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Convener
Economy and Fair Work Committee
The Scottish Parliament
Edinburgh
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14 November 2022

Dear Claire,

I am writing further to my appearance at the Economy and Fair Work Committee session on 5 October at which time I provided evidence on the Legislative Consent Memorandum for the UK Infrastructure Bank Bill. Please accept my apologies for the delay in responding.

At the Committee session I was asked the following question:

Michelle Thomson (Falkirk East) (SNP): It may be that this question should live with the Public Audit Committee, but have there been any discussions about how moneys that are spent by the UK Infrastructure Bank will be actively scrutinised, audited and aligned with the national performance framework, given that the Scottish Government is responsible for outcomes?

At the time I answered the question to the best of my knowledge with the information that I had to hand on the day. I also gave a commitment to provide a more substantive response and I will do that here.

I would firstly reiterate the point I made in Committee about the importance of attracting international capital to enable the delivery of Scotland's Just Transition to Net Zero. Public sector investment alone will not be enough to respond to the challenges of the 21st Century. As you know, this is reflected in the missions of the Scottish National Investment Bank and we recognise that we will need to work with a range of public and private sector partners to meet our ambitious targets.

It is therefore vital that the UK Infrastructure Bank's resources and expertise are fully aligned with the ambitions of the Scottish Government as reflected in the National Strategy for Economic Transformation, the Global Capital Investment Plan and the Infrastructure Investment Plan. Alignment with the Scottish Government's key policies would in turn

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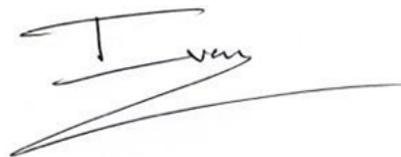
support progress towards our National Outcomes as set out in the National Performance Framework (NPF).

The political context in which we operate has changed significantly since the creation of the NPF in 2007, with the further devolution of taxation and welfare powers to the Scottish Parliament. We have also seen collaborative funding arrangements being deployed through City and Region Deals, and most recently, UK-wide funding mechanisms put in place by UK Government including the UK Shared Prosperity Fund, Community Renewal Fund and Levelling Up Fund. Within this changed landscape and our current constitutional arrangements we recognise there is potential for a significant level of UK Government funding to be spent in Scotland based on policy outcomes that may not be aligned with the NPF. We want to address this as it is my view that the UK Government, and by extension, the UK Infrastructure Bank should take account of the National Outcomes when considering its spending in devolved areas.

Achieving the best possible outcomes will require collaboration at a practical level. This is the rationale for the assurances we have requested from UK Government as set out in the Legislative Consent Memorandum we discussed. My priority remains to work constructively to realise the benefits of increased levels of investment in Scotland, including to ensure a Just Transition to Net Zero. That is why we are seeking a Memorandum of Understanding, or similar administrative mechanism, between UK Infrastructure Bank and the Scottish National Investment Bank to support continued alignment in approach over the long term. Discussions about what might be included in a Memorandum of Understanding are at an early stage.

We will also need to consider what further measures may be necessary as the Bill progresses through the House of Commons and amendments are made. I understand that the Bill had its second reading in the Commons on 1 November and the Committee stage is scheduled for 22 November. We are aware that the Welsh Government has sought amendments that would require the UK Government to consult with devolved nations when exercising the powers within the Bill in areas of devolved competence. We support amendments to the Bill that create a requirement for consultation with devolved governments, but recognise that these may not be provided. That is why, in addition to pressing for amendments, we are seeking alternative mechanisms to increase the likelihood that Scotland's interests will be properly reflected in the UK Infrastructure Bank's activity and that investments are in line with Scottish Government priorities in the long term.

Further progress is dependent on HM Treasury providing the assurances that were set out in the Legislative Consent Memorandum and discussed during the evidence session. I have asked my officials to keep me informed of developments.



IVAN MCKEE

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