

Item 11

25th February 2025



Glasgow City Region Cabinet

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National Wealth Fund and Glasgow City Region Strategic Partnership

Purpose of report:

This report updates the Cabinet on work which is underway with officials from the National Wealth Fund to create a Strategic Partnership with Glasgow City Region.

Recommendations

Cabinet is invited to:

- a. Note the contents of the report.

1. Purpose

- 1.1 This report updates the Cabinet on work which is underway with officials from the National Wealth Fund to create a Strategic Partnership with Glasgow City Region.

2. Background

- 2.1 Glasgow City Region has been chosen as one of four areas across the UK to take part in a new UK Government initiative which connects regions with central government and industry expertise to support them to unlock private investment opportunities and boost local growth.
- 2.2 Chancellor Rachel Reeves announced on 24th January 2025 the new approach across the National Wealth Fund (NWF) and the Office for Investment (OfI), which will work with local leaders across the UK to support places to build pipelines of incoming investment and projects linked to regional growth priorities.
- 2.3 The Chancellor's announcement set out the intention to establish four Strategic Partnerships between the NWF and four regions, namely: West Midlands Combined Authority (CA); Greater Manchester (CA); West Yorkshire (CA); and Glasgow City Region.
- 2.4 The National Wealth Fund, formerly the UK Infrastructure Bank, is the sovereign wealth fund of the United Kingdom. The fund is publicly owned. It is operationally independent but wholly owned by HM Treasury. It has a £27.8bn fund to invest and it partners with the private sector and local government to support projects which help crowd in private investment and drive growth. The NWF's investments must meet its triple bottom line:
- tackling climate change and driving regional and local economic growth;
 - generating a positive financial return to create an enduring institution; and
 - being additional in the market, mobilising private finance.
- 2.5 The Fund lends to local authorities delivering economic infrastructure projects in five priority sectors:
- clean energy;
 - transport;
 - waste;
 - water; and
 - digital.
- 2.6 The Local Authority Team can offer impartial advisory services/act as a critical friend in order to help local authorities understand and navigate the challenges and the financing barriers they face in delivering critical infrastructure. The Team has particular expertise in and can share learning on decarbonisation, retrofit, heat networks, green transport projects and mixed infrastructure projects. The Local Authority Team has already engaged with officers developing the Clyde Metro Case for Investment and has provided a report with financing options.
- 2.7 In addition to advice, the NWF offers low-cost finance to local authorities delivering economic infrastructure projects in the UK. The Fund's products include:
- **Debt.** Its website advises it is currently the lowest cost source of finance for local authority delivering ambitious infrastructure projects that tackle climate

change and support economic growth (pricing is currently gilts +40bps - 40bps lower than Public Works Loan Board certainty rate). It has a minimum loan size of £5 million and offers terms of up to 50 years.

- **Equity.** The Fund also provides equity investment into qualifying infrastructure projects (mature and earlier stage) including ordinary equity, preferred equity and convertible loan notes. As well as considering mature assets which require equity investment to further their impact.
- **Guarantees.** The Fund provides guarantees to qualifying infrastructure projects backed by the Sovereign Infrastructure Guarantee. These include:
 - financial guarantees: providing credit substitution for an underlying debt instrument
 - credit enhancement guarantees: unfunded guarantees designed to enhance the credit quality or credit rating of other project debt
 - first loss guarantees: guarantees for a capped amount of potential losses on a portfolio of smaller debt obligations

3. Next Steps

- 3.1 Following the announcement, a further meeting has been held between GCR and NWF Local Authority Team officers to discuss next steps. It has been agreed that GCR PMO will engage with Member Authorities to identify projects which could potentially benefit from the NWF's products, both in terms of advisory services and finance. A template has been issued by the GCR PMO to Member Authorities to collate information about these projects.
- 3.2 The information on the pipeline of potential projects will be shared with the NWF Local Authority Team at a joint workshop session which seeks to determine which projects the Strategic Partnership should prioritise for support.

4. Recommendations

- 4.1 Cabinet is invited to:
 - a. Note the contents of the report.