Pre-budget scrutiny on the 2027/28 draft Scottish budget

Scottish National Investment Bank

1. About the Scottish National Investment Bank

I became Chief Executive of the Scottish National Investment Bank in January 2026. Since that point I have reflected on the Bank's journey since launch, the lessons we have learned, and the role we can play in supporting Scotland's economic future.
As Scotland's development bank we invest patient debt and equity capital in businesses and projects that support our Net Zero, Place and Innovation missions. We invest on commercial terms, seeking both financial returns and measurable economic, social and environmental impact.

Since launch, the Bank has received nearly 1,700 enquiries and committed more than £1.2 billion across 53 businesses and projects, with a further £1.9 billion invested alongside our capital by public and private sector investors.
Our investments have also positively impacted more than 325,000 people, supported around 1,000 new homes, helped sustain over 3,300 jobs and contributed to economic activity across 28 of Scotland's 32 local authority areas.

2. Strategic Priorities

The economic environment in which we operate has evolved significantly. Our Business Plan and Investment Strategy, published earlier this year, reflect both that changing environment and the lessons we have learned since launch.

The Scottish National Investment Bank remains focused on:

- Building a stronger and more resilient portfolio;
- Delivering sustainable returns through strong commercial discipline;
- Attracting additional private investment into Scotland; and
- Maximising our long-term impact.

Through our Net Zero mission, we are supporting Scotland's energy security, resilience and transition. Investments such as Pentland Floating Offshore Wind Project and the Devilla Battery Energy Storage System demonstrate how the Bank can help unlock opportunities in offshore wind, energy infrastructure and the transition to a low-carbon economy.

Through our Place mission, we are continuing to increase the pace and scale of delivery of high-quality, energy-efficient homes and regeneration across Scotland. Investments in the Octopus Affordable Housing Fund and SME housebuilders such as Whiteburn are helping increase housing supply while supporting economic growth.
Through our Innovation mission, we are backing ambitious sector-agnostic businesses with the potential to scale, create high-quality jobs and compete internationally. Investments in companies such as EnteroBiotix and Bioliberty demonstrate the strength of innovation emerging from Scotland, particularly from our leading universities, and the opportunity to build globally competitive businesses.

The scale of Scotland's opportunities and challenges across housing, infrastructure, innovation and the energy transition cannot be met by public capital alone. The Bank’s commercial investment presents an opportunity to deploy public capital on a recyclable basis, delivering greater efficiency compared to traditional grant funding and sub-commercial routes.

Our Business Plan sets out our ambition to maintain our leading role as a commercial investor in both the offshore wind and the housing sectors. Given the capital intensity of those sectors, maintaining current levels of investment will require access to further capital from Scottish Government. We continue to engage on that issue.
Engaging and mobilising private capital at scale is also critical to delivering impact against our missions. Alongside our core investment activity, we have therefore set an ambition to attract and manage third-party capital, enabling us to bring additional investment into Scotland and extend our impact.

3. Investment Performance

The Bank’s 2025/26 Annual Report and Accounts sets out a record year of investment commitment with the Bank committing £374 million last year into businesses and projects across Scotland. That is our highest annual level of investment to date and has brought in other investment of £445 million, from high-quality investment partners including Octopus, Strathclyde Pension Fund, National Wealth Fund, Copenhagen Infrastructure Partners, GB Energy, SSE, Goldman Sachs and KIRKBI.
In 2025/26 the Bank did record investment losses of £65 million and unrealised losses of £85 million.

The realised losses relate to M Squared Lasers, R3 IoT and Trojan Energy. The unrealised losses include write-downs associated with Orbex and PneumoWave. Additionally, we included fair value provisions against a further 7 investee companies, of which PureLifi and Calcivis have entered administration. We continue to work with the remaining businesses and will seek to maximise our value recovery.

A degree of loss is consistent with the higher-risk elements of a development bank portfolio, particularly in earlier-stage and scaling businesses. However, that does not diminish our responsibility to learn from these outcomes and strengthen our approach as stewards of public capital.

The losses reflect a combination of factors, including challenging market conditions, a constrained fundraising environment, inflationary pressures and supply chain disruption. In some cases, investee companies did not achieve the commercial and operational milestones anticipated at the time of investment.
While challenges remain, the Bank has already taken action to strengthen portfolio construction and portfolio management. We are encouraged by the progress being demonstrated across much of the portfolio and remain focused on maximising long-term value from our investments.

Going forward we will continue to refine our approach to investment and to portfolio management, embedding lessons learned from our engagement in the market, and will be pleased to keep the Committee updated in this respect.

4. Looking Forward
The Bank's first five years have provided valuable experience and as Chief Executive I am focused on ensuring we apply those learnings as we support Scotland's long-term economic development.

The Bank’s allocation for investment in 2026/27 is £200 million. This is comprised of £190 million of Financial Transactions and up to £10 million of recycled investment returns. The Bank was not allocated a resource budget in 2026/27 and instead, for the third consecutive year, will meet its operational costs from its investment returns. We remain focussed on delivering commercial value and impact from our portfolio and our investments. In addition to the Investment Strategy and third party ambitions as set out above, we are also prioritising our work with the Scottish and UK Governments to realise the opportunity of perpetual status for the Bank through the developing Public Financial Institution workstreams at UK level.

We look forward to working with the Committee as we take these opportunities forward.

David Ritchie
Chief Executive Officer