

Scottish National Investment Bank Bill

Financial Memorandum

Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Scottish National Investment Bank Bill, introduced in the Scottish Parliament on 27 February 2019.

2. The following other accompanying documents are published separately:

- Explanatory Notes (SP Bill 43–EN);
- a Policy Memorandum (SP Bill 43–PM);
- statements on legislative competence by the Presiding Officer and the Scottish Government (SP Bill 43–LC).

3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

Context

4. The Scottish Government's *Programme for Government 2017-18*¹ included a commitment to establish a Scottish National Investment Bank (the "Bank"), with the aim of boosting Scotland's economic performance and realising the Scottish Government's ambitions for the economy by providing patient capital to finance growth. Further to this, the Scottish Government's

¹ <https://www.gov.scot/publications/nation-ambition-governments-programme-scotland-2017-18/>

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*Programme for Government 2018-19*² made a commitment to introduce the legislation that will support the establishment and capitalisation of the Bank.

5. The Bank will serve businesses who wish to innovate and grow but find the traditional routes to finance challenging. By providing a single point of access to investment, and adopting a strategic focus and risk appetite that differs from existing institutions, the Bank can fuel the economy and catalyse additional private sector investment.

6. The Scottish Government will provide £2 billion over 10 years to capitalise the Bank, which is both ambitious and achievable. The Bank will make a material difference to the supply of capital to the Scottish economy, support ambitious firms to flourish and enable the transformational change that is essential for sustaining Scotland's position as a vibrant economy.

7. The Scottish Government commissioned development of an Implementation Plan to provide recommendations on the role, remit, governance and capitalisation of the Bank. To support the development of the Implementation Plan, a consultation paper was issued on 20 October 2017 which invited comments and suggestions from stakeholders on a series of key issues on the creation of a Bank.

8. The Implementation Plan was launched on 28 February 2018³. It set out a high level, strategic blueprint for Scotland's investment bank as a unique new public institution and cornerstone body in Scotland's economic architecture capable of shaping and supporting the Scottish economy for decades to come. The Implementation Plan also set out how the Bank can boost competitiveness, and deliver economic and social gains for Scotland's businesses and communities. The Scottish Government accepted all 21 of the recommendations in the Implementation Plan. Subsequent parliamentary consideration of this approach confirmed the need for a Bank with ambition and vision to address Scotland's economic priorities in a sustainable, inclusive and ethical way.

9. The Scottish National Investment Bank Bill will place a duty on the Scottish Ministers to establish the Bank as a public limited company and give

² <https://www.gov.scot/publications/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/>

³ <https://www.gov.scot/publications/scottish-national-investment-bank-implementation-plan/>

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the Scottish Ministers the necessary powers to capitalise the Bank. Once the Bill has received Royal Assent and has come into force, a public limited company will be created and called the Scottish National Investment Bank.

10. The Bill sets out both the purpose and the objects of the Bank. These objects have been identified to align the Bank with the Scottish Government's ambition to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The Bank's purpose and objects, as set out in the Bill, support the pillars of Scotland's Economic Strategy of increasing competitiveness and tackling inequality.

11. Broadly speaking, the Bank will take a mission-based approach to investment. This will mean that the Scottish Ministers set the strategic direction of the Bank by identifying a set of medium term outcomes and focus for the Bank as set out in section 12 of the Bill. This mission-based approach provides a unique opportunity to channel public finance to support transformational change across a number of 'grand' socio-economic challenges. It is envisioned that the Bank will respond to these missions through its Investment Strategy.

12. To realise the Scottish Government's ambitions for the Bank, the Implementation Plan recommended that it be initially capitalised by the Scottish Government to the level of £2 billion over 10 years, that it should operate on a commercial basis and that the Bank be able to retain receipts for recycling and growing the Bank's investment base. The Scottish Government is currently seeking an agreement that will provide the Bank with the necessary year-end flexibility to manage, retain and carry-forward cash balances over financial year-ends and is engaging with HM Treasury on this.

Methodology of financial memorandum

13. This Financial Memorandum provides estimates of the costs resulting from the Scottish National Investment Bank Bill and its implementation through the planned establishment of the Scottish National Investment Bank. It presents estimates for costs on the Scottish Administration for the capitalisation of the Bank and costs for the establishment and operation of the Bank until the point at which it can cover its own operating costs.

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Costs on the Scottish administration

14. Implementing the Scottish National Investment Bank Bill will place a number of costs on the Scottish Administration for establishing the Bank. These costs relate to: costs for capitalisation of the Bank and costs for the establishment and operation of the Bank until the point at which it can cover its own operating costs.

Capitalisation of the Scottish National Investment Bank

15. The Bank will be capitalised by the Scottish Government to the level of £2 billion over the first 10 years. This level of capitalisation is deemed to be both ambitious and achievable, and will enable the Bank to make a substantial difference to the Scottish economy. This commitment to capitalising the Bank was reflected in the draft budgets for both 2018-19⁴ and 2019-20⁵, which provided initial allocations for pre-cursor investment for the Bank, including £150 million for the Building Scotland Fund over 2018-21 and a further £340 million over 2019-21⁶. The Bank will be further capitalised by an additional £1.5 billion between 2021 and 2028.

Table 1: Capitalisation of the Scottish National Investment Bank

	2018-19 Budget £m	2019-20 Draft Budget £m	Identified for 2020- 21 £m	Future budgets over 2021-28 £m	Total £m
Building Scotland Fund	70	50	30	-	150
Funding for other pre-cursor investment	-	120	220	-	340

⁴ <https://www.gov.scot/publications/scottish-budget-draft-budget-2018-19/>

⁵ <https://www.gov.scot/publications/scottish-budget-2019-20/>

⁶ Further information on the Building Scotland Fund is available here: <https://www.gov.scot/policies/economic-growth/building-scotland-fund/>

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Further capital to be provided (average of £216m per annum)	-	-	-	1,510	1,510
Total	70	170	250	1,510	2,000

16. The timing of the further capitalisation between 2021 and 2028 will depend on future budgets agreed by the Parliament as well as other factors including: demand for the Bank’s products, the Scottish Government’s wider capital programme, the Bank’s forward projections in terms of capital coming back from investments (for example, through the Building Scotland Fund), and the year-end flexibility arrangement. The level of capitalisation set out in this Memorandum will be contained within Scottish Government’s annual budgets and will be included within long term planning projections.

17. The proposed capitalisation of the Bank to 2021 is to be provided through Financial Transactions (FTs). FTs are a form of capital budget allocated by HM Treasury to the Scottish Government which can only be used for the provision of loans or equity investment beyond the public sector. They cannot be used to provide grant or fund public services.

18. Financial Transactions facilities provided by HM Treasury have to be repaid by the Scottish Government in future years. Where FTs are used to capitalise the Bank, liability for repayment to HM Treasury remains with the Scottish Government and does not transfer to the Bank.

19. Capitalisation of the Bank after 2021 will be made from Scottish Government resources. Should the Scottish Ministers determine in future to capitalise the Bank beyond the levels set out in this Memorandum the Scottish Parliament will be able to scrutinise that determination through the Scottish Government’s Draft Budget and the Budget (Scotland) Bill.

20. In order to fulfil the ambitions the Scottish Ministers have for the Bank, the Bank will seek to make a financial return on its investments, both in capital and interest, which can support reinvestment in its activities. Doing so will also protect the investment made by the Scottish Ministers and support the repayment of FTs by the Scottish Government to HM Treasury through providing a return to the Scottish Government on its investment.

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21. As part of its operational planning for the Bank, the Scottish Government has conducted indicative financial modelling to establish a profile of anticipated returns to the Bank on its investments. This anticipates that the Bank, if capitalised as proposed, should command a level of financial return sufficient to facilitate ongoing investment by the Bank at a level that can make a substantial difference to the Scottish economy. Further detail on the indicative financial modelling will be published on the Scottish Government's webpages.

Consolidation of the public sector investment landscape

22. The Implementation Plan recommended that the Bank should be a single point of delivery of central Scottish Government financing support for business growth and innovation financing for transformational projects, integrating existing financing activities provided by the Scottish Government and its agencies into its remit and operating model. This consolidation is intended to help achieve clarity of purpose and cohesion across the public sector financing landscape, simplifying the interaction with customers and streamlining the Scottish Government's investment activities.

23. Scottish Ministers have accordingly proposed that the Scottish Investment Bank, currently administered by Scottish Enterprise, be transferred to the Scottish National Investment Bank. It is also proposed to align the Scottish Growth Scheme and the SME Holding Fund within the Scottish National Investment Bank⁷. It is currently being considered whether there are other investment programmes that may be consolidated within the Bank.

24. Operational planning for the transfer of the Scottish Investment Bank, the Scottish Growth Scheme, and the SME Holding Fund to the Bank has commenced. That work is at an exploratory stage and anticipated timescales for transfer of the financing programmes to the Bank, and identification of any costs associated with doing so, are still under development and as such

⁷ Further information on the Scottish Growth Scheme is available here: <https://www.gov.scot/policies/supporting-business/finance/>. Further information on the SME Holding Fund is available here: <https://www.gov.scot/policies/european-structural-funds/competitive-in-business/>.

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no costs, or projected revenues from these programmes, have been included in the modelling at this time.

Costs for the establishment of the Scottish National Investment Bank

25. In addition to costs for capitalisation of the Bank, there will be a number of costs on the Scottish Administration as a result of the work necessary to establish the Bank and to support it to become fully operational. These fall into the categories of: costs associated with the Scottish Government Bank Programme, one-off set up costs for the Bank, ongoing costs associated with the Scottish Government sponsor unit, and the operating costs of the Bank until the point at which the Bank is capable of covering its operating costs from its revenues.

26. Table 2 sets out the total estimated costs that are projected to be incurred by the Scottish Administration through the project to establish the Bank. Further detail on the estimates is set out in the remainder of the Memorandum.

27. The estimates provided for the costs incurred in relation to the Scottish Government Bank Programme, the set-up costs for the Bank, and the Scottish Government sponsorship unit are estimates based on planning conducted to date⁸. These estimates will be refined as operational planning progresses.

28. The estimate for the Scottish Administration's contribution to the operating costs of the Bank once established has been reached as a result of indicative financial modelling. The indicative financial modelling includes projected operating costs and Bank revenues to identify a projected point at which the Bank will be capable of covering its operating costs from its revenues. The projected costs that the Scottish Administration will incur is the shortfall between the Bank's projected operating costs and revenue

⁸ Costs for the Scottish Government Bank Programme relate to costs incurred within the Scottish Government in relation to the preparation and operational planning for the establishment of the Bank. The set up costs refers to the one-off costs associated with establishment of the Bank as a new entity. Costs for the Scottish Government sponsorship unit are costs incurred within the Scottish Government on an ongoing basis . Further detail on these costs is included later in this Memorandum.

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before it reaches this point. Further detail on these projections are set out elsewhere in this Memorandum.

Table 2 – Costs for the establishment for the Scottish National Investment Bank

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
Scottish Government Bank Programme	4.0	15.0	4.0	-	-	23.0
Set up costs for the Bank	-	-	5.0	-	-	5.0
Scottish Government sponsor unit	-	-	2.0	1.0	1.0	4.0
Contribution to the operating costs of the Bank	-	-	11.6	5.3	1.0	17.9
Total	4.0	15.0	22.6	6.3	2.0	49.9

Scottish Government Scottish National Investment Bank Programme

29. A number of costs have been incurred in relation to the Scottish Government programme to establish the Scottish National Investment Bank. Table 3 shows the costs projected to be incurred to the end of 2018/19, in

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2019/20 and in 2020/21. Thereafter the Bank will be in operation and costs incurred within the Scottish Government will be as a result of the Scottish Government's role as a sponsor and shareholder in the Bank.

30. Table 3 summarises the costs to be incurred as a result of the Scottish Government programme to establish the Bank.

Table 3 – Costs of the Scottish Government Bank Programme

	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m
Staff costs	1.0	3.8	1.5	6.3
Consultant support	1.6	4.2	1.1	6.9
Accommodation	0.7	1.0	1.0	2.7
Recruitment	-	1.2	-	1.2
Misc.	0.7	4.8	0.4	5.9
Total	4.0	15	4.0	23

31. The costs incurred in 2018/19 include the staff costs associated with the Scottish Government civil servants working on the programme to establish the Bank and costs associated with accommodating the Bank's programme team to alternative premises in Waverley Gate, Edinburgh.

32. The costs estimated to be incurred in 2019/20 include: additional consultancy support to support operational planning for the establishment of the Bank, and accommodation costs for the alternative premises. The estimated miscellaneous costs also include a contingency allocation. The contingency allocation in 2019/20 is larger than in other years to account for uncertainty in costs associated with integrating existing Scottish Government funding programmes into the Scottish Government Scottish National

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Investment Bank Programme. It is anticipated that as operational planning and the integration of existing programmes progresses this estimate will be refined.

33. The costs to be incurred in 2020/21 are indicative estimates which will be refined as operational planning continues.

Set-up costs for establishment of the Scottish National Investment Bank

34. There will be a number of one-off set up costs associated with the establishment of the Scottish National Investment Bank. Initial estimates for the costs that the Scottish Government has identified so far are summarised in Table 4. Costs that are projected to be incurred on an ongoing basis are set out elsewhere in this Memorandum.

35. It may be the case that the Bank utilises a group structure, with a holding company and subsidiaries, as has been the case with the British Business Bank. The analysis of costs below, however, does not assume a structure for the Bank or allocation of costs between prospective subsidiaries. Further operational planning during 2019 will identify a prospective structure for the Bank. These estimated costs will also be incurred independently of decisions made about the future of the Scottish Investment Bank and other investment programmes to be consolidated into the Bank once established.

36. The initial estimates below have been adjusted for future inflation of 2% and an optimism bias has been included in line with HM Treasury Green Book recommendations. These estimates are expected to change over the course of 2019 as operational planning progresses. Whilst most costs are expected to be incurred in 2020/21 it is possible that some costs (e.g. for recruitment, ICT or property) may start to be incurred earlier than this to allow the Bank to be operational in 2020.

Table 4 - One-off establishment costs

	2020/21	Total
	£m	£m

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Recruitment	0.5	0.5
ICT and digital	0.3	0.3
Estates	2.8	2.8
Corporate Services	0.3	0.3
Branding and website	0.5	0.5
Misc.	0.6	0.6
Total	5.0	5.0

37. The estimated recruitment costs relate to initial recruitment of staff to the Bank and includes the estimated costs for recruitment of the first Chair and the initial members of the Board, including the non-executives and the Chief Executive. These costs do not include the ongoing costs including remuneration.

38. The Scottish Government intends to commence the appointment process for the Chair, Chief Executive and the remainder of the Board at the earliest possible juncture as an essential step towards the Bank being fully operational in 2020. Consultation on the proposals for the Bill set out that a separate process to the regulated appointment process will be needed for the initial appointments to the Board. The initial appointments will be made after a fair and open competition, and in line with the principles of the regulated process. This arrangement will enable appointment of a Chair and Board in time for them to support the establishment of the Bank and enable the Chair to participate in the Board appointments. Subsequent appointments will be carried out under the regulated process overseen by the Commissioner for Ethical Standards in Public Life in Scotland.

39. The recruitment cost estimates project total anticipated costs for recruitment of staff for the new body. Some of the total costs may require to be incurred in 2019/20 in preparation for the Bank being operational during

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2020. The estimates of the costs of recruiting have been made in line with Scottish Government recruitment costs.

40. The ICT and digital cost estimates relate to one-off set up costs for ICT and digital systems for the Bank. As operational planning progresses the Bank's ICT and digital requirements, and how these might be met, will be developed fully. Where appropriate, integration with or the use of existing systems in other public bodies will be considered. In other circumstances it may be necessary to procure separate systems for the Bank. It is not, however, currently anticipated that the establishment of the Bank will require the development of new ICT projects. In some cases it may be suitable for the Bank to use existing Scottish Government systems.

41. The ICT and digital cost estimates are based on the costs of using existing Scottish Government systems.

42. The estimate of estates costs covers the costs of securing and fitting out of office space for the Bank (excluding ICT costs which are dealt with elsewhere). Fit out costs include furniture, fit-out works etc. and are calculated on a per head of staff basis. It is assumed that the Bank will be predominantly based at a single location. Where the Bank may make use of other locations a range of options will be considered including co-location. Operational planning will be conducted over 2019 to enable decisions to be made sufficiently in advance of the establishment of the Bank in 2020.

43. The corporate services cost estimates cover the setting up of shared services for some of the corporate services of the Bank, such as procurement, HR, and internal audit. Some agreements are expected to require a one-off set up cost which is recorded here. These estimates are based on the costs of Scottish Government shared services although it is recognised that the Bank may make alternative arrangements. Estimates of ongoing corporate services costs are recorded elsewhere.

44. The branding and website cost estimates cover anticipated set up costs for branding design and website development. These costs are likely to fall in 2020/21 so that the website is in place for the creation of the Bank though preparatory work may also take place in 2019/20. The estimated costs are based on the costs incurred by similar bodies.

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45. The miscellaneous cost estimates may include additional consultancy support or research costs.

Costs for a Scottish Government sponsorship unit

46. Once the Bank itself is established the Scottish Ministers will be the sole shareholder. It is intended that the sponsor function for the Bank as a public body will include oversight of the Bank's activities, from the perspective of the Scottish Ministers as the sole shareholder. A higher estimate has been provided for costs associated with the sponsorship unit in 2020/21 than in subsequent years to reflect the transition in that financial year within the Scottish Government from the programme to establish the Bank to a sponsorship and shareholder role.

47. Costs associated with the Scottish Government sponsorship unit are anticipated in particular to include: staffing and staff related costs, costs for external consultancy support, costs for research and costs associated with the Advisory Group. These and other costs will be identified in greater detail as the operational planning progresses.

48. An Advisory Group of up to 20 members will be established to provide the Scottish Ministers with advice on the Bank's objectives, conduct and performance. It will be resourced by the Scottish Government and is anticipated to meet 1-2 times a year. The establishment of an Advisory Group is not provided for in the Bill but will take place following the coming into force of the Bill.

49. Depending on how the Advisory Group is to be set up, operate and be supported, costs per annum are estimated to range between £20,000 and £50,000 per annum.

Scottish Government contribution to the operating costs of the Scottish National Investment Bank

50. The Implementation Plan set out that one of the essential milestones for the implementation and successful operation of the Bank should be that it become self-funding over the medium term. That is, that the Bank will cover its operating costs from the revenue returns made on its investments. Until the Bank is able to meet its operating costs from its revenue income, it will need to be supported by the Scottish Administration.

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51. Projections of the estimated revenue to be generated by the Bank are based on the indicative financial modelling conducted to date, which is based on assumptions on the investments the Bank will make and their associated performance over time. These estimates are subject to further refinement as work on the Bank continues.

52. We have projected indicative overall operating costs for the Bank and an anticipated ratio of staff costs to non-staff costs based on the experience of comparable bodies⁹. Comparison of the staff costs to non-staff costs of comparator bodies found that, on average, 63% of their operating costs are staff costs¹⁰.

53. In addition to this, the Implementation Plan estimated that the fully-capitalised Bank would require 100-150 staff members and that the Bank's annual operating costs would range from £20 million per annum to £30 million per annum. As the most recent consultation set out, £30 million per annum was considered to be at the top end of the Bank's anticipated operating costs and the eventual model was expected to be below this. For the purposes of this Financial Memorandum, and to inform indicative financial modelling for the Bank, a mid-point estimate has been taken and the modelling has been based on estimated staff levels of 130 at the point at which the Bank is fully-capitalised (2027/28). This estimate of staff levels is broadly comparable to the experience of comparator bodies as set out at Table 6.

54. The indicative financial modelling projects anticipated operating costs well short of the midpoint estimate of £25 million at the point of the Bank's establishment (shown in Table 5). The Bank's operating costs are then projected to gradually increase as the capitalisation of the Bank proceeds and, accounting for inflation, are anticipated to meet the upper per annum estimate of £30 million in 2027/28; the point at which the Bank is fully capitalised.

Table 5 - Projected staff and non-staff costs

⁹ The British Business Bank, the Green Investment Bank and the Development Bank of Wales.

¹⁰ Based on publicly available accounts for FY 2016/17, the last financial year in which the Green Investment Bank was within the public sector.

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	Staff costs £m	Non-staff costs £m	Total operating costs £m
2020/21	7.2	8.4*	15.6
2021/22	10.8	8.6	19.4
2022/23	11.9	9.0	20.9
2023/24	13.2	9.4	22.6
2024/25	14.5	9.8	24.3
2025/26	15.9	10.2	26.1
2026/27	17.4	10.7	28.0
2027/28	18.9	11.1	30.0

*This does not include the one off establishment costs of £5 million highlighted in Table 4.

55. As the operational planning for the Bank progresses the anticipated operating costs and the anticipated staffing profile will be refined, including definition of anticipated roles. In particular work is ongoing to estimate staff costs further to the indicative overall costs set out in Table 5.

56. For comparison, the staff costs for several similar organisations are included in Table 6. These are taken from their publicly available accounts.

Table 6: Comparator bodies

	British Business Bank (2016/17)	Development Bank of Wales (2016/17)	Green Investment Bank (2016/17)

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Number of staff	144	138	120
Total staff costs	£15.35m ¹¹	£7.7m	£19.49m ¹²
Total operating costs	£22.65m	£13.9m	£32.09m

57. Further financial modelling will refine projections of the point at which the Bank will be able to meet the Implementation Plan’s recommendation that it “become self-funding over the medium term that is; the Bank covers its operating costs from investment returns.” As set out above, until the Bank is able to meet its operating costs from its revenue income it will need to be supported by the Scottish Administration.

58. The indicative financial modelling conducted to date indicates that costs on the Scottish Administration as a result of the operation of the Bank until it is able to break-even are estimated to be £17.9 million in total in resource budget requirement. The indicative financial modelling projects that the Bank will cover its operational costs from 2023/24. The indicative financial modelling is subject to further review and change. Projections of the costs on the Scottish Administration as a result of the operation of the Bank are therefore subject to further refinement.

59. Further detail on the projected operating costs that have informed the indicative financial modelling and its results will be published on the Scottish Government’s webpages¹³.

¹¹ Includes Board costs of £275k for Chair and non-executive directors.

¹² Includes Board costs of £320k for Chair and non-executive directors.

¹³ <https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/>

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Operating Staff Costs

60. As set out above, the numbers of staff employed by the Bank is currently projected to rise to 130 full time equivalents in 2027/2028, when the Bank is expected to be fully capitalised.

61. The projected staff costs in Table 5 are based on the experience of comparator bodies. The projections do not assume a particular pay policy for the Bank. The pay policy to be determined for the Bank will have support delivery of the associated staff costs within the Bank's overall operating costs envelope at the point of full capitalisation.

62. The Implementation Plan recommended that the Bank should be able to offer employment and remuneration terms which are sufficiently competitive to attract suitably skilled and experienced people. The Bank will need to recruit a range of staff with a variety of skill sets and the Bank's employment terms and conditions must support the Bank to deliver the positive impacts anticipated.

63. The Bank's remuneration policy will be determined by the Bank's Board subject to the direction of the Scottish Ministers and to the overall operating costs envelope agreed by the Scottish Ministers. The views expressed by stakeholders, and the responses received to the previous consultations, will also be considered. It may be necessary for the Bank's remuneration policy to deviate in some areas from Public Sector Pay Policy. The Scottish Government, however, has been clear throughout that, although the Bank will have to pay people accordingly in order to attract staff who can deliver the intended impact of the Bank, this must be done within limits and in a way, that supports the development of a positive, inclusive and diverse culture for the Bank.

Operating non-staff costs

64. Work to identify anticipated non-staff operating costs to be incurred by the Bank has commenced. These are anticipated to include costs for: IT and digital, corporate services, consultant support, estates and marketing. The costs anticipated to be incurred in relation to each of these categories will depend on the identified needs of the Bank and the operating model it will implement. Further operational planning will determine the requirements to be used as the basis for the development of cost estimates to be developed.

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65. The costs for ICT and digital will include the costs of computers, mobile devices, ongoing website maintenance, printers, and basic IT programmes. Corporate services costs will include finance, human resources and payroll, procurement, and internal and external audit. The Bank is also anticipated to incur costs for procuring consultant support though the level of this will be contingent on the final operating model.

66. The estates costs of the Bank will be contingent on the location chosen for the Bank, the type of property selected, and the type of procurement required (for example, lease versus build). Work during 2019 will determine where in Scotland the Bank should be located.

67. There will also be additional miscellaneous costs incurred by the Bank including running and administration costs such as stationary, travel and subsistence, training and hospitality costs.

Costs on Local Authorities

68. As the Scottish National Investment Bank will be established as a public body and the costs for its establishment and capitalisation will be borne by the Scottish Government, no direct or indirect costs will be imposed on local authorities as a result of the Bill.

69. The establishment of the Bank is intended to deliver increased sustainable economic growth across Scotland so we would in fact anticipate financial benefit for local authorities from the increased economic activity in their council areas. It is important that the positive economic and social impacts of the Bank are delivered across Scotland. The Equality Impact Assessment published on the Scottish Government's webpages¹⁴ sets out the importance of the Bank ensuring that businesses are not disadvantaged when it comes to seeking financing from the Bank because of their location within Scotland, and one of the strengths of the Bank compared with other similar investment bodies is expected to be its ability to understand and respond to localised variations in the economy and in business activity across Scotland. In this way all local authorities in Scotland should benefit from the Bank's activities.

¹⁴ <https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/>

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Costs on Other Bodies, Individuals And Businesses

70. There will be no direct costs imposed on other bodies, individuals and businesses as a result of the Bill. As set out in the Implementation Plan the Bank will operate on a commercial basis. For those who contract with the Bank therefore, there may be costs incurred via, for example, fees or interest payments on financing received from the Bank.

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