

29 May 2020

Lord Smith of Kelvin KT CH  
 Chairman, Scottish Enterprise  
 Atrium Court  
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 Glasgow, G2 6HQ  
[Robert.Smith@scotent.co.uk](mailto:Robert.Smith@scotent.co.uk)

Dear Robert,

Thank you for your letter of 14 May concerning the establishment of the Advisory Group on Economic Recovery.

These are very challenging times for society as a whole and our overwhelming gratitude and thoughts continue to be with those staff in the NHS, social care sector and emergency services who are very much at the frontline of the COVID-19 pandemic. The priorities we now set and co-ordinated actions we undertake across business and civic Scotland in the weeks and months ahead will have a material impact on the wellbeing of our fellow citizens. Given the scale of the economic and consequential social challenge facing Scotland, we're very supportive of the work that Benny Higgins is leading with your support.

Scotland is home to a diverse and successful financial services industry which employs over 160,000 people across banking, life and pensions, asset management, and professional services and serves the needs of millions of customers and clients in Scotland, the UK, and across the world. As an industry we recognise our vital economic role and our societal responsibilities in supporting our customers, clients, and communities during these difficult times of crisis and the recovery beyond.

We're aware that many SFE members have responded directly to the survey providing a range of interesting policy considerations and recommendations. Many of these proposals will be specific to individual firms and organisations but, on behalf of SFE, I have highlighted seven particular areas, where there is broad agreement across our membership, the Scottish Government should prioritise:

1. The pace of the financial response to the crisis for business and individuals has been aided by a universal approach to support, particularly by both governments in partnership with the banks. The financing of the recovery will shift to a business by business basis. Therefore, there is a need for advice and support in determining the COVID-19 break-even points, recovery phases and operating model for each business to determine where specific continued bridging finance support may be required. There will be a need for creative solutions to balance sheet structures and funding to create the time for recovery and to facilitate the deployment of private capital. There will be a particular challenge around the management of the unwinding of the c. £28 billion of UK Government-backed lending support deployed to date. We would recommend continued alignment with the work underway on recapitalising private businesses being led by TheCityUK, which SFE is participating in. We have formed a funding group to support the Advisory Group on Economic Recovery and a bridge into the TheCityUK's recapitalisation initiative.

2. The changes in behaviour brought on by the COVID-19 crisis could create significant opportunities for Scotland. The ability of employees to work from home has significantly increased since the start of the crisis and it is likely we will shift to a more fundamental pattern of remote working as we transition to a 'new normal'. Many individuals working within the financial services industry, particularly in London, may consider relocating elsewhere in the UK in light of this shift. Scotland has the ingredients of any successful economy: a skilled talent pool, good connectivity and a high quality of life. It is therefore essential that policymakers and business work together to create a compelling narrative to attract and retain talented people to Scotland as restrictions continue to be eased.
3. Linked to the above, further opportunities exist in the broader "economy at a distance". The performance of companies such as Zoom and the rapid growth of adoption of tools like Microsoft Teams show that growth potential. The increased reliance on digital connections, supported by the very best broadband technology, could be a significant opportunity for Scotland to engage with. SFE welcomes the recent Scottish Government review into how the country's technology sector can help with economic recovery following the coronavirus pandemic and we strongly encourage FinTech Scotland to be central to that process. It is imperative that Scotland seizes the fintech opportunities that may arise from this crisis consistent with the overarching aims of financial innovation, collaboration and inclusion.
4. Providing opportunities for the next generation to enter financial services and to upskill or retrain those who are committed to our industry must remain a priority during the recovery period. Talented people with sought after skills is a key factor in firms expanding or relocating their business to Scotland. We believe a national co-ordinated business led-initiative to raise digital literacy across Scotland is needed. We recognise the role we have in Scotland in providing opportunities for those emerging from education and recommend the expansion of reskilling and direct entry approach from bespoke FE courses into specific large employers. We have piloted this approach recently in Glasgow alongside Skills Development Scotland. As well as this approach, the introduction of virtual work experience to connect young people about to emerge into work will enable them to see first-hand "the new normal" in financial services.
5. Businesses must consider their social impact, including the role they can play to help respond to the economic and social aspects of the pandemic. We must all act with a sense of shared purpose. This means being clear and consistent on the public interest objective of our activity and embedding the stewardship of this purpose into the design of our priorities. There will be a growing expectation for businesses to clearly report how they consider and engage with their stakeholders, having regard to issues that matter most to them, including our response to the COVI-19 recovery in all its aspects. Setting an expectation of this would be valuable.
6. A "green recovery" should be an opportunity. Scotland and the UK are facing the risk of high unemployment and rising regional inequality and divergence. An ambitious low carbon growth agenda could help to address these concerns whilst supporting longer term climate objectives if targeted and managed. Investments in industries and projects such as building renovation, renewable energy, environmental improvements have the potential to bring investment and job creation across the UK. It would also render the economy better prepared to deal with future shocks such as those related to climate change and deliver improvements in public health and wellbeing. Clearly our sector has a central role to play in the delivery of this agenda in terms of the provision of green finance, etc.

7. In our experience, there has been a collaborative approach across UK and Scottish Governments that has allowed universal financial support to be available at scale alongside meeting more local identified needs. The complementary balance of the approach of both governments is critical over the recovery period and we would encourage the approach to be developed further. We appreciate the need for some flexibility to allow for more tailored approaches at a national and even local level, but ideally this would sit within a consistent overarching framework that helps to provide businesses with as much clarity and consistency as possible. This is particularly important for firms with operations across multiple UK sites – many SFE members fall into this category.

Our members are proud to be supporting millions of Scottish households and businesses through the pandemic. Whilst that support is unwavering, you will know that our industry is facing its own pressures as a result of continued economic inactivity, business uncertainty and persistently low interest rates. As we move out of the initial crisis and into a recovery phase, we stand ready to work with policymakers in Scotland, the UK and beyond to ensure the business and regulatory environment supports growth and competitiveness.

Thank you for the opportunity to participate in this process. The Board of SFE has also made itself available as a sounding board for the emerging work of the Advisory Board for Economic Recovery and to support the implementation of its recommendations.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Philip Grant', written over a horizontal line.

Philip Grant  
**Chairman, Scottish Financial Enterprise**