately, it is going to take decades. We really need a very stable, consistent

position, as the UK, for investors to see and be able to trust in that consistency and build up.

If we go back five years or so, the UK was consistently right at the top of the league table for where global investors wished to invest. Work by the Global Infrastructure Investor Association has shown that, over the course of a few years, we then tumbled down that league table. We tumbled down principally because international investors could not see the consistency of Government policy and could not see the draw, if you like, or the recognition that private capital coming into the UK was so absolutely critical.

We are now in a position, thanks to this initiative and others, of being able to set that back into the right place again and to move the UK back to a position where it is highly attractive to investors. We should all want that.

Chris Cummings: I have recently returned from investor visits to Canada, Australia and Singapore. There is a huge appetite to be investing in the UK. Industries such as carbon capture and green steel, for investors and asset owners, because of the growth profile of those industries, are exactly where the UK has a very good reputation for delivery. Legal certainty makes the UK a really exciting place to be investing.

As we all know, competitiveness is a relative measure. We can stand still and, if our competitors fall away, we look like a much more interesting place to invest. Dare I say, that is what is happening at the moment. With a consistent message, endorsed by Government and pioneered by the NWF, with the support of others, there is a big opportunity for the UK to attract the types of investments that we need. The £80 billion a year that we need for infrastructure renewal and the £25 billion a year that we need for climate change are specific sell points. We heard from middle eastern investors very recently that that is exactly where they would like to be investing.

Q24 **Lola McEvoy:** On the point about pipeline and local authorities, some investors have raised with me their concerns about the lack of expertise to close the deal and advise on the right deal, and about what is a good deal in local authorities. We know that they have struggled for a number of reasons over the last 14 years. What would you say is the best mechanism to provide that expertise for those local authorities at pace?

Richard Threlfall: I am conscious, looking back a number of years now, that the ICE actually produced a strategy for the northern powerhouse. That talked to these very issues of how to create a level of ambition at a regional or local level, and how to prioritise what a region was going to invest in to make its future and, in turn, try to attract the investment in.

One challenge that we start with in the UK is that, compared with many other countries, the fiscal position is very centralised. Local authorities



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and regions have a far smaller proportion of national wealth that they raise and have their own ability to spend. Therefore an initiative such as this, which starts to open up the opportunity for investment at a local level, is absolutely critical.

I would also say that, from my own background of working on local authority projects, including Mersey Gateway in Widnes, in Halton Borough Council, and Nottingham tram projects, it is possible to have a very high calibre of local officer capability. Nottingham tram was a wonderful example of where the team was maintained between the first and second phase of the project. They learned through that first phase and then became very adept in terms of what was needed in the second. Whether it is the National Wealth Fund, NISTA or one of the other parts of Government, there is something about helping local authorities to nurture their own capability and expertise in this space, so they are not always dependent on outside bodies or other consultants for that expertise.

Joe Dharampal-Hornby: It is an area of policy that I am not as close to as I used to be. There is, at points, a nervousness among local authorities to reach out to institutional investors, particularly given procurement rules and very obvious rules around trying to avoid corruption when it comes to awarding public contracts. Those rules can sometimes be either too onerous or overly interpreted, whereby I think some local authorities are very unsure what level of conversation they can take forward with an institutional investor about a project before they might be potentially in breach of such a rule before a deal is signed.

Signe Norberg: In terms of your question around what particular mechanisms, this goes back to the convening power that was mentioned earlier around the National Wealth Fund. That is the opportunity here. The National Wealth Fund can be that initial vehicle, using the convening power and bringing together local authorities with other actors, so that they can upskill themselves, but also so that they have that clarity that Joe was just referring to. Working very closely with the private sector, it will have the capabilities to do that, utilising its unique position. Similarly, there is an opportunity as well to utilise the growth of regional mayors across England and make sure that there are close partnerships to capitalise and energise local communities and develop further that way. That should help local authorities.

Chris Cummings: Could I offer a leftfield suggestion?

Lola McEvoy: Yes, always.

Chris Cummings: If I take a look at the local government pension scheme, the LGPS, there are some of them that are truly expert in exactly this field. If I think about Border to Coast Pensions Partnership, it is managing around £100 billion of assets already and is well used to making direct investment decisions as well as portfolio investment decisions. There are different ways to answer the question. By tapping



into expertise that is already held locally, Border to Coast Pensions Partnership does some tremendous work investing in the Leeds area. I am from Leeds; it matters. There is experience within the local government family that could be better employed in guiding some of these decisions.

Q25 Lola McEvoy: That is really interesting. On your point about the scale of pension funds, Mr Dharampal-Hornby, and the sheer scale of the pipeline projects, that flies in the face of it all being devolved to local authorities or some of the smaller regional mayoral authorities. I wonder what balance you think the National Wealth Fund should have between national projects that pension funds could get in behind and smaller projects for derisking or being a pilot to break open a new sector.

Joe Dharampal-Hornby: Not to quote "The Thick of It", but, as someone has already said, everything is local to some extent. This is where aggregation and portfolio-level investments can come in. Certainly, an individual project such as social housing retrofitting is not going to be big enough for a pension fund, particularly as the Government are looking to aggregate pension funds themselves. But if there is a portfolio-level opportunity for some of those larger investors to invest in a suite of projects, if one or two of those projects fail, it does not mean the whole portfolio fails, and that can attract buy-in from those larger investors. There is going to have to be that buy-in and support locally.

The other point I would raise about this slightly tailored local approach links into your question earlier about which sectors the National Wealth Fund should be prioritising. It is not just the sectors themselves but the supply chains beneath or within those sectors. We have talked extensively about the really positive wind energy revolution that the UK has seen in recent years, but we import all the turbines to develop that wind energy. In these more nascent technologies, the National Wealth Fund can work with local authorities and regions to make sure that it is developing that skills base.

Battery technology is a really interesting example. We want to have an EV market in the UK. Policy certainty around EVs is particularly crucial to that, but let us be making that sort of battery technology here in the UK, as well as the cars and other things in the supply chains.

Lola McEvoy: We are hopeful that there will be some procurement changes around supply chains in the industrial strategy.

Q26 Rachel Blake: I want to follow up on the engagement with local authorities and whether there is a challenge around skills. Is it not also the case that there is a challenge around the scale of investment and what investors are particularly looking at? You started to allude to it in terms of regional mayors. Mr Dharampal-Hornby, you talked about local authorities working together. It would be really helpful for the Committee to understand whether there is any good work happening at the moment in that space and what kinds of structures you think would be helpful



going forward.

Richard Threlfall: Maybe I will talk to a slightly more historical example first. What you have put your finger on is exactly right. At the level of most local authorities, the scale of what they are trying to do is generally not going to be at the level of interest that attracts the level of investors that we want to bring in. There are two ways of dealing with that. One is to start to create an ambition at a regional level, or indeed to create a portfolio across a particular sector in the way that was being talked about a moment ago.

The other thing is for the city or region itself to create its own combined fund. This is what Manchester started doing many years ago. Colleagues of mine at KPMG were involved in that from the earliest days. That was very successful. At the time—and this is going back quite a while now—that allowed Manchester to approach and borrow from the European Investment Bank, the EIB. It created, effectively, its own leveraged fund capacity. It was doing almost what we are asking the National Wealth Fund to do on behalf of other local authorities, so we have precedent in the UK for doing that. When Manchester did it, it was one of the first examples in the world of a city doing that, outside of the way that some of the US cities have traditionally offered bonds into the market for what they do.

Q27 Rachel Blake: Are there any actual barriers to local authorities building those partnerships at the moment? What is standing in the way of that happening right now? Is it more the organic identification of projects that happens in that local space that is holding people back?

Richard Threlfall: I personally do not think there is any actual barrier as such. Looking back to that northern powerhouse work that the ICE led years ago, there was something really critical about trying to create an ambition at a local level that broke away from a sense of dependency on central Government handout—so a sense of own future, an ability to invest in own future and an ability to prioritise the particular sectors that would be seen as the future of that particular region.

I do not think that there is any reason in principle why it cannot be done. That comes back to some of the things we have been talking about this afternoon in terms of how the National Wealth Fund could play a really important role, beyond literally the deployment of its money, in engaging with local authorities and regions and helping them to think in this sort of way.

Q28 John Glen: Could I focus on the strategic objectives and priority areas of the fund? Was it right to exclude what many would see as the most important sector, particularly at the current time, of defence? Do you have any strong views on that? There are obviously elements where there are gaps and needs, and we are facing some significant uncertainties in that domain.



Chris Cummings: I am happy to speak to that, because it is an issue where our members are speaking more loudly about this. There was some confusion a year or so ago about so-called ESG—environmental, social and governance—funds not investing in defence. I am very pleased to say that, jointly with Treasury, we were able to issue a statement—Mr Glen, during your period—where we talked about the fact that investing in defence is entirely compatible with ESG investment.

If I look at where we are today, my members have invested around £42 billion in the defence industry. We own 89% of UK-listed defence companies, but more work is required. That is why my own organisation, the IA, is running a programme this year of productive finance investing, where we are targeting advanced manufacturing—dual-use technology—as the route in to talk about defence. That is an area where investors have a real appetite and we can invest, safe in the knowledge that the money is being channelled to the right areas, but also recognising the bandwidth and the rule set that we have to operate within.

Q29 **John Glen:** You are saying that the defence problem we had a few years ago has been fixed by other changes, so it does not matter that it is not included in this National Wealth Fund.

Chris Cummings: Where we found the real issue was in the supply chain for defence companies. It tended to be that the very small start-ups—the small, high-growth companies—that were struggling to get banking facilities, loans and so on. It was not really on investment. We found that those high-growth companies were the ones that needed particular focus. If you will forgive me, the MiFID research rules were getting in the way, because there was not the research coverage of those high-growth companies. Thanks to the work that you led, John, we were able to pivot the FCA into a change of mind and a change of approach on the MiFID rules.

We are now starting to see more coverage of exactly those companies, with greater encouragement by pension schemes to be investing in unlisted equities and those high-growth companies at scale. Where we are today is wanting to be the bridge between large investors that want to invest in high-growth companies, but the ticket size is historically too small, and small companies that want to talk to major investors but have not had the right language. That is the programme of work that we are currently on at the moment.

If I may, that is rather reminiscent of the question you were asking about investing. There just was not enough commonality. The interlocking points were not working, but there are some terrific examples of where they have. South Yorkshire Pensions Authority and Royal London investment now own 21,000 acres of Cambridgeshire farmland, designed to encourage rewilding and carbon capture. The missing point there was getting good advice from good advisers.

Q30 **John Glen:** They have to have assurance over the market dynamics



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before investing in it.

Chris Cummings: Indeed, yes.

Joe Dharampal-Hornby: While defence is not one of the two strategic priorities, advanced manufacturing is one of the priority sectors of the National Wealth Fund. I would like to echo Chris's point, because our members are certainly very interested in this defence debate as well. There is no sustainable or ESG finance regulation in the UK that precludes sustainable investors from investing in defence. Many mainstream ESG or sustainable investors do.

Q31 **John Glen:** What about aerospace?

Joe Dharampal-Hornby: Again, no, there is nothing in a lot of the regulations that your Government introduced, and we were very supportive of at the time, that would preclude defence or aerospace. The customer base for defence is often Governments. If Governments are willing to spend more on defence, which in recent months has been announced, you are likely to get more investment and growth into defence sectors. If Government spending on defence falls, you are likely to see the opposite.

The final point I would add to this is that one of the really key objectives of the National Wealth Fund is on tackling climate change and making the UK a more resilient place. Energy security is closely linked to national security. We cannot throw our eye off the ball. If we do not have clean energy independence, particularly given the war in Ukraine, it is going to undermine the efforts on defence anyway. I do not see the sustainability objectives and the Government's broader defence objectives as at all opposites. They can work hand in hand.

Q32 **Bobby Dean:** Some of what I was going to ask has been covered in conversation already, so I do not need the explanatory points to be repeated, but I want to go back to this point around the positive financial return. The previous bank had the target of 2.5% to 4% and the intention is for the National Wealth Fund to be higher. Could I quickly get your views on whether you think 2.5% to 4% is the right range or whether it should go higher, go lower or be negative? Could I just have quick points from each of you?

Chris Cummings: Back to the conversation we were having, negative always strikes me as being a little disappointing, particularly given the fiscal environment that we are in. I would see 4% and above being—

Q33 **Bobby Dean:** Too high?

Chris Cummings: An aspiration.

Q34 **Bobby Dean:** The conversation was about which areas might not be the right ones for the National Wealth Fund to invest in—"If that is the type of projects that it is going for, it could crowd out other investment". I guess that is the point that was being made in the earlier discussion. I



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am trying to get a grip on whether the Government have the right intention to be going above the target they had previously. Should they stick to the previous target, or should they indeed go lower?

Chris Cummings: The point about crowding out is absolutely pivotal. There will be areas where, because of the market-building competence, the National Wealth Fund will invest very wisely. It should not be afraid to generate a return because of the market-building competence, but that should not be its target.

Bobby Dean: We are talking at portfolio level, though.

Chris Cummings: Yes.

Q35 **Bobby Dean:** To go back to the question again, do you have an answer for it?

Chris Cummings: Two-ish per cent.

Joe Dharampal-Hornby: There is the balance between attracting private capital and generating that financial return. If we look at the previous iteration, the UKIB, it crowded in about £2.60 on the pound and generated the return that you described. I would rather the focus be on pushing that £2.60 up to £3, as opposed to trying to increase the annual return.

Q36 **Bobby Dean:** The 3:1 ratio is far more important than any return to the taxpayer.

Joe Dharampal-Hornby: Not any return to the taxpayer, but there is always going to be a balance. I would put the focus more on going from £2.60 on the pound to £3 on the pound than on trying to improve the annual return.

Q37 **Bobby Dean:** I am hearing that a negative is probably not the way to go. You still think there should be an ambition for some return to the taxpayer.

Joe Dharampal-Hornby: Exactly, yes, otherwise we will end up with no National Wealth Fund at all.

Signe Norberg: I would agree with that. Having a portfolio-level approach, looking in aggregate at the financial returns of the fund as a whole, will be quite important, as well as considering those additional co-benefits of socioeconomic gains and emissions reductions in addition to the financial returns.

Q38 **Bobby Dean:** Mr Threlfall, is there anything to disagree with there?

Richard Threlfall: There is nothing to disagree with. I do not think we ever answered the right hon. John Glen's question about the KPIs. For me, the more important KPIs are the extent to which equity is leveraged in, the extent to which debt is leveraged in, the extent to which jobs are created and the extent to which local authorities are empowered and able



to deliver their projects. Those, for me, are more important than whether it is 2%, 2.5% or 3%.

Q39 John Glen: That is after a certain interval of time, though. We should not be doing that for a few years because we need to allow it to bed in.

Richard Threlfall: Correct, and all of that needs a long-term view and a consistent ecosystem. That has been touched on, but I do not think that we have gone into it in a lot of detail. There are clearly a lot of bodies that have an interest in the infrastructure space, so there is potential for confusion in the private sector and the investor community about who exactly is doing what. We are getting a degree of clarity over that, but it is going to be super important that exactly what the National Wealth Fund is doing, what sectors it is focusing on and what its criteria are for success need to be hammered out.

Q40 Bobby Dean: I will come on to that question now about the success of the National Wealth Fund and the value for money, and then I have one more question relating to risk. Signe, perhaps you want to start, because you just touched upon it. I am interested to know whether you think there should be defined outcomes that are not just to do with the investment return or the amount that we can crowd in—for example, on the social impact. Are these things that the National Wealth Fund should be setting metrics for so that it can be judged by them?

Signe Norberg: Yes, there are ample opportunities to make sure that the National Wealth Fund embeds those. For example, the use of conditionality in loans will be a good opportunity, looking at local jobs that can be produced. The more we can really make sure that it is evaluated on the whole, the better. The Chancellor has set out that, in addition to the financial returns, it should also meet the Government's growth missions and help ensure that there is a focus on capital-intensive projects. We think that all of those are the right ones, but the more we can think about the investment returns holistically, the better able we will be to capture the benefits to the UK economy.

Joe Dharampal-Hornby: The UK has extensive experience on this, whether it is looking at social value in procurement or the previous Government's green gilts that were introduced with social co-benefits. Those sorts of metrics are out there and can be very easily lifted.

Bobby Dean: This draws me back to the question I was going to ask the rest of the panel, which is related to the public understanding of risk taking. You have all made a plea that, if we are going to take riskier projects, we need to prepare for some to fail. Adding in this social value element might help to address that problem, but who do you think that message is aimed at? It is going to be pretty difficult for Opposition politicians not to take the opportunity to say that a Government project has failed.

John Glen: Speak for yourself.



- Q41 **Bobby Dean:** I am also not sure that clever people in industry would not come out and say that they would have done a much better job of that project if only they had been in charge. Who is that message aimed at about people needing to accept more risk and that there are going to be project failures?

Chris Cummings: A lot of the messaging has to be to the international investment community. The UK has had some bruising experiences, particularly in the water industry. The message was delivered loud and clear in my recent visit to Canada that the UK had been seen as the gold standard of investability, but what happened with water has taken the shine off the UK. We need to rebuild that. A clear message to the international investment community is paramount.

A message to the UK public is needed as well, though, about the need to be investing in critical infrastructure and building resilience in our nation. That is a central message. Looking back at the UK's experience of decarbonisation and what happened to coal mines, there was an opportunity there for an NWF-type organisation to operate in that environment entirely differently for the national benefit. There are messages across the piece to be delivered. I would urge Opposition politicians not to leap on the bandwagon.

Chair: Good luck with that.

Chris Cummings: If there is not failure, the NWF is not trying hard enough and does not have the right risk appetite. That needs to be written through it like a stick of Blackpool rock.

Finally, to sum up, could I urge, on metrics, that we do not end up with 132? The metrics for success need to be really clear and established in almost a hierarchy, so that the NWF knows that it is doing a good job and can report against them. Otherwise, my worry is that we end up with regulatory authorities and others that have so many metrics they can hide behind any. That is why clarity is so important.

- Q42 **Bobby Dean:** I am hearing that the message to the investment community is just as important—as long as the Government stay the course, that would be a strong message there—as to the public.

Chris Cummings: Investor certainty is massively important.

Signe Norberg: I would certainly endorse that point, and it is a message for the whole of society really. This is where we can also look at the opportunity for iterative learning around investment projects. When there are projects that may not do as well as initially projected, there is that opportunity for the National Wealth Fund to illustrate what it has learned from these investments, because that enables wider learning for future projects. That returns to the example around understanding barriers that we saw work really well under President Biden in the US.



I wanted to raise the point that Chris got to around taking the long-term perspective and looking at this through the lens of building long-term resilience in the UK economy and long-term economic growth. The more we can also see it through those lenses, the better it will be able to understand those opportunities.

Q43 Rachel Blake: The UK Sustainable Investment and Finance Association has talked about a risk of crowding out private finance if we do not get this right. Why would a big infrastructure project go to the National Wealth Fund rather than a bank in order to get finance?

Joe Dharampal-Hornby: It partly depends on how that project comes about. Particularly if there is a project that is not yet ready for investment and requires significant Government convening power, there is a role for the National Wealth Fund to develop that project, but it has to be absolutely targeted in where it puts its actual resources in terms of investment.

I appreciate that we are here to talk about the National Wealth Fund, but if we look at GB Energy, this recent example is really interesting. It is GB Energy working with the Mayor of London, the Department for Education and DESNZ. It got this project off the ground to put solar panels on schools, which makes a lot of sense. It is going to lower their energy bills. Once that co-ordination piece had been done, in our view, there was probably a role to try to attract private finance into that, using GB Energy's relatively scarce resources elsewhere for much more nascent technologies, and similarly in the National Wealth Fund. That is perhaps not quite answering your question. When projects require significant Government co-ordination, that is potentially where, at the end, there can be perhaps slightly too much Government investment into it.

Q44 Rachel Blake: You said that at the end there might have been too much Government investment into it. It is really important: this is public money. There are two big risks to it. One is a waste of public money, and the other is the opportunity cost for other schemes or public services that could be invested in. What is the moment at which you identify whether additional private finance can come into it? We in this Committee can then make the case to the National Wealth Fund to say, "This is what you need to be focused on in order to generate the returns."

Joe Dharampal-Hornby: To take this particular example, I do not think that there was a point where the project was offered up to private finance to see what the appetite was. We all expect individuals to purchase solar panels on their own to put them on their house, so we know that it is a marketable technology that can be in the private sector. More broadly, there has to be a discussion—maybe it is going to come with the infrastructure strategy—about how clearly the Government communicate to the private sector about what projects they are seeking private capital for.



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In recent years we have seen, particularly in gigafactories, huge levels of Government subsidy; I think one example was about half a billion pounds of Government subsidy for a gigafactory. If we are going to roll that out more broadly, build eight to 10 gigafactories and have £4 billion of private money going into that, is there a kind of investment prospectus for investors to make bids in? That could make sure that we get the most competitive private investment into that, which could come with social value commitments, unionised local jobs or the kind of climate impact they are going to make. Having a bit more transparency about what the National Wealth Fund, GB Energy and these other organisations are looking for from private capital would be really helpful.

Q45 Rachel Blake: To pin you down on that, you think that there needs to be a national prospectus of investment opportunities.

Joe Dharampal-Hornby: That would be hugely welcome, yes.

Signe Norberg: To add a small point to it, the Government have indicated that they are going to undertake a review of public financial investment forums and funds. That is a really welcome step. The sooner that can come, the better that would be, because that helps paint that prospectus that Joe was mentioning. That should also be connected to the strategic investment forum that has been committed to. Those two things will help provide that clarity and make sure that we are crowding in private sector finance. It also provides clarity for other actors that we have talked about today, such as local authorities.

Q46 Rachel Blake: I understand how a prospectus could help in terms of signalling. We have heard from the panel today that the money will attract private investment, but exactly how can the National Wealth Fund attract private investment and additional money? Is the prospectus one example? That is not necessarily attracting private finance; that is just signalling the sectors that need investment. How would it attract private finance?

Chris Cummings: There is a step-change opportunity in the way that these conversations are had. From an investment point of view, any investment firm receives dozens of pitches a second, almost. In leading business delegations internationally, the investors or asset owners want to know, "Exactly what do you want me to invest in? What is the deal? What is the term sheet?"

If the UK had a portal where the Government was able to say, "Here are the investable opportunities over the next one, three, five and 10 years," that would give policy certainty to investors, domestic and international. It could be a place where individual companies, start-ups through to high-growth companies, could also enlist. That would be a true shop window for international and domestic investors.

We need to reframe the discussion, because there are some elements of a project where Government seed funding gives investors a huge amount of confidence that this project will turn into a shovel ready one. In other



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areas, it is policy certainty. Policy certainty over a decade is the golden thing we are looking for, for a 10-year investment. There is a different way to frame the discussion.

Q47 Rachel Blake: The National Wealth Fund does not in and of itself give policy certainty. A National Wealth Fund—you talked about signalling what the opportunities are—can also derisk. That is part of a portfolio approach. Are there examples of work that has been done so far, or things that you want to see happen, where derisking has been essential for attracting private investment?

Chris Cummings: We mentioned the lithium mine. I am tempted to name individual companies. L&G did a fantastic project looking at an infrastructure fund. Amundi set up an energy fund, and it has recently launched a defence ETF. There is case study after case study where the combination of working with an NWF or an individual local authority has provided sufficient confidence to be able to move ahead. Legal & General has done some tremendous work in Yorkshire on social housing.

Signe Norberg: Another historical example where we can see that kind of derisking that was mentioned earlier is offshore wind. Under the Green Investment Bank, you saw an initial 25% stake in offshore wind development. That really helped make sure that there was that development of supply chains. It provided a lot of confidence to investors about the deliverability of the project. It also helped establish a market for larger offshore wind projects. There is a bank of examples in that vein that help support that case around derisking.

Joe Dharampal-Hornby: Contracts for difference is a slightly different form of derisking, but is an example. The National Wealth Fund, using its convening power, can hopefully help to derisk projects without using its own capital. Is there a role for the National Wealth Fund to accelerate pre-approved planning applications for big sites? Whether or not one gets planning approval and how long that takes is a huge barrier to various forms of infrastructure investments. Is there a role, with the Government highlighting their priority sectors, for the National Wealth Fund to work across Government to get pre-approved planning applications in for sites? That would massively accelerate interest from private capital.

Q48 Rachel Blake: Nothing would need to change policy-wise for that to happen.

Joe Dharampal-Hornby: There is obviously ongoing planning reform at the moment.

Rachel Blake: Planning policy would need to change—

Chair: I am also thinking how much planning policy might need to change.

Q49 Rachel Blake: In terms of the operational processes of the National Wealth Fund, though, nothing would need to change.



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Joe Dharampal-Hornby: No, but if there is this investment prospectus, how much work can Government and the National Wealth Fund do in co-ordination with other bits of Government to make these investment propositions as attractive as possible, as quickly as possible?

Signe Norberg: Looking at the National Wealth Fund's annual strategy will be really important here as well, and the fact that that is regularly reviewed to make sure that it is maximising those opportunities. I wanted to make that additional point.

Q50 **Rachel Blake:** At the point where we have this ideal world and this prospectus, and we can go out to attract business investment, is there clarity in the investor world about the different opportunities coming from the National Wealth Fund, GB Energy and the British Business Bank?

Chris Cummings: We would welcome further clarity.

Q51 **Rachel Blake:** In welcoming further clarity, who are the best people to communicate that to business? Is it that the National Wealth Fund, GB Energy and the British Business Bank need to be working more closely together, or are there opportunities across other Departments? Whose role should that be in terms of navigating those different opportunities?

Richard Threlfall: There is a pivotal role for NISTA in this. The National Infrastructure Commission, as was, had done a really good job in creating clarity at a strategic level, if you like, over its two five-year plans as to where the UK's future needed to lie from an infrastructure investment perspective. If that is connected into NISTA in a way that adds into a pipeline—hopefully a public pipeline in the way that others have described—that would be great.

By the way, there are great examples of other countries that have done that in the past. Peru, for example, has produced pipelines. Reflect that Peru is a place that it is quite difficult to attract international investors to, but it recognised that doing that was an important way of raising the profile and the understanding of what it was trying to do.

I also think that there is something really critical about the consistency of messaging. The messages that come from the Treasury, Government Ministers and the different organisations that are involved in the infrastructure landscape should all be consistent in what they are telling that external investor community that the UK wishes to invest in. The National Wealth Fund is a critical vehicle for doing that.

May I add one last point, which I do not think we have touched on in any of the answers to your questions? That is the sectoral capability and expertise that sits within the National Wealth Fund. A lot of the questions you have been asking are around understanding where that tipping point is in the market opportunity, where it needs to play, where there is a return but it is not crowding out, and so on. This is the sort of thing where there is a lot of expertise in the international financial investor banks, the World Bank, the EIB and organisations like that, in terms of



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investing alongside in a blended finance way, bringing public and private money together.

- Q52 **Rachel Blake:** At the moment, with the organisations structured as they are, is there a risk of competition between these organisations for either business relationships or projects?

Richard Threlfall: There is a risk of competition. Some of the clarity that we have heard over recent weeks around, for example, what the roles are of Great British Energy, the National Wealth Fund and NISTA is helpful. Even more crystal-clear clarity of who is doing what would be super helpful.

Joe Dharampal-Hornby: It is not just investors who are perhaps slightly confused. To the point raised by your colleague earlier, individual MPs and local politicians are often champions of local business and have in meetings with me said, "I have this business and it needs this amount of investment. Would any of your members like to invest in it?" I am sure that Chris has had similar conversations in the past. There needs to be clearer guidance to local politicians, whether it is local authorities or local MPs, about who you go to. Do you go to DESNZ, the National Wealth Fund or GB Energy? More clarity on that would be welcome as well.

- Q53 **Rachel Blake:** What does that clarity look like to you? Does it look like an individual who can combine the different opportunities, or does it look like a statement?

Chris Cummings: We often talk about an escalator of capital. Different fund houses sit somewhere along the return spectrum or the risk spectrum. It is a simple graphic, but understanding where each of the institutions sits and what they are trying to achieve would be hugely helpful to the market. That would imply shared buy-in across them all, because they would know where their remit starts, but, really importantly, where it stops. Then we can manage the transitions and handovers, so if a proposal lands on the wrong person's desk, they are encouraged to pass it on to the next organisation, not think, "Could we flex a bit to do this one?" That is where the ambiguity comes in.

- Q54 **Chair:** Some of us have been around the block a few times on this, including, I am sure, some of you. We have had the Green Investment Bank, which was sold off, then the UK Infrastructure Bank, which you could say was a bit similar. So we have had an investment bank and an infrastructure bank, and now we have a wealth fund. Can you summarise what you think the difference is and what, if anything, the National Wealth Fund is doing that the others did not or could not do?

Richard Threlfall: I would like to hope that we can learn from some experience. The things that we really need to see this time around are real clarity about what the areas of investment are going to be. Okay, we have the headlines of it but there is a level of detail that needs to be gone into below that because—the point has been well made—there is potentially too much in there already for the available capital. That needs



to follow through into hiring the expertise that can understand how to be successful in those sectors. The risk appetite that we have talked about needs to be higher than we have seen in the predecessor bodies.

Signe Norberg: Certainly it is about learning from previous examples. The fact that it is building on the UK Infrastructure Bank is something that we welcome. We think that that is a real opportunity to make sure that the National Wealth Fund hits the ground running, develops that deeper expertise that we have mentioned today, and takes that whole value chain approach to maximise opportunities in sectors. It is really critical that the Government underpin the National Wealth Fund with policy certainty and that it is supported through a period of growth, by making sure that we understand the opportunities for investment and by looking at those wider metrics. That is how we can best see the benefits come through and how the National Wealth Fund can help to accelerate growth.

Chair: If we had a bingo card, policy certainty would certainly come up.

Joe Dharampal-Hornby: It comes down to this quite aggressive approach to crowding in private finance, being much more willing to take risk and taking on the political challenge that some investments will go south, but being quite open about that. If I could make one change to the National Wealth Fund compared with its effective predecessors, that would be it.

Chris Cummings: Ditto.

Q55 **Chair:** To add into the mix, some of these have been mentioned: the British Business Bank, GB Energy, ARIA and other national research funds. Do you think that they should be working better, or differently, with the National Wealth Fund?

Chris Cummings: There is a clear opportunity for competence building. The thing that worries me is diffusion of resources and pockets of specialism that do not join up. If there was one difference that I would like to think we could make compared with predecessors, it would be to recognise the errors of the past, where too many things have been tried.

I was involved in a Government initiative trying to build a website that linked all the different initiatives together for foreign direct investment. There were 20-odd organisations, national and regional. I fear that, with the best of will, a similar system is being created. It does come down to which is the central convening body. The NWF feels like it should be the right place, but then things should connect into it rather than get duplicated outside of it.

I would also make an argument in terms of skills and resources. Is it necessary to employ everyone full time, or can parallels be drawn with the Takeover Panel, where there are periods of secondment from world-leading experts, so that the NWF does not feel that it has to grow its own competence, because inevitably that will take time? There are structures



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that could be put in place to accelerate the growth. I would push for greater ambition as well. We are in the foothills of the NWF. If it does not set its sights higher, in two or three years' time, this Committee will be quite rightly challenging to say, "Has it achieved enough?" I would argue against timidity.

Q56 Chair: There are lots of bodies here. Does anyone else have anything to add to that?

Richard Threlfall: There is a really critical piece for Treasury specifically in this, and for NISTA, because historically a lot of the approaches that come to the UK have come through the Infrastructure and Projects Authority, as was, and I assume will continue to come through NISTA. A lot of the things that we have talked about, such as capacity building, capability building and putting out guidance, have traditionally lain with the IPA and will in future be with NISTA.

There is something really important about being clear on that relationship between NISTA and the National Wealth Fund, and the role of Treasury in creating a cultural environment in which the co-ordination of all of the sorts of organisations that we have talked about is encouraged, so they work together, align and are supportive of what each other are doing, rather than running off, pursuing their own objectives and potentially tripping over each other.

Q57 Chair: You have described quite a lot of what I have spent a decade looking at in Government. I am sure the message has landed with the Treasury. Finally, before I pass to Dame Harriett, the chief exec announced that he will be standing down in the summer. A number of you have talked about the metrics that are involved for measuring the success of it, and you have talked about capability and expertise in the lower staffing levels. What do you want to see in the next chief executive of the National Wealth Fund? I will come to each of you for your couple of key points that should be on that person's job description.

Richard Threlfall: They would have a really strong relationship with the private investor community, because fundamentally that is what it is about.

Signe Norberg: I would add to that someone who focuses on convening partnership working as well, to make sure that the NWF can look at the breadth of different actors in the space.

Joe Dharampal-Hornby: I will add to that perhaps someone who can sell the vision and sell the fact that it should be more risk taking, and is willing in interviews and Committees—

Q58 Chair: Is that to the public or to the investment sector?

Joe Dharampal-Hornby: Alongside the qualities you have just spoken about for the sector, it is selling it to the public, selling it to you and your colleagues, and building a consensus.



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Chair: The Chancellor might think that is her job, but I get the point.

Chris Cummings: They would have a clear commercial focus, have a track record of innovation and be a clear partnership builder. If you could achieve those three things, you would get a really great chief exec.

Chair: The job description has been put out there by you. Obviously, the Treasury will appoint.

Q59 **Dame Harriett Baldwin:** That is going to be helpful for the chair of the National Wealth Fund as they go and find a new chief executive.

Mr Cummings, I was very struck by the comparison that you made right at the beginning with the Norwegian sovereign wealth fund. The Norwegian sovereign wealth fund is a genuine wealth fund, is it not, where they have put the revenues from their fossil fuels over many decades? My understanding of this National Wealth Fund is that it is a valuable initiative, because it crowds in other investors into projects alongside it, but would you accept that "National Wealth Fund" is perhaps a misnomer? It is more about helping some of the sovereign debt of this country to be co-invested.

Chris Cummings: Yes, the Norwegian wealth fund is 42 times the size.

Dame Harriett Baldwin: It is proper wealth as well.

Chris Cummings: It is proper wealth. In some of my answers, I have nearly said "policy bank" rather than "National Wealth Fund", because it sits somewhere between.

Q60 **Dame Harriett Baldwin:** It is a misnomer to convince the British public that this is an actual wealth fund. This is the Government borrowing at the Government's borrowing rate and then investing alongside, at a 3:1 ratio, in projects to hopefully make us wealthier and to make the debt go down. It is not directly a wealth fund.

Chris Cummings: I have read it and perceived it more in terms of the outcome: generating wealth, both financial and societal. That is the definition that I have lodged really.

Q61 **Dame Harriett Baldwin:** Fair enough. In terms of governance, I want to ask the panel about some of the recent announcements that the National Wealth Fund has made. There has been the closure of the Grangemouth refinery, yet we hear the National Wealth Fund is putting £200 million into initiatives around Grangemouth. There has been the situation, as I shall call it, with British Steel, where that has triggered an announcement that £2.5 billion of funds are going to go to steel.

Then looking through some of the term sheets of the National Wealth Fund, you have funding of flood defences in Denbighshire, flood defences in Aberaeron, funding of rolling stock for the DLR, funding of some broadband roll-out, and rewilding of Scottish estate land. It just struck me that actually this looks a bit more like public borrowing by other public authorities. The Environment Agency is the one that would



normally fund flood defences, and Transport for London, you would think, might normally fund the DLR rolling stock.

I can understand the rationale that you would want to have other people come in and invest alongside you, but it does make me think about the governance arrangements. At the end of the day, this is an organisation owned by the Treasury where there are going to be strong temptations for political interventions. In terms of selecting the new chief executive and the governance arrangements, can the panel share their wisdom on how you might prevent this being used as not a National Wealth Fund but a national slush fund for politicians in the Treasury?

Richard Threlfall: Yes, it is an interesting list, is it not? It is quite eclectic, and some of it looks quite reactive. What we have all consistently said over the last hour or so is that this body now needs to be very strategic, very targeted and very clear about its priorities, and able to stick to that. The relationship with Treasury and Government needs to be supportive of that clarity and consistency. If you do not have that, you risk ending up with confusion, as well as a blurring of whether there is real independent investment decision making taking place within the body, which we would all wish to see and the private investor community would wish to see too.

Q62 **Dame Harriett Baldwin:** What changes to governance would you want to see? I cannot see, with the current arrangements, how you can avoid that risk of it becoming a Treasury slush fund. Does anyone else want to come in on this particular topic? Mr Cummings, with your expertise on governance, would you like to see some changes in governance?

Chris Cummings: We looked very closely at the appointments to the National Wealth Fund board, and the process that the appointment of the non-executive directors went through, which does conform to process, so that gives us confidence.

Governance is not what people say; it is what people do. We have to look at the outcomes, not just the process. From an investor's point of view, these are the things we focus on. What is the deal sheet? What are the terms? Is this going to be a long-term sustainable investment? If there are surprises along the way, that weakens investment capability and interest for future projects. Government need to tread very lightly, particularly in the early days of the NWF. I could not advise that more strongly, because it needs to establish itself as a credible investment platform, regardless of name. It needs to be an attractive proposition.

Q63 **Dame Harriett Baldwin:** Do the things I listed make it a credible investment platform for your members?

Chris Cummings: I would need to look more carefully at some of the individual ones, but, to the DLR point, I raised an eyebrow at that one, because in my view the NWF is for local—well, London is local for somebody, I suppose, but is it financing local and regional growth in the areas that need it most?



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Rachel Blake: It sure is.

Chair: We are in danger of getting into a constituency stand-off.

Q64 **Dame Harriett Baldwin:** I will go back to Mr Threlfall, if I may, just on the governance question, because the economic and fiscal outlook from our friends at the OBR noted that the new debt measure that the Chancellor is using creates incentives for the Government to invest through loans and equity injections rather than through direct spending. The Government face these powerful temptations to spend via the National Wealth Fund to improve performance against its debt target. How would you change the governance, Mr Threlfall, to prevent this initiative, which we all sincerely want to succeed, falling into the trap of becoming a national slush fund?

Richard Threlfall: This takes us back to the question about the KPIs of the organisation and what it is being measured against, with the criticality of that principal measure being the extent to which there is this crowding in of private capital alongside. It is not just the rate of spend. It goes back to your question, Ms Blake. The risk is that, if the pressure is to spend, spend, spend and solve, solve, solve things, it is just another source of money that, in some cases, could end up substituting for grant. Then we are missing the whole benefit of the sovereign wealth fund, which is to crowd in private capital alongside, in at least the ratios that we talked about—3:1 or 4:1—and then hopefully rising after that.

If I may come back to your very first question, if we were to be generous to the terminology, the Norwegian sovereign wealth fund today is now hugely invested across a whole range of European industries. That in turn creates wealth. Perhaps if we look to the future, we might hope that the NWF could become a wealth fund, in the sense that it would have invested in the green economic powerhouse of the future.

Dame Harriett Baldwin: We certainly do hope that, yes.

Q65 **Chair:** Ms Norberg, do you want to briefly add anything?

Signe Norberg: It is very important that the National Wealth Fund is at arm's length from Government, and that the strategy really establishes what it is going to focus on, but I would also encourage, again, that we look at this as a packet of measures. The National Wealth Fund really could benefit from the institutional clarity that we have mentioned in terms of where it sits alongside other investment forums, but policy certainty—not to go on with the bingo card—is really critical to make sure that all of these things align. That really helps to ensure that the National Wealth Fund, once it is properly established in the medium to long term, will be able to raise its own funds, accelerate, and be bolder and more ambitious in its funding.

Q66 **Chair:** Mr Dharampal-Hornby, is there anything you want to add?

Joe Dharampal-Hornby: Yes, very briefly. The list that you outlined very eloquently describes the infrastructure challenges that the National



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Wealth Fund has inherited at this point. The crowding-in point is critical. Technicalities of governance aside, that is where we should be able to quite clearly distinguish between National Wealth Fund investment and day-to-day Government spending.

Dame Harriett Baldwin: Would you call them out then for having made these new investments—the ones I mentioned are all new—that sound more like the sort of thing you would expect from the Environment Agency?

Q67 **Chair:** We talked about metrics earlier. Is the metric you talked about—3:1—what you would look for?

Joe Dharampal-Hornby: I would need to look—exactly.

Dame Harriett Baldwin: We do not seem to have anyone co-investing.

Joe Dharampal-Hornby: I would be very curious to look at the co-investment levels. The previous record of the UKIB was 2.6:1. This ambition is more 3:1 or 4:1. Realistically though, there are huge numbers of arm's length bodies. We do a lot of engagement with the Financial Conduct Authority and others. The Chancellor writes to the Financial Conduct Authority to set its objectives. While we have lots and lots of arm's length bodies in financial regulation and more broadly in the economy, we live in a democracy. There will always be some level of political direction set, and investors recognise that.

Q68 **Chair:** I will just follow up on Dame Harriett's point before I throw to Ms McEvoy. You all talked about policy certainty and stability, and you talked about the Government signalling intent. That is important, and everyone would get that, but as Dame Harriett said, there is a point where you can lean in so far that you are interfering. We have talked about what you would need in the personal qualities of a new chief exec, but what metric should the National Wealth Fund be held accountable to?

Mr Dharampal-Hornby, you have repeated several times at least a 3:1 ratio of private pounds to public tax pounds spent. Does anyone have anything to add to that to make sure that the NWF is delivering and, in a way, to guard against interference or dipping in by Governments now and in future? If you all agree with Mr Dharampal-Hornby, we have the clear answer. You all agree, so 3:1 is what you think would be a good objective for the new chief exec.

Joe Dharampal-Hornby: At least initially, yes.

Chris Cummings: Yes.

Q69 **Chair:** Would you see that growing? Would you have an ambition about where that could grow to over time?

Joe Dharampal-Hornby: If we look at the examples in Germany and elsewhere, let us see where we are in 25 years' time.

Chair: We are looking at a long-range thing, so several terms of a



Government before we get to that point. Thanks very much indeed.

- Q70 **Lola McEvoy:** Finally from me, on governance and value for money, the NWF's predecessor, the UK Infrastructure Bank, lent £107 million to the Tees Valley Combined Authority in 2021. The Government have recently issued a best value notice on the back of that. Are there any lessons that you would recommend the National Wealth Fund take from that process, or any observations about that?

Chair: Anyone?

Signe Norberg: No, I am afraid not.

Chair: You are not sighted on that.

Joe Dharampal-Hornby: The one thing I would add is that, as memory serves, issues were raised at the time—concerns were raised at the time—around those investments. Greater scrutiny of those investments and suggestions of failure to get value for money at the point would be most welcome. Beyond that, I have nothing more to say.

- Q71 **Lola McEvoy:** We have heard on the derisking point that it is really important that the National Wealth Fund derisk some of these key growth sectors. If you were in charge of it, would you derisk the projects now, at this time in the Parliament, to get out of the blocks and get these projects off the ground, and then wait for the return later on, looking at a 10-year plan, expecting more of a return, making your money back and then some? Or would you take a more gradual approach, and make it weighted risk-wise with some safer projects and some more risky projects year by year? Do the National Wealth Fund and the new CEO need more support from the Treasury to help with that decision on the balance?

Chris Cummings: I will just start off. A lot depends on the different asset classes. The reason why I mentioned that the person should be comfortable with innovation, and be an innovator, is that I would encourage them to look at different investment vehicles. We have talked a bit about co-investment. There is a new product structure called the long-term asset fund, which is proving highly successful for pension scheme investments. There are lessons from international markets as well about how similar organisations benefit. I would not use a one-size-fits-all approach. I would be cautious with my capital, but I would want to deploy it.

- Q72 **Lola McEvoy:** It needs to be spent, does it not? That is the first metric of success.

Chris Cummings: Absolutely, there is no point getting to the end of year five—

Lola McEvoy: It is true, though, isn't it? Spend the money.



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Joe Dharampal-Hornby: The one caution I would add is that you do not want to get so desperate to spend the money that you start crowding out the private finance.

Richard Threlfall: Hear, hear.

Joe Dharampal-Hornby: That is the one caution I would add, but yes, that sounds reasonable. Not to keep repeating myself, but look at the industrial strategy. There are lots of wider economic reforms the Government are making to try to attract in private capital. Are we at the stage right now, with planning reform going on and all these other bits and pieces, that these projects are ready to go now? We probably need some of this legislation to get in to really get things moving. There has to be that wider Government and industrial strategy co-ordination as well as trying to get the money out as reasonably and as quickly as possible.

Signe Norberg: I would really encourage the National Wealth Fund to think about it in terms of what strategically important opportunities it needs to be investing in and where it can see those rates of return. Probably realistically, you will see that mixture in the early days of the National Wealth Fund, but being able to build up and be more ambitious with time, and not being too afraid of that risk appetite but really embracing that, will be critical for it going forward.

Richard Threlfall: As a last point on this, I repeat the plea for very long-term thinking. This is about investing in greening our economy for the future of our children and our grandchildren. If the National Wealth Fund feels that it is in a position where it has to show a return within this Parliament, that is not the right starting point.

Chair: That is a very clear job description for the new chief executive, who will be going through appointment, no doubt, very shortly. Can I thank our witnesses very much indeed for their time? That is Chris Cummings from the Investment Association; Joe Dharampal-Hornby from the UK Sustainable Investment and Finance Association; Signe Norberg, the head of external affairs at the Aldersgate Group; and Richard Threlfall from the Institution of Civil Engineers, but also coincidentally partner at KPMG, so with two hats in a sense there.

We are obviously looking at this closely. Our sister Committee, the Business and Trade Committee, had the chief executive in only the other week, so we are working closely together to examine and keep an eye on how the National Wealth Fund is delivering, as set out by the Chancellor's intentions. Thank you very much indeed.