SCOTTISH GOVERNMENT BOND PROGRAMME

Supplier Information Day
26 January 2026

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AGENDA

1. Welcome and introductions
2. Opening Remarks - John Swinney MSP, First Minister of Scotland
3. Bond Programme
4. Procurement Process
5. Informal discussions and refreshments

Opportunities for Q&A after each agenda item

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BOND PROGRAMME

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WHY SCOTLAND WANTS TO ISSUE BONDS

The SG bond issuance programme has three key aims

1. To ensure the SG can access diverse and cost-effective sources of capital funding and enhance Scotland's fiscal sustainability
2. To raise Scotland's profile to financial investors
3. To further develop Scotland's institutions and fiscal disciplines

Credit Rating and Bond Programme

- Inaugural credit ratings in November 2025:

Moody's	Aa3
S&P Global Ratings	AA

- The strong credit rating reflects SG's sound governance, resulting in a rating in line with that of the UK Government
- £1.5bn public bond programme commencing during the next parliamentary period
- Debut issuance anticipated for late 2026 or early 2027

WHAT UNDERPINS THE RATING

Strong Institutional Framework and Structural Support

Scotland benefits from a robust institutional framework, with the Consolidated Fund ensuring predictable funding streams whilst also providing strong structural support to debt holders

01

Supportive Economic Fundamentals

A large and diversified economy with relatively high GDP per capita, which underpins its revenue base and fiscal capacity. The scale and diversity of the economy supports resilience against cyclical fluctuations, while a broad revenue base reduces concentration risk

02

Strong Financial Management and Governance

Financial policies and transparent reporting, demonstrate effective governance and prudent long-term planning

03

04

Stable and Predictable Revenue Base

Revenues are anchored by the UK Government block grant mechanism, complemented by devolved taxation powers, underpinning budgetary stability

05

Low Debt Burden and Ease of Access to Funding

Scotland has a low debt burden of 13.9% debt to total operating revenue, coupled with privileged access to the National Loan Fund and ability to borrow and issue bonds in the capital markets

06

Robust Budgeting Process

A well-established budgeting process, coupled with prudent expenditure controls, ensures fiscal discipline and supports resilience against external shocks

WHAT WILL BONDS FUND?

Bond Proceeds will Be used as part of the wider Capital Borrowing strategy to fund key projects in the Infrastructure Delivery Pipeline and to support economic growth

36,000 Affordable homes

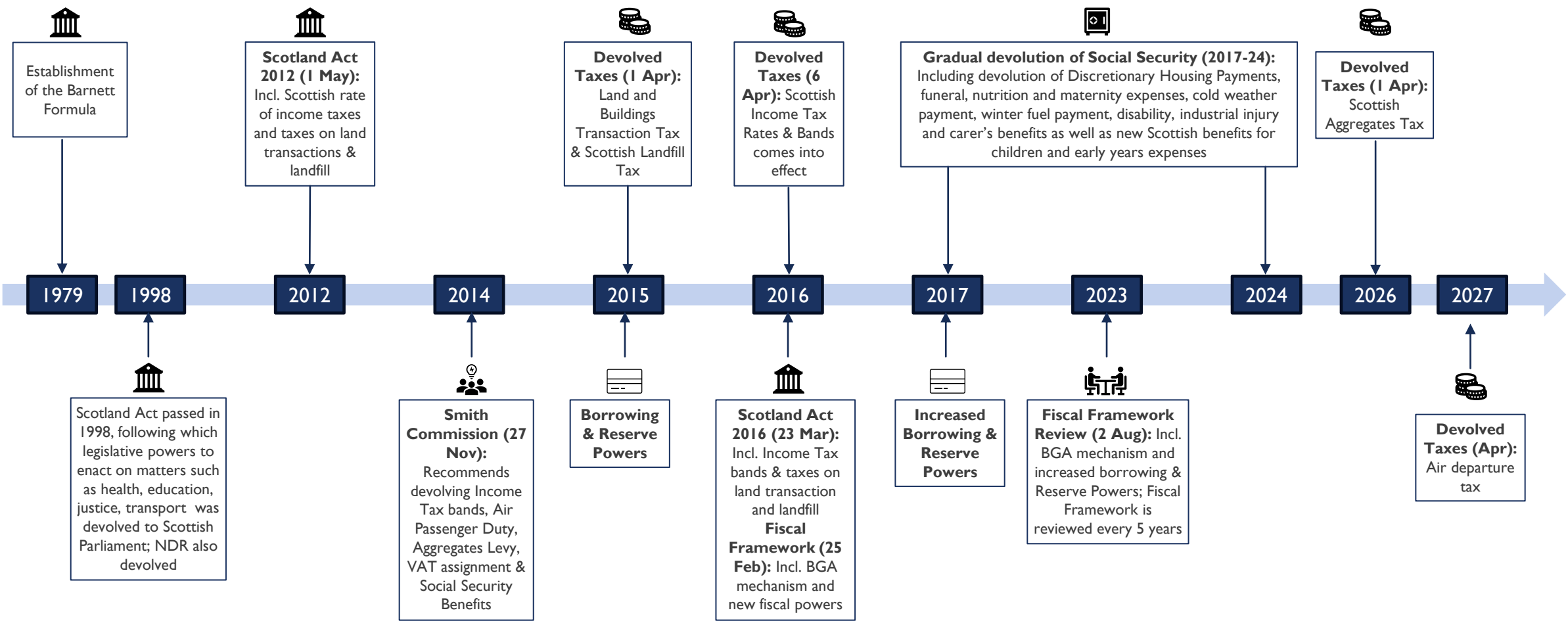
NHS estate upgrades

Road, rail and ferry renewal

Green energy Investments

Nature restoration and creation

FISCAL DEVOLUTION - HISTORY



FISCAL DEVOLUTION – SCOTTISH GOVERNMENT FUNDING

80% | +10% | -35% | +42% | +2% | = 100% of budget

Barnett-determined block grant + **Block grant adjustment for Social Security** - **Block grant adjustment for each devolved tax** (Income Tax; Other devolved taxes) + **Tax revenues from each devolved tax** (Income Tax; Other devolved taxes) + **Other Devolved Funding** = **Scottish Budget**

Influenced by:

UK Benefit Policy

OBR forecasts

Influenced by:

UK Tax Policy

Growth in **UK Taxes**

OBR forecasts

Influenced by:

Scottish Tax Policy

Growth in **Scottish Taxes**

SFC forecasts

Notable other sources of devolved funding include:

- Capital Borrowing
- Resource Borrowing
- Funding from the Scotland Reserve
- Crown Estate Scotland Income (particularly ScotWind)

Please refer to the appendix for the cashflow and operational mechanics of the Fiscal Framework

CURRENT CAPITAL BORROWING

The Fiscal Framework with the UK limits the Scottish Government's capital and resource borrowing

Borrowing to date

- **All Capital Borrowing** to date (£2.2bn as of 2024–25) has come from the **UK National Loans Fund (NLF)**
- NLF facilities are restricted in terms of:
  - tenor: 10-25yrs
  - structure: limited to annuity or equal instalment of principle

Future borrowing

- Bonds will offer SG funding diversification while avoiding the constraints of NLF borrowing rules
- SG will still retain access and use of the NLF

Capital Borrowing - Restrictions	Policy Approach
Purpose: Capital expenditure **Maximum Limit:** £3bn in 2023-24 prices **Annual Limit:** £450m in 2023-24 prices **Borrowing source:** NLF commercial loan (directly from a bank or other lender), or the Scottish Government issuing bonds **Tenor:** typically 10 years but flexible	• Use £300 million of capital borrowing per annum as the default assumption • Amended as necessary to meet budget specific or in-year requirements • Ensure, by way of a fiscal test, that at least £1.5 billion of capital borrowing headroom remains available for the subsequent parliamentary term

Please refer to appendix for more detail on capital borrowing forecast and fiscal framework limit

THE BORROWING REQUIREMENT – 2026-27 SPENDING REVIEW

Borrowing is a small part of our budget but has additional value as it is one of the few ***flexible*** sources of funding

Borrowing ***plans*** therefore need to be flexible, particularly for in-year changes. But we still expect to require £1.5-£1.8 billion of Capital Borrowing over the next parliamentary term

Capital Borrowing ***policy*** is built around £300 million of borrowing per annum. This provides scope for the flexibility we need and stay within the cumulative fiscal framework limits

Bonds are intended to fund the majority of the Capital Borrowing requirement in the next parliamentary term. The NLF will however continue to be used particularly for Resource Borrowing

Use of proceeds are ***legally*** restricted to Capital Investment. The Capital Borrowing facility (whether NLF or Bonds) cannot be used for resource or deficit funding

Capital Borrowing and Bonds plans

Borrowing Plans	Capital Borrowing	Of which Bonds
2026-27	£491 million	£300 million
2026-27 to 2030-31	£1.8 billion	£1.5 billion

Borrowing Limits and forecast debt

Capital Borrowing	Limit in 2023-24 prices	Limit in 2026-27	Forecast Debt in 2026-27
Annual	£450m	£491m	£491m
Cumulative	£3 billion	£3.3 billion	£2.9 billion*

* Existing NLF debt reduces quickly for structural reasons. This frees up sufficient headroom to accommodate current forecast plans

CAPITAL SPENDING PLANS

- The Scottish Spending Review (SSR) sets out over £30 billion of capital spending that drives progress against our four priorities. It includes capital allocations for each portfolio up to 2029-30
- This underpins the Infrastructure Delivery Plan that sets out an affordable pipeline of projects and programmes that will be delivered over the SSR period
- The 2026-27 Budget includes over £5 bn of climate positive spend (across resource and capital budget) – an increase from £4.9 bn in 2025-26.

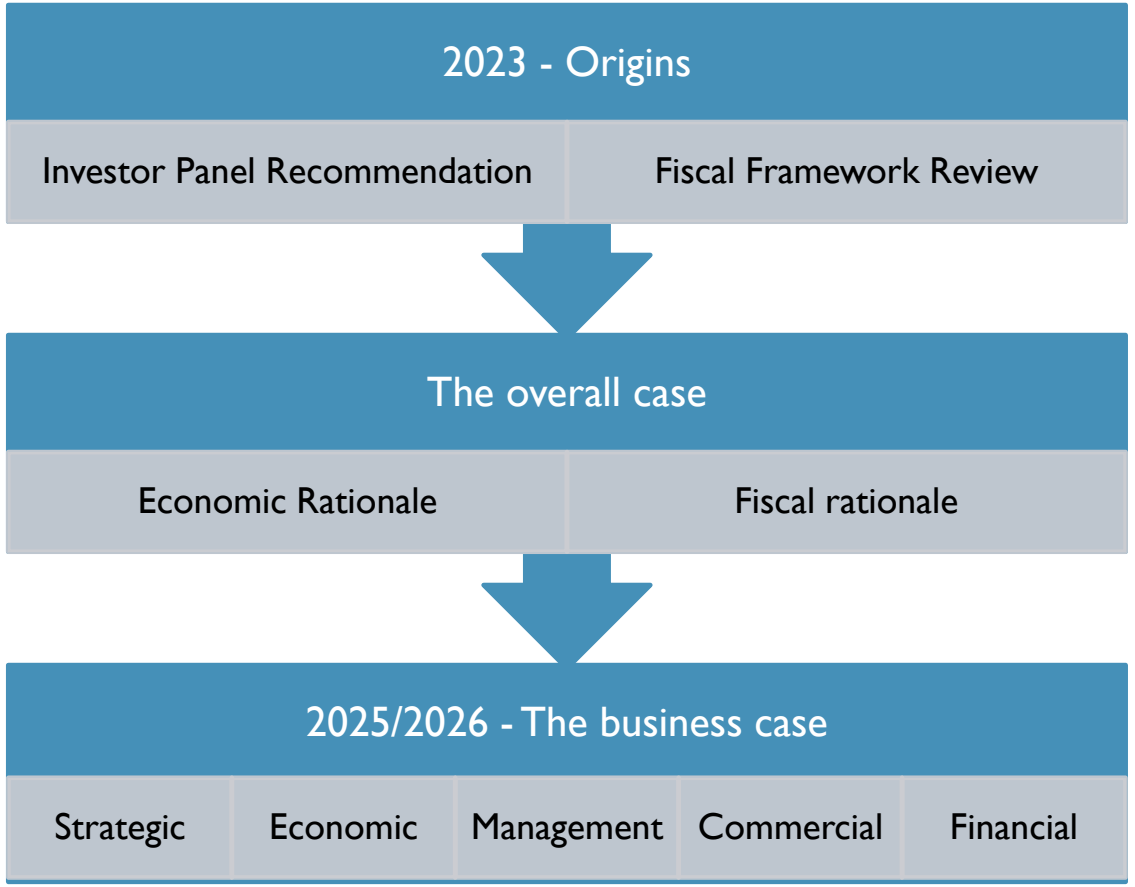
Please refer to appendix for more detail on climate spending over the SSR period

Multi-Year Capital Allocations, £ millions

	2026-27	2027-28	2028-29	2029-30
Transport	2,295	2,385	2,483	2,494
Housing	1,049	1,127	1,173	1,279
Health	1,033	922	1,097	1,032
Local Government	672	661	664	674
Economy	554	555	467	463
Climate, Energy, Agriculture & Islands	514	521	530	543
Education	465	478	477	460
Justice	643	476	266	222
Other	98	170	98	83
Total	**7,324**	**7,296**	**7,255**	**7,249**

THE BONDS POLICY CASE

- The origins of the Bonds Policy Case stem from the Investor Panel Recommendation in 2023 – with the Fiscal Framework Review providing the means to utilise the structural advantages. (link provided in the appendix)
- Alongside the Credit Rating results and the Bonds announcement in November 2025 the Scottish Government published a summary version of its Outline Business Case
- The business case follows the usual civil service HM Treasury five-case model
- A particular focus has been on VFM modelling though the SG has not (and will not) publish any assumptions on variables such as interest rates, spreads, or tenor
- The Full Business Case and VFM assessment will continue to be developed over the period to issuance
- This will be developed in parallel to finalising the bond structuring parameters



BOND STRUCTURING PARAMETERS

Structuring element confirmed (or near confirmed)

- Issuances will be in GBP
- Issuances will be used exclusively for Capital* expenditure
- Wholesale Bonds to be listed on LSE Main Market
- Unsecured instruments
- Issuer will be *Scottish Ministers* via the Scottish Consolidated Fund (SCF)

Structuring element currently assumed

- Fixed Interest Bullet structure
- £1.5 billion five-year MTN Programme
- First Issuance between October 2026 and March 2027
- One issuance per annum
- £300m default assumption per annum but likely varying between £250m and £400m
- No specific covenants or clauses for material events

To be confirmed after Scottish Election (in conjunction with successful candidates)

- Tenor deliberately left open to maximise pricing value and flexibility. *Anything outwith 10-25 years may require further discussion with HM Treasury*
- Formal UoP labelling (Green and/or Sustainability) being actively considered but no decisions taken until after the Scottish Election
- Final decision on debut issuance of an MTN Programme or as a standalone issuance taken after the Scottish Election

*The definition of "capital" in this context is based on the broader HM Treasury definition and not IFRS

Q&A

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PROCUREMENT PROCESS AND TIMELINE

THE PROCUREMENT REQUIREMENT – BOOKRUNNERS

One Procurement Process

2-4 Bookrunners to support the first issuance

- Bookrunners in place from July 2026 to support the first issuance
- To work with SG, EY, legal advisors and others to finalise the structuring parameters which remain outstanding
- Initial focus will likely be on strategic/UoP considerations
- To perform all the usual bookrunner functions

c. 8 Bookrunners to be established on a 4-year framework to support all subsequent issuances

- Concurrently we will establish a framework of c. 8 Bookrunners (the top ranked will support the first issuance.)
- This will expedite the process for subsequent annual issuances with "call-offs" rather than full procurement processes
- All members of the framework will be able to support subsequent issuances – regardless of MTN/UoP decisions made in 2026
- Maximum Framework Agreement contract value of £5.0m

BOOKRUNNER PROCUREMENT PROCESS - TIMELINE

Bookrunner Procurement Timeline	
28 January	**ITT published**
16 February	**ITT deadline**
Early March	**Shortlisted suppliers notified** – Successful applicants will be invited to the interview stage
Early - Mid March	**Supplier interviews**
Mid-April	**Outcome Letters issued** – Bookrunners to be placed on the framework, and bookrunners to support the first issuance once confirmed
June	**Contract award**
June / July	**Contract start date**

- The timeline is determined by the outcome of the Scottish Election including the deferral of any formal contract awards
- Contracts are expected to commence in July following Scottish Ministers' approval
- The framework Agreement is to be established in July, though the first issuance and initial call-off could be deferred
- This ensures issuance plans can proceed promptly as planned without compromising Scottish Ministers (post-election) decision making

THE PROCUREMENT REQUIREMENT – LEGAL COUNSEL

- The Legal Counsel procurement will be conducted under the Public Contracts (Scotland) Regulations 2015. It will follow a Route 3 Open Procurement Procedure
- The Scottish Government will appoint **one** legal adviser to support access to the sterling public bond market
- The contract will be structured to allow for:
- Stand-alone or MTN issuances
  - If stand-alone – The contract is expected to run for two years, with an option to extend for a further 12 months, with an estimated contract value of £200,000 - £300,000 (including the optional extension period)
  - If MTN – The contract is expected to run for three years, with options to extend for two additional 12-month periods, with an estimated total contract value of £1.3m - £1.8m (including the optional extension period)
  - Tenderers must provide pricing for both options, with the final contract structure and value to be confirmed prior to award.
- Should additional local (Scottish) legal advice be required this will be procured separately
- Legal advice and due diligence to date has provided sufficient assurance that all plans (and options considered) are fully compliant with the Scotland Act

LEGAL COUNSEL PROCUREMENT PROCESS - TIMELINE

Legal Counsel Procurement Timeline	
28 January	**ITT published**
27 February	**ITT deadline**
March	**Evaluation stage**
April	**Standstill Period**
June	**Contract award**
June/ July	**Contract start date**

- The Legal Counsel procurement timeline will run in parallel with the Bookrunner procurement but will remain open to the market for 30 days, in line with procurement regulations
- The Legal Counsel procurement will be subject to the mandatory 10-day standstill period
- The contract is expected to commence in July

PROCUREMENT PROCESS – LOGISTICS AND NEXT STEPS

- 28 January – The Scottish Government will publish a separate contract notice for both procurements on Public Contracts Scotland (PCS) (www.publiccontractsscotland.gov.uk)
- The notice will include all essential information suppliers need to determine whether to bid (such as contract description, value, procedure, duration, lots, and access to tender documents).
- The ITT will be published on PCS-T (https://www.publictendersscotland.publiccontractsscotland.gov.uk), the secure online platform used for the full tendering process, including submission of bids, clarification questions, and access to tender documents.
- Banks and legal firms wishing to bid must be registered on both PCS and PCS-T in order to participate. Tender submissions will not be accepted in any other format.
- Tenderers will also be required to complete a Single Procurement Document (SPD) on PCS-T.
- The SPD is a standard self-declaration form used to assess whether a supplier is eligible, capable, and suitable to progress in the tender process.
- Supplier guides are available at the portal, but should you have any issues registering or submitting your bid, please contact BondsPolicyEngagement@gov.scot as soon as possible. Submitting a response through PCS-T can be time-consuming, so please allow yourselves enough time.

Q&A

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APPENDIX

OVERVIEW OF SCOTLAND'S ECONOMY

GDP: £210.2bn
Onshore GDP (2024)

3.7%
Unemployment (2025)

2.45m
Payrolled employees (2025)

Average earnings forecast to grow faster than the UK

Wellbeing Economy

Income inequality
Performance maintaining

Proportionally, more earning RLW than r/UK

93% young people in work, education or training

Median Gender Pay Gap (3.5%) lower than UK (6.9%)

Scotland's Businesses

384,280 private Sector businesses

No. of registered businesses increased by 950 in latest year

381,855 SMEs, providing an estimated 1.2 million jobs

No. of abroad owned Businesses increasing

Trade

£93 billion Total Exports

1/3 Exports International

17% of International Exports go to US

International exports worth £38 billion)

EU exports worth £17 billion

Inward Investment

9,000+ jobs generated (2024)

91 planned projects supported (2024)

US is the leading origin for investment

Most attractive destination in UK outside London for 10 years running

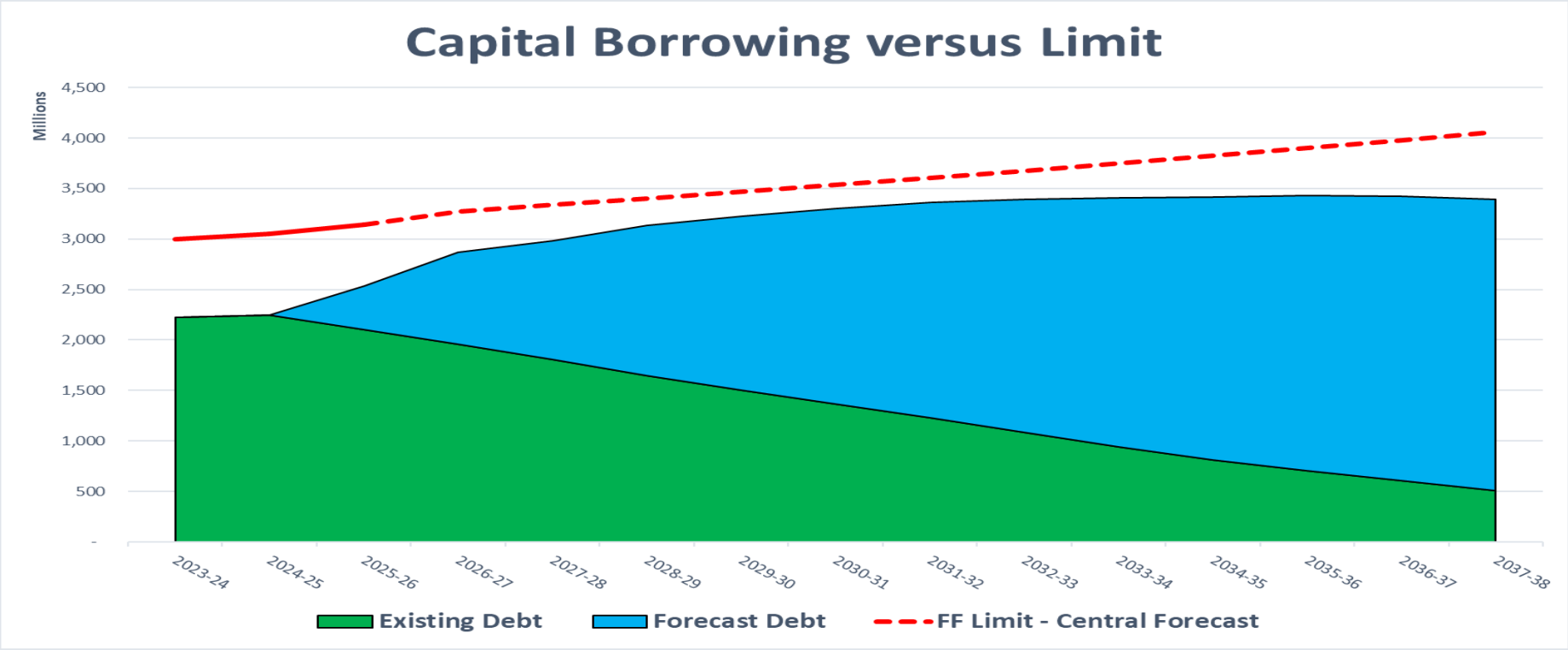
Scotland ranks 6th among the top ten FDI destinations in Europe.

CAPITAL BORROWING FORECAST (2026-27 SCOTTISH BUDGET)

Capital Borrowing £m	2024-25 (outturn)	2025-26	2026-27	2027-28	2028-29	2029-20	2030-31
Annual Limit	458	472	491	501	510	520	530
Forecast Borrowing	139	430	491	300	360	300	300
Cumulative Debt Limit £m	3,050	3,145	3,275	3,340*	3,403*	3,466*	3,534*
Forecast Debt £m (NLF Basis)	2,245	2,534	2,866	2,982	3,136	3,222	3,301
Forecast Debt £m (with Bonds plan)	2,245	2,534	2,866	2,989	3,163	3,284	3,412

- Debt limits from 2027-28 onwards are subject to change based on revised GDP deflators. Limits are locked annually at the Autumn UK Fiscal event preceding the applicable financial year
- NLF basis will be used for all forecasts until after the first bond issuance – this avoids having to publish forecast borrowing costs with a spread assumption built in
- Bonds forecast here assumes traditional structure, NLF forecast uses annuity structure

CAPITAL BORROWING VERSUS LIMIT FORECAST



CLIMATE CAPITAL INVESTMENT OVER SSR PERIOD

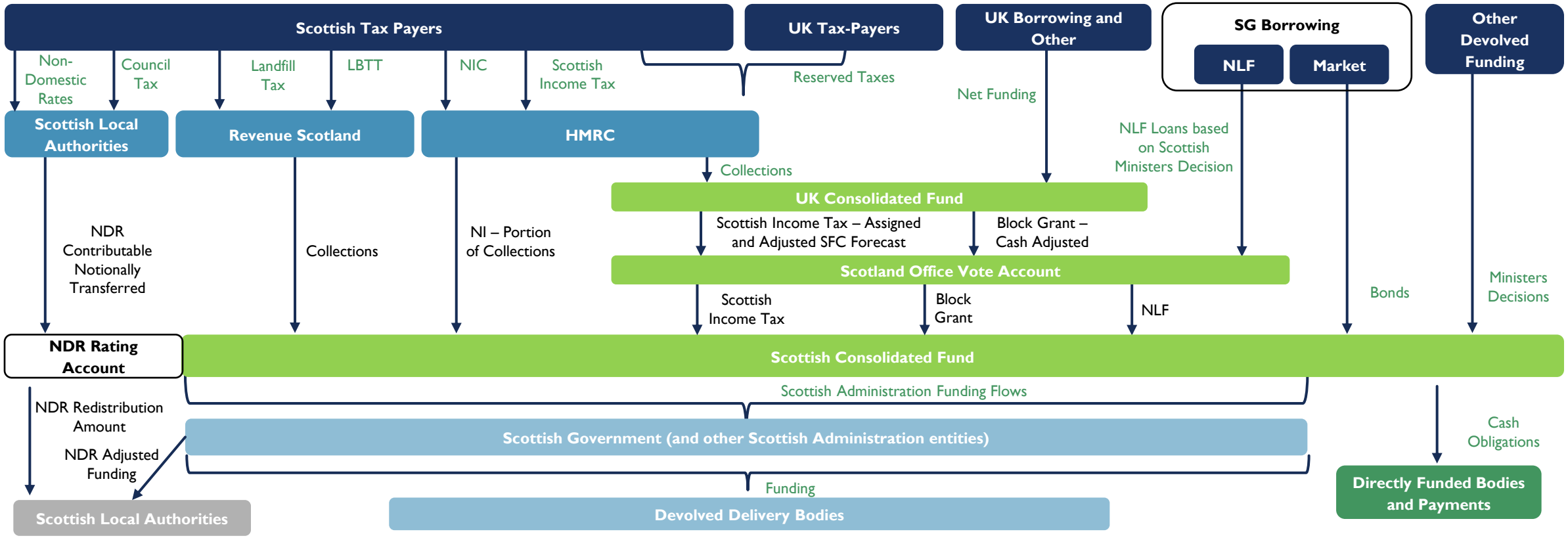
- The Scottish Government remains committed to delivering on climate action that is ambitious and capable of addressing the emergency before us
- The following table sets out high level allocations for capital investment in climate related activity over the spending review period

Portfolio	Description	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Housing	Decarbonisation of buildings through the Heat in Buildings Programme	303	318	303	303
Rural Affairs, Islands and Land Reform	Nature restoration and creation (e.g., tree planting, peatland restoration and wildlife protection)	67	76	84	81
Climate Action and Energy	Energy transition and mitigation (e.g., industrial decarbonisation, carbon capture and storage development, hydrogen development and some nature restoration)	73	72	121	149
Transport	Decarbonisation of the transport network (e.g., support for transition to EV usage and investment in active and sustainable travel options)	314	278	359	416

SSR= Scottish Spending Review

SCOTTISH GOVERNMENT FUNDS FLOW MECHANISM

The Scottish Consolidated Fund ("the SCF") acts as the primary funding control account for Devolution. Scottish Government Borrowing will interact directly with the Scottish Consolidated Fund in terms of both receipt of funds and as a Directly funded repayment of Debt.



LINKS TO PUBLICATIONS

- Investor Panel Recommendations - Investor Panel: Mobilising international capital to finance the transition to Net Zero - gov.scot
- Updated Fiscal Framework Agreement (2023)- Fiscal framework: agreement between the Scottish and UK Governments - gov.scot
- December 2023 Bonds Memorandum - Scottish Government capital borrowing and bonds: memorandum - gov.scot
- December 2024 Borrowing and Bonds Memorandum - Scottish Budget 2025 to 2026: Scottish Government borrowing - gov.scot
- 2026-27 Scottish Budget and Spending Review– Scottish Budget 2026-27 - gov.scot

Scottish Government Credit Rating and Bonds announcements (November 2025)

- S&P Credit Rating Announcement - The Scottish Government Assigned 'AA' Rating; Out | S&P Global Ratings
- Moody's Credit Rating Announcement - Ratings.Moodys.com/ratings-news/454328
- Credit Rating Press Release – Scottish Government credit rating matches UK - gov.scot
- Bonds Announcement Press Release - Scottish Government bonds launch planned - gov.scot
- Bonds Business Case - Scottish Government bonds programme: outline business case summary - gov.scot