

Re: UKIB local authority lending and advisory support capacity

11 May, 2022

Dear Mr Flint,

We are writing as a group of local authority networks, think tanks, research and financial institutions and energy experts to share insight into the role of the UK Infrastructure Bank's (UKIB) local authority technical advisory function and local authority lending. If executed correctly, these elements of the Bank's operation will be crucial to transforming place-based delivery of Net Zero.

The Chancellor, in his recent letter, emphasised the critical role that UKIB will play in unleashing a market-led transition to Net Zero while supporting economic growth at a local level which contributes to meeting the goals of the Levelling Up agenda.

The new, accompanying briefing outlines some of the key elements that must be considered for the Bank's local lending and advisory support functions to be effective, and for the ensuing project development support to deliver projects that truly can transform the market and enable place-based solutions that can be scaled, creating jobs and emission reductions along the way.

We believe that the UKIB has an essential role to play in helping to address the capacity-building and funding constraints faced by local authorities. Its advisory support function must work closely with its local authority lending capacity to help local authorities develop large scale investment programmes that can attract private capital to deliver the pace of investment that is needed to deliver the UK's Net Zero objectives. As the UKIB prepares to launch its business plan in the middle of the year, another key element to consider is its future relationship with the emerging Net Zero financing landscape which is emerging in the UK and how the constituent parts of this evolving jigsaw fit together.

Our key recommendations are that the UKIB should:

- Work with the Department for Business, Energy and Industrial Strategy (BEIS) and the Net Zero Hubs (NZH) to develop funding solutions and aggregate place-based approaches to Net Zero investment that build local development capacity on a financially sustainable basis
- Consider its role in project development as well as simply a provider of finance, mirroring the role played by other leading publicly-owned investment and development banks such as the European Investment Bank (EIB) and the Inter-American Development Bank (IADB)

- Help shape its local authority financing capacity to ensure this complements existing local authority financing resources to encourage additional Net Zero investment
- Work with sources of government patient capital and private sector providers of capital to develop innovative financing solutions
- Use its industry knowledge, public sector standing and financing expertise to develop solutions that address the natural risk aversion of local authorities
- Share its market knowledge with government to inform future policy and regulation developments, and to help ensure that government policy remains consistent over time to support appropriate investment
- Use its market experience and its central position in providing finance and advice for Net Zero investment to share best practices with local authorities.

Your engagement to date on delivering these key elements of the Bank’s mandate has been gratefully received and we are keen to continue our dialogue on shaping the Bank’s core functions. As such, we would be delighted to discuss the briefing and key recommendations further. Please get in touch with karen.barrass@uk100.org to schedule a follow-up meeting.

Yours faithfully

Polly Billington, Chief Executive, UK100
Kate Levick, Associate Director, Sustainable Finance, E3G
Phillip New, CEO, Energy Systems Catapult
James Cameron, Senior Advisor, Pollination Group
Steve Turner, Director, UK Cities Climate Investment Commission

