

## News release

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### Bank faces financial barriers after good start

The Scottish National Investment Bank will not be able to end its reliance on public funding unless ministers can make a case for UK Treasury rules to change.

The bank was launched in 2020 to independently invest in commercial projects that will help address the climate crisis, boost innovation, and improve the wellbeing of communities. It has made good progress since then. By the end of 2024/25, it had:

- committed over £785 million into 43 businesses and projects
- attracted £1.4 billion of private sector funding
- and helped create or safeguard more than 3,000 jobs.

The bank has been well run to date. It has a rigorous process for investing public funds and has laid good foundations for reporting on its impact. It generated over £19 million in income in 2023/24, more than covering its operational costs for the first time.

However, current financial rules are a barrier to the bank's ambition of ending its reliance on public funding. Scottish budget arrangements stop it carrying unspent public funding into the next financial year. While UK Treasury rules mean the bank cannot retain financial returns and recycle them into future investments. Without the ability to do this, the bank will need ongoing annual capital allocations from the Scottish Government to remain operational.

**Stephen Boyle, Auditor General for Scotland**, said:

"The Scottish National Investment Bank was set up to deliver economic, social, and environmental benefits for Scotland, as well as a financial return - and it's made a good start on those ambitions.

"But for the bank to be successful, the Scottish Government needs to address the lack of flexibility around the bank's budget, and the barriers presented by UK Treasury rules."

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#### Notes to Editor:

**1.** The Scottish National Investment Bank's mission is to address the climate crisis, transform communities, and scale up innovation and technology. It provides capital financing to, typically, higher risk but viable businesses and projects that the private sector can be reluctant to finance.

**2.** The Scottish Government's annual budget approach to funding the bank means money must be spent in year; the Bank does not have the ability to carry budget allocation between financial years. This is difficult to align with the bank's long-term investments.

**3.** In early 2025, Scottish Ministers agreed in principle to providing the bank with year-end flexibility so it can manage its budget across financial years. Ministers need to provide the Bank with certainty on these plans for the 2025/26 financial year.

**4.** The Scottish Government's long-term ambition is for the Bank to retain and reinvest the capital returns from investments. This is referred to as a perpetual fund.

**5.** UK Treasury rules mean that the Bank cannot retain returns from investments over financial year ends to recycle into future investments. It would require a dispensation from the UK Treasury to do this.

**6.** Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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