

Scottish Business Growth Group (SBGG) minutes: 9th May 2018

Attendees

- Keith Brown MSP, Cabinet Secretary for Economy, Jobs and Fair Work, Scottish Government
- Michael Russell MSP, Minister for UK Negotiations on Scotland's Place in Europe, Scottish Government
- Lord Duncan, Parliamentary Under Secretary of State for Scotland, Office of the Secretary of State for Scotland (by phone)
- Ian Wall, SCDI
- Mark Bevan, SCDI
- Liz Cameron, Scottish Chambers of Commerce
- Tim Allan, Scottish Chambers of Commerce
- Andy Willox, Federation of Small Businesses
- Susan Love, Federation of Small Businesses
- Graeme Jones, Scottish Financial Enterprise
- Graham Hutcheon, CBI Scotland
- Mari Tunby, CBI Scotland
- David Watt, Institute of Directors
- Grahame Smith, STUC
- Tom Cartlidge, Office of the Secretary of State for Scotland
- Rebecca Hackett, Office of the Secretary of State for Scotland
- Stephen McLean, Office of the Secretary of State for Scotland (by phone)
- Conal O'Hare, Office of the Secretary of State for Scotland (by phone)
- Richard Rollison, Innovation, Industries and Investment, Scottish Government
- Stephen Pathirana, Trade and Investment Delivery, Scottish Government
- Steven Bunch, European Policy and Communications, Scottish Government
- Joe Brown, Enterprise and Cities, Scottish Government
- Emma Lopinska, Enterprise and Cities, Scottish Government

Items and actions

Introductions

Mr Brown welcomed members to the third meeting of the Group, noting that the Lobbying (Scotland) Act 2016 came into effect on 12 March 2018 and reminding those present that Scottish Ministers are covered by the terms of that Act.

Priorities for the SBGG

Mr Brown thanked business representatives for sharing with both Governments and the STUC their paper on deriving maximum value from SBGG meetings and identifying priorities to be addressed during those meetings. Subsequent discussion agreed the main focus should remain on Brexit and the UK Industrial Strategy (UKIS) (with consideration of the latter aligned closely with Scotland's Economic Strategy). Members were clear that SBGG is not the forum to have political debates, but rather should be an opportunity for members to advise and provide solutions to problematic issues to aid policy development and complement other areas of Government work. The Group agreed to meet twice a year with

the proviso that exceptional meetings can be convened if required. Labour Market and Skills was confirmed as a core topic for the next meeting.

Mr Brown and Lord Duncan both articulated willingness to be very responsive on the format SBGG meetings should take. Mr Russell noted that the only other forum in which both Governments are in the same room is the Joint Ministerial Council, and therefore endorsed the importance of the group and these meeting.

In closing, Mr Brown offered an exceptional meeting on the Labour Market topic if members felt it was sufficiently pressing. Members will consider this separately and will advise the two Governments in due course.

UK's withdrawal from the EU

Mr Russell advised members that as it was Europe Day, he was engaging in a series of events and would need to leave the meeting after the agenda item. Mr Russell noted that the UK's European Union (Withdrawal) Bill was at a critical point in its passage and explained why the Scottish Parliament had passed the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill to ensure legal stability in Scottish law, if necessary. Mr Russell also set out issues of practicality and articulated three of the likeliest scenarios that will have to be planned for, for a post-Brexit Scotland. However, it was noted that some companies, especially in the Pharmaceutical industry, are beyond the point of being able to wait for resolution or clarity, and have had to put in place alternative arrangements. One example was discussed of such alternative arrangements already having a knock-on effect to 20 Scottish companies who will no longer be able to test drugs.

Given the agreed Ministerial forum at the level below the Joint Ministerial Council, it was felt that SBGG could be useful in obtaining views and testing ideas.

Lord Duncan made clear that while the option of remaining in the single market is definitely off the table, the possibility of a Customs Union was still being discussed. Regardless, Lord Duncan was clear that the need to secure as seamless an arrangement as possible was critical and that he anticipated resolution within the next two months. On migration and the Labour Market, Lord Duncan discussed the published Migration report, and the mechanisations and future intentions set out in that.

The UK Shared Prosperity Fund and the related forthcoming consultation were discussed, with members seeking further details. Ministry of Housing, Communities & Local Government (HCLG) leads on this for the UK Government, and Lord Duncan acknowledged it will be critical to engage directly with Devolved Administrations on this, with the consultation expected to launch later in the year. It was agreed that this is the type of issue the SBGG should be discussing.

Mr Brown re-iterated the need for the Scottish Government to be involved in any consultation and policy development from the beginning. Therefore, he confirmed he would write to the Secretary of State for HCLG, and would be happy for this to be a theme for future SBGG discussions if members would find that helpful. Lord Duncan echoed the sentiment to make this discussion happen and suggested London as a possible venue. Members felt that a discussion would be most appropriate when there are more details available to discuss, but

that there should be wider engagement on the consultation rather than just restricting it to DAs. That engagement should also take place before policy is almost completely finalised – there should be an opportunity to shape that policy, as representative can help look at the practicalities. Mr Brown was equally clear that any consultation process must not follow that adopted in relation to the UKIS. Lord Duncan advised that the formal consultation is likely to begin just after summer recess and that if members would find it helpful to do something before then, they were welcome to meet with relevant UKG Ministers and officials in London. Members agreed to advise on whether SBGG should take this forward, either in September or as an extraordinary meeting.

In previous meetings, UK Government officials had alluded to sharing sectoral trade plans relevant to Scotland and members requested that those now be shared. Office of the Secretary of State for Scotland officials agreed to take this forward.

Looking at Brexit from a Financial Services perspective, the following were identified as key issues:

- Focussing on transitional arrangements to avoid market fragmentation;
- Mutual access, and how to continue to serve customers with long-term contracts;
- Regulatory co-operation, and identifying the best proxy to mutual access.

UK Industrial Strategy

Members expressed concern that there is not enough information available to foster a broad understanding of what opportunities are available, which is a barrier to re-balancing both the economy and opportunities for business within Scotland. Members also expressed concern that while it appears communication might have been improved, engagement with the wider UK still has to be addressed. It is important that Scotland and the rest of the UK can be strategically linked. SCDI advised other members that its UKIS Leadership Board, which is focussing on Digital and the Blue Economy, is not exclusive and is open to others who are interested.

Mr Brown noted that while there are signs of receptiveness from Lord Henley, there is still the need to press for greater involvement. Lord Duncan was keen to make the most of members' strong appetite to be involved, to allow what UKG does to be amplified by others. He advised that any shortcomings should be flagged to either Lord Duncan, or sent directly to Lord Henley and copied to Lord Duncan.

It was noted that Innovate UK's Knowledge Transfer Network holds useful information on Challenge Funds, and with regard to Sector Deals, the picture is improving but more can still be done. Scottish Government officials agreed to share with members a tracker of UKIS engagements and events as well as a breakdown from Innovate UK of stats on successful applications. UK Government advised that BEIS is leading on work to collate experience to ensure best practice and develop guidance based on experience.

Trade Promotion

Mr Brown advised that he has raised with Liam Fox the need for an improved working relationship with the UKG on trade based on mutual respect and openness. He remained concerned that Scotland's trade proposition is not properly understood and therefore may

not be proactively promoted to overseas business and investors. Mr Brown also advised that it would be useful for the Scottish Government to be made aware in advance of UK Ministers' international trade-related visits, particularly where Scotland would have a strong interest, to ensure opportunities and scope for participation can be adequately assessed.

Lord Duncan agreed collaboration is to be encouraged and that the SDI/DTI relationship needs to be enhanced. It was agreed Lord Duncan and Mr Brown can talk about ways to work better and do more to make the most of existing relationships and networks to ensure no surprises. Members noted that given the success of the Chambers' Network, those talks should include the private sector. Mr Brown agreed to cover those points in a letter to Liam Fox and Lord Duncan, which he would copy to SBGG members.

Members advised that there is a draft new financial services prospectus being considered. The draft is being benchmarked against highest performing financial service centres such as Luxembourg, Dublin etc. and once finalised can be shared with anyone going on Trade delegations to be used to promote Scotland as a great place to do business, as well as to use it as a template for others.

There was general agreement that to establish relationships, consistency of representation from Ministers would be beneficial. However, members would all welcome seeing more Ministers and cross-Party representatives going on Trade delegations to sell Scotland globally.

AoB

It was agreed that members will come back to SBGG secretariat on the proposed focus and timing of the next meeting.

Actions:

- Cabinet Secretary for Economy Jobs and Fair Work to write to Secretary of State for Housing, Communities and Local Government seeking information on Shared Prosperity Fund and seeking early and on-going engagement in policy development;
- Office of the Secretary of State for Scotland to respond to request to share UK Government sectoral trade plans relevant to Scotland;
- Scottish Government to share UKIS Challenge Fund details/website and breakdown from Innovate UK of stats on successful applications;
- Cabinet Secretary for Economy Jobs and Fair Work to write to Liam Fox and Lord Duncan to optimise joint working to boost international trade and get better support from UKG global capacity (referencing offer from Lord Duncan and copying to SBGG members)
- SBGG Terms of Reference to be revised and agreed as required;
- Members to provide urgent feedback on timing (extraordinary/urgent, OR 13 September) and theme (Labour Market implication of BREXIT OR Shared Prosperity Fund) of next meeting; and possible option of London as venue, depending on timing.

Date of next meeting: 13 September 2018 (to be confirmed by members)