ECONOMY, ENERGY AND TOURISM COMMITTEE

The Scottish Parliament
Pàrlamaid na h-Alba

MEETING DETAILS

3rd Meeting, 2016

Wednesday 20 January 2016

The James Clerk Maxwell Room (CR4)

Meeting starts at **9.30 am**

ADDITIONAL INFORMATION

Previous Meetings

Previous Meeting Papers and Official Reports

COMMITTEE PAPERS

Agenda

Enterprise Bill LCM – cover note, LCM and annexed correspondence

Enterprise Bill LCM – UK Government to Scottish Government correspondence

Longannet Task Force – submission from Scottish Government

NOTICES

Next Meeting is Wednesday 27 January 2016.

Business includes:

- Round-table evidence on social enterprises

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The Scottish Parliament
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ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

3rd Meeting, 2016 (Session 4)

Wednesday 20 January 2016

The Committee will meet at 9.30 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take item 5, on the Enterprise Bill Legislative Consent Memorandum, and item 6, on a discussion of evidence heard at today's meeting, in private.

2. **Social enterprises and employee owned businesses - witness expenses:** The Committee will be invited to delegate to the Convener responsibility for arranging for the SPCB to pay, under Rule 12.4.3, any expenses of witnesses attending the forthcoming evidence sessions.

3. **Enterprise Bill (UK Parliament legislation):** The Committee will take evidence on legislative consent memorandum LCM(S4) 40.1 from—

   Fergus Ewing, Minister for Business, Energy and Tourism, Oonagh Gil, Deputy Director, Enterprise and Cities, Geoff Owenson, Senior Policy Official, Finance Pay Policy, and Stuart Foubister, Divisional Solicitor, Scottish Government.

4. **Longannet Task Force:** The Committee will take evidence from—

   Fergus Ewing, Minister for Business, Energy and Tourism, Scottish Government;

   Cllr Lesley Laird, Depute Leader, Fife Council;

   Hugh Finlay, Generation Director, ScottishPower;

   Danny Cusick, Sector Director (Food and Drink, Tourism and Textiles) and Location Director, Fife, Scottish Enterprise;

   Calum MacLean, PACE Manager, Skills Development Scotland;

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Stephen Boyd, Assistant Secretary, STUC.

5. **Enterprise Bill (UK Parliament legislation):** The Committee will consider the legislative consent memorandum lodged by John Swinney (LCM(S4) 40.1).

6. **Longannet Task Force:** The Committee will review the evidence heard at the meeting.

7. **Budget Strategy Phase 2016-17 (in private):** The Committee will consider a draft report to the Finance Committee at the Budget Strategy Phase 2016-17.

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The papers for this meeting are as follows—

Agenda Item 3

LCM cover note and correspondence	EET/S4/16/3/1
Correspondence	EET/S4/16/3/2

Agenda Item 4

PRIVATE PAPER	EET/S4/16/3/3 (P)
Submission	EET/S4/16/3/4

Agenda Item 7

PRIVATE PAPER	EET/S4/16/3/5 (P)

Economy, Energy and Tourism Committee

3rd Meeting, 2015 (Session 4), Wednesday, 20 January 2016

LCM – Enterprise Bill (UK Parliament legislation)

1. **Purpose**

2. The purpose of this paper is to invite the Committee to consider the attached legislative consent memorandum (LCM) lodged by the Scottish Government on the Enterprise Bill.

3. The LCM and associated correspondence between Scottish and UK Government Ministers is attached.

4. **Procedure for consideration of a legislative consent memorandum**

5. Chapter 9B of the Standing Orders sets out the procedures for consideration of an LCM. This must (a) summarise the UK Bill and its policy intentions; (b) specify the extent to which the Bill makes provision to alter the competence of the Scottish Ministers, and (c) outline whether the Scottish Government intends to lodge a motion recommending that the Scottish Parliament gives its consent to the provision, along with the reasons behind this decision.

6. Once lodged, the Parliamentary Bureau refers the LCM to the relevant lead committee which is required to consider it and report its views to the Parliament. A legislative consent motion is then taken in the Parliament.

7. It is usual practice for the Parliament to have expressed a view on the LCM in time for the final amending stage in the House in which the Bill was introduced, i.e. report stage in the Commons or third reading in the Lords. However, in this case, the Bill has passed all stages in the House of Lords. It had its first reading in the House of Commons on 16 December 2015.

8. **Delegated Powers and Law Reform Committee**

9. The Delegated Powers and Law Reform Committee considered the LCM at its meeting on 5 January 2016 and reported that it was content with the delegated powers conferred on the Scottish Ministers in the Bill, and with the procedures to which they are subject.

10. The DPLR Committee‟s report can be accessed online via the following link:

http://www.scottish.parliament.uk/S4_SubordinateLegislationCommittee/Reports/DPLRS042016R03.pdf

11. **For decision at agenda item 5**

12. **The Committee is invited to:**

- **consider whether to recommend that the Parliament give its consent to the relevant provisions of the Enterprise Bill as set out in the LCM; and**

- **delegate to the Convener and Clerk the production of a short, factual report detailing the Committee's consideration and arranging for its publication.**

Dougie Wands
Clerk to the Committee

LEGISLATIVE CONSENT MEMORANDUM

UK ENTERPRISE BILL

Draft Legislative Consent Motion

1. The draft motion which will be lodged by the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy is:

"That the Parliament agrees that the relevant provisions of the UK Enterprise Bill, introduced in the House of Lords on 16 September 2015, relating to measures on the creation of a Small Business Commissioner and capping public sector exit payments, so far as these matters fall within the legislative competence of the Scottish Parliament or alter the executive competence of Scottish Ministers, should be considered by the UK Parliament."

Background

2. The Enterprise Bill ("the Bill") deals with a range of UK Government commitments which are intended to support the growth of enterprise. UK Government states that the Bill will cement the UK‟s position as the best place in Europe to start and grow a business by removing unnecessary impediments to business. The Bill can be found at:

http://services.parliament.uk/bills/2015-16/enterprise.html

3. The Scottish Government is already creating a supportive business environment in Scotland and is fully committed to helping small business by removing unnecessary burdens. We have already progressed a range of successful initiatives to change the stock, flow and culture of regulation in Scotland and deliver better regulation for all. In recognising that Scotland‟s businesses are the primary drivers of sustainable economic growth, we welcome policies which we believe will complement our continuing programme to improve the performance of our businesses and make Scotland a more open and competitive place for companies to do business.

Content of the UK Enterprise Bill

4. The Bill contains measures to:

- establish a Small Business Commissioner to empower small businesses to resolve disputes with larger businesses and avoid future issues;
- expand the deregulation target to include regulators;
- require regulators to report on the effect the Regulators‟ Code and/or the Growth Duty have had on the way they exercise their functions;
- extend the Primary Authority scheme to make it easier for businesses to join it and benefit from advice on regulatory compliance, and to simplify the way businesses deal with local authorities;
- require insurers to pay insurance claims within a reasonable time;
- simplify and update the Industrial Development Act 1982; and
- cap public sector exit payments at £95k.

5. The Bill also contains measures to protect the term apprenticeship in law and to give the Department for Business, Innovation and Skills powers to set targets for apprentice numbers in the public sector. There is also a measure to reform the

business rates appeals system. All of these measures are for England only and will not be extended to Scotland.

Amendment – Green Investment Bank

6. An amendment was introduced to the Bill on 14 October 2015 to repeal the Green Investment Bank (GIB) provisions of the Enterprise and Regulatory Reform Act 2013 in support of privatisation. In correspondence, UK Government made clear its position that any repeal of the GIB provisions would not require a LCM in the Scottish Parliament.

7. The Deputy First Minister has sought further assurances that the GIB „green" purpose and Edinburgh headquarters and jobs would be protected as part of GIB"s privatisation. There has since been further dialogue with UK Government, culminating in a letter from the Secretary of State on 3 November 2015 confirming that UK Government is committed to the retention of the „Green" purpose of the GIB. The Scottish Government has also received a letter from the Chair of the Green Investment Bank, Lord Smith of Kelvin, dated 12 November 2015 which sets out the continuing commitment of the GIB"s Board to retaining its headquarters (with 50 associated jobs) in Edinburgh following privatisation. For information, a copy of these letters can be found at **Annex A** of this Memorandum.

Amendments – Lords Grand Committee

8. Further amendments to the Bill were tabled in advance of Report Stage on 25 November. The majority of these amendments are technical and non-contentious, with the exception of the amendment in relation to UK Government Investments (UKGI).

9. The Chancellor announced in May 2015 the intention to create UKGI to bring together, in a single government company, the two bodies that currently manage most of the taxpayer stakes in businesses –i.e. the Shareholder Executive and UK Financial Investments Ltd. The intention is to insert a clause into the Bill to ensure that UK Government is able to commit resources to support the activity of UKGI in a manner consistent with Managing Public Money and, in particular, the Public Accounts Committee Concordat of 1932. Given that this is solely a reserved matter, we are content that this amendment does not trigger the Sewel Convention.

Provisions which relate to Scotland

10. As introduced, the Bill contains two provisions which are within the legislative competence of the Parliament or alter the executive competence of Scottish Ministers. The provisions relate to:

- **Part 1 (Clauses 1 – 13) – Small Business Commissioner**
- **Clause 34 (originally Clause 26) – Public Sector Exit Payments**

11. Further detail on the effect of these provisions and the reasons for seeking the legislative consent of the Scottish Parliament are set out below.

Reasons for seeking a legislative consent motion

Clauses 1 - 13 – Small Business Commissioner

12. The provisions contained in clauses 1 –13 of the Bill will create a Small Business Commissioner via a statutory appointment. This provision falls within devolved

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competence as it affects business support policy and the consent of the Scottish Parliament will be required to extend the measure to Scotland.

Clause 34 – Public Sector Exit Payments

13. The provisions contained in clause 34 (originally 26) of the Bill will provide regulation making powers for Scottish Ministers in respect of the cap on public sector exit payments. These powers would allow Scottish Ministers to make regulations allowing them to specify the Scottish public bodies which will be within the scope of the cap; the types of payments made in relation to leaving employment which would count towards the total amount subject to the cap; the waiver and exemption process; records maintenance and annual publication of exit payments; and the level of the cap itself. This provision would therefore affect the executive competence of Scottish Ministers and will require the legislative consent of the Parliament.

Consultation

14. There has been no formal consultation on the Bill by the Scottish Government. The UK Government ran a short consultation on the proposed measures for the introduction of the Small Business Commissioner and have advised that around 800 responses to the consultation were received, primarily from business representative organisations, trade organisations and professional bodies.

15. Officials have sought views on whether public bodies supported the capping of public sector exit payments approach in principle; whether they saw any practical difficulties or problems in the implementation of the proposal; and what further detail they would wish to see. Most respondents were in favour of Scottish Ministers taking relevant powers however many respondents commented that the UK Government‟s proposals were overly prescriptive and that there are other routes for setting voluntary early severance / retirement (VES/VER) payments at an appropriate level. Local government has indicated that they would wish to have continuing discretion over their own arrangements. Trade unions have been more forceful in asking the Scottish Government to reject the UK Government‟s proposals.

Financial implications

16. The UK Government will seek to establish the Small Business Commissioner and discussion around sharing of operational costs may follow. The proposals include provision of general advice and information with plans for a digital offer and in the longer term it is envisaged that this will enable businesses to more effectively negotiate appropriate contractual terms for themselves, without the need for future intervention. Early indications from the UK Government‟s consultation suggest that around 500 initial contacts could be made to the Commissioner and that this contact would be focused on the information and signposting function. The extension of the limited consumer protection afforded to small businesses will complement the existing dispute resolution mechanisms. There is potential for an initial increase in demand for the Mediation Network, however, as expertise improves with small businesses better able to negotiate contracts more effectively this demand is anticipated to gradually decrease.

17. Capping public sector exit payments could reduce the cost of voluntary early severance / retirement (VES/VER) schemes. Equally, however, it could reduce the impact of such schemes as fewer numbers apply. For example, if such a cap were in place for the most recent SG VES/VER run in January 2015, the cases which would have been caught by the cap had a combined cost of £1.205m. Around £255k

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have been saved from the cost of the scheme if the same numbers had applied and taken packages (i.e. with a cap at £95k, these cases would have cost £950k). However, if those who received packages of over £95k had chosen not to apply (because they knew their package would be limited to £95k), the on-going cost to the organisation would have been, in the first year alone, £911k (using average staff costs for 2014-15) and increasing each year reflecting pay awards and increases in employer costs.

Conclusion

18. It is the view of the Scottish Government that it is in the best interests of the Scottish people and good governance that the relevant provisions outlined above and which fall within the legislative competence of the Scottish Parliament or alter the executive functions of Scottish Ministers should be considered by the UK Parliament.

SCOTTISH GOVERNMENT

December 2015

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ANNEX A - EXCHANGE OF LETTERS ON GREEN INVESTMENT BANK

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John Swinney MSP

Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy

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14 October 2015

Dear John,

FIRST SESSION ENTERPRISE BILL: UK GREEN INVESTMENT BANK

Thank you for your response of 7 October to my letters of 7 and 21 August in regards to the Enterprise Bill. I am writing to advise you of a further measure to be included in the Enterprise Bill by way of a Government amendment at the Bill‟s Lord Committee stage. I am sorry not to have been able to include this measure at the time of introducing the Bill. At that time, it remained unclear whether or not this move would be necessary as we awaited firm technical advice on the matter.

The aim of the measure is to repeal the provisions in the Enterprise & Regulatory Reform Act (ERRA) 2013 relating to the UK Green Investment Bank (GIB). It is now clear that repealing this legislation is necessary to achieving our objective of enabling GIB to be re-classified as a private sector enterprise rather than a public sector body once we move GIB into majority private ownership. Unless we repeal the legislation, there is a real risk that GIB would remain classified to the public sector even if the Government no longer held any shares in the company. We do not consider this measure requires a Legislative Consent Motion.

Enabling GIB to be re-classified to the private sector is essential to a successful privatisation of GIB as this is what will allow the privatised company the freedom to borrow and raise capital without this impacting on public finances. This outcome is key to enabling the company to grow its business and build on its important work investing in the UK‟s green economy.

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In view of this, I believe amending ERRA 2013 as proposed is an appropriate measure that is necessary to achieve our aim of securing GIB‟s future as an independent company.

I am copying this letter to the Secretary of State for Scotland.

SAJID JAVID
Secretary of State for Business, Innovation and Skills

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Deputy First Minister
and Cabinet Secretary for Finance, Constitution and Economy
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The Scottish Government
Riaghaltas na h-Aiba

LEGACY 2014

Rt Hon Sajid Javid MP
Secretary of State for Business, Innovation & Skills
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23 October 2015

Dear Sajid

FIRST SESSION ENTERPRISE BILL: UK GREEN INVESTMENT BANK

Thank you for your letter of 14 October, advising of the proposed Government amendment that would repeal the Green Investment Bank (GIB) provisions of the Enterprise & Regulatory Reform Act 2013 , that you propose to table during the Enterprise Bill's Lords Committee stage.

Your letter states that you do not consider that the proposed amendment would require a Legislative Consent Motion (LCM) in the Scottish Parliament. Ido not agree with your view. Your argument is founded on the link between this issue and the reservation on the economy. That surely is a macroeconomic reservation. The amendment makes provision specifically for a devolved purpose i.e. the green purposes of the Green Investment Bank relating to energy efficiency and climate change as set out in section 1 of the 2013 Act. That is why a LCM was required in respect of Part 1 of that Act. Those provisions were operating in a devolved area- the environment- and, in the Scottish Government's view, the amendment falls into the same category.

The Scottish Government has previously sought reassurance that in relation to the privatisation of the GIB, the UK Government will remain committed to maintaining a significant public stake, and to ensure that it retains its original purpose as a green bank. We have also sought reassurance that the Bank's headquarters and jobs will be retained in Scotland. Your written statement to the UK parliament on 15 October aimed to offer a level of reassurance in that the *UK Government wants and expects* a *privately owned GIB to continue this clear focus on green sectors - mobilising more private capital and further accelerating the transition to a green economy.* I remain concerned that the UK Government will not have the ability to honour this if the future public sector stake in the GIB is diminished and with it control over the direction taken by the Bank. I have further concerns on the level of reassurance you have given on its Headquarters and jobs remaining in Scotland.

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On the basis of the information and reassurances presented to us at this stage, we are not able to support your proposed actions and would advise that our previously expressed 'in principle' agreement to legislative consent on the Bill, prior to this issue emerging; is rescinded.

Given that you propose to lay the amendment in the Lords Committee stage which commences on 26 October, I therefore request an urgent discussion between our officials to establish a clear position.

JOHN SWINNEY

Department for Business Innovation & Skills

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3 November 2015

Dear John,

UK GREEN INVESTMENT BANK

Thank you for your letter of 23 October about our proposal to repeal the legislation relating to the UK Green Investment Bank (GIB), which set out your concerns about what this will mean for GIB‟s focus on green investment.

As I sought to make clear in my written statements on this matter, it is my clear intention that following a sale, GIB should continue to focus on green sectors - mobilising more private capital and further accelerating the transition to a green economy.

Green investment is what GIB does and is where its value lies. It is clear from preliminary feedback that potential investors are interested in GIB precisely because of its unique green specialism. They will be buying into the company‟s existing forward business plan and pipeline of green projects which demonstrates exactly how GIB expects to generate returns for investors. And investors will be seeking to acquire the reputational benefits that arise from owning a company with GIB‟s clearly stated green principles and highly transparent and robust green reporting practices. We have every reason to believe potential investors will have sound commercial reasons to maintain GIB‟s green focus and values.

In addition, as a key part of any sale discussions, potential investors will be asked to confirm their commitment to these values and to set out how they propose to protect them. We envisage this would involve new shareholders agreeing to:
- retain the Green Objectives in GIB‟s Articles of Association;
- ensure GIB continues to invest in a way that achieves a positive green impact; and
- maintain GIB‟s existing standards for reporting on its green investment performance as well as continue providing for independent assurance of this.

We fully expect this to be effective in securing the outcome we want - that new shareholders effectively commit to maintaining GIB‟s green values.

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It is important to understand this approach represents the most we can do to secure this. It is simply not open to us to impose more binding conditions that require future owners of GIB to act in a particular way. This would have exactly the same effect as the legislation: the Government would continue to exercise control over the company even after a sale and the company could not be re-classified to the private sector.

Conversations with potential buyers have tended to be on the basis of Government retaining a stake in the GIB. But it must be understood that retaining a minority stake would not afford the Government any special rights to exercise control over the company. The Government could have only the same rights as any other minority shareholder in the company - anything else would amount to continued state control and prevent re-classification. We have pressed the Office for National Statistics on whether there is scope to retain additional rights over particular corporate policy decisions but their advice on this has been very clear.

I appreciate your concern that the company‟s HQ should remain in Edinburgh. I know GIB‟s Chairman, Lord Smith and CEO, Shaun Kingsbury are both committed to retaining the Edinburgh HQ and have publicly stated that commitment. I see no reason to believe new owners would seek to change this clear position. But it is important to recognise there is only so much Government can do on this matter. Government is not in a position to impose a binding requirement on future owners of the company that its HQ can never change while also providing that GIB can be reclassified to the public sector.

I have asked the company to further follow up with you on these points to set out why they believe the introduction of private capital is needed and why they are confident this will not result in a move away from their role as a specialist investor in green infrastructure or from their Edinburgh location.

I hope this helps reassure you that our plans for moving GIB into private ownership will not change the way GIB currently operates. Both the company and the Government believe this is the best way to ensure GIB carries on doing what it does best – attracting much needed private capital into green sectors. And it will enable the company to invest in a much wider range of green projects.

Repealing the legislation on GIB is a vital step if we are to be able to achieve our ambitions for GIB. In view of this, I hope you can agree to our making progress on this through the Enterprise Bill.

SAJID JAVID

Secretary of State for Business, Innovation and Skills

Green Investment Bank

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12 November 2015

John Swinney MSP
Deputy First Minister
The Scottish Government St Andrew's House Regent Road
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Dear John,

I wanted to write to you following an exchange of letters between yourself and the Business Secretary, Sajid Javid, on the subject of the UK Green Investment Bank (GIB).

I would like to address two key points. First, my view on attracting new investors to GIB and, second, my view on the possible effect of this on the Edinburgh headquarters of the bank.

As you know from our previous discussions I am supportive of the Government's intention to sell a majority of their stake in GIB. We have ambitious plans to grow our business but that growth needs to be funded. While the UK Government has been a good shareholder it will not be in a position to provide the capital to match our ambitions. We also have some early indications that private investors are interested in investing in the business - to buy a share in the existing portfolio of almost 60 projects and finance our forward business plan.

The Board supports the Government's intention to sell down their shareholding purely on the basis that it will protect GIB's future and finance its growth. This is, in our view, the best way to make sure that GIB continues to deliver the green infrastructure investment that we have so successfully done over our first three years.

Turning now to our Edinburgh headquarters. Well before the bank was launched, Edinburgh was selected as the location for its headquarters. It won that right through a highly competitive process, beating over twenty cities from the across the UK. The decision was taken because of the strategic business benefits offered by Edinburgh as a business location in general, and more specifically for a business focused on green infrastructure investment.

These benefits have been very apparent to us. We have access to a tailor-made labour market offering the skills we needed to build a business. We have access to the full range of professional services companies we use on a day-to-day basis, whether that is, for example, legal, audit or technical advice. We are part of a well-established industry cluster which gives us all the benefits that come from working within a strong and supportive community. We are surrounded by a renewable energy market place with world-leading potential. We also have a very positive relationship with the Scottish Government on all levels. Edinburgh offers all of this on highly-competitive financial terms.

We have nearly fifty staff now based in the capital. We have recruited them from the city's financial services and professional services companies. We have attracted staff from the rest of the UK and internationally because they wanted to live and work in Edinburgh. We also have a number of staff members who have chosen to return to Scotland to work having spent part of their careers abroad. In each case they value the balance of career development and lifestyle that Edinburgh offers.

Our business could not run without our Edinburgh headquarters. We are a business registered in Scotland and it is where our Board meets. It is home to all our key functions: finance, risk, legal, corporate affairs and part of our investment banking team.

It is for all these reasons that I am very confident that Edinburgh will remain the headquarters of a growing Green Investment Bank. I am also confident that if we are successful in raising private capital and growing our business we will see continuing employment growth in Edinburgh.

Lastly, and returning to our job of investing in green infrastructure, I am particularly pleased to see some new Scottish investments on the horizon, especially as it seems that we are finally making progress on energy efficiency in the NHS. You will also be pleased to know that our partnership to finance Glasgow's ambitious plans to make the switch to low-energy streetlighting is being replicated elsewhere across the UK. Our strong partnership with Strathclyde Pension Fund goes from strength to strength. The Fund has now decided to invest in our offshore wind fund, now the UK's largest renewable energy fund, seeing their public sector pensioners investing in UK offshore wind projects.

I hope this addresses your understandable concerns, but if there is anything else I can do to deal with any other questions please do not hesitate to ask. I know you will continue to work closely with the UK Business Secretary on this issue and I am sure he will keep you updated on key developments. I would also like to add my thanks to you, personally, and your officials in various parts of the Scottish Government. You have been incredibly supportive of GIB and have played no small part in our success so far. I look forward to our relationship continuing in the same way for many years to come.

Yours aye,

Robert

Lord Smith of Kelvin KT
Chairman

Department for Business Innovation & Skills

The Rt Hon Sajid Javid MP

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23 November 2015

Dear John,

FIRST SESSION ENTERPRISE BILL: UK GREEN INVESTMENT BANK

Further to my letter of 3 November about UK Green Investment Bank plc (GIB), I am writing to let you know that the UK Government has now tabled a revised amendment to the Enterprise Bill on GIB. A copy of our revised amendment is attached.

Having listened carefully to what stakeholders had to say about our original proposed amendment, we have sought to make changes that address a number of the concerns raised while still ensuring the legislation in the Enterprise Act 2013 that represents state control over GIB and could prevent the company from being re-classified to the private sector once sold is repealed.

Our revised amendment provides for the following:

- That the repeal can only come into effect once the Government has reported to Parliament on its plans to sell a stake in GIB;
- Requiring the Government to report to Parliament after a sale has taken place, and in the future if the Government retains a stake which it subsequently sells down;
- Requiring the Government to send copies of those reports to the Devolved Administrations;
- Retaining a dedicated power for the Government to provide funding to GIB all the while it holds any shares in the company (the current legislation provides scope for the Government to fund GIB only where the Crown holds more than half of GIB‟s issued share capital); and
- Retaining the requirement for the Secretary of State to lay a copy of GIB‟s annual report and accounts before Parliament all the while the Government holds shares in the company.

We hope this revised approach will help to demonstrate our commitment to transparency about this matter.

Building on my previous written statements, my Department has also published a policy document setting out the background to GIB, the case for moving the company into private ownership now it has become established and the case for repealing the GIB legislation as part of this process. A copy of the document can be found on the GIB page of the GOV.UK website at https://www.gov.uk/government/publications/green-investment-bank-the-future.

I hope that publishing this more detailed statement can help address a number of the questions that have been raised over recent weeks both in Parliament and elsewhere and provide reassurance about the merits of our proposals.

I know that since our recent discussion on this issue, you have spoken with Lord Smith of Kelvin and that he has also now written following up your conversation. I hope this has been helpful in addressing the particular concerns you have identified and that this, together with the Government"s revised proposals on the GIB legislation and our more detailed policy paper setting out the rationale, will enable you to agree to our making progress through the Enterprise Bill.

I will be writing to you separately about other aspects of the Enterprise Bill.

I am copying this letter to Fergus Ewing MSP, the Secretary of State for Scotland and Lord Smith of Kelvin.

SAJID JAVID
Secretary of State for Business, Innovation and Skills

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and Cabinet Secretary for Finance, Constitution and Economy
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The Scottish Government
Riaghaltas na h-Aiba

Rt Hon Sajid Javid MP
Secretary of State for Business, Innovation & Skills
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24 November 2015

Dear Sajid

Thank you for your letter of 3 November relating to the legislative amendment, now tabled, for the Green Investment Bank(GIB) and for your subsequent letter which I received on 23 November about the detail of that amendment. I note that you have also written separately updating me on the progress of the Enterprise Bill and other Government amendments on which I shall respond separately.

Whilst I had noted from your parliamentary statement the intention of the UK Government to retain the Green purpose of the GIB following privatisation, Scottish Ministers sought further assurances on how this would be achieved. Your letter has confirmed that retaining the GIB's green focus and values are a key part of all sales discussions with potential investors. I appreciate the level of detail set out within your letter on the ways in which you are embedding this as a core element of the sale, and I note that this is reflected in the policy statement 'Future of the Green Investment Bank PLC' published by your Department on 18 November.

Scottish Ministers additionally sought specific reassurances that the Edinburgh based headquarters and related jobs were being protected as far as possible. I subsequently received correspondence from Lord Smith of Kelvin on the 12 November. In his correspondence Lord Smith offered the requested reassurances that the Board remains both committed to the Green Purpose of the bank and to its remaining located in Edinburgh following privatisation. He also set out the real strategic benefits of the Edinburgh headquarters to the operation of the bank such as the access to a skilled workforce, industry clusters and access to a full range of professional services. I note that you will be repealing the legislation on the GIB to allow you to progress with the privatisation of the bank through the Enterprise Bill.

Given the reassurances you and Lord Smith of Kelvin have provided, I am content to re-instate my agreement in principle to seeking Scottish Parliamentary approval to the provisions of the Enterprise Bill that will extend to Scotland, which I set out in my letter to you

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of 7 October. Those provisions relate to the extension of the Small Business Commissioner in Scotland and to the cap on public sector exit payments. You will recall that my letter set out the detail of our position on exit payments and I look forward to receiving your response on the points I made.

I am copying this letter to the Secretary of State for Scotland.

JOHN SWINNEY

MENU

Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy
John Swinney MSP

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The Scottish Government
Riaghaltas na h-Alba

LEGACY 2014
XX COMMONWEALTH GAMES
SCOTLAND

Rt Hon Sajid Javid MP
Secretary of State for Business, Innovation & Skills
1 Victoria Street
LONDON
SW1H 0ET

7 October 2015

FIRST SESSION ENTERPRISE BILL

Thank you for your letters dated 7 August 2015 and 21 August 2015 (received 28 August 2015) outlining the proposed content of the Enterprise Bill. Anna Soubry also wrote to the First Minister on 24 July about the creation of the Small Business Commissioner. I am sure you will understand that we have had to give proper consideration to the proposals which has taken some time.

In this correspondence, you outlined the expected measures to be taken as part of the Bill and, where possible, noted where provisions will extend to Scotland and the position in relation to the Sewel Convention.

The Scottish Government is committed to creating a supportive business environment for companies in Scotland and the measures that you have outlined are largely in line with this ambition. We are already actively pursuing policies which promote better regulation, reduce the burden of tax and improve access to finance for businesses. It is our expectation that measures such as these can only benefit small businesses and improve conditions for companies to thrive.

Maritime and Civil Aviation

In your letter dated 21 August, you noted that the Bill was expected to contain measures relating to Maritime and Civil Aviation. I agree that a Legislative Consent Motion (LCM) would not have been required for these Maritime and Civil Aviation measures as each of these relate to areas of reserved policy. However, I understand that these measures are not included in the Bill as introduced.

Amending the Industrial Development Act 1982

I also agree that there is no need for an LCM to extend to Scotland the measures relating to the proposed amendments to the Industrial Development Act 1982. As you say, the Scottish Government uses alternative legislation for the provision of selective financial assistance, I am content that the measure in relation to Amending the Industrial Development Act 1982 does not need to be extended to include Scottish Ministers.

Small Business Commissioner

On the establishment of the Small Business Commissioner (SBC), I recognise that you are still considering how the Commissioner would work in practice. In principle, I am content to confirm that the SBC measures should extend to Scotland and am content to support an LCM. However, it is essential that the Commissioner is able to work effectively to have the impact you expect. I hope that you will ensure that we have the opportunity to input into those further discussions so that the Scottish dimension is accurately reflected.

Public sector exit payments

The Enterprise Bill also includes provision for a cap on public sector exit payments. The Scottish Government's approach to public sector pay is one which is fair, affordable, sustainable and delivers value for money. Many public sector exits deliver best value on a spend to save basis and all cases are given rigorous scrutiny on value for money grounds. It may be more cost effective to encourage a voluntary exit of some staff rather than to continue to employ them.

There are a range of existing arrangements that support the governance of exit schemes across what is a diverse range of public bodies and there may still be a need to explore cases on an individual basis to determine their merits.

I have a concern that a cap set at £95,000 would not only apply to high earners but potentially across the salary spectrum. Also, in many cases, severance arrangements form part of negotiated terms and conditions of employment and, as such, there should be the opportunity for full and proper consultation with recognised Trade Unions (or other staff representative groups) and employers.

I understand that it is proposed that the £95,000 cap will be on the face of the Bill, but that Scottish Ministers would have the power to vary the cap upwards or downwards. Scottish Ministers would want to ensure they have full flexibility over the powers to set the level of any cap from the outset as well as to vary it. This would be more consistent with the devolution of responsibilities for public sector pay.

It would also be consistent with existing devolution arrangements for Scottish Ministers to have authority over voluntary exit schemes for civil servants working in core Scottish Government. This would reflect Scottish Ministers' financial accountability for staff employed by the Scottish Government.

I can confirm that, subject to your responses to the points above, we are supportive of seeking Scottish Parliamentary approval to an LCM in relation to powers over the capping of public sector exit payments. However, we would of course undertake a formal consultation on the use of these powers in due course.

I look forward to continued engagement both at official and ministerial level as your proposals for the Enterprise Bill take shape and you have the draft clauses of the Bill to share. While I very much appreciate the challenge you have in meeting the legislative timetable, I am sure you equally will appreciate that, to give these often complex and wide ranging measures proper consideration, we need time to consider the impact for Scotland. I trust that you and your officials will build this into your processes going forward.

I am copying this letter to the Secretary of State for Scotland.

Yours sincerely

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SCOTTISH GOVERNMENT SUBMISSION – LONGANNET ECONOMIC RECOVERY PLAN TO SUPPORT WORKERS, BUSINESSES AND COMMUNITIES AFFECTED BY LONGANNET'S CLOSURE

Overview

1. The Scottish Government established the Longannet Task Force to support the workers, businesses and communities impacted by Scottish Power's decision to close Longannet Power Station in March 2016.

2. The Task Force has met twice on 24 August and 29 September 2015 with its third meeting planned for 29 February. The Task Force brings together key public sector agencies with Scottish Power, trade union representatives and cross-party interests to assess the scale, location and timing of closure impacts and shape a joined-up response to mitigate the impacts on the workforce, local communities and businesses.

Background to establishment of Task Force

3. In October 2014, Scottish Power decided not to progress Longannet Power Station in the UK Government's Capacity Market auction for the delivery of electricity generating capacity for the winter of 2018/19. This commercial decision was taken in spite of substantial investment in the plant to improve efficiency and environmental performance, totally around £350 million since 2009 according Scottish Power. At that time, the Scottish Government called for urgent reform of UK transmission charging and the Scottish Energy Minister sought urgent talks with the UK Energy Secretary regarding the future of Longannet. Further engagement at the highest levels of government, including between the First Minister and Prime Minister, and with National Grid continued around issues of energy security and Longannet's future from autumn 2014.

4. National Grid recognised a need to procure additional services from baseload generators in Scotland and tendered for additional voltage control services for 2016/17. Scottish Power was unsuccessful in National Grid's procurement of new voltage control services and in response announced that "in all likelihood" the company would close Longannet by March 2016. Scottish Power's announcement of 23 March 2015 highlighted the negative impact on Longannet of "punitive transmission charges". Scottish Power pays a fixed charge irrespective of actual output of over £40 million annually in transmission charges to connect Longannet to the high-voltage network; an equivalent generator located in London would *be paid* about £8 million to connect.

5. Following the March 2015 announcement, the Scottish Government together with its partners in Fife Council, other public agencies, trade unions and Scottish Power began a process to consider the scale of potential impacts of closure and how best they could be mitigated to secure the best possible outcomes for those affected. Fergus Ewing, Minister for Business, Energy and Tourism, co-chaired two meetings of relevant organisations with Councillor David Ross, Leader of Fife Council, on 20 May 2015 and 25 June 2015.

6. Recognising the potential scale of the impact, when Scottish Power confirmed its decision to close Longannet on 18 August 2015, the Scottish Government established the Longannet Task Force to support the workers, businesses and communities impacted by the decision. The Task Force complemented the support offered to the workforce available through the Scottish Government's Partnership Action for Continuing Employment (PACE) initiative, bringing a clear and focused remit drawing together key players from the public and private sectors with trade unions to work together to assess and mitigate impacts.

Scale of the closure impact

7. Prior to the closure announcement, Longannet directly employed 250 people and was estimated to support a further 800 indirect and induced jobs. The power station has a significant economic footprint, with an estimated £47.5 million in contracts (non-fuel and logistics) in 2014 with a further £51 million to £61 million in coal and logistics contracts.

The Longannet Task Force

8. The Longannet Task Force is co-chaired by the Minister for Business, Energy and Tourism, Fergus Ewing, and the Leader of Fife Council, Councillor David Ross. The membership of the Task Force is wide-ranging, recognising the geographical scope of the impact, and includes representation from a range of political parties. Full details of membership are in annex A.

9. At its first meeting on 24 August 2015, the Task Force agreed that its remit was to co-ordinate the development of a joint multi-agency plan to mitigate the impacts of Longannet's closure. The Task Force considered the broad scope of that plan at its second meeting on 29 September. Full details of the remit can also be found at Annex A.

Longannet Economic Recovery Plan

10. At its second meeting on 29 September 2015, the Task Force agreed the broad scope of its plan which will support workers to find new jobs, mitigate the effects on the supply chain and look at the long term future of the site and consider how to create sustainable employment in the local area.

11. In line with the Task Force's remit, the plan explores six key strands of activity that could be taken forward:

- support for the workforce, with individuals supported to secure alternative employment;
- supporting the communities affected with community regeneration;
- supporting the creation of sustainable employment with business support and growth;
- business infrastructure and investment;
- exploring the future use of site; and
- environmental mitigation.

12. The Task Force will consider more detailed proposals of the sorts of interventions and initiatives it could support at its next meeting on 29 February. An operational group is driving forward the detailed work in the preparation of the plan to maintain momentum between formal Task Force meetings.

Current focus on support

13. The Task Force recognises that there needs to be immediate action for those who will lose their jobs on closure, both those directly employed but also those in the supply-chain. The Task Force has worked to ensure an effective response to help people find alternative employment. However, Scottish Power will operate Longannet Power Station until 31 March 2016 and requires to retain staff to facilitate this operation.

14. Where companies have to make redundancies, our Partnership Action for Continuing Employment (PACE) initiative is vital and available to all individuals and employees when faced with redundancy situations. Through providing skills development and employability support, PACE aims to minimise the time individuals affected by redundancy are out of work.

15. Our PACE team has been engaged in discussions with Scottish Power and with workforce representatives to provide support since May 2015, in the event that a decision was made to close Longannet. Once Scottish Power announced closure, regular liaison meetings have taken place at Longannet to develop the programme of support. Presentations have been made to employees regarding support available from PACE and Scottish Power's own outplacement agency, Right Management. An onsite resource centre has been established where employees can access the various strands of support. A Jobs Fair will be held onsite at Longannet on 28 January where employees will have access to support agencies and to employees who have vacancies. Support has also been provided onsite contractors who will be able to attend the Jobs Fair.

16. The Task Force is also working closely with supply-chain companies as part of an on-going process to mitigate the impact on the supply chain, including potential job losses. Scottish Enterprise and local authority economic development departments, including through the Business Gateway, have contacted business impacted by the closure to explore how the wider business interests can be supported and assisted. PACE support has also been provided for any employees in the supply chain who have required this. This builds on a specific event for supply chain businesses chaired by Mr Ewing and Cllr Ross on 31 August 2015 which provided an opportunity to set out potential support on offer from the public sector. The Task Force is holding a follow-up session on 29 February which Mr Ewing will chair.

Conclusion

17. All members of the Task Force are committed to working together to address the impact of the closure of Longannet doing all that can be done to support the individuals, communities and businesses. The Task Force will help to deliver the best outcomes for everyone affected.

Scottish Government
15 January 2016

ANNEX A

LONGANNET TASK FORCE – REMIT AND MEMBERSHIP

REMIT (agreed at first meeting on 24 August 2015)

The Longannet Task Force's remit is to bring together key partners to co-ordinate the development of a joint, multi-agency plan to mitigate the economic impacts of Longannet's closure.

The Task Force will develop an Economic Recovery Plan to:

- help ensure individuals employed at the site are supported, maximising each individual's opportunity to secure alternative employment;
- support the communities impacted by the closure;
- mitigate the effects on the supply chain;
- produce a masterplan for the long term future of the site, maximising the employment potential of the site;
- consider the economic infrastructure of the local area, to identify how to create sustainable employment in the longer term; and
- consider environmental mitigation actions.

MEMBERSHIP

Scottish Government	SNP Representative: Douglas Chapman MP
Fife Council	Labour Representative: Cara Hilton MSP
Falkirk Council	Conservative Representative: Murdo Fraser MSP
Clackmannanshire Council	Liberal Democrats Representative: Cllr Tony Martin (Dunfermline South Ward)
West Lothian Council	Hargreaves
North Ayrshire Council	Clydeport
Scottish Enterprise	Scottish Power
Skills Development Scotland	STUC
Department of Work and Pensions	GMB
Transport Scotland	Prospect
ScotRail Alliance (now represented through Transport Scotland)	Unison