

Communications the Scottish Government has had with the Scottish National investment Bank on policy direction on the Bank – web links to information reasonably available publicly.

Fair Work Direction

[Scottish National Investment Bank: Fair Work direction - letter from the Cabinet Secretary for Finance and the Economy - gov.scot \(www.gov.scot\)](#)

Information being supplied outwith FOISA – specific to the Bank

Scottish National Investment Bank Act 2020

<https://www.legislation.gov.uk/asp/2020/3/contents/enacted>

Shareholder Relationship Framework Document (SRFD)

[73888039.7 \(thebank.scot\)](#)

Missions Letter

[Scottish National Investment Bank: missions letter - gov.scot \(www.gov.scot\)](#)

Financial Memorandum

[73938980.2 \(thebank.scot\)](#)

Information being supplied outwith FOISA – overarching Scottish Government policies

National Strategic for Economic Transformation

[Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](#)

Scotland's National Performance Framework

[National Performance Framework | National Performance Framework](#)

Scottish Government Pay Policy for Senior Appointments and Public Sector Pay Policy

[Public Sector Pay Policy For 2021-22 - Public sector pay policy 2021 to 2022 \(revised\) - gov.scot \(www.gov.scot\)](#)

Scottish Public Finance Manual

[Scottish Public Finance Manual - gov.scot \(www.gov.scot\)](#)

Programme for Government

[Programme for Government - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Documents provide further policy direction to the Bank from the Scottish Government

Letter of Guidance from Scottish Ministers to the Chair of the Scottish National Investment Bank

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**SCOTTISH NATIONAL INVESTMENT BANK GROUP (the Bank)
INITIAL LETTER OF GUIDANCE TO MARCH 2021**

Following the Bank's successful launch on 23 November 2020, appointment of its Board and senior leadership team, together with confirmation of the strategic missions on 1 December 2020 set by Scottish Ministers, I'm writing to confirm initial expectations of the Bank during its stand-up phase to the end of March 2021.

Public bodies receive a Strategic Guidance letter at least once a year. In the case of the Bank, this complements the arrangements set out in the Shareholder Relationship Framework Document between the Bank and Scottish Ministers, by providing high-level awareness about the wider government priorities within which the Bank operates, and where it is anticipated that the Bank's focus on its missions can and will make a contribution to that wider context. I would expect to see this reflected in planning for the year ahead, and in the products the Bank is currently working on:

- a formal response to the strategic missions by 1 March;
- an initial Business Plan;
- additional clarity and further information about the Bank's approach to investment, risk, ethics and equalities, Fair Work and the approach proposed to reporting and the Balanced Scorecard;
- proposals for the criteria to be applied to the Bank's Long Term Incentive Plan scheme in 2021-22; and
- the Bank's taxation policy, for agreement.

Developing these policies and plans, and agreeing them with Government as your shareholder, as envisaged by the Shareholder Relationship Framework Document, will aid my understanding about the Bank's intended role and goals. The assurances and further clarity this can provide about how the Bank intends to operate, and where it does not intend to operate, will help me to manage wider expectations about the Bank and its role, and

ultimately to further build the level of assurance and confidence I and other Ministers can have in the Bank's Board and its senior leadership team.

We have discussed previously the shared ambition for the Bank to realise the transformative strategic and marketing-making investment role that was envisaged for it in the 2018 Implementation Plan recommendations. To aid this, I would call attention to the series of challenges and priorities which figure across the rest of the government. By taking these into account in the preparation of your strategies and policies, you will be building strong alliances across the public sector around your missions, and galvanising our shared drive towards recovery and transition of the economy.

I hope this letter is helpful in clarifying Scottish Ministers' initial expectations and the strategic priorities that it will be helpful to have regard to over the immediate period. This government values the role that the Bank will play in Scotland and in helping create a prosperous nation with more jobs, fair work and a dynamic, outward looking, sustainable and inclusive economy. Finally, let me reinforce my confidence in the Board and the senior leadership team of the Bank in contributing to these national goals.

Strategic context

The Bank is a cornerstone investment body, expected to have a transformative impact on Scotland's institutional landscape and expertise in investment, and on delivery of a fairer, more inclusive and net-zero economy for Scotland. Overall direction for the Bank is as set out in the Scotland National Investment Bank Act 2020 (the Act), in the strategic missions set by Scottish Ministers for the Bank and in the Shareholder Relationship Framework Document.

In addition to these documents, the Financial Memorandum, the Bank's Business Plan, Investment Strategy and Risk Appetite Statement all safeguard the Bank's operational and administrative independence. Collectively, these documents provide Ministers and the Scottish Government with assurance about the Bank's stewardship, management, application and reporting on the public money entrusted to it.

The Scottish Government's wider economic ambitions and priorities are set out in our National Performance Framework; our Programme for Government <https://www.gov.scot/programme-for-government/>; the update to the Climate Change Plan [Securing a green recovery on a path to net zero: climate change plan 2018–2032 - update - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/secure-a-green-recovery-on-a-path-to-net-zero-climate-change-plan-2018-2032-update/gov.scot/secure-a-green-recovery-on-a-path-to-net-zero-climate-change-plan-2018-2032-update-gov.scot); and in our Economic Recovery Implementation Plan [Economic Recovery Implementation Plan: Scottish Government response to the Advisory Group on Economic Recovery - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/economic-recovery-implementation-plan-scottish-government-response-to-the-advisory-group-on-economic-recovery/gov.scot/economic-recovery-implementation-plan-scottish-government-response-to-the-advisory-group-on-economic-recovery-gov.scot). This is also reflected in the Programme for Government's commitments to a green recovery and a national mission to create new, good, green jobs, with a particular focus on young people and helping our young people grasp their potential through the Young Person's Guarantee.

The forthcoming Housing 2040 strategy and Scotland's first capital investment plan will also provide further information about the Scottish Government's strategic priorities and opportunities for the Bank that can connect into the missions.

The principles of Equality, Transparency, Diversity and Inclusion

Reflecting the recommendations in the 2018 Implementation Plan for the Bank, the views and expectations expressed by the Scottish Parliament and other stakeholders for a national investment bank, and as set out in the Shareholder Relationship Framework Document, the Bank is intended to hold to the four principles of Equality, Transparency, Diversity and Inclusion in its operations. These principles remain important to Ministers and are consistent with the Bank's wider statutory duties¹ so I look to the Bank to give due weight to the four principles when taking forward its plans and strategies and Business Plan.

A Fairer and Stronger Workforce

I and my Ministerial colleagues want Scotland to be a fair work nation by 2025. Our commitment to Fair Work is demonstrated through the publication of our Fair Work Action Plan and the interim Guidance - [Fairer Scotland Duty: interim guidance for public bodies - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/interim-guidance-for-public-bodies/pages/1-1-introduction.aspx) which set out how we will deliver our ambitions. In this regard, and linked to the four principles discussed above, I look to the Bank as an important institution which can promote and demonstrate a more fair, inclusive, and equal approach to work as well as in access to investment, helping to deliver a more sustainable and dynamic economy.

In addition, our Young Person's Guarantee will ensure that young people are given the chance to succeed despite the economic impacts of COVID-19. Ministers are looking to its agencies and partners, including the Bank, to contribute to the development and delivery of this Guarantee. I would ask the Bank to consider the role it could play in this important agenda, both in its core activities and as an employer.

A Just Transition to net-zero carbon

The Scottish Government is committed to ending our climate change impact within a generation by driving a just and fair transition to net zero emissions by 2045 (and 75% emissions reductions by 2030). Green investment is central to the delivery of this ambition and in creating and capitalising on the opportunities of a net zero economy, including jobs, competitive green businesses and thriving places. This is therefore the primary mission of the Bank. Other ministers and I will be looking for clear leadership from the Bank in driving this long term net zero transition for the Scottish economy and will expect to see how the Bank aims to deliver on this mission in both the short term, as part of a green recovery, and the longer term as part of a smooth and sustainable transition. The Bank is also expected to demonstrate the interdependencies between the net zero mission and the other missions by delivering a just transition that builds communities and supports equalities and harnesses innovation for a thriving economy.

Covid-19 and EU Exit

I and other Ministers are of the strong belief that recovery from COVID-19 must not be a return to "business as usual". The Scottish Government and its agencies, including the Bank, need to use this moment to make significant advances to deliver a recovery that is led by green growth and promote fairness and wellbeing.

¹Public sector Equalities Duty, the Freedom of Information (Scotland) Act 2003, the Gender Representation on Public Boards (Scotland) Act 2018 and the Fairer Scotland Duty.

I do not underestimate the risks posed by the ongoing uncertainty following exit from the EU and the potential impacts this could have on businesses, their capacity and demand for new investment, and the need for the Bank and other Scottish Government agencies to adapt quickly to changing investment priorities in the period ahead. I also recognise that there is continued uncertainty around post-exit compliance arrangements. The Scottish Government is committed to continued engagement with the UK Government on key issues such as the future operation of State Aid and the UK Internal Market.

The challenges that are beginning to emerge from both the pandemic and EU Exit are expected to mark Scotland's future economy for some time to come. Addressing the consequences of both will require short term as well as medium to long-term investment. I therefore encourage the Bank to be part of wider Scottish Government plans for enabling the restart, reset and recovery of the Scottish economy and to set out the role it envisages in its formal response to the strategic missions and its Business Plan.

In doing so, I would ask that the Bank engages actively with my officials and other stakeholders about the risks, opportunities and mitigations that might be appropriate when helping to navigate Scotland through to a post EU Exit and post Covid economy.

Other partnerships and engagement

I look to the Bank's senior leadership team for their continued commitment to working with Scottish Enterprise and the other enterprise agencies and bodies similarly engaged in delivery of a fairer, inclusive and sustainable economy.

I am expecting clarity before the end of this financial year about how the Bank and other bodies will align respective investment activity for the benefit of businesses and the Scottish economy, providing a clear pathway for new investment in businesses of all sizes at different stages of maturity. And I welcome the Bank's assistance in determining the nature and scale of future management of existing Scottish Government investments.

A cohesive and co-ordinated approach across agencies and government will be essential in order to deliver on the actions set out in the Programme for Government and the findings of the Advisory Group on Economic Recovery and the Scottish Government's response, the Economic Recovery Implementation Plan. The Scottish Government is committed to working in partnership with Scottish Enterprise and the other Enterprise and Skills Agencies, business, trade unions, third and voluntary sector bodies and local authorities to achieve this. I look to the Bank to also engage in this, and to work in partnership to harness collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Budget and Capitalisation

The internal budget allocation for the Bank from launch to 31 March 2021 sits within the overall Scottish National Investment Bank budget line. To aid budget and financial planning the Bank's core allocation within this budget is set out in the table below. This reflects Spring Budget Revisions which remain subject to Parliamentary agreement at the time of writing.

More information on the budget allocation, management and reporting is provided in the Budget Allocation and Monitoring letter which will be issued separately, and in the Financial Memorandum.

November 2020-31 March 2021	£'000
al Resource	7,062
al Capital	315
ncial Transactions	75,000
al Fiscal	82,377
cash	1,682
al budget	84,059

My Ministerial colleagues and I remain committed to seeking a derogation from HM Treasury to aid budget management across financial years and to target capitalisation of £2 billion for the Bank. This year's allocation of Financial Transactions for Bank investments is an initial contribution reflecting anticipated levels of activity just prior to launch of the Bank. Annual allocation of capital for the Bank is expected to ramp up further in subsequent financial years, reflecting the Bank's investment ambition, and subject to agreement by the Scottish Parliament. Scottish Ministers are also committed to providing revenue support to the Bank during its initial period to March 2024 along the lines set out in the initial cash flows to help it meet operating costs that are not covered by projected revenue income from investments.

I would ask that the Bank is vigilant in its monitoring of expenditure and income, and continues to engage with the officials who look after the Scottish Ministers' shareholder interests about current and future budget requirements and opportunities to secure efficiencies.

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