

UK Infrastructure Bank Limited
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18th April 2024

Dear Dame Meg Hillier MP

UK Infrastructure Bank: concluding update on roll-out activity

As referenced in previous correspondence from HM Treasury (HMT), during its build phase, the Bank has undertaken to provide the Public Accounts Committee (PAC) with six-monthly progress reports.

This note sets out updates on the following areas for the financial year 2023/24:

- Recruitment
- Capabilities
- Operations
- Transactions
- Local authority function

Recruitment

As of 31 March 2024, in line with our plan, contracts were signed for all permanent roles required in the Bank at this time, based on our current organisational design. This brings our permanent staffing level to 248 (217 people in post, and 31 additional contracts signed). A small number of permanent roles are to be recruited in 2024/25, with the timing of recruitment to be determined by business demand and strategic programme dependencies. In addition, we will have a continuous rotation of up to 22 secondees, mainly from across government and local authorities. Of these 248 permanent roles filled, 95% are contracted to work from our Leeds headquarters; while 4% are London-based and 1% based in other parts of the UK. This follows the recruitment of Director-level roles based in our three newly opened offices in Scotland, Wales and Northern Ireland. These roles are focussed on undertaking business development and pipeline creation in the nations, helping ensure we are delivering on our mission to serve the whole of the UK.

Capabilities

Aligned to the above, I can confirm that the Bank has now built its capabilities across equity and guarantees, alongside debt. This means we now have the expertise to deploy our capital across the full suite of products. As noted in my previous update, we completed our first direct equity deal in August 2023 – [approximately £24 million into Cornish Lithium Plc](#) to support a first-of-a-kind lithium extraction and exploration project, helping establish an upstream supply chain for battery production.

In December 2023, we announced our first guarantee – a [£240 million debt guarantee to support the continued expansion of Gigaclear's rural fibre broadband network](#).

Operations

As confirmed in my last update, we have completed the migration off all key HMT systems and processes and are, consequently, operationally independent. Since the last update, we have continued to develop our operational infrastructure and have successfully completed the second phase of the Workday implementation for Human Resources and Finance, which went live on time and on budget. Our relationship management and deal origination system has successfully gone through its second phase and is now being used across the Bank. We have continued the development of our strategic banking system, which will replace our tactical loan management system over the course of this financial year, with procurement for this being completed in November 2023.

Importantly, we have sourced and signed a lease on a long-term head office space in Leeds which will replace our interim head office location this summer. This new office will enable us to accommodate our increased staff numbers now that we have clarity on our steady state business needs. We will continue to share our office space with the National Infrastructure Commission and the Low Carbon Contracts Company, providing potential for collaboration, where appropriate and beneficial, as well as enabling cost efficiencies.

Transactions

The Bank continues to make good progress on deploying our capital and on building our balance sheet. We signed 20 new deals in 2023/24 (compared to eight in 2022/23), spanning the clean energy, digital, transport and natural capital sectors, whilst completing the build of our Banking and Investments and Local Authority teams. These deals represent a total commitment of £1.7 billion during the year (compared to £1.1 billion in 2022/23). In total, the Bank has now deployed £3.1 billion, with more than £10.5 billion of private finance mobilised – a multiple of 3.4. Alongside this, we calculate that our investments have to date created or supported more than 30,000 jobs, more than 8,300 of which can be directly attributed to our finance. Our transactions have also saved 25 million tonnes of greenhouse gas emissions, of which 4.4 million tCO₂e can be attributed to our finance.

We expect the pace of our investments to increase further in the first half of 2024/25, and we are increasingly investing in innovative, first of a kind technologies. Recent examples of this include a [£60 million equity investment into Pragmatic Semiconductor](#), a North East-based leading manufacturer of flexible integrated circuits, to help scale up the domestic supply chain of semiconductors, and [a £32 million equity investment into Zero Avia](#), which will support the acceleration of clean propulsion technology for larger aircraft.

As highlighted in my last update, the Bank published a strategy update in September 2023, setting out how we are using our [private sector investments](#) and [local authority advisory and lending function](#) to solve financing problems related to net zero and local and regional growth. As part of this, we have set out our view on [seven key sectors](#) in which we see opportunities to invest and tackle problems in the medium term. Of these seven sectors, we have closed deals in five – electric

vehicles, zero emission buses, battery storage, hydrogen and ports – and we expect to complete further transactions in these areas, as well as in heat networks and carbon capture and storage, within the next 12 months.

Local authority function

During 2023/24, the Bank provided [a £300 million loan to Transport for London \(TfL\)](#) to support the Docklands Light Railway (DLR) Rolling Stock Replacement Programme, and [a £190 million loan to the Greater London Authority \(GLA\)](#) to cornerstone the Mayor of London's Green Finance Fund (GFF), which will support the decarbonisation of buildings, energy, and transport systems across London's public sector. These were our first deals in the Capital and, significantly, our loan to the GFF is providing a model which we are discussing with a variety of different local authorities across the UK. This aggregated approach could be particularly effective in sectors such as retrofit, in which there are a lack of at-scale investment opportunities.

Our local authority function has continued to engage widely across the sector, completing advisory projects in all four of the UK's nations. In total, it undertook 20 advisory engagements during 2023/24, covering a range of areas, including transport, heat networks, building decarbonisation and regeneration projects. This has included helping the West Midlands Combined Authority (WMCA) understand the funding landscape and assess the viability of potential commercial and financial models to enable it to launch its Net Zero Neighbourhoods programme effectively - initially comprising the retrofit of five clusters of social housing. Another example is our support for the South Yorkshire Mayoral Combined Authority (SYMCA) to identify the financial and commercial risks and opportunities from the transition to a decarbonised fleet, as it developed its bus franchising and future bus service delivery business case.

These examples demonstrate how we are adding value to local authorities through our advisory engagements, while building up our experience that we can share to the benefit of the wider ecosystem.

Conclusion

I am proud of the way the Bank has developed and that it is now playing a valuable role in infrastructure financing across the UK. Market feedback is positive: our role is now well-understood and we are being brought into deals at an earlier stage, enabling us to structure and shape transactions and solve complex financing problems. Similarly, we have close working relations with policy teams across Whitehall, and our products complement those of other Public Finance Institutions, with whom we are well joined-up.

The Bank has now met the targets associated with the specific areas on which we undertook to update the PAC, and is making good progress on transactions. We have implemented a full suite of performance metrics and targets, with our performance and KPIs reported in our Annual Report and Accounts, as well as in our regular reporting to our shareholder, HMT, and UK Government Investments. We also published our Impact Framework and Environmental, Social, Resilience and Governance (ESRG) Framework in May 2023 and, through these, identified a rigorous suite of metrics that we believe will allow us to track the impacts of our investments after they are made and over the term of these investments.

The issues identified by the PAC for follow up in its report of January 2023 have been addressed across this update and [those previously delivered](#) by the Bank and HMT. Given this context, this will be my last such update on these matters. However, as noted above, the Bank will continue to provide updates and analysis of our performance and governance through our Annual Report and Accounts, which will be laid in Parliament. I would be happy to write to the PAC to draw your attention to its publication at the appropriate time, if helpful.

I understand that HMT will be referencing this letter in the Minute they will be submitting to you separately. I am copying this to James Bowler at HMT.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'John M Flint', with a stylized, cursive script.

John M Flint

Chief Executive Officer

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