

GAD reviews modelling of new state bank in Scotland

Scottish National Investment Bank due to open in June 2020

The Government Actuary's Department (GAD) has conducted quality assurance (QA) analysis of the financial modelling which will be used by the new Scottish National Investment Bank.

Scotland's First Minister announced the creation of the [Scottish National Investment Bank](#) in 2017. The bank is expected to be operational later in 2020, with initial funding of £2 billion over 10 years from the Scottish Government.

It will aim to support small and medium size enterprises and encourage innovation, by directing investments that deliver economic, environmental and social returns. This is part of a longer-term plan to help Scotland's journey towards net-zero carbon emissions.

Quality assurance

GAD carried out QA checks on the financial forecast model which the bank intends to use to inform its decision-making strategy.

The bank's model successfully passed the QA process. The modelling will help it to understand its financial position and the impact of different outcomes from its financial instruments. This provides the bank with the analytical basis to support a sustainable business model.

Due to the importance of this modelling, the bank has followed best practice by obtaining an independent quality assurance review of the model from GAD.

Left to right: Jack O'Neil, Nazmus Haq and Opeolorun Ojo

Checking the model

The GAD project leader, actuary Nazmus Haq said: "We've been examining and stress-testing the financial model which the bank plans to use when it works out how much money it can invest in projects each year.

"The model, which was built over 6 months, currently looks at a variety of different financial instruments, including debt, guarantees, equity and mezzanine finance. We inspected it to see if the methodology used in the model was applied correctly, and whether it followed best practice guidelines. We also identified potential areas of risk and we suggested

recommendations for further development for the bank to consider.”

Successful model

The bank will aim to be fully self-sustaining based on re-investing the returns from its investments and aim to make a lasting influence on the Scottish economy.

GAD’s role and expertise has ensured that the bank’s financial modelling is the best it can be when it comes to usability, supporting robust decision making, identifying risks and best practice.