

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

UK INFRASTRUCTURE BANK BILL [*LORDS*]

First Sitting

Tuesday 22 November 2022

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
CLAUSE 1 TO 8 agreed to, some with amendments.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 26 November 2022

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The Committee consisted of the following Members:

Chairs: MR PETER BONE, † GERAINT DAVIES

- | | |
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| † Fletcher, Katherine (<i>South Ribble</i>) (Con) | † Murray, James (<i>Ealing North</i>) (Lab/Co-op) |
| † Flynn, Stephen (<i>Aberdeen South</i>) (SNP) | † Oppong-Asare, Abena (<i>Erith and Thamesmead</i>) (Lab) |
| † Fuller, Richard (<i>North East Bedfordshire</i>) (Con) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Griffith, Andrew (<i>Economic Secretary to the Treasury</i>) | Smith, Nick (<i>Blaenau Gwent</i>) (Lab) |
| † Howell, Paul (<i>Sedgefield</i>) (Con) | † Stephenson, Andrew (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Jones, Andrew (<i>Harrogate and Knaresborough</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † Linden, David (<i>Glasgow East</i>) (SNP) | † Vaz, Valerie (<i>Walsall South</i>) (Lab) |
| † Maclean, Rachel (<i>Redditch</i>) (Con) | Bethan Harding, Amna Bokhari, <i>Committee Clerks</i> |
| † Milling, Amanda (<i>Cannock Chase</i>) (Con) | |
| † Moore, Robbie (<i>Keighley</i>) (Con) | † attended the Committee |

Public Bill Committee

Tuesday 22 November 2022

(Morning)

[GERAINT DAVIES *in the Chair*]

UK Infrastructure Bank Bill [Lords]

9.25 am

The Chair: I have a few preliminary reminders for the Committee. I will not make an autumn statement, though there are a lot of leaves about. Please switch electronic devices to silent. No food or drinks are permitted during sittings, except for the water provided. *Hansard* colleagues would be grateful if Members could email their speaking notes to hansardnotes@parliament.uk.

We will first consider the programme motion on the amendment paper. We will then consider a motion to enable the reporting of written evidence for publication. I call the Minister to move the programme motion standing in his name, which was discussed yesterday by the Programming Sub-Committee for the Bill.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 22 November) meet at 2.00 pm on Tuesday 22 November;

(2) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 22 November.
—(*Andrew Griffith.*)

Resolved,

That subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*Andrew Griffith.*)

The Chair: Copies of written evidence that the Committee receives will be made available in the Committee Room, and circulated to Members by email.

We now begin line-by-line consideration of the Bill. The selection list for today's sitting is available in the room. It shows how the selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or a similar issue. Please note that decisions on amendments take place not in the order they are debated, but in the order they appear on the amendment paper. The selection and grouping list shows the order of debates. Decisions on each amendment are taken when we come to the clause to which it relates.

A Member who has put their name to the lead amendment in a group is called first. Other Members are then free to catch my eye to speak on all or any of the amendments within that group. A Member may speak more than once in a single debate. At the end of a debate on a group of amendments, I shall call the Member who moved the lead amendment again. Before they sit down, they will need to indicate if they wish to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they need to let me know.

Clause 1

THE UK INFRASTRUCTURE BANK

Question proposed, That the clause stand part of the Bill.

The Economic Secretary to the Treasury (Andrew Griffith): It is a pleasure to serve under your chairmanship, Mr Davies. I thank Members for their work on the Committee this morning. Clause 1 is a technical clause that outlines that the company incorporated as the UK Infrastructure Bank will be referred to as “the Bank” for the purposes of the Bill, and links it in legislation to its company registration number. The clause is essential to ensure that the Bill refers to the correct legal entity. I recommend that it stand part.

Clause 1 ordered to stand part of the Bill.

Clause 2

OBJECTIVES AND ACTIVITIES

Richard Fuller (North East Bedfordshire) (Con): I beg to move amendment 10, in clause 2, page 1, line 14, at end insert

“, and

“(c) to create long term financial returns to its shareholder(s).”

It is a pleasure to serve under your chairmanship, Mr Davies, and to be the first Member, other than the Minister, to speak. As hon. Members look down the amendment paper, they will see that I have tabled a number of amendments. It is such a pity that so few Labour Members have bothered to show up to the Committee on such an important issue. I always thought that the Labour party thought that it was important to invest in green technologies and to level up. Clearly, the absence of Labour Members shows that that is just a paper commitment, not a real one.

This is an important Bill. Of course, in a certain regard it formalises what is already extant; however, it is important that we, as Members of Parliament, ensure that we provide the right objectives and activities to which the board and directors of the UK Infrastructure Bank should subsequently pay attention. In that regard, I have tabled two amendments to clause 2: amendments 10 and 11. If it is convenient with you, Mr Davies, I shall also speak to amendment 11.

The Chair: That is all right.

Richard Fuller: Amendment 10 would add paragraph (c) to subsection (3), with a requirement that bank objectives should include long-term return to shareholders. To be clear, the shareholders are UK taxpayers.

Amendment 11 would add paragraph (c) to subsection (6) on the importance of the bank having regard to its role in additionality. That refers to the role of the bank in using taxpayers' money or the power of the UK Government's balance sheet in attracting private capital.

Why are those two amendments so important? Let us be honest. Parliament passed the Climate Change Act 2019, containing the net-zero policy, which has the potential to waste billions of taxpayers' money. It is a policy objective with no price tag attached. It is also the case that technologies are evolving, and economies of scale can be elusive.

The UK Infrastructure Bank mentioned three things in its strategic plan that it was interested in pursuing for investment. The first was the roll-out of electric vehicle charging points. Does any hon. Member, or the Minister, know how that can be done today economically? The second was the retrofit of buildings. Does any hon. Member know how that can be done, what the right technology would be and how it should be funded? Does the Minister know? The third was the scaling of storage technologies. Does anyone know the right technology to choose for that?

The answers to those questions are crucial, because we are going to devolve the decision making about how that taxpayers' money is spent to the UK Infrastructure Bank. There are significant risks with those technologies, and the consequences for taxpayers' money.

The bank talks a lot about its potential for crowding in money and private capital, but there is also great potential for crowding out private capital. It is very simple. We already have a significant amount of investor appetite in environmentally sound investments. The Minister has been very successful recently in his efforts with Solvency II to release potentially additional long-term, patient capital that can invest in the sorts of projects that the UK Infrastructure Bank seeks to invest in. What reassurance can we have that the UK Infrastructure Bank is doing the right thing by crowding in private capital, rather than by crowding out?

We also need to see a little more clarity from the bank about where it is going to sit on the spectrum of risk. I draw Committee members' attention to page 26 in the UK Infrastructure Bank's strategic plan. Under the heading "Barriers to private infrastructure investment", it lists four segments for investing: R&D, emerging, high-growth and maturity. It then splatters itself over three of those four segments. What sort of focus for investing is that?

What does that tell us about how we should assess the way in which capital has been allocated according to risk? Should the bank be investing more in late-stage opportunities? Is the real risk that it should be investing at an earlier stage, to stimulate the growth of technologies after they have come out of research and development? It is not at all clear what the focus should be. That gets to the root of the question that I want to press the Minister on. How comfortable is he that we and the Government have control over how the bank will invest taxpayers' money? Is he comfortable that there are sufficient constraints on the bank to prevent it from wandering off with its own sense of purpose? Should there be provisions in this Bill to tighten it a little further?

Finally, the reason for us to focus on this is the UK Infrastructure Bank itself says that it has a "triple bottom line". Well amen to a Government body actually having a bottom line because too often public bodies do not even worry about the bottom line, but it has three: achieving policy objectives; crowding-in private capital; and generating a positive return. It is because they have stated three bottom lines, one of which was to generate a positive return, that I sought, under amendment 10, to add that to clause 2(3).

I finally make some reference to Government amendment 1, which relates to deleting references to "the circular economy, and nature-based solutions".

I am interested to hear what the Minister's rationale for this is; maybe I can see a rationale but I want to hear if that is actually the Minister's rationale. The principles of the circular economy and the principles of nature-based solutions have the merit of being quite specific in what is otherwise quite a general set of remits for the UK Infrastructure Bank. I guess that the Minister will say, "Well yes, that is right. However, there are lots of other things that it needs to focus on. If we pick those two, we should not pick others." But I would be very interested to know the particular reasons why the Minister does not feel that those two should be included.

Finally, I note that Government amendment 2, which relates to everything I have said about the objectives around additionality and long-term returns for shareholders, would delete clause 2(6) completely. If so, I will obviously withdraw my amendment.

Abena Oppong-Asare (Erith and Thamesmead) (Lab): Good morning, Mr Davies. It is a pleasure to serve under your chairship. Good morning to the rest of the Committee. I look forward to our debate today. I think that this will be a productive conversation. I also use this opportunity to formally congratulate the new Minister.

Before I turn to clause 2, I want to say in my opening remarks that Britain has so much potential, but right now we are facing—and I want to put this on record—a Tory economic crisis that is holding us back. To get our economy growing again, we will need to see investment in infrastructure projects and create highly-skilled, well-paid jobs and tackle climate change in a modern industrial strategy, working hand in hand with businesses.

I also want to put on record my reassurance to the hon. Member for North East Bedfordshire that Labour is well represented on these issues. Members will see that through our ideas and what we are proposing today, which will strengthen this Bill. Also, it is really important that we recognise that there has been a lost decade of broken Tory promises that have left much of the UK with second-rate infrastructure. That is why Labour supports strengthening the Bill, but much of the Bill as it stands relies on out-of-date thinking. That is why we are proposing amendments today.

Alec Shelbrooke (Elmet and Rothwell) (Con): It is a pleasure to serve under your chairmanship, Mr Davies. In terms of investment in infrastructure, the last Labour Government did invest in hospitals and schools and, through the private finance initiative, left the country with bills that were 10 times the cost of building the hospitals. On reflection, does the hon. Lady believe that was a mistake?

The Chair: Order. We are in danger of drifting outside the scope of the amendment. Please do respond, but let us not have a general debate on this.

Abena Oppong-Asare: I thank the right hon. Member for Elmet and Rothwell for his comments. However, we have had a Tory Government for 12 years. We are in the middle of an economic crisis.

Alec Shelbrooke: Twenty-five billion pounds—

The Chair: Order.

Abena Oppong-Asare: Inflation is at its highest point, but I do not want to be drawn into a discussion about that. I want to focus on the Bill and I want us all to have a mature conversation about it.

Clause 2 sets out the objectives and activities of the UK Infrastructure Bank. This is probably the meatiest part of the Bill, and I can see that we have several amendments to get through, so I want to make a start on that. Subsection (3) lays out the bank's two objectives, which are to

“tackle climate change, including by supporting efforts to meet the target for 2050 set out in section 1 of the Climate Change Act 2008”

and

“to support regional and local economic growth.”

I welcome the bank's first objective. With COP27, a climate conference that the Prime Minister had to be shamed into attending, ending just days ago, it is clear that there is still a way to go to ensure that our country's emissions reach the targets enshrined in international law. I have to be honest: the Prime Minister does not get it. He is a fossil-fuel Prime Minister in a renewable age. His is a record of tax breaks for oil and gas giants and blocks on wind and solar power. It has left our energy bills higher and our country less secure. The UK Infrastructure Bank sets out to invest in projects that lower emissions, while the Government undermines those ambitions. It will be unsurprising to the Committee that Labour has no confidence that the Government will deliver the long-term investment that the country needs.

I also welcome the bank's second objective. Labour wants to see prosperity shared and spread across the country, with the Government working in lockstep with businesses to produce the high-skilled jobs of the future—something that I will come to later. Amendment 10 would add a third objective for the bank:

“to create long term financial returns to its shareholder(s).”

Labour wants to see the bank succeed. There is a global race for the jobs and industries of the future that, under the Tories, we will not win. We know that investment in green jobs, improved rail and other transport and modern infrastructure, such as broadband, have the potential for large returns and will boost our economy. We want the bank to crowd in private sector investment and help to provide confidence for investors and businesses innovating in new technologies. We also want the bank to have the freedom to invest in projects based on their ability to tackle climate change and grow our economy.

Katherine Fletcher (South Ribble) (Con): It is a pleasure to serve under your chairmanship, Mr Davies. I am grateful for the opportunity to intervene. As recent data shows, the UK has decarbonised fastest in the whole of the G20 since 2010. Does the hon. Lady agree that a huge amount of that has been done with the investment of both public and private capital in the mechanisms to achieve it? And there is our world-leading legislation for net zero and even our commitment to reduce fossil-fuel cars. The idea that we are behind in the race on this is really for the birds.

The Chair: Order. Before the shadow Minister responds, let me just say that we do need to keep within the scope of this amendment, about creating long-term financial returns to the shareholder. I appreciate that I have allowed a certain amount of flexibility, and I respect

what you are saying, but could we try to focus on the amendment rather than clause 2 stand part, which we will come to?

Abena Oppong-Asare: I thank the hon. Member for South Ribble for her comments, but I do not fully agree with her, because I feel that the Government have not done enough. There has also been a cancellation of Northern Powerhouse Rail and a dismal failure to invest properly in renewable energy and to take decisions on nuclear; there has been a lack of strategy and planning. That has happened under this Tory Government in the last 12 years.

The Government's track record does not provide much confidence. The Government set up the Green Investment Bank 10 years ago and sold it to a private equity group five years ago, with the Public Accounts Committee concluding that the Government had focused on “how much money could be gained from the sale over the continued delivery of GIB's green objective.”

We would not want to encourage a similar short-lived path—

The Chair: Order. Shadow Minister, I think you are straying off the point of the amendment, if I may say so.

Abena Oppong-Asare: I do not believe I am, Mr Davies. This is very relevant to the clause.

The Chair: To this amendment?

Abena Oppong-Asare: Yes. I am just going to wrap up, Mr Davies; thank you. We would not want to encourage a similar short-lived path for the UK Infrastructure Bank. To achieve its objectives, it needs to be a long-lasting institution that supports businesses and improves investor confidence. We have a different third objective in mind for the bank, and I will explain that in Committee later today.

Andrew Griffith: I thank all those who have contributed to this grouping. If I may, I will speak to clause 2, the Government amendments, and then the amendments in the name of—

The Chair: Order. You cannot do that. You must speak to amendment 10, and we will come to clause 2.

9.45 am

Andrew Griffith: Perfect, Mr Davies. My hon. Friend the Member for North East Bedfordshire is not only a distinguished predecessor of mine, but is a doughty champion for the interests of the taxpayer, and we commend him for that.

We have set out in the framework that the bank must already generate a financial return as part of the company's operating principles. As set out in the UK Infrastructure Bank's strategic plan, that has been set at an admirable 2.5% to 4% by the end of 2025-26. The bank, as my hon. Friend said, has a triple bottom line, including a positive financial return as a requirement across its investments.

Putting that target into law—I cannot believe that my hon. Friend is an advocate of writing everything into statute; the statute is often large enough as it is without embellishing it with additional Christmas trees of prescription—could create legal problems for the bank and undermine its core purpose, given that there might from time to time be reasons outside of its control why it cannot meet the target in relation to every investment.

Richard Fuller: My hon. Friend is right: not everything should be written into statute, but there ought to be more clarity. Can he provide a couple of points of clarity so that I may withdraw my amendment? On the bank's target of 2.5% to 4% return, is that a real rate of return, and above what cost of capital? And if the chief executive and the directors do not achieve that rate of return, what will be the consequences for them?

Andrew Griffith: I will write to my hon. Friend on the calculation of that return. The UK Infrastructure Bank is subject to the full panoply of disclosures, sanctions and accountability, not just to this place, as is appropriate, but under the Companies Act 2006 under which it is constituted. I do not believe, therefore, that there is a deficiency in that. For that reason, notwithstanding the very understandable spirit with which my hon. Friend advocates his amendment, I hope he will consider withdrawing it.

The Chair: Mr Fuller, do you want to withdraw the amendment?

Richard Fuller: Yes. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Abena Opong-Asare: I beg to move amendment 17, in clause 2, page 1, line 14, at end insert—

“(c) to reduce economic inequalities within and between regions of the United Kingdom, and

(d) to improve productivity, pay, jobs, and living standards.”

This amendment clarifies that the Bank's objective to support regional and local economic growth includes reducing economic inequalities within and between regions and improving productivity, pay, jobs, and living standards.

The Chair: With this it will be convenient to discuss amendment 18, in clause 2, page 1, line 14, at end insert “, and

“(c) to support supply chain resilience and the United Kingdom's industrial strategy”.

This amendment creates a third objective for the Bank to support UK supply chain resilience and industrial strategy.

Abena Opong-Asare: As I have hinted, Labour Members believe that the bank's objectives need expanding. My hon. Friend the Member for Ealing North will speak later about the bank's climate objective and the ways in which it might achieve it. I will talk about the economic objective of the bank, which is to support regional and local economic growth. After a mini-Budget that crashed our economy and an autumn statement last week that papers over the cracks, the importance of that objective is as clear as day; but we believe in growth not for growth's sake, but because it creates jobs and improves

living standards. As a result of fairer choices, we could see our economy growing again, powered by the talent and effort of millions of working people and thousands of businesses.

Our amendment 17 would make it clear that the bank should support regional and local economic growth, both to reduce economic inequalities within and between the regions of the UK, and to improve productivity, pay, jobs, and living standards. In our constituencies we see the disparities between the regions. As it stands, the bank does not have to focus its investment on disadvantaged areas of the country that would most benefit from its support. The Prime Minister has boasted about moving money away from disadvantaged areas, and so-called levelling-up funds have so far funnelled money into Conservative constituencies, rather than focusing on areas that most need the support. On its own, therefore, clause 2(3)(b) is not a sufficient objective for the bank. It relies on the tired Conservative assumption that growth and prosperity will trickle down and be spread evenly, which we know is not true.

Amendment 17 is crucial to targeting the bank's investments and ensuring that it creates lasting change. The Prime Minister, then Chancellor, argued in his strategic steer to the bank in March that it should support the Government's ambition of addressing “the deep spatial disparities across and within UK regions”.

Those are his words. I find it strange that when he outlined the bank's objectives in the strategic steer, his description of the climate objective matched that in the Bill, but his description of the economic objective did not. He said that the bank's objectives are to

“help tackle climate change, particularly meeting the government's net zero emissions target by 2050”.

That all seems correct, and we can see it repeated near verbatim in clause 2(3)(a). However, in describing the second objective, the then Chancellor said that the bank should

“support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity.”

That wording is not in the Bill. Will the Minister tell us whether the Government have abandoned those commitments? Why does the Bill include a watered-down version of that objective?

I note that in his letter yesterday, the Minister's justification for Government amendment 2 was that

“with regards to the economic disparities component of”

clause 2(6),

“it could be overly restrictive where the Bank looks to invest in a deprived part of a relatively affluent region for example, as there are difficulties in drawing distinct boundaries on this issue.”

Before the Minister uses that as a reason to vote against our amendment 17, I hope that he will notice that the amendment has been worded specifically to avoid such restrictions: by addressing

“economic inequalities within and between regions of the United Kingdom”,

the bank will retain the freedom to target at any level. If their commitment still stands, I am sure that Conservatives will not oppose Labour's efforts to put that in the Bill. The amendment would bring the Bill back into alignment with their stated objectives.

[Abena Oppong-Asare]

Amendment 18 would add a third objective for the bank:

“to support supply chain resilience and the United Kingdom’s industrial strategy”.

That seems reasonable. The Office for Budget Responsibility has said that the bank will have no effect on growth. With assets of 0.1% of GDP a year, the bank is dwarfed by its French and German counterparts, and the £12 billion of funding allocated over five years falls short of the £20 billion recommended by the National Infrastructure Commission. With their cancellation of Northern Powerhouse Rail and failed record on nuclear energy, the Government’s record on infrastructure is abysmal.

Labour has called for a strategic approach to infrastructure, and presented an industrial strategy that is based on evidence from around the world. Supported by the creation of a publicly owned Great British energy company, we would deliver self-sufficient renewable energy by doubling onshore wind, trebling solar and quadrupling offshore wind. We would create half a million jobs in renewable energy, and an additional half a million jobs by insulating 19 million homes over 10 years.

The importance of supply chain resilience has become particularly clear in the wake of the pandemic, and as concerns over energy security have come to the fore through the war in Ukraine. We are all concerned about it. We have an industrial strategy, and want the UK infrastructure bank to support and champion it. Our amendments 17 and 18 would clarify the objectives of the bank, and focus them on the challenges of the future.

David Linden (Glasgow East) (SNP): Bore da, Mr Davies. It is a pleasure to serve under your chairmanship. Aside from one issue that I would split hairs about on amendment 17—Scotland is not a region, but a nation, so the amendment should read “regions and nations of the United Kingdom”—I have another point to object to. The bank’s strategic objectives include tackling climate change, and it is vital that the Scottish Government’s climate change targets be reflected in the Bill, so I take a wee bit of issue with points made by the hon. Member for South Ribble about the UK’s “world-leading” climate change legislation; it legislates for net zero by 2050, whereas in Scotland it is 2045. I wanted to make that point on the record.

Given the significant overlap between the strategic objectives of the UK Infrastructure Bank and those of the Scottish National Investment Bank, a mechanism must be in place to ensure alignment on how the objectives are reached. I would be grateful if the Minister provided a little more clarity on that when he sums up. However, if His Majesty’s loyal Opposition intend to press the amendment to a vote, they can be assured of the support of the Scottish National party.

Alec Shelbrooke: On reducing economic and other inequalities between regions of the United Kingdom, I first make the point that if the bank is to be located in my home city of Leeds, in Yorkshire, and is to invest in the region, it follows that Northern Powerhouse Rail has not been cancelled.

I have risen to speak simply because an intervention on the Minister would have been too long. The Opposition parties almost seem to be tabling amendments for

amendments’ sake. To state the obvious about the whole point of this policy, I do not, to use a phrase, need a weatherman to tell me when it is raining. The Infrastructure Bank will already do exactly what is in the amendments.

On the green industrial strategy, the reality is that a multi-billion-pound industry, with hundreds of thousands of jobs in the offshore wind industry, has been created since we came to power in 2010. It is simply mistaken to suggest otherwise. When we look at the track record of this Government over the past 12 years, there is much that I am exceptionally proud of. We have changed the energy strategy of this country. Sometimes, we produce well over 50% of our electricity through renewable means. All that has come about through investment in infrastructure.

I believe that amendments 17 and 18 were tabled simply to develop an argument with a weak foundation that does not stand up when we look at the physical outcomes from the past 12 years. I will finish with that—

David Linden: Will the right hon. Gentleman give way?

The Chair: Will you take the intervention?

Alec Shelbrooke: I will, because I like the hon. Member for Glasgow East, but I had wrapped up my comments.

David Linden: My stock in the SNP has just fallen through the floor. The hon. Gentleman said that we do not need a weatherman to tell us what the weather is outside, but over the past seven or eight weeks, the UK Government have flip-flopped on their policy on energy, and specifically on their fracking policy, in a major departure from the 2019 manifesto. Given the instability of the UK Government and the changes in various weather people, it might not be a bad thing to put something about this in the Bill.

Alec Shelbrooke: I am always grateful for the hon. Gentleman’s input. Personally, I believe we should get on with fracking, and I have licences in my constituency, but that is a decision for the local authority. Often with such plans, local authorities are far better placed to understand the needs and issues than people down in Westminster.

On the green industrial strategy and the increase in fossil fuels—I know we are straying slightly from the subject—the investment in the green strategy that is being made by this Government is clear to see, but we cannot let our fossil fuel supply fall off a cliff and disappear overnight, and send people’s bills through the roof. That strategy and this policy are a key plank in ensuring that we move towards where we all want to be, while ensuring that we have the investments and structures in place and are clear about the target we are aiming for. Fundamentally, this Government have a proud track record on this matter, and amendments 17 and 18 are surplus to requirements.

10 am

Andrew Griffith: The hon. Member for Erith and Thamesmead and the Opposition are as sincere in pursuing this amendment as they are wrong. They are adventurous in terms of scope, because they are trying to crowbar an entire—

David Linden: On a point of order, Mr Davies. I am sure the Minister is not at all suggesting that you have selected amendments that are out of scope for the Committee to vote on.

Andrew Griffith: My reference to “scope” related to the broad set of industrial policies laid out by the hon. Member for Erith and Thamesmead, not to the wording of the amendments.

The Chair: My comments were about the previous discussion. The shadow Minister was in scope on her amendments. I call the shadow Minister.

Abena Oppong-Asare: Thank you, Mr Davies, for allowing me to speak on this matter. I fundamentally disagree with the Minister’s comments. The amendments that Labour put forward are reasonable. In this climate, given the situation with covid and Russia, we know that things are different, particularly in terms of regional inequalities. The Prime Minister also talked about regional inequalities. We have all seen the speech he gave in Tunbridge Wells.

The Chair: Order. The hon. Lady will have the final word, but the issue is whether these amendments are in order. Obviously, they were selected for debate, and the Minister was speaking to them. I know his comments were about whether comments made were in order, but if he could make his speech, I will then call the hon. Lady to respond, and she can make similar points. I call the Minister.

Andrew Griffith: Thank you, Mr Davies. The Government think that the aim of reducing regional inequality is already implicit in the bank’s current objective. As my right hon. Friend the Member for Elmet and Rothwell reminded me, the bank was constituted in Leeds, rightly outside of the overheated south-east. A number of its early investments have already seen their capital deployed to some of the most left-behind parts of the United Kingdom. Our belief is that the objective of supporting regional and local growth provides a clear direction for the bank without being overly prescriptive, which I am sure nobody would want. The strategic steer by the Chancellor in March makes clear that the bank must focus on geographical inequality, with reference to the levelling-up White Paper, which the House will debate tomorrow. That is the right place to set out the Government’s strategic approach to levelling up, but that is best done on a portfolio basis rather than investment by investment, which is what the amendment implies.

Turning to the second part of the amendment, the bank’s framework document already includes, under its regional and local economy growth objective, achieving higher levels of productivity and providing opportunities for new jobs—something the hon. Member for Erith and Thamesmead talked about as an important output. We think it is more appropriate to have this requirement in the framework document rather than in legislation to minimise the legal risk across investments. I am sure that we can all agree that no one wants to create more work for lawyers.

Valerie Vaz (Walsall South) (Lab): Yes, we do.

Andrew Griffith: The right hon. Lady will have to talk to her Front Bench if that is the official policy, but I assure the Committee that it is not the policy of the Government.

The Chair: It is certainly not my policy, but I call Valerie Vaz.

Valerie Vaz: The point is that this is public money. The bank has to be accountable for it. Lawyers are the guardians of justice. It is not about making more money for lawyers. It is about interpreting legislation that is put through very quickly and not thought through. That is the basis of it.

Andrew Griffith: The hon. Lady makes a very fair point on the valiant role of lawyers in keeping us all to account. The alternative, of course, is legislation that is clear and allows the appropriate degree of discretion. The Government contend that that is what this is.

The amendments by the hon. Member for Erith and Thamesmead would include in the bank’s objectives the improvement of pay and living standards. Economic growth in the long run is closely linked to supporting productivity, income and employment and living standards. It is implicit in the bank’s objectives. Including the amendments would make the objectives too wide-ranging for an infrastructure bank, as it could focus on anything relating to pay or standards, for example training programmes or household appliances, which do not come under economic infrastructure. For these reasons, we consider it preferable to keep the statutory objectives as they are—a balance between clarity and flexibility—while instead providing further recommendations as to the bank’s targets and areas of focus via more flexible mechanisms such as the strategic steer, which can be updated from time to time.

Abena Oppong-Asare: I thank the Minister for his comments. We agree that the legislation needs to be clear, but I think our approach is very different. I do not want to repeat what I have already said, but I want to highlight that addressing economic inequalities, particularly between regions, is really important. We think the amendments would help the bank retain its freedom while reaching targets at any level. For this reason, we will push the amendments to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 1]

AYES

Flynn, Stephen
Linden, David
Murray, James

Oppong-Asare, Abena
Twist, Liz
Vaz, rh Valerie

NOES

Fletcher, Katherine
Fuller, Richard
Griffith, Andrew
Howell, Paul
Jones, Andrew

Maclean, Rachel
Milling, rh Amanda
Moore, Robbie
Shelbrooke, rh Alec
Stephenson, rh Andrew

Question accordingly negatived.

Amendment proposed: 18, in clause 2, page 1, line 14, at end insert

“, and

“(c) to support supply chain resilience and the United Kingdom’s industrial strategy”.—(*Abena Oppong-Asare.*)

This amendment creates a third objective for the Bank to support UK supply chain resilience and industrial strategy.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 2]

AYES

Flynn, Stephen	Oppong-Asare, Abena
Linden, David	Twist, Liz
Murray, James	Vaz, rh Valerie

NOES

Fletcher, Katherine	Maclean, Rachel
Fuller, Richard	Milling, rh Amanda
Griffith, Andrew	Moore, Robbie
Howell, Paul	Shelbrooke, rh Alec
Jones, Andrew	Stephenson, rh Andrew

Question accordingly negatived.

Andrew Griffith: I beg to move amendment 8, in clause 2, page 1, line 18, leave out “relevant”.

This amendment, and Amendment 9, would clarify that the Bank can provide loans to public authorities other than local authorities and Northern Ireland Departments (as well as to persons other than public authorities).

The Chair: With this it will be convenient to discuss Government amendment 9.

Andrew Griffith: The amendments broaden the definition of “public authority” used in relation to the bank’s capacity to lend. The drafting as is broadly meets the policy aims and would allow the bank to lend to local authorities and to the Northern Ireland Executive. However, given that primary legislation can be a blunt instrument, we do not want inadvertently and by implication to preclude the bank from investing in other public authorities. I hope that all members of Committee can agree on that.

Other public authorities could include existing public bodies, as well as new public bodies created in the future by local authorities or Government Departments.

Abena Oppong-Asare: I thank the Minister for his explanation of the amendments.

Clause 2(4) describes the activities of the bank, as the Minister explained, and sets out that in addition to funding private infrastructure projects, it can provide financial support to local government. Government amendment 8 seeks to clarify that the bank can provide loans to public authorities other than local authorities and Northern Ireland Departments. Amendment 9 to clause 10 would achieve the same purpose. It would clarify that the Bill considers public authorities to be local authorities, Northern Ireland Departments and any other person exercising functions of a public nature.

I am grateful to the Minister for his letter of yesterday that set out the reasons for the Government amendments, which we will not oppose.

Amendment 8 agreed to.

Andrew Griffith: I beg to move amendment 1, in clause 2, page 1, line 23, leave out from “includes” to “technologies” on line 24.

This amendment would remove the reference to “structures underpinning the circular economy, and nature-based solutions,” from the definition of “infrastructure”.

The Chair: With this it will be convenient to discuss Government amendment 2.

Andrew Griffith: The amendments would remove both the Lords amendments. Government amendment 1 would remove the addition of “nature-based solutions” and “structures underpinning the circular economy” from the definition of infrastructure. The bank has a broad mandate with flexibility to support a wide range of projects to help to tackle climate change and to support regional and local economic growth.

On nature-based solutions, earlier this year the Government conducted a review to consider the potential of broadening the bank’s objectives to include other areas such as improving UK natural capital. The review recognised the significant potential for increased use of nature-based and hybrid infrastructure solutions, including for the water sector, greenhouse gas removal and opportunities for the growth of ecosystems services markets. Those opportunities will be important to meet our objective to leverage private finance for nature recovery.

The outcome of the review was formally made clear to the bank and to the market through the Chancellor’s non-statutory strategic steer. As we discussed earlier, that is an alternative to writing everything in statute and is more flexible. That steer clearly laid out that nature-based solutions are in scope and are something that the bank should pursue. However, given that they are already part of the remit and are clearly covered within the non-exhaustive definition of infrastructure, we do not believe this language should be retained in the Bill.

Moving on to amendment 2, clause 2(6) focuses on improving

“productivity, pay, jobs and living standards”

and reducing geographic inequality. The effect of this subsection is to put a statutory duty on the bank to have regard to these two areas in relation to every potential investment that it considers, which would have significant impacts on the bank. On improving jobs specifically, we understand the intention of the provision and do not disagree with it as a general principle, but that is quite different from the individual investment evaluation.

10.15 am

Valerie Vaz: Those objectives are not set out in the Bill. Are they going to be in secondary legislation?

Andrew Griffith: As I have laid out, the Government’s position is that the steer to the bank, which is flexible and can be updated from time to time, rather than requiring primary legislation—it may be something the Labour party wishes to take advantage of in future—is a more agile and flexible way of guiding the bank as it seeks to achieve its objectives.

David Linden: Is the Minister therefore suggesting that that would only be within a policy framework rather than in the issuing of secondary legislation?

Andrew Griffith: That is what I am suggesting.

Valerie Vaz: So how do they know?

Andrew Griffith: Sorry?

The Chair: I think it was just a heckle, Minister.

Andrew Griffith: The steer provided from time to time in the context of the wider oversight of the investment bank, under its statutory objectives—effectively, the interpretation layer—is the right place. We do not disagree with the principle, but we could sit here all day and think of various admirable principles that we would like to put into statute. It is the Government’s contention that the provision would over-fetter the discretion of the bank and that it is not the appropriate vehicle. I understand that we will debate this point a number of times as we go through the Bill. The Government want the bank to get on with its job. We want to give it the statutory clarity it needs and to allow Parliament and Government, from time to time, if they wish, to give the steer required.

James Murray (Ealing North) (Lab/Co-op): It is a pleasure to serve on the Committee with you as Chair today, Mr Davies. As we know, clause 2 concerns the objectives and activities of the UK Infrastructure Bank. Subsection (5) seeks to define the infrastructure and makes reference to the

“structures underpinning the circular economy, and nature-based solutions”,

which reflects an amendment made in the Lords that Government amendment 1 seeks to remove. The Government’s opposition to this measure seems to run counter to subsection (3)(a), which defines tackling climate change as an objective of the bank. I note that the Government do not oppose this objective of the bank, but they do seem to reject its delivery. We naturally oppose the amendment, which highlights how the Government seem to be all talk but unwilling to follow through on solutions to the climate emergency.

The truth is that the Government and the newly appointed Prime Minister have a record of failure on investing in green infrastructure for our country and our economy. While we welcome the bank’s focus on tackling climate change, no matter how well it plays its part, the British people need a Government with an effective plan to make the investments in the jobs, homes and energy supplies of the future a reality.

Richard Fuller: The hon. Gentleman may point to conflict between taking out from subsection (5) the words

“structures underpinning the circular economy, and nature-based solutions”,

and the objective in subsection (3) about tackling climate change, but if he looks at subsection (5)(c), he will see that

“climate change (including the removal of greenhouse gases from the atmosphere)”

is retained. The amendment does not affect the Government’s commitments on climate change at all.

James Murray: I thank the hon. Gentleman for his intervention—it is a pleasure to speak with him once again following his brief tenure on the Government Front Bench. I am not quite sure from that intervention

whether he supports our opposition to Government amendment 1. Perhaps we will see when we push it to a vote shortly.

Let me move on to Government amendment 2. It seeks to remove from the clause subsection (6), which was introduced by Labour in the Lords. Subsection (6) requires the bank to have regard to public interest when targeting investment that improves productivity, pay, jobs and living standards and reduces the economic disparities between the nations and regions of the United Kingdom. Sadly, it comes as no surprise to us that the Government wish to remove commitments to better pay and the reduction of economic disparities. My hon. Friend the Member for Erith and Thamesmead already set out clearly the importance of prioritising job creation and putting it in the Bill. We want all parts of the country to benefit from investment in green jobs for the future, along with improved rail and other transport services and other essential modern infrastructure, including broadband.

When it comes to supporting economic growth across the country—or levelling up, as the Government used to call it—words ring hollow unless people see change. That is why clause 2(6) is so important, as it seeks to ensure that the bank has regard to the first mission of the Government’s levelling-up White Paper when exercising its functions under the Bill. We oppose the amendment because we seek to hold the Government to account on their commitment to level up our country.

Question put, That the amendment be made.

The Committee divided: Ayes 10, Noes 6.

Division No. 3]

AYES

Fletcher, Katherine
Fuller, Richard
Griffith, Andrew
Howell, Paul
Jones, Andrew

Maclean, Rachel
Milling, rh Amanda
Moore, Robbie
Shelbrooke, rh Alec
Stephenson, rh Andrew

NOES

Flynn, Stephen
Linden, David
Murray, James

Oppong-Asare, Abena
Twist, Liz
Vaz, rh Valerie

Question accordingly agreed to.

Amendment 1 agreed to.

Amendment proposed: 2, in clause 2, page 2, line 8, leave out subsection (6).—(Andrew Griffith.)

This amendment would remove subsection (6), which was inserted by the House of Lords.

The Committee divided: Ayes 10, Noes 6.

Division No. 4]

AYES

Fletcher, Katherine
Fuller, Richard
Griffith, Andrew
Howell, Paul
Jones, Andrew

Maclean, Rachel
Milling, rh Amanda
Moore, Robbie
Shelbrooke, rh Alec
Stephenson, rh Andrew

NOES

Flynn, Stephen

Linden, David

Murray, James
Oppong-Asare, Abena

Twist, Liz
Vaz, rh Valerie

Question accordingly agreed to.

Amendment 2 agreed to.

The Chair: I call Richard Fuller to move amendment 11.

Richard Fuller: I no longer wish to move amendment 11, because clause 2(6) has been removed.

The Chair: The amendment is not moved.

Andrew Griffith: I beg to move amendment 3, in clause 2, page 2, line 16, at end insert—

“(7A) The Treasury must consult the appropriate national authority before making provision in regulations under subsection (7) that would be within the legislative competence of—

- (a) the Scottish Parliament, if contained in an Act of that Parliament,
- (b) Senedd Cymru, if contained in an Act of the Senedd, or
- (c) the Northern Ireland Assembly, if contained in an Act of that Assembly made without the Secretary of State’s consent,

apart from provision that is merely incidental to, or consequential on, provision which would be outside that competence.”

This amendment would require the Treasury to consult the relevant devolved authority before making regulations under clause 2(7) that would contain provision within the legislative competence of the authority in question.

The Chair: With this it will be convenient to discuss Government amendments 4 and 6.

Andrew Griffith: This group concerns provisions that will, I hope, gladden the heart of the hon. Member for Glasgow East, because they add a duty to consult the devolved Administrations on the use of delegated legislative powers in the Bill, including the power to amend the bank’s activities or the definition of infrastructure, and to issue the strategic steer. The amendments come as a direct result of the positive engagement we have had with the DAs to date. They specifically address a concern raised that the Government would be legislating or acting in areas of devolved competence without an appropriate mechanism to engage with the DAs.

Stephen Flynn (Aberdeen South) (SNP): I do not think we have any concerns about the UK Government consulting the Scottish Government in respect of their intended actions, but I think the key question is will they listen, and if the Scottish Government have any concerns, will they have a veto?

Andrew Griffith: These amendments are a proof positive of the Government having listened. If the hon. Member is so crushingly sceptical, perhaps he will oppose the amendments, which have been proffered following consultation with the DAs. It was never our intention to pursue these measures without an appropriate mechanism to engage with the DAs. That is why we are happy to bring forward these amendments today.

I would like to put on the record my gratitude to officials in Scotland, Northern Ireland and Wales for engaging so positively to date on the Bill. I think we all support the Bill’s ultimate objectives, and I am hopeful that it will secure a legislative consent motion from each of the devolved legislatures. I hope that hon. Members will support the amendments.

James Murray: Government amendment 3 concerns the consultation of appropriate national authorities when using statutory instruments to change regulations pertaining to the definition of infrastructure and the bank’s activities, as outlined in clause 2(7). If changing regulations under subsection (7) fell within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Irish Assembly, the amendment would require the Treasury to consult the relevant devolved authority.

Similarly, Government amendment 4 would require the Treasury to consult the relevant devolved authority before including in a statement of strategic priorities for the bank matters within the legislative competence of the devolved authority.

Government amendment 6 simply defines “appropriate national authority” to mean the Scottish Ministers, the Welsh Ministers, or the Department for Infrastructure in Northern Ireland.

We are supportive of these amendments, as we are supportive of the Union. Labour recognises the very real importance of working closely with devolved Administrations, and we recognise the great work of Welsh Labour. Indeed, the Government could learn a thing or two from Welsh Labour, given its record for infrastructure investment. The Welsh infrastructure investment plan has already allocated more than £12 billion for key capital projects to transform and maintain the NHS estate, deliver 20,000 affordable homes and deliver rail infrastructure improvements.

Amendment 3 agreed to.

Question proposed, That the clause, as amended, stand part of the Bill.

Andrew Griffith: Clause 2 is of central importance to the policy remit in which the bank will operate. I think that is why we have heard so many different—sometimes contrasting—views about how prescriptive that remit should be. The clause sets out the bank’s objectives and activities, as well as an inclusive definition of infrastructure, which is central to its scope—it is the UK infrastructure bank, after all. The clause also creates delegated powers to enable the Treasury to change the bank’s activities or the definition of infrastructure using secondary legislation under the affirmative procedure, so Parliament will have its say. The bank’s objectives to help the Government meet their climate change ambitions and to support levelling up across the UK are currently set out in the framework document. Clause 2(3) puts those on a statutory footing, which we hope sends a signal to the market about the Government’s commitment to these policy aims and the bank’s central role in helping deliver them.

10.30 am

Clause 2(4) sets out the bank’s activities, which are to provide financial assistance to projects wholly or mainly related to infrastructure, to provide loans to relevant

public authorities, and to act in an advisory capacity. Most importantly, the subsection makes it clear that the bank is permitted to lend directly to local authorities, something it is unable to do currently.

Katherine Fletcher: Studying Parliament as he does, the Minister will have paid attention to my campaign to be Transport Committee Chair, which was unfortunately unsuccessful last week. One point that I made repeatedly as part of that campaign was about the projects that are slightly too big for local authorities and slightly too small for the Department for Transport. The objectives, while hotly debated here, must be so prescriptive as to not allow the UK Infrastructure Bank to lend to local authorities for smaller but none the less important projects in local communities. Is that fair?

Andrew Griffith: My hon. Friend makes a very fair point. I will be happy to facilitate meetings between her—expert in transport as she is—and the infrastructure bank to get into some of those potential projects in more detail. She made a significant contribution as roads Minister.

Clause 2(5) sets out the definition of infrastructure. We have taken a power to amend the bank's activities and the definition of infrastructure, using the affirmative procedure in both Houses. Across these different areas, clause 2 is the bedrock on which the bank will operate, and I commend it to the Committee.

James Murray: We know that after 12 years of low growth from the Conservatives there is a vital need to invest in the infrastructure of the future. Across the country, we need to invest in new transport, new digital infrastructure, new sources of energy that are sustainable and secure, and new high-quality jobs with decent pay. That is why we support the establishment of the UK Infrastructure Bank, and the Bill's aim of putting it on a statutory footing.

We wanted the bank to address the deep economic inequalities across the country, which is why we sought to amend clause 2(3). My hon. Friend the Member for Erith and Thamesmead emphasised that, in supporting regional and local economic growth, the bank should reduce economic inequalities within and between regions of the United Kingdom to improve productivity, pay, jobs and living standards. In the same subsection, we wanted to add a third objective: for the bank to support supply chain resilience and the UK's industrial strategy.

We wanted to retain two Lords amendments that strengthened the Bill: one that included the circular economy and nature-based solutions in the Bill's definition of infrastructure, and one that Labour introduced to ensure that the Bill would focus on creating jobs and reducing economic inequalities. It is deeply disappointing that the Government have blocked those measures to make the UK Infrastructure Bank succeed and be fit for a modern, prosperous Britain. A Labour Government would deliver investment and loans in a way that supports the entire country, to meet the challenge of regional inequality and the commitments of our climate ambitions.

Question put and agreed to.

Clause 2, as amended, accordingly ordered to stand part of the Bill.

Clause 3

STRATEGIC PRIORITIES AND PLANS

Amendment made: 4, in clause 3, page 2, line 26, at end insert—

“(4A) The Treasury must consult the appropriate national authority about any provision which the Treasury proposes to include in a statement under this section and which concerns a subject matter provision about which would be within the legislative competence of—

- (a) the Scottish Parliament, if contained in an Act of that Parliament,
- (b) Senedd Cymru, if contained in an Act of the Senedd, or
- (c) the Northern Ireland Assembly, if contained in an Act of that Assembly made without the Secretary of State's consent.

(4B) The duty to consult imposed by subsection (4A) may be satisfied by consultation carried out before the passing of this Act.”—(*Andrew Griffith.*)

This amendment would require the Treasury to consult the relevant devolved authority before including in a statement of strategic priorities for the Bank any provision which the Treasury proposes to include in the statement and which concerns a subject matter within the legislative competence of the authority in question.

Question proposed, That the clause, as amended, stand part of the Bill.

Andrew Griffith: Clause 3 gives His Majesty's Treasury the power to issue the bank with a strategic steer. We talked about that earlier as a mechanism by which the Government of the day can flexibly, and in an agile fashion, give the bank some direction. That steer will set out what, in the Government's view, the bank should prioritise and focus its activities on. The strategic steer, and any revisions of it, will be required to be laid before Parliament.

The Chancellor issued the bank with its first strategic steer in March in order to inform the development of the bank's inaugural strategic plan, which was published in June. That gave the opportunity to share an update on the Treasury's interpretation of the bank's strategic objectives and to clarify the definition of infrastructure that the bank should be working with. It highlighted the role that the bank can play in improving energy resilience, as well as setting out the outcome of the Treasury's review of environmental objectives, confirming that there is significant scope in the bank's existing objectives for it to invest in nature-based solutions.

We do not expect a steer to be issued more than once a Parliament, which will ensure that the bank has certainty in the long term to plan its investment strategy while keeping pace with Government priorities and ensuring policy alignment across infrastructure investment.

Richard Fuller: Can the Minister tell me whether the steer will include giving a bit more specificity to the UK Infrastructure Bank about where on the investment spectrum—emerging businesses, high-growth businesses, mature businesses—it should place the preponderance of its resources? Will the steer provide clarification from the Government to help the bank?

Andrew Griffith: The strategic steer is precisely an attempt to find the right balance between prescription—I understand that my hon. Friend does not seek that directly but wants to be able to command the bank to

[Andrew Griffith]

invest at particular points of the curve from time to time—and the bank's being able to use its expertise and motivate its leadership by having a relatively broad set of parameters. We all understand that that is a careful balance, and we do not want to move it in either direction, but I agree with my hon. Friend that the strategic steer is a vehicle to achieve the purpose he seeks.

Richard Fuller: I do not mean to dwell too much on this issue, and I certainly do not want to irritate the Minister through my questioning, but I want to make the point that the skillsets required for the bank to be effective as an emerging-stage investor are different from those required for it to be an investor in a mature business or a high-growth business. My concern is that the bank will try to spread itself too thinly, particularly in the early stages.

Andrew Griffith: My hon. Friend makes a very wise and informed point. The UK Infrastructure Bank is not the only intervention that the Government make; the British Business Bank has a broad portfolio of ways to support the sector. I hope that between the two of them, with the strategic steer perhaps being used as a vehicle to align them, every outcome that my hon. Friend seeks can be properly covered. Again, he makes a strong point about confidence and capability, and about how we resource against different types of investment.

The bank is required under the clause to update its strategic plan to ensure that it reflects the changes when a strategic steer is issued, once per Parliament. That will ensure that the will of Parliament is satisfied within a reasonable timeframe. Given that the bank is ultimately owned by the Government and the taxpayer, it is right that we retain a power to issue the bank with a strategic steer to set out its priorities, which is why I support the clause.

Abena Oppong-Asare: I thank the Minister for his explanation of the clause, which lays out the bank's strategic priorities and plans. It is largely administrative and requires the Treasury to prepare a statement of strategic priorities for the bank, which must be laid before Parliament and can be revised or replaced.

As the Minister said, the Chancellor—the now Prime Minister—put the strategic steer in place on 18 March. As I have already highlighted, the strategic steer included some plans that Labour do not oppose; indeed, we want to see some of them in the Bill, rather than in policy documents with ambiguous legal status. The Government must recognise that point, which is evidenced by the energy efficiency amendment that they introduced in the Lords. The Chancellor stated in the March strategic steer that

“I'd encourage you to prioritise opportunities that align with the government's renewed focus on energy security. Examples of relevant opportunities may include helping to bring forward low carbon energy projects that accelerate the UK's transition to clean energy and improve the energy efficiency of buildings and homes.”

It was rightly pointed out in the other place that the Bill did not include energy efficiency measures. In recognition of that, the Government introduced an amendment on energy efficiency, which Labour welcomed.

I anticipate that in much of the Committee's proceedings, the Government will assure us that many of our asks are covered by the strategic steer or the framework document. However, if that is the case, will they put them in the Bill, as they did with energy efficiency? If they are firm commitments then they should be in the legislation itself. We are here to scrutinise the Bill, but so many key elements of it seem to be relegated to documents that are not amendable and are legally ambiguous. Labour does not oppose clause 3, but it would be useful if the Minister could clarify the legal status of the various documents that interact with the Bill.

I want to echo some of the comments made by the hon. Member for North East Bedfordshire. In terms of the skills required, I too am worried about the bank being spread thin. I appreciate that the Minister has made comments about competency and capability with respect to particular investments, but it is important that at this stage—while we can—we look at how we can clarify the legal status of the various documents that interact with the Bill.

Andrew Griffith: I thank the hon. Lady and I reiterate that, in general, our differences are to do not with outcome, but with process and how prescriptive one should be when putting things into legislation. Philosophically, the Conservative party does not think it is always right to be over-prescriptive; the objective is to provide a flexible and agile tool that can be responsive and deliver the outcomes that we seek. Passing laws in itself does not change the outcome.

Valerie Vaz: That is the whole reason we are here as legislators. I gently remind the Minister that it is important to put things in the Bill; otherwise, there is confusion and there are too many grey areas. The Minister does not want lawyers to get involved, but it is important to have clarity. That is the purpose of legislation. Does he agree?

Andrew Griffith: The hon. Member for Erith and Thamesmead asked me to clarify. Of course we do not put everything in legislation; that is just not the way that we work. As we have committed to doing on the strategic steer, we bring things to Parliament to provide the opportunity to debate and discuss them. How this will work will be laid down in the Bill itself. As I have explained, the strategic steer can be issued from time to time—once per Parliament. Its legal status is that the body itself must have regard to it and then respond by setting its own strategic plans.

Abena Oppong-Asare: I appreciate the time that the Minister has given me to intervene on this point. He said that we do not always put things down in legislation, but that has been done already with the energy efficiency measures. All I am saying is that if these are firm commitments, then I do not understand why they cannot be laid down in the Bill. That would avoid confusion at a later stage, and it is important that we get this right.

Andrew Griffith: I feel I have addressed this point a number of times. There is just a difference between us as to the degree to which we should embellish primary legislation, which is hard to change and inflexible to respond to circumstances. That remains the position in the House. If the hon. Member for Erith and Thamesmead and her party are successful in obtaining a majority in a

future election, she will have the opportunity to provide the strategic steer, which I assure her the UK Infrastructure Bank will have regard to under this framework. Perhaps we can then reassemble, and she will have the opportunity to hang whichever baubles she would like to on this particular Christmas tree.

Question put and agreed to.

Clause 3, as amended, accordingly ordered to stand part of the Bill.

Clause 4

DIRECTIONS

10.45 am

James Murray: I beg to move amendment 19, in clause 4, page 2, line 38, at end insert

“and any subsequent, consequential, or relevant correspondence between the Treasury and the Bank.”

This amendment increases transparency surrounding directions issued by the Treasury to the Bank.

I will briefly set out what the clause will do, because that context is necessary to understand what our amendment would do in turn. Clause 4 would grant the Treasury the power to give directions to the UK Infrastructure Bank about how to deliver on its objectives. Subsection (2) would require the bank to comply with those directions, but the Treasury would be unable to give those directions until it had consulted with the bank’s board of directors. The Treasury would be required to publish the directions as soon as practicable, and under an upcoming framework document the bank would have the right to publish a reservation notice in respect of the direction.

The bank has been described by the Government as operationally independent, but we know that the Treasury is the sole stakeholder in the bank. It is therefore possible for the Treasury to exert influence on the bank’s activities as a result of its ownership stake under the normal principles of company law. The Bill’s explanatory notes set out the Government’s position, stating:

“The Government’s policy is that such influence should be used sparingly in practice, and that the default position should be that the Bank is independent as regards its operations and investment decisions.”

Given that the Treasury is the sole stakeholder in the bank, however, we have concerns about the procedural transparency of the clause. We are conscious that the clause provides the procedural framework for the Government to direct the bank. As we have heard several times this morning, the Prime Minister’s infamous Tunbridge Wells speech indicates the need for an extra degree of caution.

The explanatory notes state that the Government’s use of influence will be constrained by the need “to act rationally and proportionately”,

but the record of the Government causes us to have doubts. We therefore wish to enhance the safeguards in the Bill and ensure that the Government do not exert undue influence over the activity of the bank. Conservative Governments have recently rejected Treasury orthodoxy, and the bank may in future raise concerns about the direction of Government policy. As the bank is compelled to abide by directions given by the Treasury, it is important that we have a transparent process to allow for scrutiny in those circumstances. That is why we tabled amendment 19, which seeks to insert a requirement that

“any subsequent, consequential, or relevant correspondence between the Treasury and the Bank”

be made public. The purpose of the amendment is to increase transparency surrounding directions issued by the Treasury to the bank. It will simply require the Treasury to publish additional relevant correspondence between the Treasury and the bank, providing fuller context to any directions issued and enabling the proper scrutiny of investments made with public money.

Andrew Griffith: The hon. Member’s amendment is a solution in search of a problem. The bank is constituted with taxpayers’ money, for which Ministers are accountable to Parliament and to Select Committees, which have the power to compel information and witnesses. There is a strong degree of accountability, and it is entirely appropriate that Ministers, from whichever side of the House they may one day hail, have the ability to direct the bank as necessary, as part of the matrix of ministerial accountability. I therefore reject the amendment. The Government will not support it, simply because we consider it to be wholly unnecessary.

James Murray: I take no reassurance whatever from the Minister’s comments, so I will push this amendment to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 5]

AYES

Flynn, Stephen
Linden, David
Murray, James

Opong-Asare, Abena
Twist, Liz
Vaz, rh Valerie

NOES

Fletcher, Katherine
Fuller, Richard
Griffith, Andrew
Howell, Paul
Jones, Andrew

Maclean, Rachel
Milling, rh Amanda
Moore, Robbie
Shelbrooke, rh Alec
Stephenson, rh Andrew

Question accordingly negatived.

Question proposed, That the clause stand part of the Bill.

Andrew Griffith: Clause 4 contains a provision for His Majesty’s Treasury to issue the bank with a direction of a general or specific nature about how the bank is to deliver its statutory objectives. To address the concerns raised by the hon. Member for Ealing North, the bank must be consulted before any direction is given, and any direction given must then be published by the Treasury. Ministers are rightly accountable to Parliament for this bank, and for any element of risk to the Exchequer or taxpayer that its activities create. That is right, even though the bank will be operationally independent for its day-to-day operations and its own investment decisions.

It is therefore considered necessary and entirely appropriate that the Government have a reserved power to direct the bank about how it is to deliver its objectives. Without a power of direction in statute, His Majesty’s Treasury could still direct the bank; however, there would be situations where the board would refuse a direction if the power were not in statute, given directors’ obligations under the Companies Act 2006. The two things could conflict. The purpose of the clause is to clarify where that conflict could arise, and the power of direction in statute removes that potential.

[Andrew Griffith]

I assure right hon. and hon. Members from both sides of the House that the Government expect to use the power infrequently. Constrained powers of direction are a relatively common feature of similar institutions, such as the British Business Bank and HMRC. I commend the clause to the Committee.

James Murray: I rise to speak briefly, as I set out our views on clause 4 more widely in the context of amendment 19, which I am disappointed that the Government chose to oppose. We were simply aiming to improve procedural transparency; it makes me wonder why the Government are so keen to avoid that being part of the Bill. Having lost that amendment, we will not be opposing the clause as it now stands.

Question put and agreed to.

Clause 4 accordingly ordered to stand part of the Bill.

Clause 5

FINANCIAL ASSISTANCE

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to consider clause 6 stand part.

Andrew Griffith: Clause 5 gives the Treasury the power to provide the bank with financial assistance to enable it to deliver on its objectives. Financial assistance is defined in clause 10 to include

“assistance provided by way of loan, guarantee, indemnity, participation in equity financing and any other kind of financial assistance”,

whether given on an actual or contingent basis. The bank has been operating on an interim basis so far, with £22 billion of capitalisation from the Treasury, using existing powers derived from the Infrastructure (Financial Assistance) Act 2012 and sections 50 and 51 of the United Kingdom Internal Market Act 2020. However, we believe that a specific spending power is important in ensuring that the bank is an enduring institution.

Normally, the bank borrows from the Debt Management Office through voted loans via the Treasury’s supply funding. However, subsection (2) will make it possible for the bank to receive money paid directly out of the National Loans Fund, with the terms and conditions and interest rates of any such loans being determined by the Treasury. This removes the need for the Treasury to act as an intermediary in lending money from the National Loans Fund, while still maintaining control over the terms and conditions of direct loans. That is consistent with the approach taken by the Green Investment Bank when that was established.

Clause 6 provides for the bank, each year, to provide to the Treasury a copy of its annual report and accounts, and for the Treasury to lay these before Parliament. This will ensure the direct accessibility of the accounts by Parliament. This is a common clause for arm’s length bodies; it was in the legislation for the Advance Research and Invention Agency, the Green Investment Bank and the Bank of England. We expect the bank to publish its annual report and accounts for 2021-22 before the end of this calendar year—I believe they will be laid in the

immediate future. The annual report and accounts will cover, as is standard, the bank’s progress on its success criteria, which I am sure will be of interest to my hon. Friend the Member for North East Bedfordshire, including its key performance indicators, its compliance with financial services regulation and its financial accounts.

Abena Opong-Asare: As the Minister highlighted, clause 5 concerns financial assistance to the bank and clause 6 concerns the bank’s annual accounts and reports. The Minister has already provided a detailed summary, so I am not going to repeat what he has said. As he mentioned, clause 5 allows for the Treasury to provide financial assistance to the bank for the purpose of helping the bank deliver its objectives. Clause 6 requires the bank’s directors to comply with section 441 of the Companies Act 2006, delivering the Treasury a copy of its accounts and reports each financial year. As the Minister has outlined already, such clauses are commonly used. These are clearly technical and administrative requirements, and we will not object to them.

Question put and agreed to.

Clause 5 accordingly ordered to stand part of the Bill.

Clause 6 ordered to stand part of the Bill.

Clause 7

DIRECTORS: APPOINTMENT AND TENURE

Richard Fuller: I beg to move amendment 12, clause 7, page 3, line 20, leave out “fourteen” and insert “eight”.

The Chair: With this it will be convenient to discuss amendment 13, clause 7, page 3, line 20, at end insert “of which at least four must be non-executive directors”.

Richard Fuller: I am getting clear instructions from the Whip to be as brief as possible, so—[*Interruption.*] Not quite that brief. I draw hon. Members’ attention to clause 7(a). Clause 7 concerns the directors and 7(a) is about the number of directors; it says the bank is to have at least five and no more than 14 directors. It was that number 14 that caught my eye: it seems an extraordinarily large number of people to have on a board, and I do not believe that it is in accordance with corporate best practice.

Furthermore, there is no provision for the balance between executive and non-executive directors. It is a clear aspect of corporate governance that there should be a plurality and, often, a majority of non-executive directors. I want to probe the Government about why the number is 14, and why there is not more specificity about non-executive directors.

To back up my argument, I should say that the Minister will be aware that in the United States the average number of directors for the largest American corporations is between eight and 11, not 14. In its review of the FTSE 100 companies, Spencer Stuart said that the average board size is 10, and that 77% of boards are solely non-executive directors. The Minister will also be aware that the British Business Bank has nine directors, of whom four are non-executives and one is additional—he is a senior independent director. These are important points. There is a risk that the board could be full of people there to please—[*Interruption.*] He just told me to shush up.

David Linden rose—

Richard Fuller: No, I am not going to take an intervention. He just told me to sit down, but he can sit down while I finish making my speech.

Valerie Vaz: Cronies!

Richard Fuller: The right hon. Lady is right about the potential here; I think I heard her use the word “cronies”. That is the concern—that with so many places the board will end up being stuffed full of people who have their own interests to play and that good governance will, as a consequence, be a victim of that large board membership.

11 am

David Linden: Unfortunately, I was unable to catch the eye of the hon. Member for North East Bedfordshire, but I do not necessarily disagree with much of what he is saying. I only hope that the idea would extend, for example, to reform of the House of Lords and even the size of the Cabinet of the UK Government, which I think is the biggest it has ever been. I am more than happy to agree with the hon. Gentleman. He can rest assured of my support if he chooses to push the amendment to a Division, but I think we need a degree of consistency if he is willing to pursue this line of argument.

James Murray: Amendment 12 seeks to limit the maximum number of directors on the board of the bank, moving it down from 14 to eight. Amendment 13 stipulates that at least four of the board members must be non-executive directors. We will be opposing amendment 12, as we believe that it is important for a range of views and expertise to be represented on the board of the bank. We believe that narrowing the board simply narrows the potential for diverse insight and ideas. As we will push for in amendment 20, which I will speak to shortly, we believe it is vital that there be a workers’ representative on the board. Narrowing the maximum figure reduces the board’s capacity to gain workers’ insight. On amendment 13, we will abstain.

Andrew Griffith: I thank my hon. Friend the Member for North East Bedfordshire for rightly raising the important subject of governance, which relates to the arms length body in scope today. It is a very important point when considering how we manage efficiency and the will of Parliament through arms-length bodies. While not disagreeing in principle, the Government will not be supporting amendments 12 or 13, but I would be very happy to engage with my hon. Friend to see if there is something practical we can do.

My concern is with reducing the maximum board size to eight in the UK governance structure under the combined code, which my hon. Friend may have views on as well. Unlike in the US, in the UK we have a large number of committees of boards—rather more than is the case in the US. The limit of eight may present the challenge of not being able to successfully staff and structure those committees. That would be a concern to me.

The amendment requiring non-executive directors to hold a majority on the board is sensible, but I believe that would be the objective of the organisation anyway, and it complies with the corporate governance code to

have a majority of non-executive directors. I do not think we need a requirement in legislation, but it is something I am happy to explore with my hon. Friend to give him the comfort he seeks without us moving out of potential compliance. I would ask him to withdraw his amendment.

The Chair: Richard Fuller, have you got the comfort you seek?

Richard Fuller: Well, Mr Davies, I am sorely tempted to push this to a vote, notwithstanding the comments from my hon. Friend the Minister. I understand his point and would ask that in his direction he would issues around governance. I am disappointed that Labour is not prepared to support my amendment. Therefore, rather than my valiant quest end in ignominious defeat, I beg to ask to withdraw the amendment.

Amendment, by leave, withdrawn.

Andrew Griffith: I beg to move amendment 5, clause 7, page 3, line 23, at end insert—

“(ba) the Board is to appoint one or more directors to be responsible for ensuring that the Board considers the interests of the appropriate national authorities when making decisions;”

This amendment would require the Bank’s Board to include one or more directors with responsibility for ensuring that the Board considers the interests of the appropriate national authorities when making decisions.

The amendment sets out the requirement for UKIB’s board to appoint one or more directors to be responsible for ensuring that the interests of the devolved Administrations are considered in the board’s decision making. The work of the bank is UK-wide and it has already supported projects in each of the devolved Administrations. Given that Scotland, Wales and Northern Ireland have strong interests in infrastructure investment in their respective nations, we, the Government, are keen to ensure that UKIB considers their views throughout its strategy and decision-making, including board discussions.

David Linden: I would not necessarily oppose that argument, but I look forward to the day when the legislation can be updated to remove any representatives of the Scottish Parliament’s view, when Scotland takes its place as a rightful independent nation.

James Murray: I will speak only briefly to amendment 5, which requires the board of the bank to appoint one or more directors to be responsible for ensuring that the board considers the interests of the appropriate national authorities when making decisions. Labour will not oppose the amendment as we believe it is important that the interests of devolved authorities are taken into full consideration through the administration of the bank.

Amendment 5 agreed to.

James Murray: I beg to move amendment 20, clause 7, page 3, line 23, at end insert—

“(ba) at any time, the Bank is to have at least one non-executive director who is a representative of workers.”

This amendment ensures there is a workers’ representative on the board of the Bank.

[James Murray]

As I mentioned earlier, Labour is concerned about the absence of a workers' representative on the board of the bank, especially as much of the board consists of political appointees at the behest of the Chancellor.

We are committed to a strong partnership between industry, workers and the state. Having a workers' representative on the board of the bank is important for good governance. The UK's corporate governance code states that a company should have a combination of a director appointed from the workforce, a formal workforce advisory panel, or a designated non-executive director to facilitate engagement with the workforce. It also states, however, that if the board has not chosen one or more of those methods, it should explain what alternative arrangements are in place and why. In the absence of such an explanation, we have tabled amendment 20, which was originally moved in the Lords. We recognise arguments made in the Lords about how the Government's framework document, to be published after Royal Assent, provides safeguards and protective measures, however that document is not legally binding. Sufficient questions have also already been raised about the activity of the bank to require explicit assurances in the Bill.

Richard Fuller: Could the hon. Gentleman clarify to whom the clause refers when it talks about workers? Is he referring to workers of the infrastructure bank, and is he calling for a board representative of them, because most of those people will be bankers? I am not so sure that Labour has always felt that the bankers are the most in need of representation in financial institutions. Or is he referring to workers of the investee company? If so, how would that be facilitated?

James Murray: I thank the hon. Gentleman for his remarks.

As I set out, the UK corporate governance code already has clear guidelines about the involvement of workforce in governance of boards. However, we have not had explicit assurances from the Government. We have tabled the amendment to push the Government on that. We need assurances that investments and loans made by the bank will be guided by the economic needs of the entire country. Investments made into tax havens pose a real risk to achieving that goal. Marcus Johns from the think-tank IPPR North has said that the use of tax havens

“hollows out our economy, keeps wages low, holds communities back, and enables money to be syphoned away into a globalised system of extraction”.

He argued that the bank

“must look seriously to prevent the use of tax havens and avoidance among the firms it supports.”

As the shadow Chancellor, my hon. Friend the Member for Leeds West (Rachel Reeves), said, a Labour Government would support

“British industry, supply chains & support industrial strategy”, and ensure that trade unions

“have access to workplaces”

and that all

“businesses & bodies receiving public money from the UK Infrastructure Bank...have a plan to create good jobs with decent conditions”.

We believe that only with a workers' representative on the board will the bank have that critical perspective on job creation and succeed in being governed with the entirety of the UK's economic prosperity in mind.

David Linden: I rise to indicate my support for amendment 20—[*Interruption*—which I gather is also being given by Comrade Fuller on the other side of the Committee. It is very welcome that the Labour party, having recently departed from its relationship with trade unions and workers, is finally seeing the light and coming back to the idea that it ought to have a strong association with trade unions. The amendment probably could have been tidied up slightly, perhaps to include somebody from the Trades Union Congress, but on the broad thrust of the argument I very much support the idea that the Labour party is once again deciding to go back to its roots, rather than flirt too much with the policy of the right hon. and learned Member for Holborn and St Pancras (Keir Starmer).

Andrew Griffith: I shall strongly resist the temptation to debate the fundamental merits of workers on boards, overturning the existing system of UK corporate governance, or indeed the nationality of any particular worker. Why stop at one English worker when one could have representatives of workers from all the DAs?

In thoroughly opposing the amendment, I confirm that the bank will comply with the corporate governance code, which provides, as the hon. Member for Ealing North outlined, a number of options through which a company can achieve the desired representation. The bank has already designated Marianne Økland to take on the role of facilitating engagement with the workforce. That will be set out in the annual report when published. I ask, perhaps fruitlessly, the hon. Member not to waste the Committee's time by pressing the amendment to a vote, given that the bank is complying with the existing UK corporate governance code.

James Murray: While I welcome the Minister's assurance about the bank's compliance with the UK corporate governance code, I am disappointed that he feels that a vote on worker representation on the board would be a waste of time. It is an issue of great importance to the Opposition, so we will press the amendment to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 6]

AYES

Flynn, Stephen	Opong-Asare, Abena
Linden, David	Twist, Liz
Murray, James	Vaz, rh Valerie

NOES

Fletcher, Katherine	Maclean, Rachel
Fuller, Richard	Milling, rh Amanda
Griffith, Andrew	Moore, Robbie
Howell, Paul	Shelbrooke, rh Alec
Jones, Andrew	Stephenson, rh Andrew

Question accordingly negated.

Question proposed, That the clause, as amended, stand part of the Bill.

Andrew Griffith: The clause sets out the core provisions on the make-up of, and appointment to, the bank's board of directors. The clause requires that the board has a number of directors that is broadly consistent with comparable boards. It allows for the appointment of directors to have a spread of expertise across banking, infrastructure finance and climate change mitigation, as well as the appropriate balance between executive and non-executive directors. The clause sets out that the chair, chief executive officer and non-execs will be appointed by the Chancellor of the Exchequer.

All non-exec directors are recruited with reference to guidelines set out by the Office of the Commissioner for Public Appointments, and are being appointed based on the skills that they could bring to the board around the UKIB's mandate. Throughout the process we have been conscious of the need to ensure a broad spread of expertise, as well as cognitive diversity. Finally, the clause contains provisions on the circumstances that would prohibit a person from continuing as a non-exec director, such as bankruptcy, or mental or physical incapacitation. I recommend that the clause stand part of the Bill.

James Murray: As the Minister outlined, clause 7 concerns the appointment and tenure of directors to the board of the bank. We note that it requires at least five but no more than 14 directors; that the board's chair, chief executive officer and non-executive directors be appointed by the Chancellor of the Exchequer; that the tenure of non-executive directors not exceed four years; and that a person may not be appointed as non-executive director more than twice.

The clause also requires that a person ceases to be a non-executive director as soon as they cease to be a director by virtue of any provision of the Companies Act 2006, or are otherwise prohibited by law; they become bankrupt or their estate is sequestrated; a registered medical professional treating them provides the written opinion that that person is incapable of serving as a director due to physical or mental incapacity for more

than three months; or the person has resigned from the position in accordance with the notification procedures of the bank. We recognise that the number of directors is broadly consistent with comparable boards, such as the Bank of England board. We also understand that the intention behind that is to provide flexibility and a wide spread of expertise.

Valerie Vaz: One of the difficulties is that the Bank of England does not have a spread across the regions. Does my hon. Friend not agree that we should have regional expertise as well, which is the whole point of levelling up all parts of the country?

James Murray: My right hon. Friend is right: it is critical that the bank considers regional inequalities in its mission, and we are very concerned that the Government opposed earlier amendments on having a commitment to tackle regional inequalities in the Bill. The fact that there is no reassurance that the board will have that in mind either causes further concern about what the bank's mission will ultimately be.

Katherine Fletcher: Will the hon. Member give way?

James Murray: I am just drawing to a close.

We understand that the intention behind the composition of the board is to provide flexibility. Notwithstanding the important comments made by my right hon. Friend the Member for Walsall South, and our earlier comments about the lack of worker representation on the board, we will not oppose the clause.

Question put and agreed to.

Clause 7, as amended, accordingly ordered to stand part of the Bill.

Clause 8 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(Andrew Stephenson.)

11.18 am

Adjourned till this day at Two o'clock.

