Presidential Roundtable Summary: What should the scope and priorities be of the new UK Infrastructure Bank?

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The UK Infrastructure Bank (UKIB) enters the infrastructure policy landscape at a time of significant change in how we identify, prioritise, finance, fund and deliver a transition in the UK's infrastructure system towards achieving the Sustainable Development Goals and the Paris Climate Agreement.

We were delighted to have Chris Grigg, Chair of the UKIB, and Matthew Vickerstaff, Deputy CEO at the Infrastructure Projects Authority and Head of Government's Project Finance Profession, leading us to discuss the scope and priorities for the new Bank.

Our discussion highlighted a real opportunity for the UKIB, as the new kid on the block, to take a significant leadership role in driving change at pace and scale on both the SDGs and infrastructure system decarbonisation. The Bank can take advantage of other policy changes such as the Construction Playbook and reform of the Green Book to marry up financing with project approvals.

Our discussion centred around the following questions:

- How should the Bank prioritise and manage trade-offs? For example, between investing in climate mitigation on the one hand and 'levelling-up' and the post-Covid recovery on the other?
- What role should the Bank play in areas where the risk to revenue return is high? For example, investing in greener aviation fuels despite conventional jet fuel being financially less expensive for users?
- In determining its priorities for investment, where should the Bank place the most emphasis? Should it stick to HM Government priorities, local authority requirements, or use financial investment principles?
- What financial parameters should guide the Bank? For example, should it be profit-making or price below the market?

The main points are summarised below.

When it comes to **managing trade-offs,** we should remember the big picture. The role of the UKIB is to play its part in helping the infrastructure system solve underlying social, economic and environmental challenges. Focusing on whole-life costs and benefits will help to cut through the issue of trade-offs. It was recognised that one of the Bank's early priorities would need to be establishing a scorecard to price/monetise factors such as better air quality, high-quality jobs or broader health benefits so that these can be factored into investment decisions.

Another way trade-offs can be managed is by taking a total-place improvement approach. There have already been public statements on the role the Bank will play in working with local authorities. There are two things the Bank could do in this space. The first is to pick up on the work done by Local Enterprise Partnerships and sub-national transport bodies in designing what needs to happen to improve places. The second is being transparent about the types of projects in scope and out of scope for investment.

Statements from Government have been clear; the **Bank's role and its priorities** are to support levelling-up/regional economic growth and the drive to net-zero. These follow ICE's early recommendations on the functions delivered by the EIB that should be replicated in a UK successor.

The stability of a UKIB will allow the opportunity to better measure outcomes in both areas to support the wider financial system drive towards ESG investments. As part of the discussion, we heard that many Funds are looking at ESG objectives and that the Bank can help by packaging up products for the market.

Public statements have also been made on the Bank's role in advising local authorities; these were reiterated as part of the discussion, including the aim to get local projects to a financeable stage for either UKIB or private financing. Different models can be used, and these will hopefully carry over and build on relationships established as part of the Public Works Loan Board process.

There were three broad areas where it was felt the Bank could play a role, investing in first of its kind technologies, scaling and driving pace behind existing programmes (e.g. full-fibre rollout) and supporting solutions linked to regional redevelopment. These all follow previous European Investment Bank principles for investment.

There was a lot of debate around the **financial parameters** of how the Bank should operate. We heard about the experience in Canada, which had a negative return target to enable it to invest in more risky projects. However, we heard that the Canadian experience was their Bank going for low hanging fruit anyway. Expectations on return and tailoring policy in line with that is not a cut and dry decision for the Government.

More generally, there was an expectation that the Bank would operate satisfactorily if the expectations were for a modest return, with some loss-making on projects and a focus on crowding in investment rather than crowding out. However, it was also recognised that delivering a balanced portfolio will require some investments that are ‘straight down the middle’ that others may perceive as crowding out. The Bank should realise that this accusation will come whatever it does.

There was a strong consensus that if a project doesn’t work because it isn’t economically viable, that is something for Government Departments to consider for grant funding; UKIB should focus on value-adding, not becoming a grant-giving arm of the state. However, UKIB can help in these circumstances by being a go-between, particularly for local authorities.

Another lesson from Canada is the challenge of getting things up and running. The key lessons are transparency matters and clarity on how infrastructure is being defined for investment purposes and that funding sources exist to repay the finance. The Covid-19 pandemic has created a gap in projects, so UKIB may take a while to get going. Ministers will need to give the Bank the time it needs to build.