A Department for National Wealth Creation

The Drawing Board

The drawing board for a prosperous future.

Paper 03	National wealth	19,300 words	Rev. A · Aug 2026

A Department for National Wealth Creation

The British state creates enormous value through its own decisions, gives essentially all of it away, and has never built an institution whose job is to keep any.

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AUG 2026 · 19,300 WORDS

THE ASK

That the autumn 2026 Airports National Policy Statement debate applies the consent-carries-a-stake principle: if Parliament approves a third runway, the public captures a stake in the value that approval creates.

Executive Summary

The United Kingdom is one of the world's largest economies and has never built an institution that compounds national wealth. The National Wealth Fund created in Oct 2024 and Great British Energy are welcome steps, but the first is a £27.8 billion policy bank (the rebranded UK Infrastructure Bank) that lends and co-invests to crowd in private capital, and the second is a delivery vehicle for clean-energy projects. Neither is designed to accumulate a compounding portfolio of national assets whose returns fund public services in perpetuity. For over four decades before them, successive governments did the opposite. They sold nationally owned industries, infrastructure and resources to private and often foreign buyers, and spent the proceeds on current expenditure rather than investing them.

Meanwhile, the UK faces a set of converging pressures that demand a fundamentally different approach: an ageing population placing escalating demands on pensions and healthcare; crumbling infrastructure requiring hundreds of billions in investment; energy insecurity exacerbated by dependence on volatile global markets; the accelerating acquisition of British technology companies by foreign corporations; and the erosion of regional economies outside London and the South East.

This paper proposes the creation of a **Department for National Wealth Creation** and an associated sovereign fund, with a shared mandate to generate national wealth through strategic investment, asset ownership, and the systematic capture of value from publicly created opportunities. The work would span energy, technology, industry, land, housing, natural resources, financial services, defence, and the knowledge economy.

This is not a return to mid-twentieth-century nationalisation. It applies the long-term investment principles that have built extraordinary wealth for Norway, Singapore and the United Arab Emirates (UAE). Britain has vast resources, a world-class research base and a strategic position, and no compounding sovereign wealth fund. The United States moved to commission a plan for one in Feb 2025.

The design has two parts, because the work has two natures. A Department of state, led by a Secretary of State and accountable to Parliament, does the work only government can do: legislating value capture, reforming ownership regimes for national resources, setting the terms on which public support converts into public stakes, and building the regional clusters that spread industrial capacity. A statutorily independent Fund holds and compounds what that work produces, managed by professional investors and insulated from ministerial direction over individual investments. The Department creates the wealth; the Fund keeps it.

Three design rules govern the Fund. It never borrows, holding assets outright and reinvesting returns, so that a bad decade costs paper value rather than the institution itself. After an accumulation period fixed in statute, it transfers an annual sum to the Exchequer capped one percentage point below its long-run real return, so that it keeps growing while it pays. The statute names what those returns are for: pensions, health, social care and education, the wellness of the nation from first classroom to final years.

Section 3 sets out fourteen areas where the mechanism applies, and Section 7 argues that three of them should come first: land value capture, public support carrying a public stake, and Crown Estate reform. Together these represent a shift from a model of national asset disposal to one of national asset creation.

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1. The Case for Change

1.1 Four Decades of Asset Disposal

Since 1979, the UK has systematically sold its national assets. British Gas, British Telecom, British Steel, British Airways, British Rail, the water utilities, the electricity generators, Royal Mail — the list is extensive. These sales generated short-term revenue that was absorbed into general expenditure. The long-term productive value of these assets, and the compounding returns continued public ownership would have generated, were surrendered permanently.

The privatisation programme was justified on grounds of efficiency and market discipline. In some cases, these arguments had merit. In others — particularly natural monopolies like water and rail — privatisation has delivered higher prices, underinvestment, and deteriorating service while extracting billions in dividends for private shareholders. The English water companies have accumulated over £80 billion in debt, much of it used to fund shareholder returns rather than infrastructure investment, while discharging raw sewage into rivers and coastal waters at an industrial scale.

1.2 The Norwegian Contrast

The comparison with Norway is instructive and damning. Both nations discovered significant North Sea oil reserves at the turn of the 1970s, Norway's Ekofisk in Dec 1969 and the UK's major fields in the two years following. Norway established its fund by law in 1990, made its first deposit in 1996, and channelled oil revenues into a diversified global investment portfolio. That fund is now worth roughly £1.5 trillion — about £280,000 per Norwegian citizen. It generates sufficient returns to fund a substantial proportion of Norway's public expenditure in perpetuity.

The UK took a different path. North Sea oil revenues, which totalled hundreds of billions of pounds, were used to fund current government spending — including, in large part, the cost of managing industrial decline and unemployment during the 1980s. No wealth was accumulated. No fund was established. When the oil revenues declined, nothing remained.

This was a political choice, not an economic inevitability. The UK had the same resource, the same timeframe, and arguably a stronger starting position than Norway. It simply chose not to invest.

1.3 The Intergenerational Debt Burden

What four decades of this policy left to the next generation is the clearest measure of it. Previous governments sold national assets, spent the proceeds, and passed on the bill. The national debt now exceeds £2.9 trillion. The assets that could have serviced or offset that debt — the industries, the infrastructure, the natural resource revenues — are gone. What remains is the obligation to repay, without the productive base to do so comfortably.

The consequence is not confined to the accounts. Every generation has a moral obligation to leave the next in a stronger position than it inherited, and on the available evidence the UK has not. Today's young people face higher housing costs, greater student debt, less secure employment, weaker pension prospects, and a larger share of national debt than any generation since the Second World War — yet they inherit fewer national assets than any previous generation in modern British history.

The Department for National Wealth Creation would directly reverse this trajectory. Rather than bequeathing only debt, the nation would build a growing portfolio of strategic assets — energy infrastructure, technology stakes, productive land, industrial equity, and sovereign wealth reserves — that future generations inherit alongside any remaining obligations. Over time, the returns generated by these assets could be used to service the interest on the national debt, and ultimately to pay it down. A nation with £1 trillion in sovereign wealth and £2.9 trillion in debt is in a fundamentally different position from a nation with £2.9 trillion in debt and nothing on the other side of the balance sheet.

The promise is straightforward. Every child born here would inherit a share of national wealth alongside their share of the national debt: assets that pay for healthcare and pensions, and that give them a stake in the country's prosperity.

1.4 The Converging Pressures

The UK now faces a set of structural challenges that make the creation of a national wealth mechanism not merely desirable but essential.

The population is ageing rapidly, and the old-age dependency ratio (the number of pension-age individuals per working-age person) is projected to rise sharply over the coming decades. Funding pensions and healthcare through taxation alone will require either substantial tax increases or significant cuts to provision, neither of which is politically sustainable.

Decades of underinvestment have left the UK with ageing transport networks, inadequate digital infrastructure outside major cities, a housing shortage approaching crisis levels, and energy systems that require fundamental transformation to meet net zero commitments.

Dependence on imported gas exposed households and businesses to devastating price increases during the 2022 energy crisis. The transition to renewable energy offers a pathway to energy sovereignty, but only if the UK owns the infrastructure and supply chains rather than simply importing them.

British technology companies of global significance, among them DeepMind, ARM, Imagination Technologies and most recently the quantum firm Oxford Ionics, have been acquired by foreign corporations. The intellectual property, jobs and economic value generated by these companies increasingly accrue overseas. The UK's world-class research base produces breakthroughs that are commercialised by, and for the benefit of, other nations.

Economic activity and wealth are heavily concentrated in London and the South East. Despite decades of 'levelling up' rhetoric, the structural mechanisms that drain talent and capital from the regions remain largely intact.

UK ports, airports, energy infrastructure and water systems are substantially owned by foreign sovereign wealth funds and private equity firms. Other nations have recognised the value of UK assets even as the UK government has been selling them.

1.5 What Exists Today, and Why It Is Not Enough

Two institutions created since this problem became undeniable deserve acknowledgement, and neither closes the gap. The National Wealth Fund (Oct 2024) is the UK Infrastructure Bank rebranded and recapitalised to £27.8 billion, with a mandate to lend, guarantee, and co-invest so that private capital flows into infrastructure and industrial strategy sectors. Great British Energy (2025, £8.3 billion) is a state-owned company for developing and part-owning clean-energy projects. Both are policy banks in character: they deploy capital to catalyse markets, and their returns recycle into further policy lending.

A sovereign wealth fund does something different. It accumulates. It holds a compounding portfolio whose returns are retained and reinvested across generations, so that the asset side of the national balance sheet grows permanently. Norway's fund does not exist to crowd in private capital; it exists to make every future Norwegian richer.

The deeper gap is upstream of the fund question. Even a perfectly designed fund only compounds what it is given, and no institution in British government has the job of generating things to give it. Planning gain accrues to landowners because no department is mandated to capture it. Publicly funded research is commercialised abroad because no department is mandated to take a stake in it. Seabed revenue is settled by a historical accommodation with the monarchy rather than by any calculation of national return. These are policy failures, not investment failures, and no fund manager can fix them. The proposal in this paper is therefore not a rival to the National Wealth Fund or Great British Energy. It supplies the policy arm they lack, and re-mandates the fund arm that already exists so that what the policy arm creates has somewhere to accumulate.

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2. The Department for National Wealth Creation

2.1 Mandate

The Department for National Wealth Creation and its associated Fund would be established by statute with one codified mandate. They create, accumulate and manage national wealth for the long-term benefit of the people of the United Kingdom. The horizon is generational, measured in decades rather than electoral cycles. The mandate is one; the institutions delivering it are two, for the reasons set out below.

2.2 Two Institutions, Two Mandates

The proposals in Section 3 describe two entirely different kinds of work, and conflating them is the fastest way to make this proposal fail.

The first kind is statecraft. Capturing land value uplift requires changing planning law. Directing seabed revenues to the nation requires reforming the Crown Estate settlement. Making public support carry an equity stake requires primary legislation. Designating economic clusters around universities requires coordinated decisions on procurement, infrastructure and planning across several departments. Reducing council tax and business rates for rooftop generation requires a fiscal decision. Creating a national health data trust requires legislation and a democratic mandate to use the data at all. None of this can be done by an investment board. It is the exercise of sovereign authority, and in a democracy it must be done by ministers who answer to Parliament and can be removed by voters.

The second kind is investment. Holding assets, pricing risk, allocating capital across decades, and compounding returns. This work fails when politicians touch it, which is the consistent lesson of every sovereign fund that has been raided and every state holding sold early for a fiscal headline.

The architecture therefore has two parts.

The Department for National Wealth Creation is a department of state in the full sense, led by a Secretary of State, sitting in Cabinet, accountable to Parliament and to the electorate. Its business is creating the conditions in which national wealth accrues: legislating value capture, reforming ownership regimes for national resources, setting the terms on which public support converts into public stakes, coordinating the cross-departmental decisions that build regional clusters, and negotiating the joint ventures through which the state participates in new industries. This is inherently political work. It involves choices between competing interests, and it should be contested at elections.

The Fund holds and compounds what that work produces. It is statutorily independent, governed by its own board, managed by professional investors, and insulated from ministerial direction over every individual investment decision. Ministers set its mandate through the Charter and Parliament holds it to account for performance against that mandate. Neither may instruct it to buy or sell.

Norway demonstrates precisely this division, though it is usually described as a single institution. The Norwegian state sets petroleum policy, awards licences and levies the tax that generates the revenue, all of it ministerial work subject to election. Norges Bank Investment Management invests the proceeds under a mandate from the Ministry of Finance and does not set petroleum policy. The fund is the compounding machine; the state is what fills it. The UK's failure has never been the absence of a fund alone. It is the absence of any institution whose job was to create wealth for the nation to bank, so that even when revenues arrived there was nothing designed to capture them.

The practical route to this is shorter than it appears. The investment arm largely exists. The National Wealth Fund has capital, an investment team, a pipeline and governance, and could be re-mandated from policy bank to compounding sovereign fund without being built from scratch. What has no home anywhere in government is the policy arm: the department whose explicit purpose is to convert public decisions, public assets and public risk into public wealth. That is the institution this paper proposes creating.

2.3 Core Principles

Sovereignty: strategic national assets, resources and capabilities are owned or co-owned by the nation, not surrendered where that undermines national security or long-term prosperity.

Compounding: wealth is invested, not spent. The Fund's returns compound over time, creating an expanding base of national assets that funds public services without sole dependence on taxation.

Reciprocity: where the state creates value or carries risk, whether through rezoning, infrastructure investment, research funding, demand guarantees, subsidies, tax reliefs, or subsidised capital, it takes a proportionate share of the resulting wealth.

Strategic patience: the Fund operates on 20- to 50-year investment horizons. It accepts short-term underperformance in pursuit of long-term national advantage.

Intergenerational equity: every generation inherits more national wealth than the last. The institutions exist to ensure that future generations receive strategic assets, not merely debt.

Regional equity: investment is distributed to create economic clusters and industrial capacity across the entire United Kingdom, not concentrated in London and the South East.

Transparency: all investments, returns and governance decisions are published and subject to independent audit and parliamentary scrutiny.

2.4 Governance Structure

The Department is governed as any department of state is governed. A Secretary of State leads it, answers questions in the House, appears before select committees, and carries the political cost of its decisions. Its policy work is subject to the ordinary disciplines of legislation, consultation, judicial review and election. No special insulation applies, and none should, because the decisions involved are the kind that voters are entitled to reverse.

The Fund is governed by an independent Board of Directors appointed through an open, merit-based process, confirmed by a cross-party parliamentary committee. Board members would serve fixed, staggered terms of seven years, non-renewable, to prevent political capture. The Board would include expertise in sovereign wealth management, industrial investment, infrastructure, technology, and public governance. The Secretary of State may propose changes to the Fund's mandate, but cannot make them alone: every revision runs through the Charter process and its amendment threshold set out below. No minister may direct any individual investment, disposal or holding in any circumstances.

A statutory **National Wealth Charter** would define the Fund's mandate, permissible investment categories, the distribution rule, ethical constraints, and accountability mechanisms. Amendment of the Charter would require a two-thirds parliamentary majority at Westminster and the consent of all devolved legislatures — the Scottish Parliament, Senedd Cymru, and the Northern Ireland Assembly. This dual requirement provides formidable protection against opportunistic political interference: no single Westminster government could alter the Fund's mandate or reach its assets without securing broad cross-national consensus, ensuring that the wealth created belongs to the entire United Kingdom and cannot be dismantled for short-term political advantage.

Two design details keep the lock workable. Where a devolved legislature is suspended, its consent function would pass to a defined fallback (a supermajority of that nation's Westminster MPs) so that the Charter never becomes unamendable by accident, a live risk given Stormont's history of suspension. The consent requirement applies to the Charter alone; the Department's operations in devolved policy areas such as land, water, and agriculture would proceed through the normal devolution machinery, by agreement with the relevant devolved government, not around it.

Day-to-day operations of the Fund would be led by a Chief Executive recruited from the global sovereign wealth and institutional investment community, supported by sector-specialist investment teams. Compensation would be benchmarked against comparable sovereign wealth funds to attract world-class talent.

2.5 The Firewall Between Policy and Portfolio

Splitting the institutions creates a problem that a single body would not have. A department that decides which land is rezoned, sitting alongside a fund that owns land, is a structure capable of enriching the public purse through decisions that should have been taken on their merits. The same risk runs through seabed leasing, cluster designation, spectrum policy and procurement. In private markets the equivalent conduct is insider dealing, and the fact that the beneficiary here is the public does not make it acceptable. It makes it more corrosive, because the damage falls on trust in the policy itself.

Four rules would govern the boundary.

Policy decisions are taken on published criteria, and the reasoning is disclosed. Where a decision would materially benefit a Fund holding, that interest is declared at the time and the decision is reviewed independently before it takes effect.

The Fund does not invest ahead of policy. It may not acquire a position whose value depends on a Departmental decision that has not yet been announced. The Fund invests after the policy is public, on the same information as everyone else.

Information flows one way. The Department publishes; it does not brief the Fund privately. Any material given to the Fund about forthcoming policy is given to the market simultaneously.

The Fund does not lobby the Department. It has no role in policy formation, submits no representations on measures affecting its portfolio, and its board is barred from the Departmental advisory structures.

Those four rules address the risk of trading on foreknowledge in an open market, which is the classic form of the problem and the one the global portfolio and any opportunistic land or spectrum purchase would face. They do not touch the risk this architecture actually creates, and the distinction matters enough to be stated rather than glossed. Most development-portfolio assets are bespoke instruments that exist only because the Department negotiated them into being: the equity percentage in a gigafactory venture, the terms of a consent-linked stake, the structure of the housing company. There is no external market in those positions and no comparable investor against whom the Fund could be said to hold an informational advantage. The Fund is not trading ahead of anyone. It is the pre-arranged recipient of a deal the Department itself priced, and the temptation runs the other way: a minister who wants a programme to succeed has every reason to make the terms generous, and a Fund board has every reason to accept generous terms without complaint.

A fifth rule closes that gap.

Department-originated assets transfer at independently assessed fair value. Before any Department-negotiated stake enters the development portfolio, an independent valuation, benchmarked against comparable private-sector joint venture and acquisition terms, is obtained from a party appointed by neither the Department nor the Fund, and published alongside the transfer. Where the assessed value differs materially from the negotiated terms, the difference is recorded as a policy cost against the Department rather than as a gain to the Fund.

That last clause is the load-bearing one. It means a generous deal cannot flatter the Fund's returns, and a minister cannot manufacture apparent investment performance by negotiating against the taxpayer's own interest on the other side of the table. The cost of strategy stays visible, which is the principle Section 2.6 commits the development portfolio to and which would otherwise be unenforceable.

These constraints cost something real. The Fund forgoes profits it could have made from foreknowledge, and the Department forgoes the convenience of coordinating policy with its own balance sheet. That cost is the price of the arrangement being legitimate, and it is worth paying, because the Charter and the dual lock described above protect the Fund's assets from politicians while these rules protect public decisions from the Fund.

2.6 How the Fund Invests

The Fund runs two portfolios on one balance sheet, because it does two different jobs and the disciplines they need are different.

The development portfolio holds the United Kingdom. Into it flow the assets created by the Department's development of the country: stakes from the public support framework, joint venture equity in the gigafactories and data centres, consent-linked stakes, cluster investments, the housing stock described in Section 3.14, and holdings converted from rescue. This portfolio is the national balance sheet being rebuilt, asset by asset, as the Department's policy machinery produces things worth owning. Its mandate is dual. It pursues commercial return alongside the resilience objectives named in the Charter, and it is accounted for separately, so that the cost of strategy is always visible rather than smeared across the whole fund.

The global portfolio holds everything else, and follows the international models. Into it flow the cash streams the capture mechanisms generate: land value receipts, resource revenues, dividends awaiting reinvestment. It invests wherever the best risk-adjusted returns are found, diversified across geographies and asset classes on the pattern of Norway's fund, and deliberately weighted away from the United Kingdom. The reason is not timidity. A national fund invested only at home doubles the nation's bet on itself, so the years in which the country most needs its savings become the years the savings are worth least. Norway resolves this by barring its fund from domestic investment altogether; the UK version achieves the same balance by giving domestic assets a dedicated home in the development portfolio and sending the free cash abroad to compound.

Decision rights work in two distinct ways, and the difference must be stated plainly, because the assets arrive by two different routes and only one of them involves the Fund choosing.

Fund-priced positions are chosen by the Fund, on published criteria, at its own pace. The university clusters of Section 3.7 are the model: the Department designates the cluster, aligns procurement and infrastructure behind it, and creates the conditions in which investable companies emerge, but has no say in which companies receive investment. Quantum positions, cluster equity, banking stakes and everything in the global portfolio work this way. Wherever

possible the Fund invests alongside private co-investors, because a private investor's willingness to commit at the same price is the cleanest available test that a strategic investment is also a sound one.

Department-originated instruments are not chosen by the Fund at all. They are created by the Department and arrive pre-formed: stakes accruing automatically under the public support framework, joint venture equity negotiated as part of a gigafactory deal, consent-linked stakes attaching to a runway decision, the social housing company. Here the Department sets the terms as a matter of policy, and the Fund is the recipient rather than the buyer. The co-investor test cannot legitimate these, because no external investor is being offered the same instrument.

A different discipline therefore governs them, and it is the rule that makes the whole architecture honest. **Every Department-originated asset transfers into the Fund at independently assessed fair value, or does not transfer at all.** Where the Department wants an asset held that the Fund's mandate would not justify at that price, for security or industrial reasons of its own, it may have it, on its own books and at its own cost, until the position meets the Fund's mandate. This boundary keeps the Fund's return figures honest, prevents the development portfolio from becoming a repository for whatever government has decided to build, and ensures that strategy never becomes a euphemism for loss-making. Section 2.5 sets out the valuation control that enforces it.

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3. Investment Pillars

The Department's work falls into fourteen pillars, and they reinforce one another: cheap domestic panels need a demand anchor, the demand anchor needs a grid, and the grid needs the storage the same factories build.

A note on agency runs through every pillar, following the split in Section 2. The Department designs the frameworks, negotiates the terms, and drives the programmes. The resulting stakes and assets are held by the Fund, in the development portfolio described in Section 2.6. The reserved sovereignty rights described in Section 3.3 are held by neither as shareholder, but by the Secretary of State through a special share, so that judgements about who may own a strategic asset stay with ministers who answer for them, while the returns stay with the Fund.

3.1 Energy Sovereignty

The UK's energy transition represents the single largest wealth creation opportunity of the coming decades. The Department would ensure that the nation captures a substantial share of this value rather than ceding it to foreign manufacturers and investors.

Solar Manufacturing and Deployment

The Department would negotiate joint ventures with leading solar panel manufacturers to build gigafactories in the UK. The state would contribute guaranteed procurement — underpinned by a national policy to install solar on every viable roof within 15 years — alongside planning

facilitation and subsidised factory sites. Private partners would contribute technology and manufacturing expertise. The resulting equity, a minimum 40% stake, is held by the Fund on the transfer terms in Section 2.5.

With approximately 30 million homes in the UK, this programme would create a domestic demand signal of extraordinary scale, justifying major manufacturing investment and creating tens of thousands of jobs in regions that need industrial employment.

The Public Estate as Demand Anchor

A manufacturer will not commit to a gigafactory on the strength of a policy aspiration. It will commit on the strength of a contracted order book, and the state controls one large enough to underwrite the first years of production.

The Department would sponsor a statutory commitment to install solar generation and proportionate battery storage across the entire public estate: central government buildings, the National Health Service estate, defence sites, local authority buildings, and every school and further education college with a suitable roof. Delivery would be phased to match the workforce and supply chain as they are built, with the schools and NHS estate completed by the end of Phase 2 and the remainder by the end of Phase 3, rather than fixed to a single date the installation industry cannot currently meet. Listed buildings, structurally unsuitable roofs, and sites awaiting grid reinforcement would be scheduled or exempted explicitly rather than allowed to stall the programme.

Three returns follow from one commitment. The public estate takes a permanent reduction in its energy costs, which is a direct fiscal saving on a bill the taxpayer already pays. The order book anchors demand for the gigafactories in which the Fund holds equity, so the state captures manufacturing margin on panels it is buying for itself. The programme forces the training, tooling and supply chain depth that the private residential and commercial market currently lacks, which lowers unit costs and shortens installation queues for everyone else. A government that intends to encourage solar adoption across the country while its own schools sit unequipped has a credibility problem as well as an economic one.

The Fiscal Environment for Rooftop Adoption

Manufacturing capacity without household demand produces an export business at best and a stranded asset at worst. The demand side needs its own instrument, and the property tax system is the most direct one available.

The Department would advocate a standing reduction in council tax for domestic properties, and in business rates for commercial premises, that install qualifying solar generation with proportionate storage and connect to the national Virtual Power Plant described below. A rates and council tax reduction has three advantages over a capital grant. It is visible every year rather than once, which is what changes household behaviour. It costs nothing until the installation exists, so the Exchequer pays only for delivered capacity. It reaches the households least able to fund the upfront cost, when paired with a financing option repaid from the energy savings,

which a grant regime typically fails to do. Business rates relief also removes the perverse effect whereby improving a commercial building raises its rateable value and penalises the investment.

The framing should be energy security rather than environmental virtue. A country that generates and stores its own power on its own roofs is far harder to coerce through global gas markets, as the price shock following the invasion of Ukraine demonstrated at considerable cost to British households. That framing broadens the political coalition and makes the policy durable across changes of government, which a 15-year programme requires.

Battery Manufacturing and Grid Storage

The same gigafactory infrastructure would produce battery systems for household storage and grid-scale applications. The UK imports the great majority of its battery cells, primarily from China, with only limited domestic capacity now being built. Domestic manufacturing would reduce this strategic vulnerability while creating a vertically integrated energy value chain.

Virtual Power Plant

Distributed battery storage across millions of homes and businesses would be networked into a national Virtual Power Plant (VPP) — a digitally managed, distributed energy system capable of absorbing excess renewable generation, releasing stored energy during peak demand, and providing grid balancing services. The VPP would be a revenue-generating national asset, capturing value currently paid to gas peaking plants. The state's ownership stake in this infrastructure would generate returns in perpetuity.

3.2 Digital and Technology Sovereignty

Sovereign Data Centre Consortium

The Department would assemble a UK-based data centre consortium, providing sovereign computing infrastructure for government, defence, healthcare, financial services, and other sectors where data residency and security are critical. The state would provide land, planning fast-tracking, grid connections, and anchor tenancy. Private partners would contribute capital and operational expertise. The Fund would hold a significant equity stake.

This infrastructure would reduce the UK's dependence on US hyperscaler platforms for critical data processing and provide the compute foundation for a sovereign artificial intelligence (AI) capability.

Strategic AI Investment

The Fund would act as a strategic investor in UK AI companies, with the Department supplying access to sovereign compute infrastructure and government datasets as consideration for ownership stakes. The objective is to prevent the acquisition of strategically important UK AI companies by foreign corporations, a pattern exemplified by Google's acquisition of DeepMind in 2014, by offering founders a credible domestic alternative for scaling their businesses. The quantum section below sets out the same argument at a stage where it can still be acted on rather than regretted.

Quantum Technologies: Acting Before the Sale Rather Than After

Every argument in this paper about technology sovereignty is retrospective. DeepMind was sold in 2014 and ARM in 2016, and no policy available today recovers either. Quantum computing is the same argument arriving early enough to act on, because the sector has not yet produced a commercial winner. Valuations remain within reach of a sovereign investor, ownership is still fluid, and the decisive positions have not yet been taken.

The UK research base in this field is genuinely first rank, and the record of converting it into British-owned companies is not. Three cases describe the pattern. PsiQuantum was founded by researchers from Bristol and Imperial who moved to Palo Alto in 2016 because the capital available there exceeded anything on offer at home, so there was never a British company to acquire. Cambridge Quantum Computing, a national champion in the making, was folded into Honeywell's quantum division in 2021 and now sits inside a majority US-owned business. Oxford Ionics was acquired by the American firm IonQ in a deal worth $1.075 billion, completed in Sep 2025.

The Oxford Ionics case is the one that should end the argument. It happened after the National Quantum Strategy of Mar 2023 had committed £2.5 billion of public money over ten years to exactly this sector. Public funding built the research base, trained the physicists, and de-risked the science; the equity went to American shareholders regardless. The transaction was cleared subject to conditions intended to keep technology and talent anchored in Britain, which is the honest limit of the screening approach. Conditions attached to someone else's asset are a weaker instrument than owning part of the asset. The National Security and Investment Act can stop a sale or shape its terms. It cannot give the public a share of what the company later becomes, and it arrives only at the moment of sale, when the leverage is at its weakest. A stake taken at the funding round carries the reserved rights described in Section 3.3 from the outset, so the question of who may own the company is settled years before a bidder appears.

The Department would therefore act as a cornerstone investor in UK quantum hardware, error-correction and software companies at the growth stages where founders currently face a choice between American capital and stagnation. Three levers are available and cost comparatively little.

Patient capital at the round where companies are currently lost. The gap is not seed funding, which the UK supplies reasonably well, but the £50 million to £200 million rounds that force founders across the Atlantic. Positions taken at this stage are affordable precisely because no winner has emerged.

Procurement that carries equity. The ProQure programme launched in Mar 2026 uses government procurement to pull prototypes towards commercial scale. Under the framework in Section 3.3, an anchor order of that kind should acquire a stake rather than simply transfer public money, since guaranteed demand is the most valuable thing the state can give a pre-revenue hardware company.

Infrastructure as an in-kind contribution. Access to the National Quantum Computing Centre, to sovereign compute, and to government test environments has genuine commercial value and should be exchanged for equity or revenue participation rather than given away.

The honest caveat belongs in the proposal rather than in the rebuttals. Quantum computing may not produce commercial returns for a decade or more, and several of these positions will fail outright. That is an argument for holding them in an institution with a 20- to 50-year horizon and a diversified portfolio, and against holding them in a venture fund that must return capital on a ten-year clock or a departmental budget that must justify itself at the next spending review. The technology is also dual-use, with direct consequences for cryptography and defence, which means the strategic case for domestic ownership does not depend on the commercial case succeeding on schedule.

Digital Public Infrastructure

Drawing on the model of India's Unified Payments Interface, the Department would invest in public digital infrastructure including a national payments system, digital identity framework, and open banking platforms. These systems would reduce the billions extracted annually from the UK economy by foreign payment processors while generating modest but scalable fee income for the Fund.

3.3 Industrial Strategy and Strategic Stakes

Public Support, Public Stake

The state is already one of the largest investors in the British economy. It books the position as expenditure, and takes no share of what the investment creates.

The scale is not marginal. Research and development tax relief cost roughly £8 billion in 2025-26. The Subsidy Control transparency database recorded around 34,000 subsidy awards in its first three years, with a combined value of £156.6 billion, close to 1.8% of national income. That headline figure books long-term commitments in full at the point of award, and a single scheme, Sizewell C, accounts for £50.3 billion of it spread across 75 years, so the annual cash figure is far smaller. The direction is what matters. Add the grants distributed through Innovate UK, the lending and guarantees of the British Business Bank and UK Export Finance, Contracts for Difference in energy, freeport and enterprise-zone reliefs, capital allowances, and the anchor procurement that hands a young company its first credible customer. Each of these moves public value onto a private balance sheet. Almost none of them returns a share of the value it creates.

The Department would establish a statutory framework under which public support above a defined threshold gives the nation a proportionate equity or revenue-participation stake. The principle is symmetry. Where the public carries the risk, the public shares the return.

One case makes the argument better than any general statement. In 2009 the US Department of Energy lent Solyndra, a solar manufacturer, $535 million, and approved a $465 million loan for Tesla. Solyndra went bankrupt in 2011, and the loss became the standing proof that governments cannot pick winners. Tesla repaid in full in 2013, and the public captured nothing beyond its interest. The loan agreement did include a warrant over roughly three million Tesla shares at a strike of $7.54, structured as security against default and extinguished when the loan was repaid rather than as participation in success. Tesla listed at $17 a share in Jun 2010 and traded near $90 when the loan was repaid in 2013. Written the other way round, that one position would have

covered the Solyndra loss several times over. This is Mariana Mazzucato's argument in *The Entrepreneurial State* (2013), and it is the strongest available answer to the winner-picking objection. A portfolio does not need every investment to succeed. It needs to be paid when one does.

The design would run as follows.

Two thresholds, not one. Economic participation begins at a de minimis floor of £5 million of cumulative support to a single company over three years, high enough to keep the framework away from small firms and routine grants. That tier is an ordinary commercial arrangement: an equity or revenue-participation right, documented in a shareholder agreement like any other investor's, with no special share and no consent powers. The sovereignty rights described below are a separate and much rarer matter, and they carry their own, far higher threshold.

Instrument matched to the support. Direct grants and subsidies convert to equity or a revenue-participation right. Loans and guarantees carry warrants exercisable on success rather than security realisable only on failure, which is the Tesla correction. Tax reliefs above the threshold accrue a deferred participation right rather than an immediate shareholding, so that no company faces a cash call it did not plan for. Anchor procurement, planning facilitation and land contributions are negotiated as joint-venture equity, in the manner already described for the gigafactories.

Proportionality rather than confiscation. The stake reflects the value of the support measured against the company's valuation at the time of the award, not against what the company later becomes. The public enters as a co-investor at entry price and dilutes alongside every other shareholder in subsequent rounds.

Governance rights on ordinary commercial terms. The Fund takes the governance a private investor holding the same position would take, and no more. A small stake arising from a grant or tax relief carries no board seat, since the company sought support rather than a shareholder. A negotiated investment or joint venture carries the representation any investor of that size would expect. A controlling position carries control. The ladder is set out below, alongside the reserved rights over ownership and location that attach at every level.

Published at the point of award. The support, the stake taken, and the reasoning are disclosed together, so that the bargain is visible to Parliament and to the market.

The carve-outs matter as much as the rule, because a framework that deters the investment it exists to encourage has defeated itself. Support below the threshold triggers nothing, which keeps early-stage and small-business funding frictionless. Support that funds a compliance obligation or a public good with no commercial return attached, such as basic research or a mandated environmental retrofit, sits outside the framework entirely. Where a stake would demonstrably deter the private investment the support was designed to unlock, the Department takes a revenue-participation right, or takes nothing, and publishes that decision with its reasons. The test is whether the public is being paid for risk it actually carried, not whether a stake can technically be extracted.

Governance: The Same Terms as Any Other Investor

The governing principle is that the Fund behaves as a commercial investor of its size would behave, neither claiming influence its holding does not justify nor disclaiming influence that holding plainly carries. Three rungs follow from that.

Support-derived stakes, arising automatically from a grant, relief or guarantee, carry economic rights and the reserved rights below, with no board seat. The company came for support and did not solicit a shareholder, so the Fund does not install itself in a boardroom it was not invited into.

Negotiated investments and joint ventures carry the representation an investor of that size would ordinarily receive. The state cannot hold 40% of a gigafactory venture, as Section 3.1 proposes, and pretend to be a passive bystander. No private investor would accept that position without a seat, and the pretence would serve nobody.

Controlling positions, whether acquired through rescue capital, debt-for-equity restructuring of a water company, or market purchase, carry control proportionate to the holding, including board appointment rights and a voice in selecting the executive team. This is what any commercial investor taking a controlling stake would demand, and the public is entitled to the same.

What the Stake Controls

A purely economic stake would capture the upside and do nothing about the problem described in Section 3.2. The public would own 15% of a company at the moment it moved to California. The distinction that makes the framework work is between economic rights, which the Fund holds and exercises passively, and control rights, which are narrow, specific, and concerned only with whether the asset the public paid for stays where the public paid for it. The two are held separately, and deliberately so. The reserved rights vest not in the Fund but in a special share held by the Secretary of State, on the model Britain already operates in BAE Systems and Rolls-Royce, because a judgement about whether a company may pass into foreign ownership is a sovereignty judgement, and sovereignty judgements belong with ministers who answer for them, not with an investment board whose mandate is returns.

Reserved rights are not a feature of every stake. They attach only where two conditions are met together: the company operates in one of the sensitive areas of the economy defined for mandatory notification under the National Security and Investment Act 2021, currently seventeen and due to expand during 2026 as water, critical minerals and semiconductors become standalone sectors, and cumulative public support exceeds a materially higher figure than the economic threshold, with £50 million over three years a defensible starting point. Borrowing the Act's existing sector definitions avoids inventing a new test. It uses a strategic-significance boundary Parliament has already debated, keeps the qualifying population small and identifiable, and aligns two regimes that would otherwise operate blind to each other.

Where both conditions are met, four reserved rights attach through a special share held by the Secretary of State.

Change of control. Any sale, merger or share transfer that would place the company under foreign control requires the special shareholder's consent.

Relocation of critical functions. Moving the headquarters, the principal research activity, or manufacture of the supported technology out of the UK requires consent, failing which the clawback and conversion provisions apply.

Transfer of the supported intellectual property. Assignment or exclusive licensing of intellectual property that public money created requires consent. Without this right the others are decorative, since a company can be left in Britain while the asset that mattered leaves it.

A cap on foreign voting interests, set in the company's articles, on the model already operating in UK defence.

Scale is the objection that matters here, and it should be answered with a number rather than a reassurance. Britain already runs special shares in a handful of companies, BAE Systems, Rolls-Royce and NATS among them, and secured equivalent rights over Royal Mail as a condition of its 2024 takeover, so the instrument is in routine use rather than exceptional. On the test above, the population that would newly qualify is the intersection of two already-narrow sets: firms in the seventeen sectors of the National Security and Investment (NSI) Act, and firms receiving very large public support. That intersection is plausibly in the low tens of companies a year rather than the hundreds a £5 million trigger would have swept in, and each one would look recognisably like the cases the precedent is drawn from. The Department should publish the qualifying list annually, so that the actual scale of the regime is a matter of record rather than something an opponent is free to estimate.

Consent must also be quick, or it becomes a tax on doing business with the state. The special-share function would sit with the same unit that administers screening under the National Security and Investment Act, run to the same statutory clock, and be exercised through a single combined review where both regimes are engaged, so that a company faces one decision on one timetable rather than two gateways running in parallel. Refusal carries reasons and a right of appeal.

None of this is novel, and none of it is nationalisation. The UK runs exactly this structure in its most sensitive companies today. BAE Systems and Rolls-Royce each operate under a £1 special share held by the Secretary of State. BAE's articles of association limit any foreign person, acting alone or in concert, to a 15% voting interest, alterable only with the special shareholder's consent, and material disposals require that consent as well. Neither company is regarded as state-controlled, neither has difficulty raising capital, and both compete successfully in global markets.

The European airline regime supplies the sharper design lesson. Under Regulation 1008/2008 an air carrier holds its operating licence only while Member States or their nationals own more than half of it and effectively control it. The two-limb test is the instructive part. A shareholding percentage on its own is straightforward to engineer around through holding structures and shareholder agreements, so the regulation asks separately whether control genuinely sits where the share register suggests. A UK framework should borrow that structure rather than rely on percentages alone, because a passive economic stake would not have prevented a single one of the acquisitions described above.

The honest constraint is that golden shares have a contested legal history. The European Court of Justice struck down the UK's special share in BAA in 2003 as an unlawful restriction on the free movement of capital, and comparable structures elsewhere in Europe fell for the same reason. The UK is no longer bound by that jurisprudence, which widens the room available, though investment treaties and trade agreements carry protections of their own, and rights drawn too broadly would deter the investment the framework exists to attract. The discipline is to draw them narrowly, attach them to the specific asset the public funded rather than to the company at large, and publish them at the point of award so that every later investor prices them in with full knowledge of what they are buying.

Rescue Capital as a Special Case

Bailouts are the sharpest version of the same principle, and the one with the clearest precedent. Every private investor providing rescue capital takes equity, and the public should do the same. The bank-investment programmes of the US government's Troubled Asset Relief Program (TARP) returned a profit to taxpayers, even though the programme as a whole recorded a modest net cost once its housing and auto components are included. The UK's interventions in the Royal Bank of Scotland and Lloyds could have achieved what TARP's bank programmes achieved had the stakes been managed as long-term investments rather than disposed of prematurely. Future interventions would build the national portfolio automatically rather than requiring a fresh political argument each time, as the nationalisation of British Steel in Jul 2026 did, at a cost left to independent evaluation rather than settled by a pre-agreed equity formula.

Strategic Banking Stakes

Rather than disposing of public stakes in banks, the Fund would maintain and strategically expand equity positions in systemically important financial institutions. Selling the Royal Bank of Scotland and Lloyds holdings down was the error; a patient holder on the register of a systemically important bank is worth more to the country over thirty years than the proceeds of an early exit.

A stake of that size carries board representation, and the objection to it is worth meeting directly rather than avoiding. A director nominated by a shareholder owes their duty to the company, not to the shareholder who nominated them, and a director who takes instructions from the Fund or from ministers would be in breach of that duty. The framework depends on the distinction between instruction and judgement, and it is not a fine one. Instruction is illegitimate and would be a serious governance failure. Judgement is what a director is appointed to exercise.

What that judgement encompasses is set by statute rather than by preference. Section 172 of the Companies Act 2006 requires a director to promote the success of the company while having regard to the long-term consequences of decisions, the interests of employees, relationships with customers and suppliers, the impact of the company's operations on the community, and the desirability of maintaining a reputation for high standards of conduct. A director who argues that a loan book concentrated in property carries long-run stability risk, or that withdrawing from lending to underserved communities damages both the franchise and the institution's standing, is not straining against their duty. They are performing the part of it that boards most often underweight, and the statute names those considerations explicitly.

The influence that matters most operates at the shareholder level rather than in the boardroom. A substantial shareholder participates in the appointment of the chair and, through the board it helps constitute, in the choice of chief executive. Selecting leadership whose outlook favours long horizons, patient capital and productive lending is ordinary shareholder behaviour, exercised by pension funds, activist investors and sovereign funds alike. It requires no direction of credit and no instruction to any director. Over time it is more effective than either, because it changes who is making the decisions rather than second-guessing decisions after they are made.

The returns follow from the same position: dividend income for the Fund, a permanent voice for financial stability on the register of institutions the taxpayer would have to rescue again, and a long-horizon shareholder in a sector whose dominant investors are structurally short-term.

Capital Flight Prevention

The reserved rights above operate as consent gates. Clawback is the penalty layer that sits behind them, for the cases where support was given without a stake or where a company acts without seeking consent. Companies that have received significant public support, whether through state investment, research funding, procurement contracts, or tax incentives, and subsequently relocate key operations to lower-tax jurisdictions would face clawback provisions. These stakes would include contractual terms converting to larger positions at punitive ratios if the company moves critical functions offshore within a defined period. A broader 'national licence' framework would also link access to government procurement and strategic partnership to substantive economic presence in the UK.

3.4 Territorial Wealth

Seabed and Maritime Resources

The UK seabed, currently managed through the Crown Estate, generates substantial and growing revenues from offshore wind leasing, subsea cable routes, marine aggregates, and emerging industries such as tidal energy and carbon capture storage. The 2021 offshore wind leasing round generated option fees of £879 million a year from six projects while they were in development. Those fees step down sharply from Jan 2026 as projects sign leases and enter construction, and are replaced by ongoing rent as generation begins, so the revenue is cyclical around each leasing round rather than smoothly compounding. As the UK scales towards 50 GW or more of offshore wind, cumulative lease revenues will still reach tens of billions over project lifetimes.

Crown Estate net profits already flow to the Treasury, with the Sovereign Grant merely calculated by reference to them. The reform required is therefore to hypothecate a defined share of those profits to the Fund rather than to general expenditure, with the Sovereign Grant calculation adjusted accordingly. Scotland shows the direction of travel: Crown Estate Scotland has been devolved since 2017 and its net revenues already flow to the Scottish Government, so the reform proposed here would in part extend to England, Wales and Northern Ireland an arrangement that exists within the UK today. Longer term, the case for full public ownership of the seabed — separating management of national maritime resources from the constitutional

arrangements of the monarchy — is compelling. National territorial waters and the resources within them should generate national wealth directly, managed by an institution with an explicit mandate to maximise long-term public value.

Land Value Capture

When land is rezoned from a lower-value to a higher-value use — typically from agricultural to residential — the value increase is created entirely by a public decision and decades of public infrastructure investment. Agricultural land worth around £10,000 per acre can become worth £1–2 million per acre overnight following rezoning in southern England, an uplift of two orders of magnitude. Under current arrangements, this publicly created value is captured almost entirely by the landowner.

The Department would implement a statutory land value capture mechanism requiring that 40–60% of the value uplift from rezoning flows to the Fund and local infrastructure. The preferred mechanism would be regional development corporations with compulsory purchase powers, acquiring land designated for major development at current use value plus a reasonable premium, installing infrastructure, and selling serviced plots to builders. This model successfully built the UK's new towns in the postwar period and continues to operate effectively in Singapore, Hong Kong, and the Netherlands.

Spectrum and Orbital Assets

The electromagnetic spectrum and orbital slots are finite sovereign resources of increasing value. The Department would shift from one-off auction disposal to long-term leasing models with ongoing revenue-sharing, ensuring that as data consumption and satellite communications grow, the nation's returns compound accordingly.

3.5 Natural Resources and Environmental Markets

The UK's net zero commitment will create substantial new markets in carbon credits, biodiversity credits, and ecosystem services. The Department would create the national carbon market infrastructure, with the Fund holding it and acting as issuer and primary market-maker for UK carbon credits. The Fund would likewise hold national biodiversity credits linked to rewilding and habitat restoration on publicly owned land.

A national reforestation programme on publicly owned or acquired land would generate multiple value streams: tradeable carbon credits, biodiversity value, timber revenue over long rotational cycles, recreational amenity, and land appreciation. The UK has among the lowest forest cover in Europe; a strategic programme of reforestation serves both environmental and wealth-creation objectives.

Critical Minerals and Urban Mining

The energy transition requires substantial quantities of lithium, cobalt, rare earths, and other critical minerals. The UK has domestic deposits, including lithium in Cornwall, and generates vast quantities of electronic waste containing recoverable critical minerals. The Department

would secure domestic mineral rights, take stakes in extraction and processing operations, and build a national urban mining infrastructure to recover critical minerals from waste streams, feeding them into the domestic battery and electronics manufacturing base.

3.6 Knowledge Economy and Intellectual Property

Publicly Funded Research Returns

UK universities and research institutions receive billions annually in public funding that generates commercially valuable intellectual property. The Department would establish a framework ensuring that publicly funded research generates a public equity return — a carried interest or royalty stake in any commercial application emerging from publicly funded research. This creates a perpetual revenue stream: every drug, material, or technology that traces back to public funding contributes to the Fund.

NHS Data as a National Asset

The NHS holds arguably the most valuable healthcare dataset on Earth: over seventy years of longitudinal health data covering an entire national population. The Department would establish a national health data trust, providing structured, anonymised, and ethically governed access to companies in exchange for substantial licensing fees or equity stakes in products developed using NHS data. If a pharmaceutical company uses NHS datasets to develop a blockbuster drug, the nation should share in that drug's commercial success.

3.7 Regional Development and University Clusters

The Department would designate regional wealth clusters around universities with proven research strengths in strategically important sectors. Each cluster would receive long-term patient capital from the Fund, guaranteed government procurement pipelines, tailored infrastructure investment, and planning facilitation.

The state would take equity in companies emerging from these clusters, creating a diversified portfolio of the UK's most inventive companies rooted in communities across the country. Sheffield's Advanced Manufacturing Research Centre, Edinburgh's AI ecosystem, Bristol's aerospace and robotics cluster, Swansea's energy research base, and Manchester's materials science capability would each become anchors for regional industrial transformation.

Implemented across ten to fifteen university cities, this strategy would fundamentally rewire the UK's economic geography, creating a genuine alternative to the London-centric model that has hollowed out regional economies for decades.

3.8 Water and Utilities

The English water companies represent a compelling early opportunity. Burdened with sector debt of roughly £83 billion, facing regulatory enforcement over sewage discharges, and in some cases approaching financial distress, these companies are candidates for debt-for-equity restructuring. The Department would negotiate the restructurings; the resulting controlling

stakes are held by the Fund, which would recapitalise the companies, invest in infrastructure, and hold them as regulated utility assets generating stable, inflation-linked returns. The public would get clean water, restored rivers, and a productive national asset.

3.9 Ports, Airports, and Transport Infrastructure

The UK has sold or privatised most of its major transport infrastructure, much of which is now owned by other countries' sovereign wealth funds. Heathrow is the clearest illustration. Its holding company is owned by the Qatar Investment Authority at 20%, Saudi Arabia's Public Investment Fund at around 15%, Singapore's GIC sovereign fund at around 11%, and China Investment Corporation at 10%. Four foreign sovereign funds hold over half of the UK's principal airport. Since the Universities Superannuation Scheme sold its remaining stake in Jul 2025, there is no British shareholder in it at all. Other nations use their sovereign wealth funds to buy British infrastructure while Britain has no compounding fund of its own, and that asymmetry should be a source of national concern rather than a curiosity.

The Department would systematically acquire strategic stakes in major ports and airports as opportunities arise, and ensure that any new major transport infrastructure is structured with the state retaining an equity stake in the operating entity.

Expansion Consent as the Capture Point

The moment at which the public has most leverage, and currently takes least, is the decision to permit expansion.

An additional runway is not a private investment that happens to need a permit. It requires a National Policy Statement approved by Parliament, a development consent order, and years of inquiry, appeal and judicial review, all of it run at public expense. It requires publicly funded surface access, since passengers reach airports by roads and railways the taxpayer builds. It requires airspace redesign, border and security capacity, and it imposes noise and air quality costs on communities who bear them without compensation. The state supplies the permission, the enabling infrastructure, and the political cost. The value uplift accrues entirely to the shareholders listed above.

Both current schemes make the argument concrete. Gatwick's northern runway received development consent in Sep 2025 and survived legal challenge, with expanded operations expected from 2030. Heathrow's third runway remains a proposal, with the draft Airports National Policy Statement published in summer 2026 and a parliamentary decision on the final statement due in autumn 2026, ahead of a planning consent target of 2029.

That autumn 2026 vote is the practical opportunity. Parliament is being asked to grant something of enormous value, and it can attach terms. The Department would establish the principle that consent for major expansion of nationally significant transport infrastructure carries a public equity stake in the expanded entity, or a revenue participation right in the additional capacity, sized against the public cost of consenting and enabling the scheme. This is the land value capture argument of Section 3.4 applied to aviation, and it rests on the same logic. A public decision creates the value, so the public should hold part of what it created.

The objection that this would deter investment is weaker here than almost anywhere else. Runway capacity at a constrained hub is among the most valuable and least substitutable assets in the country, the current owners have pursued it for two decades, and none of them can build it anywhere else.

3.10 Defence Industrial Base

The UK defence budget is approximately £60 billion a year, of which equipment procurement and support account for around £29 billion. The Fund would take strategic stakes in critical defence suppliers, particularly in semiconductors, advanced materials, cyber capabilities, and autonomous systems. The wealth case is straightforward, since defence companies with guaranteed sovereign procurement are stable, high-margin businesses whose returns should accrue in part to the Fund.

The strategic case has changed materially since this paper was first drafted, and it now carries more weight than the wealth case.

The 2025 US National Security Strategy and the 2026 National Defense Strategy set out a deliberate reordering of American priorities towards the western hemisphere and long-range deterrence, an explicit expectation that European allies fund and field far more of their own defence, and a stated end to what the 2025 document characterised as the United States carrying the world order alone. This is a legitimate choice by an ally, publicly stated in advance rather than sprung, and the sensible British response is neither complaint nor denial. It is to plan for the alliance as it has been described rather than the one previously assumed.

The dependency this exposes is not primarily about equipment ownership. It is about the conditions on which equipment continues to work. Advanced platforms come with sustained reliance on the supplier nation for software updates, mission data, spare parts, deep maintenance and training pipelines, which is the practical position with the F-35 fleet. Export control regimes govern what can be modified, integrated or re-exported. These are ordinary features of buying complex systems from a close partner, and they are also, in aggregate, leverage. Leverage is tolerable when strategic interests are aligned and becomes a planning assumption that requires testing when a partner announces its interests are being reprioritised.

The wealth argument and the security argument therefore converge, which is unusual and worth exploiting. Investment that anchors a domestic supply chain in the sub-systems where dependency bites hardest, meaning semiconductors, secure communications, propulsion, munitions and energetics, guidance, and the software and mission data that make platforms usable, buys strategic resilience and a stake in the fastest-growing industrial demand in Europe at the same time. European rearmament is generating order books at a scale not seen in decades, and the UK can supply that market or import from it.

Two points of discipline apply. First, sovereign capability does not mean building everything domestically, which no European country can afford; it means holding enough of the critical path that no single external decision can ground a capability. Second, the ownership protections in Section 3.3 matter most in this sector, and Britain already applies them here through the

special shares in BAE Systems and Rolls-Royce. Extending comparable protection to the tier-two suppliers on whom those primes depend is a modest step from an established position, not a novel intervention.

3.11 Food Security and Agricultural Assets

The UK imports approximately 40% of its food, and agricultural land is increasingly being acquired by overseas investors and financial speculators. Strategic agricultural land would be acquired for the Fund, agricultural technology backed through the university cluster model, and domestic food production capacity treated as a national security asset. A nation that cannot feed itself is a nation that can be coerced.

3.12 Creative Industries and Cultural Assets

The UK's creative industries generate around £124 billion a year and have grown roughly 50% faster than the economy as a whole since 2010. Ownership of the intellectual property and the distribution platforms, however, is overwhelmingly American. The Fund would take strategic stakes in UK creative industry infrastructure — studios, post-production facilities, gaming studios, music catalogues, and publishing houses — capturing a share of the value generated by one of the UK's most globally competitive sectors.

3.13 Pension System Integration

UK pension funds hold approximately £3.2 trillion in assets, but an increasing proportion is invested in overseas assets rather than domestic productive capacity. The Department would create UK-focused investment vehicles designed to be genuinely attractive to pension funds on a risk-adjusted basis: co-investment alongside the Fund's development portfolio positions, regional development funds, and project-level bonds issued by the operating companies that build and run infrastructure. Nothing here qualifies the rule in Section 4.2. The Fund itself issues no debt and guarantees none; these are instruments of the projects and vehicles the Fund invests in, non-recourse to it, exactly as a gigafactory venture financing itself against its own cashflows is. The cycle this creates is a virtuous one, since pension savings fund national wealth creation and national wealth creation generates the returns that secure pensions.

3.14 Social Housing as a National Asset

Right to Buy did not only sell homes. It changed the economics of building them, and for four decades that second effect did the greater damage. A council that built a home knew it could be compelled to sell it at a discount reaching 70%, with restricted use of the receipts. Under those terms building social housing was economically incompetent, and councils responded rationally by barely building at all.

That disincentive is being removed. Maximum cash discounts were cut sharply in Nov 2024, and the Government's response to its Right to Buy consultation confirms discounts falling to between 5% and 15% of value, a ten-year qualifying period, full retention of receipts by the selling authority, and a thirty-five-year exemption for newly built social and affordable homes in England. These are the right reforms and this paper does not claim credit for proposing them.

They repair the incentive to build. They do not build anything, they do not decide who owns what gets built, and they leave the consequences of forty years of depletion exactly where they are: around £29 billion a year in housing benefit and the housing element of Universal Credit as at 2022-23, of which roughly £12 billion flows to private landlords, alongside £2.8 billion a year now spent by English councils on temporary accommodation, up from £2.3 billion the year before. The state sold the asset at a discount and now rents it back at market rates, indefinitely, from the people it sold it to.

The question this pillar answers is therefore not how to make building rational again, which is being handled, but who should own the homes once they are built, and what the nation should get from owning them.

The fix follows the architecture of this paper. If the state scales up social house building, the Department drives the programme, through the development corporations and land value capture mechanism of Section 3.4, which assemble land at close to existing use value and capture the uplift that consent creates. The homes the programme builds are owned by the Fund, held in its development portfolio through a national social housing company that the Fund owns and that operates, maintains and lets the stock. What the state builds, the nation keeps.

Fund ownership changes the economics in three ways.

The revenue the state already spends starts buying an asset. Rents on Fund-owned homes, including the substantial share paid through housing support, flow to the Fund rather than to private landlords. The £12 billion a year currently leaving the public purse for private-sector rents is an annuity the state pays on homes it once owned; every tenancy moved into Fund-owned stock converts a pure outgoing into income on a national asset.

The protection is permanent rather than parliamentary. The thirty-five-year exemption for new social housing does much the same job as this pillar's corporate structure, and does it sooner, which is worth acknowledging plainly. The difference is durability. An exemption granted by one government can be shortened by the next through ordinary legislation, and thirty-five years is in any case shorter than the life of a house. Fund assets sit behind the Charter and the dual lock of Section 2, so a discounted sell-off would be a raid on principal requiring a two-thirds Westminster majority and the consent of the devolved legislatures. Any sale happens at fair value with proceeds retained. The reform protects the next three decades of building; Fund ownership protects the asset for as long as it stands.

The yield profile suits a sovereign fund. Housing let at sub-market rents produces modest, stable, inflation-linked income with near-zero void risk given the scale of unmet need, and it is uncorrelated with the global portfolio. Pension funds and insurers buy into this asset class through registered providers for exactly those characteristics; the difference proposed here is that the nation is the landlord that benefits.

Two things in that argument need stating honestly rather than being allowed to pass.

The rent regime is a policy choice with a price, and the price should be visible. Homes built under this programme would let at social rent, formula-linked and well below market, not at the "affordable rent" of up to 80% of market that lets for-profit providers reach commercial yields.

That decision costs money, and Section 2.6 commits the development portfolio to showing the cost of strategy rather than smearing it across the fund. The gap between social rent and the market rent the same property would command should therefore be measured, published annually, and booked as a resilience cost carried by the Department, in the same way any other below-commercial term is. A pillar that quietly funded a social objective out of the Fund's return figures would break the discipline the rest of this paper insists on.

Housing support paid to a Fund landlord is not the same kind of revenue as a dividend. Every other source in Section 4.1 captures value the state currently gives to a third party for nothing. Housing benefit is different: it is a necessary transfer that enables a household to pay rent, and routing it to a public landlord rather than a private one moves money from one part of the public sector to another. Counting that flow as Fund return, and then distributing a fraction of it back to the Exchequer, is circular, and the financial model should segregate it from third-party income so the circularity is legible. The case for the change does not rest on the accounting. It rests on the fact that the same outgoing now purchases and maintains a permanent national asset instead of servicing someone else's mortgage, and on the incentive it repairs: a builder who keeps the home builds more of them.

Existing council stock still needs an answer. A company-held asset does not carry the statutory Right to Buy that attaches to local authority secure tenancies, so Fund-built homes are outside the regime by construction. The roughly 1.6 million homes England's councils hold directly are not, and the announced reforms reduce their exposure without ending it. The option worth adding to what Government has already done is a voluntary transfer route: councils could move stock into the Fund's housing company at fair value, which recapitalises the authority, brings professional asset management to homes many councils struggle to maintain, and moves the properties behind the Charter's protection permanently. Voluntary matters here, since stock transfer has a contested history and tenant consent should govern it. The point is to give councils an option they currently lack, not to remove one they have.

The social return needs no restating beyond one line: the households housed are real, the temporary accommodation bill falls, and the homes remain in the nation's hands for the next family. This pillar also completes a loop that runs through the whole paper. Land assembled under Section 3.4, built out by a programme the Department directs, becomes housing held by the Fund, generating income distributed under the rule in Section 4.4, in part to the social care system that an adequately housed population draws on less.

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4. Capitalisation and Financial Projections

4.1 Initial Capitalisation

The most important feature of the funding model is easily missed. With one exception, none of these sources requires new money. They are not calls on the Exchequer competing with schools and hospitals. They are returns on value the state already creates and currently gives away for nothing.

Planning consent already converts agricultural land into development land worth two orders of magnitude more, and the uplift is a gift. Public subsidy, tax relief and subsidised lending already flow to companies, and the equity is a gift. The seabed already generates lease revenue that reaches the nation through a settlement designed for a different purpose. Publicly funded research already produces commercial breakthroughs whose returns accrue elsewhere. Runway consent already creates enormous value for the airport's owners. In each case the public bears the cost and the risk today and receives no share of the resulting wealth. The proposal does not ask the taxpayer to fund a sovereign fund. It asks that the taxpayer stop funding everyone else's.

That distinction matters for how the proposal should be argued. This is not a spending commitment requiring a fiscal event, an offsetting tax rise, or a trade-off against public services. It is a change in the terms on which existing transactions take place.

Land value capture delivers revenue from the statutory mechanism in Section 3.4. It transfers publicly created value, requires no appropriation and carries no hurdle rate.

Equity from public support arrives under the framework in Section 3.3, covering subsidies, tax reliefs above the threshold, subsidised lending, guarantees and rescue capital. The support is being paid today; only the equity is new.

Redirected resource revenues move a defined proportion of Crown Estate leases, spectrum auctions and mineral extraction licences to the Fund. This money is redirected, not raised.

Reformed Crown Estate revenues direct a substantially larger share of Crown Estate income to the Fund, particularly from offshore wind leasing, on the basis already established for Crown Estate Scotland.

Consent-linked stakes attach equity or revenue participation to major infrastructure consents, as described in Section 3.9.

Exchequer endowment is the single exception, and the only leg that can involve borrowing. The borrowing, where used at all, is the state's own, raised in gilts and passed across as endowment; the Fund itself never borrows, for the reasons in Section 4.2.

The £10–15 billion annual contribution assumed in Section 4.3 is a planning figure rather than a bottom-up total, and a reader is entitled to see roughly where it would come from before accepting it. Indicative orders of magnitude, all of which require formal costing against departmental data this paper cannot access:

SOURCE	INDICATIVE ANNUAL CONTRIBUTION	BASIS
Land value capture	Several billions, rising with build-out	Developer contributions through Section 106 and the Community Infrastructure Levy already run to roughly £7 billion a year while capturing a minority of uplift; a statutory 40–60% capture applied through development corporations would raise materially more.
Crown Estate reform	Around £0.4–1.1 billion, cyclical	Net revenue profit has run between roughly £0.4 billion and £1.1 billion over the past four years, the peaks driven by Offshore Wind Leasing Round 4 option fees which step down from Jan 2026. The underlying business profit is around £370 million, growing steadily; the leasing peaks recur with each new round rather than compounding.

SOURCE	INDICATIVE ANNUAL CONTRIBUTION	BASIS
Equity from public support	Small in cash terms initially, large in accrued value	Stakes accrue rather than pay, against a support base including roughly £8 billion a year of research and development (R&D) relief alone. Contributes to portfolio value long before it contributes income.
Spectrum and resource revenues	Lumpy, auction-dependent	Spectrum auctions have raised on the order of a billion pounds in a strong round; moving to leasing smooths and eventually raises the total.
Consent-linked stakes	Lumpy, occasionally very large	A single major airport consent could exceed a year's contribution from every other source combined.

The pattern matters more than any individual line. Early years are dominated by land value capture and Crown Estate reform, which are cash-generative from the start; the support-equity and consent-linked legs build portfolio value first and income later. A serious Bill would need each of these costed properly by the Treasury, and the figures above should be read as a sketch of the shape rather than a forecast.

4.2 The Fund Does Not Borrow

The design rule is absolute: the Fund holds no debt. It is an asset that reinvests its returns, nothing else. Norway's fund, the most successful in the world, is built the same way, and the reasons for the rule are worth stating because the temptation to relax it will recur for fifty years.

The first reason is price. Nothing sterling-denominated borrows below the sovereign, because the gilt is the risk-free benchmark precisely through the power to tax, and a fund holding assets but no taxing power is a weaker credit than the state. A guarantee does not close the gap. Network Rail carried a full UK government guarantee from 2004 and still issued at roughly 30 basis points over comparable gilts, because its paper was less liquid and sat outside the government bond indices; Germany's KfW trades wide of Bunds under a federal guarantee for the same reason. Any borrowing the Fund did in its own name would be more expensive than the state's, which removes the only respectable argument for doing it.

The second reason is survival. Borrowing to hold assets is leverage, and a leveraged fund that is down a third in its fourth year does not survive the political response, whatever the Charter says. An unleveraged fund in the same drawdown has lost paper value and nothing else; it holds, and recovers, and its board can say so to a select committee without a refinancing deadline contradicting them. Zero debt is not caution. It is the property that makes fifty-year patience possible.

Where the nation does choose to borrow to endow the Fund, the state borrows, in gilts, through the ordinary channel, and the proceeds pass across as endowment. The debt belongs to the Exchequer, the asset belongs to the Fund, and the two are never joined on one balance sheet. The fiscal treatment supports exactly this arrangement: since Oct 2024 the government's debt rule has targeted public sector net financial liabilities, which nets financial assets against liabilities, so gilt-funded acquisition of a financial asset is broadly neutral at purchase and favourable

thereafter if the asset out-earns the coupon. There is no off-balance-sheet trick in this, and none is sought. The Fund would classify inside the public sector as Network Rail did in 2014, and the case rests where it should, on the assets being real and the returns genuine.

One boundary clarification. Companies the Fund invests in borrow in the ordinary course of business, and a gigafactory joint venture financing itself against contracted cashflows is corporate finance, not Fund leverage, provided the debt is non-recourse to the Fund. The rule is that no creditor, anywhere, ever holds a claim on the Fund itself.

4.3 Projected Growth

Modelling on cautious assumptions suggests the following trajectory. Norway's fund has delivered a real return of roughly 4.3% a year since inception; assume 4–5% real here. With initial capitalisation of £50 billion and annual contributions of £10–15 billion from the sources described above, compounding arithmetic puts the portfolio at roughly £190–270 billion by year 10, £410–630 billion by year 20, and £720 billion to £1.2 trillion by year 30 (in real terms; the low figure pairs the 4% return with £10 billion contributions, the high figure 5% with £15 billion).

The annual contribution is the sensitive variable, so what it consists of matters. On the argument in Section 4.1, the great majority of it is capture of value the state currently forgoes rather than money withdrawn from other purposes. The trajectory above therefore does not depend on sustaining a £10–15 billion spending commitment through thirty years of fiscal events, which no commitment in British public finance has ever survived. It depends on the capture mechanisms remaining in law, which is what the Charter and the dual lock in Section 2 exist to secure.

These projections deliberately exclude the additional value generated by strategic industrial stakes, land value capture at scale, or the compounding effects of an integrated energy-technology-manufacturing ecosystem. The actual trajectory could be more favourable; the point of publishing the arithmetic is that it can be checked. Norway reached comparable scale from a standing start in 1990 on a single revenue source, which suggests the destination is realistic even if the path differs.

4.4 From Asset to Income: When the Nation Gets Paid

An asset that can never be touched is not an asset, and a fund the public may never draw on will not hold public support for a generation. The protections in Section 2 answer a different question from the one they are sometimes taken to answer. The Charter and the dual lock protect the principal from being raided. They do not, and must not, wall off the income. The design intent is a national orchard: guarded absolutely, harvested every year once it bears.

The Fund's life has two phases.

In the accumulation phase, covering roughly the first ten to fifteen years, every return is reinvested and nothing is withdrawn. This is the period in which compounding does its silent work and in which the political discipline is hardest, because the Fund will be visibly large

before it is properly mature. The Charter should therefore fix the accumulation period in statute at the outset, so that the date on which distributions begin is a promise kept rather than a concession extracted.

In the distribution phase, an annual transfer flows from the Fund to the Exchequer, capped at one percentage point below the Fund's expected long-run real return. Norway's rule, run for a generation and currently set at its full 3% return expectation, holds its fund's real value level. The rule proposed here is deliberately one notch tighter. If the expected real return is 4%, the transfer is 3% of the Fund's value, and the retained point means the Fund keeps growing in real terms even while it pays. The distinction matters across generations: a fund that distributes its full real return hands each generation the same orchard, while a fund that retains a point hands each generation a larger one. The intergenerational promise in Section 2.3, that every generation should inherit more national wealth than the last, stops being an aspiration and becomes arithmetic. A fund that distributes more than its real return, by contrast, is a decumulation vehicle with better branding.

Two mechanical details prevent the rule from misbehaving in a bad year. The transfer is calculated on a trailing five-year average of Fund value rather than the closing valuation, so that a market fall reduces distributions gradually rather than either forcing a cliff or, worse, authorising a fixed percentage of a shrinking base while assets are still falling. Norway's rule is framed as a guideline to be met over time rather than a figure to be hit annually, and in practice Norway spends above the guideline in a downturn, reaching 4.2% in 2020, and below it in good years. That is a counter-cyclical fiscal choice made by an unusually disciplined state, and this proposal deliberately does not copy it, because a rule that permits more spending in bad years is the rule most likely to be abused here. The version proposed instead runs one way only: the percentage is a ceiling, never a floor, and the Fund's board may always transfer less. An unleveraged fund with a smoothed, discretionary ceiling can absorb a 2008 or a 2020 without a forced sale, which is the whole point of holding no debt in the first place.

The scale this reaches is worth stating plainly, including the unflattering part. Distributions begin while the Fund is still comparatively small. On the trajectory in Section 4.3, the first payments at year ten to fifteen would be in the region of £6 to £9 billion a year, useful but not decisive. The larger numbers arrive later: a £500 billion fund transfers £15 billion a year, and a £1 trillion fund, reached towards year thirty on the upper trajectory, transfers £30 billion a year, broadly the annual cost of adult social care in England, flowing to the Exchequer in perpetuity from returns rather than taxation while the fund behind it continues to grow. The mature figure is the point of the exercise and the early figure is the honest one, and a proposal asking for a thirty-year commitment should show both.

Purpose should be named without being hard-wired. Norway titled its vehicle the Government Pension Fund Global even though it pays no pension directly, and the name is deliberate political armour: a politician proposing to raid a pension fund campaigns uphill. The founding statute here should go one step further and name the four purposes the Fund's returns exist to support: pensions, health, social care, and education. Together they are the wellness of the nation, from first classroom to final years, and a name on that pattern, such as the National Wellbeing Fund, would make every future raid a campaign against schools, hospitals, carers and pensioners at

once. The transfer itself should route through the general budget rather than being hypothecated to a specific service, so that Parliament retains the flexibility to direct each year's harvest where the need is greatest. The name defends the fund; the flexibility keeps the rule survivable.

One scenario deserves an answer rather than silence, because it is the one that will actually arrive. In a systemic crisis, a government seeking early access to the Fund would very likely be able to assemble the cross-party and cross-national consensus the dual lock requires, since a genuine emergency produces exactly the broad agreement the lock is designed to test for. The honest position is that this is a safety valve rather than a defect. A fund that could not be reached by a united Parliament and all four nations acting together in a national emergency would not be a national asset; it would be a monument. What the lock prevents is a single government with a working majority reaching the principal for ordinary fiscal convenience, which is the failure mode that has destroyed comparable institutions elsewhere. What it permits, deliberately, is the country deciding together, in extremis, that this is what the savings were for. The Charter should say so, and should require that any such access be repaid to the Fund on a statutory schedule once the emergency passes, so that the exception is a loan from the future rather than a gift to the present.

The nation is also paid before the first distribution, in forms a balance sheet records imperfectly. Dividends and lease income arrive from year one and compound inside the Fund. The reserved rights in Section 3.3 hold strategic assets under national protection from the day each stake is taken. Owning the equity of rescued and regulated businesses converts future crises from pure fiscal loss into positions with recovery value. The accumulation phase defers the cheque, not the benefit.

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5. International Precedents

The proposed architecture is not without precedent. Variants of this model operate successfully across a range of countries and political systems.

Norway — Government Pension Fund Global

Discussed throughout this paper and summarised here for completeness. Established by statute in 1990 with its first deposit in 1996, funded by oil revenues, independently governed under a statutory mandate, and now covering roughly a fifth of Norwegian government spending from returns. The relevant lesson for the UK is the division of labour set out in Section 2.2: the Norwegian state does the policy work that generates the revenue, and the fund does nothing but invest it.

Singapore — Temasek Holdings and GIC

Singapore operates two sovereign wealth vehicles. Temasek takes active equity stakes in strategic industries, while GIC manages a diversified global portfolio. Together they have generated extraordinary returns, funded public services, and given Singapore strategic influence far beyond what its size would suggest. The Temasek model of active industrial investment is particularly relevant to the Department's proposed approach.

South Korea — Industrial Policy

South Korea's transformation from one of the world's poorest countries to a technological superpower was driven by state-backed industrial strategy. Government-directed investment in semiconductors, shipbuilding, and automotive manufacturing, combined with strategic equity stakes and guaranteed procurement, created globally dominant industries. Samsung, Hyundai, and POSCO were all products of this approach.

France — State Industrial Stakes

France maintains significant state equity positions in EDF, Renault, Airbus, and other strategically important companies. This reflects a longstanding French consensus that industrial ownership is a matter of national interest, not merely a market outcome.

United Arab Emirates — Diversification Through Sovereign Wealth

Abu Dhabi's sovereign funds, the Abu Dhabi Investment Authority (ADIA) and Mubadala, have used oil wealth to build a diversified economy spanning aerospace, technology, renewable energy, and healthcare. The UAE demonstrates that sovereign wealth strategies can successfully finance economic transformation away from a single resource dependency.

India — Digital Public Infrastructure

India's Unified Payments Interface (UPI), a state-built digital payments system, now processes more transactions than Visa and Mastercard combined within India, at negligible cost to merchants. It demonstrates that public digital infrastructure can outperform private alternatives while generating enormous economic value.

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6. Rebuttals to Key Objections

6.1 "This is nationalisation by another name"

It is not. Nationalisation involves the wholesale transfer of private assets to public ownership, typically at the expense of existing shareholders. The Department's model is fundamentally different. It takes minority or co-ownership stakes through joint ventures, market acquisitions, and equity-for-support arrangements. It partners with the private sector rather than replacing it. It operates on commercial principles, seeking market-rate returns on invested capital. Where it does acquire controlling stakes, as with distressed water companies or rescued firms, it takes the governance that any commercial investor holding that position would demand, on the ladder set out in Section 3.3. The test throughout is symmetry with private investors of the same size, which is the opposite of the special treatment nationalisation implies.

The more accurate analogy is with sovereign wealth funds and state investment companies that operate worldwide. Singapore's Temasek, Norway's fund under Norges Bank Investment Management, and Abu Dhabi's Mubadala are not 'nationalisation'. They are sophisticated investment operations that happen to be publicly owned. The Department would operate in the same mode.

The reserved rights described in Section 3.3 attract a sharper version of this objection, since a consent right over a sale is a form of control. Two answers apply, and the second matters more than the first. Britain already grants exactly these rights and does not regard the result as public ownership: BAE Systems and Rolls-Royce operate under special shares that cap foreign voting interests and require government consent for material disposals, and both are unambiguously private companies. More importantly, the regime is deliberately small. Reserved rights attach only where a company sits in one of the sectors the National Security and Investment Act already designates as sensitive for mandatory notification and has received very large public support, an intersection likely to run to the low tens of companies a year. The overwhelming majority of firms receiving public support would carry an ordinary shareholder agreement and no special share at all. The version of this objection worth taking seriously is not that the rights are broad for any one company, which they are not, but that they might be commonplace across the economy, which the two-tier threshold exists to prevent and the annual published list exists to prove.

6.2 "Governments are bad at picking winners"

This objection is frequently stated and rarely examined. Governments 'pick winners' every day through defence procurement, infrastructure investment, research funding, planning decisions, and tax policy. The question is not whether governments make investment choices, but whether they capture the returns from those choices.

The evidence from international comparators is clear. South Korea's government 'picked' semiconductors, shipbuilding, and automotive manufacturing. Singapore's government 'picked' financial services, logistics, and biotech. These were not lucky guesses; they were strategic decisions backed by sustained investment and institutional capability. The UK's own history includes publicly funded breakthroughs in jet engines, radar, antibiotics, DNA sequencing, and graphene. The problem has never been the ability to identify winning technologies — it has been the failure to capture the commercial value they generate.

The Fund would mitigate investment risk through the same mechanisms used by successful sovereign wealth funds: portfolio diversification, professional management recruited from the global investment community, rigorous investment criteria, independent governance, and a long enough time horizon to absorb short-term volatility.

6.3 "This will deter private investment"

The evidence suggests the opposite. Countries with active sovereign wealth strategies — Norway, Singapore, the UAE, South Korea — attract more private investment, not less. State participation de-risks investment by providing demand certainty, regulatory stability, and co-investment capital. Joint ventures with a sovereign partner offer private companies access to government procurement, planning support, and infrastructure that no private investor can provide.

For international investors considering the UK, a well-governed sovereign wealth fund would be a signal of long-term economic seriousness and strategic stability — precisely the qualities that attract patient capital.

6.4 "The UK cannot afford this"

The UK cannot afford not to do this. The current model — selling assets, spending the proceeds, and relying on taxation to fund an ageing population's needs — is the approach that is unaffordable. It is a model of managed decline.

The objection also misreads what is being asked for. As Section 4.1 sets out, almost none of the funding is new money. Land value capture, equity for public support, redirected resource revenues and consent-linked stakes are all captures of value the state creates today and surrenders for nothing. They compete with no other spending programme, because they are not spending. The Fund itself carries no debt, and any endowment the state chooses to borrow for is raised in gilts on the Exchequer's own balance sheet, where the current fiscal rule treats the purchase of a financial asset as broadly neutral. Norway compounded its fund through three decades that included long stretches of high interest rates, with no debt at all. The mechanism is portfolio returns and steady contribution, not cheap money. The question is not whether the UK can afford to start, but whether it can afford another generation of giving away the returns on decisions it is already making.

6.5 "Politicians will raid the fund"

This is a legitimate concern, and it is the reason the institutions are separated in Section 2. The politicians in this design sit in the Department, where they belong, and the assets sit in the Fund, where ministers have no power to direct a purchase or force a sale. The National Wealth Charter requires both a two-thirds parliamentary majority at Westminster and the consent of all three devolved legislatures to amend. This dual lock means that no single government, however large its majority, can unilaterally alter the mandate or raid the assets. Operational independence, modelled on the Bank of England, insulates investment decisions from political interference. Staggered board terms prevent any single government from replacing the entire leadership.

The Norwegian model demonstrates that political protection of a sovereign wealth fund is achievable. Norway's fund has survived multiple changes of government across the political spectrum because it commands broad public support and because its governance structure makes raiding it politically costly. The same dynamics can be created in the UK.

6.6 "This is anti-free market"

This objection confuses free markets with unmanaged markets. Every successful market economy operates with substantial state participation in strategic sectors. The United States — the archetypal market economy — funds its technology sector through the Defense Advanced Research Projects Agency (DARPA), its energy sector through the Department of Energy, its agriculture through extensive subsidies, and its defence industry through guaranteed procurement. It passed the CHIPS Act and the Inflation Reduction Act in 2022, committing hundreds of billions to state-directed industrial investment, though parts of the latter have since been scaled back.

State participation is universal; what varies is whether the state captures returns when it participates. The current UK model socialises the risk of public investment while privatising the returns. The Department would simply align public risk with public reward — which is, in fact, a more authentically market-based approach than the current system.

6.7 "The Crown Estate reforms are constitutionally impossible"

The Crown Estate is a statutory body, not a constitutional one. It was established in its current form by the Crown Estate Act 1961, which can be amended or replaced by ordinary legislation. The management of national maritime resources and territorial waters is a matter of public policy, not constitutional law. Hypothecating a defined share of Crown Estate profits to the Fund, and adjusting the Sovereign Grant calculation accordingly, requires political will rather than constitutional amendment.

6.8 "Land value capture will prevent development"

This concern is contradicted by international evidence. The most successful development models in the world — Singapore, Hong Kong, the Netherlands, and the UK's own postwar new towns — all operated with substantial public capture of land value uplift. Development proceeded not despite land value capture but because of it: captured value funded the infrastructure that made development viable and attractive.

The current UK system, in which landowners capture the entirety of planning gain, does not produce more development. It produces land banking, speculative hoarding, and a planning system distorted by the need to negotiate individual Section 106 agreements. A clear, statutory land value capture mechanism would provide certainty for all parties and fund the infrastructure that currently stalls development.

6.9 "We already have a National Wealth Fund"

In name, yes; in function, no, and the naming is the least of it. The National Wealth Fund created in Oct 2024 is the UK Infrastructure Bank rebranded, with £27.8 billion of capacity and a mandate to lend, guarantee, and co-invest so that private capital flows into priority sectors. It is a policy bank, and a useful one. What it does not do is accumulate, since its purpose is to catalyse other people's investment rather than to build and compound a national portfolio.

The more important gap is that it has no policy arm. A fund cannot legislate land value capture, reform the Crown Estate settlement, or make public support carry an equity stake. Those are the decisions that generate wealth for a fund to hold, and they sit with ministers or they do not happen at all. The National Wealth Fund was given a balance sheet without being given a state, which is why the case for it did not require anyone to confront planning gain, seabed revenue or the terms of public subsidy. This proposal supplies what is missing on both sides: a department with the authority to create national wealth, and a re-mandated fund built on the existing institution to compound it. That is an evolution of what exists rather than a duplicate beside it.

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7. Implementation Roadmap

7.1 What Comes First, and Why

Fourteen pillars is a description of the opportunity, not a work plan. No new department stands up fourteen technical and commercial competencies at once, and a proposal that implies otherwise invites the reply that it is unserious. Three tests should govern sequencing: legal readiness, meaning how much new primary legislation the pillar needs; cash generation, meaning whether it funds the institution early or consumes capital; and institutional runway, meaning whether the expertise already exists somewhere in government to be borrowed.

On those tests, three pillars come first.

Land value capture (§3.4) generates more cash than any other pillar, has the clearest precedent in the postwar new towns, and underpins the housing pillar. It needs primary legislation and development corporations, and nothing else in the programme returns as much as early.

Public support, public stake (§3.3) costs almost nothing to operate, since the support is already being paid, and builds portfolio value from the first year. It changes the terms of existing transactions instead of creating a new programme.

Crown Estate reform (§3.4) is the smallest legislative lift of the three, achievable by ordinary legislation, with a devolved precedent already operating in Scotland. The revenue is cyclical rather than smoothly growing, since offshore wind option fees peak with each leasing round and step down as projects enter construction, so it should be understood as a substantial recurring contribution timed to leasing rounds rather than a steadily rising one.

Together these three fund the institution, prove the model, and require no operational delivery capacity beyond a legal and investment team. Everything else follows once the Fund has a balance sheet and a track record. The energy, quantum and housing pillars are the natural second wave; the remainder should be presented to Parliament as a costed forward programme rather than as commitments taken on in year one.

The Department's people would come from where the expertise already sits. A new department is not a new profession: the land and planning capability exists in the housing ministry, the energy capability in the energy department, the technology and quantum capability in the science department, the defence supply-chain capability in the Ministry of Defence, and the shareholding capability in UK Government Investments. The Department should be built substantially by secondment from those bodies, with the Fund recruiting its investment staff from the market, and its establishment should be measured in the low hundreds rather than the thousands. A department that tried to build all fourteen capabilities in-house would fail on delivery long before it failed on policy.

7.2 Phased Delivery

The phases below assume the sequencing above: Phase 1 concentrates on the three priority pillars and the institutional plumbing, and the wider programme follows.

Phase 1: Foundation (Years 1–2)

1. Enact the National Wealth Creation Act establishing the Department, re-mandating the National Wealth Fund as the compounding investment arm, and setting the firewall between them in statute.
2. Appoint the Fund's independent Board and Chief Executive through open, merit-based recruitment.
3. Draft and ratify the National Wealth Charter with cross-party support.
4. Capitalise the Fund, weighting the opening balance towards the no-cost capture mechanisms; any borrowed endowment is raised by the Treasury in gilts, since the Fund itself holds no debt. Fix the accumulation period and the distribution rule in the founding statute.
5. Legislate the statutory land value capture mechanism and establish the first development corporations, this being the priority pillar and the largest early revenue source.
6. Amend the Crown Estate Act to redirect revenues, and begin redirecting spectrum and resource extraction proceeds.
7. Establish the public support, public stake framework as statutory policy, with the two thresholds and instrument rules set in secondary legislation.
8. Publish the public estate solar survey, identifying suitable roofs, grid constraints and exempt sites, so that the order book underwriting the gigafactory ventures is contracted before they are built.

Phase 1 deliberately excludes operational delivery. The Department in years one and two is a legislative and institutional programme, not a builder or an investor at scale.

Phase 2: Early Operations (Years 2–5)

The second wave, undertaken once the priority pillars are generating revenue and the institutions have a track record.

1. Launch first gigafactory joint ventures for solar and battery manufacturing.
2. Establish the national social housing company under the Fund and begin building through the development corporations, with the first completed homes held on the Fund's balance sheet.
3. Take cornerstone positions in UK quantum companies while valuations remain within reach, this being the one pillar whose window closes if deferred.
4. Establish the first three to five university economic clusters.
5. Complete solar and storage installation across the schools and NHS estate, and legislate the council tax and business rates reductions for qualifying domestic and commercial installations.
6. Begin building sovereign data centre infrastructure and the AI investment programme.
7. Acquire strategic stakes in distressed water companies through debt-for-equity restructuring, as and when restructuring events arise rather than on a fixed timetable.

The health data trust, carbon market infrastructure, reforestation, creative industries and food security pillars are deferred to Phase 3 and beyond, and should be presented to Parliament as a costed forward programme rather than as early commitments.

Phase 3: Scaling (Years 5–15)

1. Scale solar and battery deployment towards national coverage targets, completing the remainder of the public estate.
2. Expand university clusters to ten to fifteen cities.
3. Build the Virtual Power Plant to operational scale.
4. Systematically acquire stakes in strategic ports, airports, and transport infrastructure.
5. Expand defence industrial base investments.
6. Establish the national health data trust, the UK carbon market infrastructure and the national reforestation programme, deferred from the earlier phases.
7. Develop digital payments and public infrastructure platforms.
8. Achieve the first major milestone of the Fund's accumulation, and begin distributions under the rule in Section 4.4.

Phase 4: Maturity (Years 15–30)

1. The Fund reaches critical mass and the distribution rule in Section 4.4 activates, transferring real returns less the retained growth point to the Exchequer each year in support of pensions, health, social care and education.
2. UK energy system substantially powered by domestically manufactured, nationally owned renewable infrastructure.
3. Regional clusters attracting private investment without further public capital.
4. National portfolio spans energy, technology, manufacturing, infrastructure, financial services, and land — fully diversified and compounding.
5. Pension and healthcare funding pressure materially reduced by sovereign wealth returns.

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8. Conclusion

The claim in this paper is narrow and testable. The British state creates enormous value through its own decisions, gives essentially all of it away, and has never built an institution whose job is to keep any. Nothing here depends on Britain being poor, on the state running industries, or on markets having failed.

That claim can be checked against this week's news. A planning committee will convert farmland into building land and hand the entire uplift to whoever happened to own the field. A grant or tax relief will go to a company that will one day be sold, and the public will not be on the share register. Parliament will consider a runway that will make its foreign owners considerably richer. None of this is scandal or incompetence. It is simply what happens when nobody is responsible for the other side of the ledger.

The remedy proposed here is correspondingly modest in principle and substantial in effect. A department whose business is capturing the value the state creates, and a fund that holds it, invests it, and eventually pays the country an income from it. Norway shows what thirty years of that discipline produces. The postwar new towns show that Britain did it before, at scale, and then stopped.

Three things would begin it: capture the land value uplift, take a stake when public money is at risk, and direct the seabed revenues to the nation. None requires new taxes or new spending. Each requires only the decision that the public should be paid for what the public already provides.

The alternative is another generation of selling assets to fund current spending, and explaining to the people who inherit the debt why they inherited nothing else.

Selected sources

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