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Richard Leonard MSP  
Convener Public Audit Committee  
Scottish Parliament

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Convener Economy and Fair Work Committee  
Scottish Parliament

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25 March 2026

Dear Committee Conveners,

I am writing to provide an update on recent joint work undertaken by the Scottish Government and the Scottish National Investment Bank regarding the long-term ambition for the Bank to act as a Perpetual Fund. This follows continued Parliamentary and public interest in the Bank's development, as well as recommendations made by Audit Scotland in its 2025 report.

During January and February, Scottish Government officials and the Bank held a series of detailed workshops to deepen our understanding of the financial, budgeting and operational considerations associated with enabling the Bank to act like a Perpetual Fund. These sessions established a consensus on the technical requirements, how these differ from the standard public finance arrangements for Non-Departmental Public Bodies, and the key implementation challenges. The workshops also allowed us to review progress of ongoing engagement with the UK Government on the UK Financial Transaction (FT) Control Framework and on the designation and operation of Public Finance Institutions (PuFIs).

There is collective agreement about the importance of maintaining momentum and using all channels to progress this work. The Deputy First Minister and Cabinet Secretary for the Economy and Gaelic, together with the Cabinet Secretary for Finance and Local Government have approved a joint '**Statement of Intent**', developed collaboratively with the Bank. This Statement, included at **Annex A**, sets out our shared ambition across four key areas.

This Statement will guide official-level work planning and shape our ongoing engagement with the UK Government. It recognises the Bank's role in supporting long-term investment in Scotland's net zero, place-based and innovation missions, and the expectations of a growing contribution to housing.

The statement also emphasises that securing robust and enduring long-term arrangements around income retention, multi-year budgeting and managing investment volatility will be important to enable the Bank to deliver against its missions. As a result, we will continue to

develop options to strengthen these approaches within the existing devolved fiscal framework, while also engaging HM Treasury on the implications of wider public finance reforms, including the FT control framework.

The Scottish Government has been clear about the importance of the Bank's role as a long-term, mission-driven investor. The work underway with the Bank and UK Government represents a significant step towards enabling the Bank to operate on a perpetual basis, and officials will support incoming ministers to consider how best to make further progress on these matters.

Regards,

Gregor Irwin  
Director-General Economy

**Secure future quantum and sustainable flow of FTs**

With increasing proportions of UK Financial Transactions moving outside of the usual funding allocation mechanisms for devolved administrations, the Scottish Government will seek to negotiate an alternative mechanism that secures the future quantum and flow of Financial Transactions budgets that enables Scottish Ministers to maintain and grow investment and economic development activities.

**Seek PuFin designation for SNIB**

The Scottish Government and the Bank have assessed the Bank against the HMT criteria for PuFin designation and believe that the Bank meets the requirements. We will seek formal designation with HMT, subject to conditions for participation being understood clearly and pragmatic modifications to the expected arrangements agreed to suit the devolved context.

**Seek parity of opportunity with UKG that allows SG to create an appropriately permissive environment for Scottish PuFins**

The Scottish Government and the Bank agree that the Bank should have access to any benefits of budgetary flexibilities that are available to UK PUFINs under the new FT control framework and SG will seek from UKG the tools and flexibilities necessary to provide those. SG will work with HMT to understand how arrangements for UK PUFINs work and assess the scope to design a framework that would work in devolved setting for SNIB, whilst still satisfying the principles of the FT control framework.

**Create the conditions that enable Bank to act as a Perpetual Fund**

The Scottish National Investment Bank and the Scottish Government are agreed that the Bank should have the ability to act as a perpetual investment institution. It is recognised that full resolution to this issue is required in the near term, and will be prioritised by both institutions.

The key components of being able to act as a perpetual investment institution are the establishment of a permanent capital base, and the ability to retain capital both in-year and across financial year ends, for investment in subsequent financial years. This will enable the Bank to:

- Retain undeployed capitalisation across financial year ends, for deployment in subsequent financial years;
- Retain investment returns - both returned capital and income - for reinvestment, including across financial years;
- Utilise retained investment returns to meet realised losses; and,
- Develop market and investor confidence in the Bank's long-term role and capability, supporting further crowding in and, in time, raising of third party capital.

Both parties are open minded on the route to resolution of these issues, but recognise that several of the budgetary levers that would enable Perpetual Fund arrangements remain with the UK Government. The Scottish Government will explore all steps open to it within the current devolved funding arrangements, including intermediate actions, but full resolution of the above issues will require action from UK and Scottish Governments to provide long-term certainty for the Bank. The Bank will engage fully with the Scottish Government to support its work.