

## **SCOTTISH BUSINESS GROWTH GROUP (SBGG): MINUTES**

**Date:** 14<sup>th</sup> Sep 2018

**Venue:** SCDI, Glasgow

### **Attendees:**

Dr. Ian Brotherston, Head of Government Engagement, Innovate UK

Debbie Crosbie, Vice Chair, CBI

Tracy Black, Scotland Director, CBI

Andrew McRae, Policy Chair, FSB

Susan Love, Policy Manager, FSB

David Watt, Executive Director, IoD

Charandeep Singh, Head of External Affairs, SCC

Tim Allan, Chair, SCC

Ian Wall, Deputy Chair, SCDI

Matt Lancashire, Director of Policy, SCDI

Ronnie Quinn, Interim CEO, SCDI

Helen Martin, Assistant General Secretary, STUC

### **UK Government**

Rt Hon. David Mundell, Secretary of State for Scotland

Lord Callanan, Minister of State, Department for Exiting the European Union (DExEU)

Stephen Mclean, Policy Advisor, Business, Trade & Industrial Strategy, Office of the Secretary of State for Scotland (OSSS)

Natalie Golding, Private Secretary to the Secretary of State for Scotland, OSSS

Alastair Paton, Deputy Director, Devolved Administrations and Constitution, DExEU

Bianca Russo, Private Secretary, DExEU

Greg Dyke, Assistant Director, Department for Business, Energy and Industrial Strategy (BEIS)

### **Scottish Government**

Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work

Joe Brown, Head of Strategic Engagement and Co-ordination, SG

Richard Rollison, Deputy Director, Innovation, Industries and Investment, SG

### **Welcome and Introductions**

Mr Mundell opened the meeting by welcoming Mr Mackay to his first Scottish Business Growth Group meeting, and all attendees including, in particular, Lord Callanan, Minister of State, DExEU, Greg Dyke from the Department of Business, Energy and Industrial Strategy (BEIS), and Dr. Ian Brotherston from Innovate UK (IUK).

Mr Mundell said he recognised the value of listening to the views of business and working with the Scottish Government to strengthen the economy, both more generally and in the context of leaving the EU. Mr Mackay welcomed this approach and confirmed his commitment to SBGG, to working together, and to purposeful actions that boost inclusive economic growth.

### **EU Exit Update**

Lord Callanan provided an update on EU Exit covering the following areas, before opening up to the table for discussion:

#### **Negotiations**

Lord Callanan informed the group that since their last meeting in May, the UK Government had set out its plans for legislating for the Withdrawal Agreement in a White Paper.

Over the summer, regular discussions took place with the EU on proposals for the future relationship on a wide range of topics including future security partnership and the future economic partnership. The Secretary of State for Exiting the EU has met with Michel Barnier several times since he was appointed. Lord Callanan said he was pleased that the majority of the Withdrawal Agreement has now been agreed, and that he could share progress that has been made across the outstanding withdrawal issues.

**On Northern Ireland**, Lord Callanan said the UK Government was continuing work to finalise a Protocol. The UK Government's priorities include finding a solution for the UK's future partnership with the EU that protects the Belfast Agreement and avoids a hard border. The UK Government remain absolutely committed to agreeing a legally operative backstop as part of the Withdrawal Agreement, in parallel with agreeing the framework for our future relationship.

**On the future trade relationship**, Lord Callanan stressed that talks have demonstrated the UK Government's proposals are credible and coherent. Over the summer, the Secretary of State for Exiting the EU and his Cabinet colleagues made visits across Europe, explaining the UK Government's proposals and making the case for what has been put forward for our future relationship, in more than 60 engagements since the White Paper's publication. Lord Callanan noted that feedback from this engagement has been positive, with colleagues in Europe engaging seriously with the proposals.

Lord Callanan stated that the UK Government expect to reach a deal with the EU — and it remains the most likely outcome - but as a responsible government there is a duty to prepare for any eventuality. The technical notices the UK Government have published are not in anticipation of a 'no deal' Brexit, but are about government taking practical and responsible action to prepare for all eventualities. Ultimately, the UK Government is committed to securing a deal that works for the entire United Kingdom.

#### Migration Advisory Committee

Lord Callanan noted the importance of migration in meeting Scotland's demographic and economic needs, as set out in the Scottish Government paper, 'Scotland's Place in Europe'. He highlighted that the UK Government had commissioned the independent Migration Advisory Committee (MAC) to gather evidence on patterns of EU migration and the role of migration in the wider economy, ahead of our exit from the EU. He added that on 11<sup>th</sup> September 2018 the MAC published its report on the impact of international students in the UK, and we expect the MAC to publish its final report on EEA workers in the UK labour market next week. The UK Government will take account of the MAC's recommendations when making decisions about our future immigration system. Lord Callanan assured the group that the UK will remain open to the talent we need from Europe and the rest of the world, and the Government will be outlining further details of the new future immigration system in due course.

#### October Negotiations

Lord Callanan stated that looking forward, both the Secretary of State for Exiting the EU and Michel Barnier reiterated at the end of August that we were aiming for the October Council for a deal. Before that, the Salzburg Summit on 20 September will present the next key opportunity to influence our European partners.

To conclude, Lord Callanan stated that negotiations are progressing well and the UK Government is confident of agreeing a deal this autumn. The UK Government remains committed to engaging the Scottish Government and business community in order to secure a deal that works for the entire United Kingdom.

### Discussion

In discussion SBGG members highlighted their concerns about leaving the EU without a deal and the impacts of the uncertainty the business community are facing. This included uncertainty on whether EU workers would still be legally allowed to continue working in the UK. Mr Mundell stressed that if there was no deal, EU workers currently here in the UK will still be able to live and work in the UK.

Members also asked if there would be an opportunity to extend the negotiations if needed. Lord Callanan said that any extension would have to be agreed with the EU, in addition to the UK Parliament. He also highlighted the relevance of the upcoming EU parliament elections in 2019 and budgetary constraints, which might make extending the negotiation period beyond March 2019 undesirable for the EU.

Members were curious as to what individual member states think about the Chequers proposals. Lord Callanan said that while interests vary, each country has a vested interest in having a close and continuing relationship with the UK. Lord Callanan informed the group that the principle of the transition period was agreed and would run from 29<sup>th</sup> Mar 2019 – 31<sup>st</sup> Dec 2020 which falls in line with the EU's budget period. In terms of extending this Lord Callanan said that neither the UK nor the EU would want this period to go on any longer.

The discussion turned towards whether or not a deal would get through UK Parliament in time for 29<sup>th</sup> March, as any agreement would need to be introduced to the House by January at the latest. Lord Callanan suggested that any deal would have to be agreed by December. Lord Callanan noted that if there was no deal there would be no transition period however there would most likely be mitigations for areas like aviation and borders.

FSB highlighted that some of their members are now most concerned about workers leaving because well-established senior members of staff are deciding to leave the UK and this is having a more substantive impact on the resilience of the business. FSB asked what both the UKG and SG have done together to plan for preparations generally and for key sectors.

Lord Callanan stressed that citizens' rights are extremely important and work was ongoing with embassies of EU nations to give people the right advice on applying for UK citizenship post EU exit.

Mr Mackay recognised the importance of EU citizens' skills for the Scottish economy and that immigration is a key factor. He noted that it is challenging for individuals and businesses to prepare for the future when no one knows what a deal looks like, and so decisions are already being taken on the grounds of current perceptions with adverse impacts on the economy already emerging. He noted that the Scottish Government's position on immigration is clearly supported by the business community in Scotland and significantly different from the UK Government position. He also stressed that he would work with UK Government and others to provide the best possible support to businesses and seek to mitigate as far as is possible the impacts of ongoing uncertainty and leaving the EU. He outlined work already underway to enhance awareness and business readiness.

Mr Mundell agreed with FSB that a loss of senior staff was unacceptable and that the UK Government had to get the message out that anybody who is currently here and working will still be able to live and work here after EU exit regardless of a deal. CBI highlighted their frustration that there are no multimedia or TV campaigns for about how to prepare for EU exit. CBI requested a joint campaign be initiated.

### **UK Industrial Strategy Update**

Mr Mundell invited Greg Dyke and Dr. Ian Brotherston, to recap on what the UK Industrial Strategy had to offer in Scotland. This covered the five foundations of productivity, the four grand challenges, an update on sector deals and Strength in Places funding. The potential for an aerospace sector deal and further sector deals were also referenced.

Dr. Brotherston reminded the group that Innovate UK is part of UKRI and set out that funding is distributed by them via: open competitions, the Knowledge Transfer Network and Catapult. Innovate UK seek to encourage as many applications as possible, as well as a better quality ones from various sectors, and they are keen for new businesses who have never applied to get involved. Innovate UK is working with Scottish Enterprise and Highland and Islands Enterprise to that end.

He stressed that there is still a large amount of competitive funding for Scotland to tap in to through the Industrial Strategy Challenge Fund Waves despite funding already being awarded for big projects such as the Medicines Manufacturing Innovation Centre (MMIC) and the National Manufacturing Institute for Scotland (NMIS).

SCDI highlighted that they are working closely with BEIS and Innovate UK on highlighting funding opportunities with CS Mackay welcoming this and suggesting that more work needs to be done between private sector and government to take advantage of the funding available. It was highlighted that feedback is being given to applicants who have failed so that they can reflect and potentially refine their applications for future success with a suggestion that applicants must look outward and rather than inward when applying. Richard Rollison highlighted that businesses in specific sectors need to realise that can still apply for funding from various challenge funds.

A concern was highlighted regarding universities receiving the bulk of funding over industrial businesses. However reassurance was given that applications by universities had business partners. CBI asked what could be done to highlight success stories as well as encouraging more women entrepreneurs. Dr. Brotherston admitted there was more work to do to identify and promote success stories but advised the group that their Women in Innovation programme has proved to be a real success.

Mr Mundell closed this agenda item by highlighting that both Governments should and would work together to encourage businesses to apply to these opportunities and urged the business groups around the table to follow suit.

### **Terms of Reference**

Mr Mundell noted that time constraints would not allow a full discussion on the group's purpose and terms of reference. He suggested that this be a priority at the next meeting in March. Susan Love from FSB agreed and suggested that this matter be taken offline and worked on by members and officials, noting that while the group was originally set up to talk about EU Exit, there should be opportunities to explore what work UKG and SG are doing together to improve the business environment in Scotland.

**AOB & Close**

Mr Mundell closed the meeting by thanking everyone for attending and in particular SCDI for hosting the meeting at their office in Glasgow.