

1 November 2022

Dear Meg Hiller,

I and colleagues are due to attend the Public Accounts Committee on Monday 7th November to give evidence in respect of the UK Infrastructure Bank. This follows the NAO's report into the creation of the Bank, which it released on 1 July of this year. Given the time that has passed since the NAO's report, I thought you and the rest of the Committee might find it helpful for me to write to update you on the progress that we have made in the interim.

We have closed a further five investments with a combined value of £800m. They include a further two investments in the digital sector. This reflects the current high levels of activity in the development of highspeed broadband infrastructure. We are confident that our involvement there will help accelerate the roll-out of this infrastructure to parts of the country that would otherwise have had to wait. The other three investments are each in the clean energy sector, supporting the development of solar energy in the UK, an energy transmission interconnector between the UK and Germany (bringing increased resilience to the system), and a range of other investments. This focus on clean energy is in line with our long term expectations for the Bank. As we identified in our Strategy in the summer, we expect to see much of our investment in that sector in the years to come.

I have attached an annex which sets out some high-level information on these investments. You will see that they cover further debt investments but also that we have now made our first equity fund investments. In addition to the investments listed here, we also issued an Expression of Interest in July for established fund managers to come forward with proposals for a fund to invest in energy storage. While this has not yet resulted in any investments, we continue to consider the proposals that we received.

For completeness, I should also add that we have been repaid on one of the early investments that NAO covered in its report. We made a £43m bridging loan to NextEnergy in November 2021. NextEnergy have now repaid this loan after a successful fund raising (including a £250m contribution from the Bank).

I would also like to update you on the progress we have made in building out the operations of the bank since the NAO's report in the summer. We now have 162 staff working at the bank of whom 16 are permanent. These permanent staff include the senior team, with our Chief Finance Officer, Head of Banking, Chief Risk Officer, Chief People Officer and General Counsel all starting at the bank in September of this year. We are making progress on filling out the teams beneath them, with a further 40 roles that have been recently offered and contracts have been sent out to individuals, start dates will vary depending on notice periods. We are though undoubtedly behind where we hoped we would be at the start of this year (and therefore behind the forecast numbers set out in the NAO's report, which were drawn from our January 2022 business plan). This plan made a set of hiring assumptions which were, with the benefit of hindsight, too ambitious and failed to reflect the time that it takes to bring in the quality of permanent staff that the bank needs as it builds. I am clear that this – hiring the right staff – should take priority over speed. As a consequence of this slower recruitment and also some contingencies that we now do not expect to need, we will spend less money on our operations in 2022/23 than we budgeted for. We are currently reprofiling both

our hiring plan and our operating budgets for this and the coming years. If you should wish us to do so, I would, of course, be happy to write to you again with further information when this reprofiling exercise has concluded.

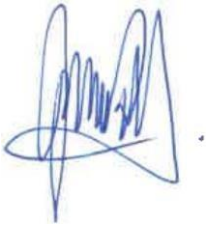
There are two final points that I would like to bring to your attention.

First, in September, we launched the first three pilots of our local authority advisory service – to provide advice to Transport for Greater Manchester on its transition to a zero-emission bus fleet, to West Yorkshire Combined Authority on its plans for a new mass transit programme, and to Bristol City Council as they begin delivery of their innovative City Leap partnership that will build £1bn of net zero infrastructure including strategic heat networks. Launching these pilots was a major milestone for the Bank as we expect our advisory service to local authorities to be a critical part of the Bank's offering in years to come.

Second, I would like to highlight a paper that we have now issued on our website giving more detail on the approach we take so that we can be confident that the investments we make deliver impact that is additional to those which would otherwise be delivered by commercial markets alone. I have included a copy of this paper with this letter. Ultimately, our assessment of additionality will always be a matter of judgement, but we are determined that these should be properly informed judgements. The paper shows the approach we take and the type of evidence that we look at. I hope that you find this useful to see.

I look forward to discussing further on 7th November.

Yours sincerely,

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

John Flint
Chief Executive Officer

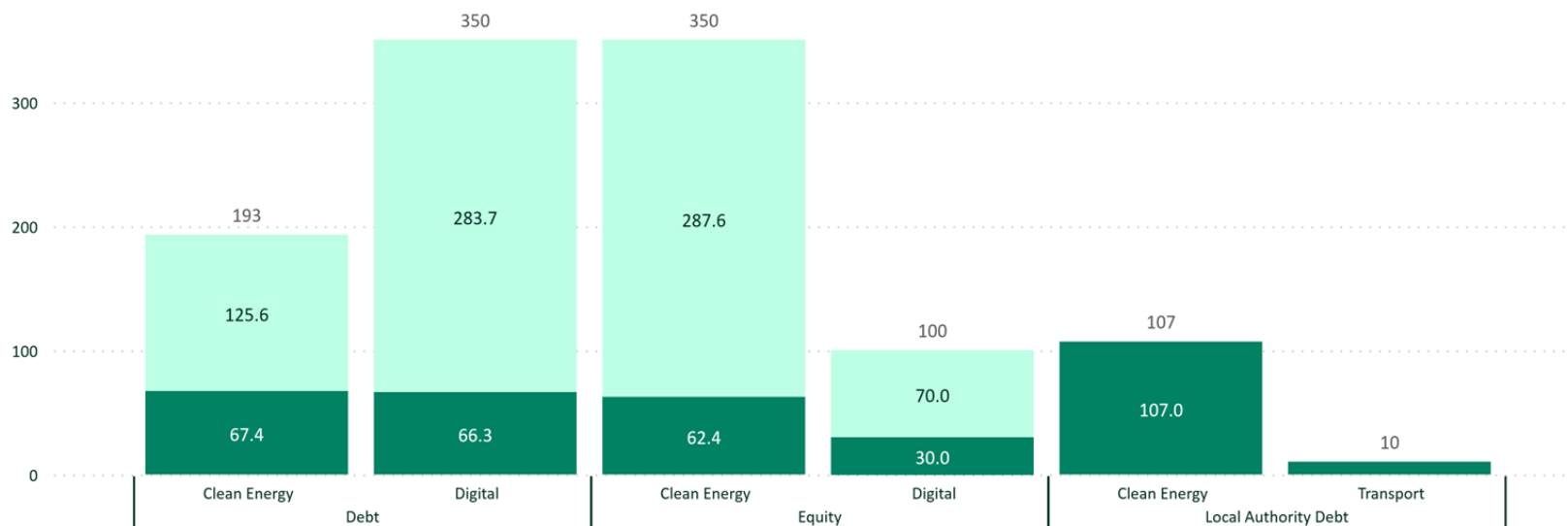
NAO Information

Name	Sector	Summary	Product	£m	Closed Date
Tees Valley CA	Clean Energy	New quay manufacturing area to build next generation off shore wind turbines.	Debt	107	24 October 2021
NextEnergy	Clean Energy	Bridging loan.	Debt	43	30 November 2021
Gigaclear	Digital	Ultrafast fibre.	Debt	100	17 December 2021
West Midlands CA	Transport	Sprint bus project.	Debt	10	15 March 2022
Fibrus	Digital	Expansion of fibre roll out.	Debt	50	30 March 2022
CityFibre	Digital	Fibre to the premises.	Debt	200	1 June 2022
NeuConnect	Clean Energy	Energy transmission project between the UK and Germany.	Debt	150	25 July 2022
NextEnergy Fund	Clean Energy	Cornerstone investor in a solar fund.	Equity Fund	250	24 August 2022
Digital Infrastructure Investment Partners	Digital	Subsequent investment in existing fund.	Equity Fund	100	25 August 2022
Octopus (OSIF)	Clean Energy	Alternatives fund investment (Digital, EV infra, Energy storage et al.).	Equity Fund	100	30 September 2022
Total				1,110	

Note: Shaded deals above were communicated in the previous update.

Drawn Sectors

● Drawn ● Remainder



Objective ● Both ● Levelling Up ● Net Zero

