

Audit scope

Scottish National Investment Bank

AUDITOR GENERAL 

Prepared by Audit Scotland

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Background

The Scottish National Investment Bank (the Bank) was launched by the Scottish Government in November 2020.

The Bank invests public money in businesses and projects that help address persistent, long-term challenges facing Scotland. To guide the Bank's activities, the Scottish Government has set it three missions:

- **Net zero:** to address the climate crisis, through growing a fair and sustainable economy.
- **Place:** to transform communities, making them places where everyone thrives.
- **Innovation:** to scale up innovation and technology, for a more competitive and productive economy.

The Bank makes long-term capital investments, not only for a financial return but to also create positive and sustained economic, social and environmental improvements. It seeks to invest in areas where the private market is not active, and by doing so to also attract private sector

investments into projects. The Bank only makes investments on commercial terms and does not offer other types of financial support such as grants.

The Scottish Government provides the Bank with capital funding. It has agreed to provide an initial £2 billion of funding over the first 10 years of the Bank's operation. The Scottish Government's long-term plan is that the Bank will become self-funding from returns from the investments it makes and its investment services income.

The Bank is in its fourth year of operation. As of March 2024, it had committed nearly £640 million across 35 projects, and it reports that its investments to date have attracted around £1 billion of private finance.

What will the audit look at?

This audit will;

- Assess the extent to which the Bank has a clearly defined purpose and how effectively it is establishing itself to deliver on this.
- Assess the effectiveness of the Scottish Government's oversight arrangements of the Bank, and the

Bank's governance, corporate risk management and operational arrangements.

- Examine how the Bank is measuring its impact and what progress it has made to date in delivering its missions.

Why is this audit important?

The Bank has been set up to play a specific role in supporting Scotland's economy and wider social and environmental challenges, which cut across the Scottish Government's policy priorities. This is a new type of body within the Scottish public sector, which uses public money in a unique way to support the economy.

It is important that the Scottish Government is clear on what impact the Bank is expected to deliver through its long-term investment of public money and what progress it is making.

In its 2023/24 programme for government, the Scottish Government set out three pillars of fiscal sustainability. One of the pillars is an increased focus on economic policies and actions that grow both Scotland's wellbeing economy and the country's tax base to help fund public services. The Bank's successful delivery of its missions would contribute to the Scottish Government's ambitions and help achieve wider positive social outcomes for the people of Scotland which is central to a wellbeing economy.

How will we carry out this audit?

We will review publications and data from the Bank and the Scottish Government, including management papers and performance reports. We will interview officials from the Bank and the Scottish Government and speak to other stakeholders who have a role and interest in the wider economic support landscape.

We will not assess any individual investment decisions taken by the Bank. We will use

case studies to explore its activity and help illustrate areas of audit interest.

This audit will complement the annual financial audit of the Bank and, where relevant, draw on the findings reached in the 2023/24 independent auditor's report.

What do we want to happen as a result?

This audit will provide an independent assessment of the role of the Bank, how it is governed, how it is evaluating its impact and what progress it is making to date on delivering its missions. This will contribute to the understanding of the Bank for the public and members of the Scottish Parliament, helping to support ongoing scrutiny of its performance.

We will make recommendations to the Bank and the Scottish Government to address areas for improvement. We will also highlight any areas of good practice to support improvement in other public bodies.

Timetable

We plan to carry out fieldwork in autumn 2024 and publish our findings in May 2025.

Contact

If you would like more information about this audit, please contact Catherine Young, Senior Manager, on 0131 625 1732 or by email at cyoung@audit-scotland.gov.uk.

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