

Funding the Future

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In 2003 Colin Hines, Alan Simpson (then an MP) and I wrote [a paper called 'People's Pensions'](#). In it we called for the issue of local authority bonds in which pension funds could invest to build infrastructure to provide the basis for long term security for pensioners and our economy and to create jobs.

We were away ahead of our time. But the time comes for all good ideas. The [Local Government Association has in its 2012 budget submission said](#):

Councils could mitigate public sector spending cuts and get unemployed young people back into the labour market ladder with jobs and skills funded by pension funds through new local bonds, if the government sets the right regulatory framework.

Councils' budgets to invest in vital infrastructure have been halved to help tackle the government deficit. But private investment for roads and homes is still waiting in the wings if it can only be unlocked with the right keys.

English and Welsh councils — which now have credit ratings better than many European governments — are developing plans to issue their own bonds to fund productive infrastructure. A revived triple-A municipal bond market will represent a better and safer return for private investors than many currently available and will attract a share of the capital seeking a secure home in troubled markets, including a proportion of the £100 billion of assets in councils own funded and prudently-managed pension schemes. With the funding raised from the markets, councils can combine their local master planning with private sector delivery expertise to create local jobs in construction, fit-out and other sectors. Unemployed young people will benefit from the opportunities and skills that result.

For this revival in local economic dynamism to be possible, however, the government needs to lift regulatory barriers, including:

- delivering on its White Paper commitment to devolve funding for skills and transport projects to local areas;*
- giving councils greater autonomy over tools to facilitate growth, for example using tax increment financing powers to invest in infrastructure; decentralising fees and charges for services such as planning; delivering on the "city deals"*
- making sure tax and regulatory framework for local authority bonds does not create unnecessary barriers;*

- working with the LGA to help raise awareness among pension fund trustees and advisors of the opportunities for prudent triple-A infrastructure investments.

I wholeheartedly support the idea, of course.