Good Growth in Every Postcode: Four steps to unlocking the National Wealth Fund's potential

Budget 2026 Briefing

To deliver clean and affordable energy for all, to rebuild our industrial heartlands and to deliver good growth in every postcode, the UK needs investment at a level we have not seen in decades. It is a false choice to say that we have to choose between investing in our security, our communities or our future. It is true that public finances are stretched, and that private finance will typically prioritise regions and sectors that can deliver the greatest profit. But other advanced economies show that there is another way to unlock far greater investment in businesses, infrastructure and communities across the country through national development banks.

To get investment to the people and places that need it most, the National Wealth Fund (NWF) - a key Labour achievement - must be given the opportunity to grow into a fully fledged national development bank, acting in the public interest and mobilising investment at scale. Leading economists, trade unions and business bodies are calling on Chancellor John Healey to use the upcoming Budget to unlock its potential by expanding its capacity, strengthening its mandate and enabling it to raise capital independently - helping drive investment into clean energy, good jobs and stronger local economies.

Scaling up the NWF into a world-leading national development bank

The NWF has successfully been increasing its capital deployment - but in 2025-26 its investments still only reached **£4bn**. By comparison, the European Investment Bank (EIB) invested **£8.1bn** in the UK in 2016, which was lost upon Brexit. In 2025 alone, Germany's national development bank, KfW, lent **€62bn** to households, businesses, and municipalities.

Scaling-up the NWF into a world-leading national development bank could be transformative. For example, it could:

- **Roll-out a retrofit revolution:** The NWF could turbocharge the retrofit of homes and buildings across the country, offering affordable, long-term financing and lowering bills.
- **Give the public a bigger stake in critical infrastructure:** The NWF could take partial ownership stakes in infrastructure projects, ensuring the public has more control and shares in the financial returns.
- **Rebuild Britain's industrial heartlands:** The NWF could scale its Regional Project Accelerator, to launch a targeted investment programme to bring new green industries, skilled jobs and investment back to communities hardest hit by deindustrialisation.
- **Support a network of regional banks:** The NWF could capitalise mutual banks across the country that can channel money into communities and small businesses that provide the backbone of our regional economies.

Four steps the Chancellor can take at the Budget

The Chancellor can take immediate steps at the UK Budget to unlock the NWF's full potential:

1. Scale the NWF's investments, initially to at least £8.8bn per year, and then by setting out a clear pathway for it to raise capital independently.
In the short term, the Chancellor could increase the NWF's investments to reach at least £8.8bn per year by 2030 via Treasury funding. According to modelling by the Resolution Foundation this would go some way to covering the gap left by the EIB and have minimal impact on the public finances. This could also see co-investment by private actors multiplied, increasing total NWF-backed annual investment to over £30bn.

Looking to the medium term, as the NWF establishes market credibility, the Chancellor should work towards giving the Fund the independence to raise its own finance and invest over the long term, as successful public development banks do across the world. At Budget, he could set out a pathway for the NWF to borrow from private markets as international counterparts, like KfW, do.

2. Strengthen the NWF's mandate to support the clean energy transition and regional development.
The Chancellor recently announced his intention to "sharpen the focus" of public financial institutions. If the NWF's strategic steer is updated, then it should be used as an opportunity to strengthen its existing mandate to support the clean energy transition and regional development, by clarifying that the fund's core purpose is advancing these policy outcomes, with mobilising private investment as instrumental to this, rather than as an aim in itself.

3. Expand the NWF's capacity to support regional growth and jobs.
Local leaders understand the strengths and barriers shaping their regional economies best, but they lack the capacity to build project pipelines and bring investment to their areas. The NWF's Regional Project Accelerator and the new partnerships the Chancellor has introduced between the Fund and England's eight Mayoral Strategic Authorities (MSAs) are a good start - but it should not stop there. As a next step, for devolution to be a success, the RPA needs to be scaled to serve every MSA, embedding staff and resources within MSAs so that opportunities are shaped in partnership with local teams.

4. Fully exclude public corporations from the debt measure targeted by the fiscal rules.
The Government's fiscal rule for 'Public Sector Net Financial Liabilities' to fall as a proportion of GDP is not impacted by borrowing to fund loans and minority equity stakes made by the NWF, reflecting that they provide an asset for the government. However, the measure constrains the types of investment that can be made. If the NWF takes a majority stake in a company, the debt issued to finance it would add to the debt, even if that investment is profitable. Increasing the NWF's independence so that it is classified by the ONS as a public corporation, combined with moving towards EU fiscal targets of General Government Gross Debt, would give the NWF freedom to mobilise capital independently, insulated from short-term budget decisions. It would also support the wider agenda for public control, by better reflecting the benefits of the public ownership of companies.