

Financial Services Advisory Board – 19 December 2017

Ernst and Young, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

Present

- Nicola Sturgeon, First Minister
- Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work
- Paul Wheelhouse, Minister for Business, Energy and Innovation
- Jim Pettigrew - Scottish Financial Enterprise, Deputy Industry Chair
- Catherine Burnet - KPMG
- Christine O'Neill - Brodies
- Graeme Jones - SFE
- Sue Dawe -Ernst and Young
- Philip Grant - Lloyds Banking Group
- Jayne-Anne Ghadia - Virgin Money
- Anne Richards - M&G
- Angus McPherson - Noble and Company
- Linda Hanna - Scottish Enterprise
- Professor Sir Tim O'Shea
- Jim Lindsay - FiSAB Skills Group
- Malcolm Buchanan - Royal Bank of Scotland
- Barry Muir - State Street

Also in attendance

- Ian Hanson - Skills Development Scotland
- Louise Smith - RBS
- John McGuigan - Standard Life Aberdeen
- Bronwyn Torrie - SFE
- Geoff Aberdein - SFE Public Affairs & Communications Group
- Colin Macleay
- Lyn Turner - Unite The Union

Scottish Government:

- Liz Ditchburn - Director General Economy
- Karen Rodger - Policy Lead, Financial Services
- Jacqueline McKellan - Senior Policy Executive, Financial Services
- Francis Taylor - Policy Advisor, Financial Services

Apologies

- Agnes Tolmie, Unite the Union
- Lena Wilson, Scottish Enterprise – replaced by Linda Hanna representing Scottish Enterprise interests
- David Skinn, Aviva
- Barry O'Dwyer, Standard Life Aberdeen (represented by John McGuigan)
- Benny Higgins, TescoBank/Scottish National Investment Bank.

1. Welcome and Introductions (ITEM 1)

- 1.1. FM welcomed members to the final FiSAB meeting of 2017 welcoming Sue Dawe to her first meeting. Noted apologies and no additional items.

2. Scottish Government update (ITEM 2)

Programme for Government

- 2.1. First Minister noted that there have been a number of significant events since the last meeting in May and highlighted September's launch of the Programme for Government (PfG). The PfG was developed with a focus on meeting the changing needs of Scotland's people and the many challenges facing us – including Brexit, the continuous advance of technology, climate change and the implications of an ageing population.
- 2.2. A key theme of the programme is the Scottish Government's (SG's) support for innovation and support for existing industries in adapting to the future and using developments in data and digital technology to make Scotland's economy more competitive, productive, innovative, fair and profitable.
- 2.3. The PfG confirmed SG's commitment to provide funding of up to £250,000, from Scottish Government and Scottish Enterprise to support the development of FinTech Scotland, to help secure Scotland's position as a world leader in financial services.
- 2.4. The PfG also announced that SG is working to establish a Scottish National Investment Bank (SNIB) to provide patient capital for growth and to support our overall economic strategy. FM noted that Benny Higgins, Tesco Bank is providing a strong lead on this work. An update on the development of SNIB will be provided at the next meeting of FiSAB.

Budget

- 2.5. The First Minister noted that the draft budget was presented to Parliament on 14 December and highlighted the proposed reforms to the income tax system in Scotland, intended to create a more progressive tax system while providing some additional revenue to the Scottish Government.
- 2.6. Mr Brown outlined some of the measures set out in the draft budget to support Scotland's economy:
 - 2.6.1. *Business Rates* - The Draft Budget 2018-19 includes the most attractive Business Rates relief package in the UK, worth a record £720 million, up from £660 million in 2017-18.
 - 2.6.2. *Business Rates* - Scotland's businesses will benefit from the decision to use CPI rather than RPI to calculate the annual uplift in Business Rates poundage this year. This move has been demanded by business and is supported by the Barclay Review. The new Business Growth Accelerator also means that no business rates increases will be payable for new or improved properties for a period of one year.
 - 2.6.3. *The Small Business Bonus Scheme* - protected, lifting 100,000 properties out of rates altogether.
 - 2.6.4. *Innovation* - £15 million of additional investment in research and development and £4 million of investment in the Unlocking Ambition Challenge over the next two years, for a group of up to 40 entrepreneurs to be mentored by some of

Scotland's leading entrepreneurs.

- 2.6.5. *A new National Manufacturing Institute* - supported with £18 million of investment to give Scotland a competitive advantage in cutting edge forms of manufacturing
- 2.6.6. *Enterprise and Skills* – Scottish Government will invest £2.4 billion in enterprise and skills bodies, including universities and colleges, and the Strategic Board announced in the Programme for Government (PfG).
- 2.6.7. *Digital infrastructure* - £600 million procurement launched to support the Reaching 100 programme. This builds digital infrastructure by delivering superfast broadband to 100% of residential and business properties by 2021 (£576 million of this will come from SG funding and £21 million from UKG funding). Scotland is the only part of the UK to have made this commitment.
- 2.6.8. *Physical Infrastructure* - Over £4 billion will be spent on modernising Scotland's physical infrastructure. £1.2 billion of this will be in Scotland's transport infrastructure including key road and rail projects.
- 2.6.9. *Scottish National Investment Bank* – SG will allocate the first £70 million towards a £150 million Building Scotland Fund (BSF) to support construction and infrastructure projects. The BSF is a precursor to the Scottish National Investment Bank (SNIB) announced in September's PfG. SG will set aside £340 million for initial capitalisation of the SNIB.

Branch Closures

- 2.7. First Minister then invited Mr Wheelhouse to discuss recent bank branch closures.
- 2.8. Mr Wheelhouse noted that the branch closures announced by banks in the past month, including Bank of Scotland and RBS have been met with criticism from business groups, community groups and from across the political spectrum.
- 2.9. Mr Wheelhouse noted that the UK Government has legislative responsibility for banking and financial services, however SG is willing to work constructively with UK ministers, banks and stakeholders to support customers and ensure that everything possible is done to retain essential services.
- 2.10. The recent announcements are the latest in a continuing, and accelerating programme of closures, and leave large areas of Scotland with limited branch coverage. The worst impact of these closures will be felt by the most vulnerable members of our society, for many of whom the local branch is the only feasible way to conduct their banking.
- 2.11. The SG recognises that footfall in branches is falling, and that online banking usage is continuing to grow but urged all banks to take into account the needs of all customers, and ensure that no customer is left behind. SG has had constructive conversations with RBS recently and also with Unite the Union representing the interests of their members and the communities they serve.
- 2.12. The SG would like to open up that discussion to include all banks, to see what can be done to work together to ensure that Scottish customers – both individuals and businesses – are able to access the services they need.
- 2.13. Lyn Turner of Unite indicated that the union remains fully opposed to the proposed branch closures.
- 2.14. Jim Pettigrew acknowledged access to banking services were changing as customer behaviour evolved. He noted several banks in Scotland were looking at how they can adapt services to

meet changing needs. Mr Pettigrew said SFE were looking at this difficult area with its members and ways in which to discuss the matter further with SG.

- 2.15. The Board agreed that this is an issue where FiSAB is in a strong position to take action and that where possible the banks should work collaboratively to address the issues raised by changes to banking services. Scottish Financial Enterprise agreed to support further discussions between the banks and SG.

3. SFE Update (ITEM 3)

- 3.1. Jim Pettigrew noted that 2017 has been 'a year of delivery' with FiSAB members increasingly working together to support the financial sector in Scotland and create an environment that supports the sector and the wider Scottish economy.
- 3.2. Graeme Jones outlined SFE activity over 2017, noting the continued growth of the Young Professionals Network and the establishment of the Public Affairs & Communications Forum.
- 3.3. Graeme introduced Bronwyn Torrie from SFE and Geoff Aberdeen as Chair of the PAC Forum.

4. HLSG Strategy and Vision Project, update (ITEM 4)

- 4.1. Graeme Jones updated the Board on implementation of the financial services strategy. Appointment of workstream leads expected to be completed shortly.
- 4.2. Graeme welcomed engagement with the Business schools Forum (BSF) and greater collaboration between the business schools and businesses in the financial sector.
- 4.3. Planned activity includes:
 - Business Schools Forum events;
 - Hackathon on sector challenges
- 4.4. Graeme also provided a brief update on fintech activity since the last meeting, in advance of more detailed discussion later in the meeting.

Update on 'Vision' programme and Scotland prospectus

- 4.5. Colin Macleay presented work carried out in development of a financial services prospectus for Scotland and asked for comment and agreement to proceed with further work.
- 4.6. Linda Hanna noted that SDI is very supportive of this work and has greatly contributed to the programme and is keen to see momentum maintained. She commented that the prospectus would be a useful tool in promoting Scotland to potential investors, but asked that further work be done to link in with wider promotional initiatives led by SDI, Scottish Enterprise and VisitScotland.
- 4.7. The First Minister welcomed the work to date, agreeing with the recommendation on development of 'Option 2' as visually the strongest option.
- 4.8. The First Minister agreed that the substance of the proposal and the content must be connected to, and consistent with, the wider context of work being done to promote Scotland must be connected to the wider picture.
- 4.9. Members discussed further considering how to use the document to link potential investors to further sources of information and advice and how to build a network of

contacts.

- 4.10. Mr Brown informed members of the establishment of an Investors Forum and felt that the prospectus would be of interest to that group as it considers how best to promote Scotland to potential investors.
- 4.11. Mr Wheelhouse asked whether the document could also have a role to play in attracting talent to Scotland. Ian Hanson agreed that the prospectus should reflect the diversity of the sector and people of Scotland.
- 4.12. The group also discussed whether the prospectus could include measures on the ease of doing business in Scotland, with information on taxation, on infrastructure.
- 4.13. The group agreed that work should continue and that an update on progress should be provided at the next meeting.

5. FinTech Steering Committee Update (ITEM 5)

- 5.1. Louise Smith provided an update of work done to develop and promote Scotland's FinTech sector. She described 2016 as the year for mobilizing the sector with 2017 as a year of delivery. 2018 will see that momentum continue.
- 5.2. Fintech Scotland has now been launched and governance arrangements are being put in place with process underway to appoint a Chief Executive.
- 5.3. SFE Fintech Group are focusing on three areas:
 - Considering the impact of technology on customers including expected outcomes and unexpected consequences
 - Consequences of technology on future job opportunities and ensuring workforce has skills needed, including working with schools
 - Increasing collaboration across the sector.
- 5.4. First Minister and the board welcomed the progress made, acknowledging the work that has been done to get to this point and agreeing that pace of work should continue, with engagement required from all in the sector.
- 5.5. Graeme Jones advised that Maggie Craig has now been appointed to the new position of Head of Scotland by the FCA and that this could prove useful to companies in the sector by providing a direct link to the regulator in Edinburgh.

6. Scottish Policy Foundation (ITEM 6)

- 6.1. Angus McPherson presented a short paper on the Scottish Policy Foundation launched on 30th November 2017.
- 6.2. He noted that an advisory board had been appointed and first projects had been approved and asked members to consider whether they might support this initiative.

7. AOB/conclusions and actions

- 7.1. Jim Pettigrew closed the discussion with observation that FiSAB has made real progress over 2017 and is moving in the right direction to support the sector.
- 7.2. First Minister closed the meeting echoing Jim's remarks, noting that FISAB is an excellent example of how industry leadership groups can deliver real results and of the value of public and private sector collaboration.

FiSAB Secretariat