

**SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE  
DATA PROTECTION FORM**

<b>Name:</b>	David Melhuish
<b>Date:</b>	25.4.19
<b>Organisation: (if required)</b>	Scottish Property Federation
<b>Topic of submission:</b>	Financial Memorandum: Scottish National Investment Bank

I have read and understood the privacy notice about submitting evidence to a Committee.

I am happy for my name, or that of my organisation, to be on the submission, for it to be published on the Scottish Parliament website, mentioned in any Committee report and form part of the public record.

I would like to be added to the contact list to receive updates from the Committee on this and other pieces of work. I understand I can unsubscribe at any time.

Non-standard submissions

Occasionally, the Committee may agree to accept submissions in a non-standard format. Tick the box below if you would like someone from the clerking team to get in touch with you about submitting anonymously or confidentially (not for publication). It is for the Committee to take the final decision on whether you can submit in this way.

I would like to request that my submission be processed in a non-standard way.

## **FINANCE AND CONSTITUTION COMMITTEE**

### **SCOTTISH NATIONAL INVESTMENT BANK BILL**

Please do not add any organisation logos

Please insert your response below

In addition to the questions below, please add any other comments you may have which would assist the Committee's scrutiny of the FM.

#### **Introduction**

The Scottish Property Federation (SPF) is a voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers. In total we number over 185 businesses and organisations with Scottish real estate industry interests.

#### **Consultation Questions**

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

The Scottish Property Federation participated in the consultation and also engaged with Benny Higgins in his capacity as Adviser to the Scottish Government on the initial proposals for a Scottish National Investment Bank. In addition to formally commenting on the Scottish Government's proposals, we have also hosted a stakeholder meeting with Scottish Government officials working on the proposals for a Scottish National Investment Bank during the consultation phase.

In relation to the financial assumptions we made the following points in our consultation response. First, the capitalisation of the Bank is we fear too low to achieve the potential of Scottish National Investment Bank to grow the economy. Second, we questioned if Scottish National Investment Bank would be able to recruit key personnel from experienced and expert private sector sources in order to attract the best possible talent to the new Scottish National Investment Bank. To attract the best talent to achieve the aims of the Bank, the Scottish National Investment Bank is likely to need to go beyond public sector pay policies. The Scottish Government recognise this in the Financial Memorandum, but it remains unclear as to how flexible their recruitment policies will be in order to attain the necessary expertise that is familiar with the capital markets.

It is the intention of the government to establish a Bank that will come to be able to meet its ongoing operating costs on the basis of the investments it will make. There are good reasons to believe that this is a reasonable strategy to take. The Scottish Partnership for Regeneration in Urban Centres (SPRUCE) has successfully attracted private sector sponsors and supported investments in a difficult market for commercial property investments, where there was little appetite for supporting speculative developments to support economic growth over a period of time. Given frequent concerns raised by smaller businesses in particular

over access to finance we believe the experience of SPRUCE suggests there should be a powerful role for the Scottish National Investment Bank to play in growing the economy.

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

Not applicable.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

### **Costs**

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

The Bill has no direct costs for our Organisation.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

On the whole and in the context of the proposals as we understand them to be currently framed, yes. The government has drawn sensible comparisons we believe with the British Business Bank and the Development Bank of Wales and therefore made a reasonable estimate of the costs associated with the Scottish National Investment Bank. We have also looked at the operating costs associated with another wholly owned government company that has drawn extensively on private sector expertise, the Scottish Futures Trust. With some 64 staff the SFT is not as large as the proposed Scottish National Investment Bank but with SFT staff costs of around £7.4mn, according to its 2018 accounts this would appear to suggest that the proposals outlined by the Scottish Government's Scottish National Investment Bank financial memorandum of staff costs for 120 personnel of £19.49mn by 2027-28 are a reasonable estimate at this stage.

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

Not applicable.

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?

We have said that we believe the costs associated with private sector recruitment may not be known fully at this stage. Similarly, the costs identified for consultancy, advisory services, IT, branding etc. may well grow as the Bank begins to take shape. The Scottish Government have themselves acknowledges some of these costs may grow as their operational planning progresses in the initial years of the Bank's formulation.

### **Wider Issues**

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

We think it is likely that there will be further costs as the Government establishes the new Bank's operating parameters but at this stage we would not be able to offer any further comment on specific costs. We repeat that we believe the costs set out by the Scottish Government in the FM are a reasonable estimate at this stage.

While we have broadly supported the costs assessed under the Financial memorandum at this early stage of the Bill, we do feel there are some wider financial issues that are unclear. The intentions of the Bank, as we understood it, are that the Bank would effectively be operationally independent of Scottish Ministers while adhering to Missions set by the Scottish Government. The Bank is also to become financially viable in its own right as its returns support the cost of its operations. We are uncertain, however, as to the freedom the Bank will enjoy to engage directly to transact with the capital markets and with what level of risk it will be enabled to take, in relation to both its own financial arrangements and to potential projects it may wish to support. We feel this issue of financial risk may be worth exploring further as the Bill progresses.

We would be pleased to answer any further questions on our comments that the Committee may have.

David Melhuish  
Director  
[dmelhuish@bpf.org.uk](mailto:dmelhuish@bpf.org.uk)  
0131 220 6353