



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 26 October 2021**

**Session 6**



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Pàrlamaid na h-Alba

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**Tuesday 26 October 2021**

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**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**8<sup>th</sup> Meeting 2021, Session 6**

**CONVENER**

\*Ariane Burgess (Highlands and Islands) (Green)

**DEPUTY CONVENER**

\*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

**COMMITTEE MEMBERS**

\*Miles Briggs (Lothian) (Con)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Meghan Gallacher (Central Scotland) (Con)

\*Mark Griffin (Central Scotland) (Lab)

\*Paul McLennan (East Lothian) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Marc Crothall (Scottish Tourism Alliance)

Stuart Mackinnon (Federation of Small Businesses)

Leon Thompson (UK Hospitality)

Paul Togneri (Scottish Beer & Pub Association)

Colin Wilkinson (Scottish Licensed Trade Association)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Local Government, Housing and Planning Committee

*Tuesday 26 October 2021*

*[The Convener opened the meeting at 09:00]*

#### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the eighth meeting in 2021 of the Local Government, Housing and Planning Committee. I ask all members and witnesses to ensure that their mobile phones are on silent and that all other notifications are turned off during the meeting.

Our first agenda item is to consider whether to take agenda items 3 and 4 in private. Agenda item 3 will provide an opportunity for members to reflect on the evidence that they have heard earlier in the meeting. Under agenda item 4, the committee will consider a draft of its pre-budget correspondence to the Scottish Government. Do members agree to take agenda items 3 and 4 in private?

**Members** *indicated agreement.*

## Subordinate Legislation

### Valuation and Rating (Coronavirus) (Scotland) Order 2021 [Draft]

09:00

**The Convener:** Under agenda item 2, the committee will take evidence to inform its scrutiny of the draft Valuation and Rating (Coronavirus) (Scotland) Order 2021. This session is the first of three sessions on the order that the committee will hold. I welcome Marc Crothall, who is the chief executive of the Scottish Tourism Alliance; Stuart Mackinnon, who is the head of communications and public affairs at the Federation of Small Businesses; Leon Thompson, who is the executive director of UK Hospitality; Paul Togneri, who is the senior policy manager at the Scottish Beer & Pub Association; and Colin Wilkinson, who is the managing director of the Scottish Licensed Trade Association.

Before I invite questions from members, I ask that those who are participating remotely should press R in the BlueJeans chat function if they wish to respond to a question. The chat function should not be used to write responses to questions, as they will not be recorded. My colleague Jenny Mouncer will help me to keep track of the chat function.

Paul McLennan wants to take the lead on our first theme.

**Paul McLennan (East Lothian) (SNP):** Thank you, convener. I welcome the witnesses and refer everyone to my entry in the register of members' interests. I am a councillor in East Lothian Council.

Do the witnesses agree with the Scottish Government that the coronavirus pandemic has affected the valuation of such a wide range of properties and business activities that it is more appropriate to take account of those effects at the next revaluation date?

**Stuart Mackinnon (Federation of Small Businesses):** The evidence that we have gathered from our members suggests that seven in 10 of our rent-paying members have paid rent as normal throughout the crisis. We are concerned that such a small share of our members managed to win concessions from landlords, which suggests to us that the bulk of our rent-paying members are facing conditions that are similar to those that they faced before the crisis began.

On the particular proposal from the Scottish Government, we highlight that the reliefs that it introduced have been far more important to our members, and will continue to be more important

to our members, than opportunities to appeal their valuation.

**Marc Crothall (Scottish Tourism Alliance):** Good morning, everybody. I largely echo what Stuart Mackinnon has said. The pan-sector impacts that have been felt over the past two years as a result of coronavirus are well documented. Notwithstanding that, I do not think that there is any part of the tourism industry that has not been affected. Many in the industry—if not the majority—have traded below the level of profitability that they would want in order to be able to reinvest in their assets and people, to stay competitive as we come through the recovery, which is important, and to repay the levels of debt that they have taken on.

The Scottish Tourism Alliance is the overarching umbrella body for the sector, so it is great to have colleagues from the hospitality and licensed trade at the meeting who can articulate very well how their member groups have been affected by the pandemic.

It is swings and roundabouts. Some parts of the sector have done better than others, but there has, without question, been a lack of revenue. There is still real concern about how, without some form of relief continuing, businesses might adapt, change and get themselves into a position in which they can be competitive, invest in people and adapt to some of the net zero agenda challenges that are in front of them. In the view of our members, the business rates relief of the past two years has unquestionably been the most welcomed relief, and it needs to continue. The revaluation of properties should be set for when we get into a trading period that is more reflective of what the position is likely to be.

International recovery is by no means a certainty. The trading period in the next few months will also be difficult. We therefore support the view that the tone date that has been set will be much more reflective of the future trading performance. As Stuart Mackinnon said, I anticipate that the majority will prefer to receive continued relief as opposed to challenging some of the appeals that are in play at the moment.

**Leon Thompson (UK Hospitality):** I thank the committee for the opportunity to present to you today.

In answer to the question, I echo Marc Crothall's comments. Hospitality was one of the hardest hit sectors during the pandemic. Businesses have largely been closed or unable to trade fully for the past 18 to 19 months, which has obviously put an incredible strain on businesses that have racked up short-term and long-term debt throughout that period.

The rates relief that the Scottish Government has applied for the past two years has been incredibly welcome, and it is the key element of the conversation about business rates. As Marc Crothall explained, what happens next is critical, in that it is critical that the relief for businesses continues in some form if we want to avoid a cliff edge next April. That is probably what businesses are mostly focusing on, rather than appeals.

Removing the right to appeal, however, seems to go against the idea of a fair and transparent taxation system, but that is not the key concern for our members or for the majority of hospitality businesses, which will be focused on what happens after April 2022 and the revaluation date in April 2023, at which point we need to be moving towards a system that more accurately reflects the hospitality business and the profits that it is making.

**Paul Togneri (Scottish Beer & Pub Association):** I thank the committee for inviting us today.

I agree 100 per cent with my colleagues' comments. The two-year business rates relief has been vital in keeping some hospitality businesses afloat and trading, to this point. That said, we have lost an estimated 400 pubs in Scotland—roughly 10 per cent—since the start of the pandemic. We also estimate that, during 2020, the sector lost about £12 billion in revenue. The rates relief for the past two years has been instrumental, and it is vital that some of that is maintained to support businesses. I also agree 100 per cent with colleagues that looking ahead to the next revaluation would be the preference.

**Colin Wilkinson (Scottish Licensed Trade Association):** Good morning. I thank the committee for giving me the opportunity to speak to you.

I agree entirely with the comments that have been made by my colleagues. The whole issue of commercial rates has been a very contentious one for many years in the industry, particularly because, proportionately, we pay a far greater percentage of our turnover in rates than any other business sector. We will continue to need relief, but there needs to be an overall review of commercial rates for our sector in particular, because we cannot carry on as things are. Businesses are on a precipice. As Paul Togneri said, we have lost about 400 pubs in Scotland, and we are not out of the pandemic yet. We are very concerned that that figure will increase.

**Paul McLennan:** A few of you mentioned appeals. Are material change of circumstances appeals an appropriate route for specific factors that affect individual properties or a limited number of properties? Leon Thompson touched on that

issue. What are your thoughts on that specific subject?

**Leon Thompson:** The issue is that some businesses will be caught by what is proposed. They might well feel that they are being unfairly disadvantaged by not being able to appeal. However, the focus of the bulk of businesses will be very much on what happens next.

As I said, I think that closing down the opportunity to appeal goes against having an open taxation policy. That needs to be borne in mind. We do not want to set any precedent whereby the goalposts can be moved. We need the system to be as transparent as possible for businesses. We should give businesses that feel that their circumstances have changed and that they have not had the necessary support and recompense thus far somewhere to go if they want to appeal.

**Paul McLennan:** Thank you.

**The Convener:** We move on to the next theme, which is on the parliamentary process. I invite Meghan Gallacher to lead on that.

**Meghan Gallacher (Central Scotland) (Con):** Good morning. Like Paul McLennan, I am currently a councillor—I am a member of North Lanarkshire Council. I refer everyone to my entry in the register of members' interests in that regard.

As the convener said, I want to discuss the parliamentary process. Do the witnesses believe that there was sufficient consultation on the proposals? Did you have an opportunity to comment on the planned changes, in the context of Covid-19 and the challenges that that has brought?

**Leon Thompson:** I do not think that there has been sufficient opportunity to engage in the process. For businesses, what is proposed has probably come as a bit of a surprise. Obviously, there has been movement on the issue at Westminster, so there is a precedent there. I suppose that we are moving into line with Westminster, but this is my first opportunity to engage with the Scottish Parliament and to put over our point of view to the Scottish Government on the proposed move.

**Stuart Mackinnon:** The FSB is in fairly regular discussion with officials, including rates officials. Although we have not discussed the proposed move specifically, we have discussed the wider rates landscape. When the United Kingdom Government made a similar decision to prevent MCC appeals, there was some discussion with officials about the implications of that change.

09:15

**Paul Togneri:** I echo the comments of my colleagues. As Leon Thompson said, this is the first formal consultation that we have had on the issue. We have almost daily dialogue with the Scottish Government, and our focus in those conversations has been on business survival and getting through the pandemic. The impact on businesses in the sector is well known, but this is the first opportunity that we have had to engage directly on the issue.

**Meghan Gallacher:** Given that we are exploring that theme, do Leon Thompson and Paul Togneri think that there would have been more opportunity for stakeholders to feed in views if all the changes had been introduced via primary legislation? Would that have been beneficial?

**Leon Thompson:** Yes, that would certainly have helped. I am not sure that I have much more to add on that. As Paul Togneri said, we have spent a lot of time managing the immediate issues that have been affecting businesses, and this issue has not been on the radar.

**Paul Togneri:** I absolutely agree with Leon Thompson on that. Primary legislation always gives those whom it will impact a greater opportunity for scrutiny and engagement. As Leon Thompson said, the sector's focus has been on the restrictions and on ensuring that we can get through to the other side of the pandemic.

**Marc Crothall:** The Scottish tourism emergency response group convened pretty much every week—although it now convenes fortnightly—along with other sector groups. As my colleagues have said, the focus has been very much on the here and now and on the recovery in the short to medium term.

The recommendations on the second phase of recovery that the Scottish tourism recovery task force has tabled with the Scottish Government do not cover the rates system other than the need for a form of continued rates relief, for reasons that have already been stated, such as the cliff edge relating to the potential rise in VAT, incremental costs and the likely return to trading. However, this is the first formal engagement that I, like others, have had on the particular issue.

**The Convener:** I will pick up on the theme of workload issues. Assessors and valuation committees are facing 40,000-plus Covid-related MCC appeals at a time when they have limited capacity for processing appeals. Due to the pandemic, a smaller proportion of appeals have been resolved at this stage in the revaluation cycle compared with the previous cycle. While assessors try to catch up, they also need to spend time on the initial stages of the next valuation, which is due in 2023. If they were to grant many of

the Covid-related MCC appeals, that would likely lead to further appeals being lodged, and successful appeals would need to be reviewed regularly as Covid legislation and guidance change. Given all that, is it feasible for assessors and valuation committees to assess coronavirus-related MCC appeals with the time and resources that they currently have?

**Colin Wilkinson:** As we said earlier, Covid-related MCC appeals are at the back of people's minds; people are thinking about what will happen going forward. It is very important to businesses that we get the revaluation right.

The rating system is contentious. There needs to be some kind of reform or on-going relief, whether that is in the form of further financial support from the Government or a system in which we have a varied poundage rate. That is within the powers of the Government, and it would be particularly helpful for our sector, which we argue has been hit the hardest over the past 18 months to two years. Our main concern is what will happen going forward.

I agree with my colleagues' answer to the previous question. We have had no opportunity to discuss the matter.

**Stuart Mackinnon:** I will talk about the appeals system in general and then come to the specific issue that was mentioned.

The evidence that we have gathered suggests that the non-domestic rates appeals system does not work particularly well for Scotland's small businesses. Following the revaluation before last, only one fifth of our members chose to appeal, and the bulk of them chose to represent themselves. Anecdotal evidence suggests that businesses that represent themselves in that system tend to be unsuccessful. Broadly, that is because they do not argue whether the valuations are unfair—the challenge is to argue whether they are inaccurate.

At this point, as we look towards the next revaluation and the Barclay review reforms that are in the pipeline, policymakers recognise that, if we are to deliver a more frequent revaluation cycle, they need to dramatically reduce the number of appeals in the system. Given that many of the Barclay review reforms are yet to be implemented, I can understand why the Scottish Government might arrive at the conclusion that mid-cycle or MCC appeals are not appropriate at this time. However, I would argue that one way to reduce the number of MCC appeals in the pipeline would be to provide details of reliefs that will be put in place after April 2022.

**The Convener:** As no one else wants to come in on the question of processing appeals, we will move on to local authority revenue.

**Miles Briggs (Lothian) (Con):** I have a few questions about what local government can do to support you. On the effective use of resources, the Scottish Government stated in the programme for government:

“Ruling out COVID-19 appeals will ensure that the limited public resources that are available are efficiently targeted to support the most affected businesses and sectors in the recovery period.”

Beyond MCC, what else do you think that local authorities could be doing to support you? I will start with Colin Wilkinson, who touched on the poundage rate earlier.

**Colin Wilkinson:** We are grateful for and welcome any assistance.

The way in which Scottish assessors value licensed premises has always been a big issue for us. As I said, we pay about 8.25 or 8.5 per cent of our turnover. It would be helpful if there was more assistance for licensed premises from local authorities through the assessors.

We have to overhaul the rating system. I know that the Barclay review did that, but it also recognised that there is still a problem for the licensed hospitality trades. We hope that local councils will get on board with us on that. We are a very important industry. If you consider the state of our high streets in many places, you will see that it is the hospitality industry that is the key player in those situations. We need as much help as we can possibly get.

**Stuart Mackinnon:** Local authorities have had a key role throughout the crisis in supporting local economies and businesses. Many councils—and specifically the non-domestic rates teams in them—have worked extremely hard to distribute grants to businesses. Although we would have liked to have seen that money move more quickly in some cases, much of the business community should extend its thanks to council workers who did such a good job in difficult circumstances.

One key advantage of national relief is that it is paid for by central Government. That is better than businesses having to take an appeals-based route to reduce their overheads as we enter the recovery period. Many local authorities in Scotland have offered new grant support for businesses during the recovery phase. We support that. We have seen many local authorities offering grant support for businesses to expand their digital capabilities, for example. We support that, as well.

Local authorities have the powers to introduce local reliefs, but those powers tend not to be used very often. There may be an opportunity for local authorities, perhaps in partnership with the Scottish Government, to consider whether it is time to provide more localised reliefs. That might be helpful for our city centres, which seem to be



facing persistent problems as a consequence of the changes in our working and living habits caused by the coronavirus pandemic.

**Leon Thompson:** I support Stuart Mackinnon's comments. Partnership is key. Throughout the pandemic, local authorities and teams in them have worked incredibly well with businesses. We want to look at how we can keep those partnerships going. Hospitality businesses are at the heart of communities and places, and we must keep those strong relationships going.

**Paul Togneri:** I echo my colleagues' comments. The support that has come directly from local authorities and from central Government via local authorities has been instrumental in keeping businesses afloat. We should look at our high streets and communities as a whole to see what can be done to support them. Every pub contributes about £100,000 to its local economy. As others have said, the support has been instrumental at the heart of communities.

A range of reliefs could support the hospitality sector. For example, we have seen the waiving of the usually hugely costly fees for placing tables outside or on pavements. The removal of those fees has been extremely helpful while we try to encourage people to meet outside. There are other instances of local authorities acting to support their communities and high streets. As others have said, any reliefs that businesses get are instrumental in keeping them afloat. We are grateful to local authorities for those and to the council workers who have been fantastic in processing grants. As others have said, we would sometimes have liked that to happen more quickly, but the work that they have done has been instrumental.

**Marc Crothall:** I echo what everyone has said about local authority support. Hugh Lightbody of the Convention of Scottish Local Authorities sits on the Scottish tourism emergency response group, and he has contributed hugely to what that group has done during the pandemic.

"Scotland Outlook 2030: Responsible tourism for a sustainable future", which is our national tourism strategy and which was launched by the First Minister only three days before Covid took grip, is still a very relevant strategy. We have been working with the recommendations through the recovery to align our focus with the priority areas in that strategy. The four key priority areas are around people, business, place and experience. It is important to bring local communities with us in rebuilding tourism and to spread tourism around the country so that the benefits of the sector can be felt by all communities. The conditions for success include having the right policy, the right investment in infrastructure and the right support

for upskilling our people. Stuart Mackinnon referred to the digital boost programme.

09:30

There is also the broader issue of having more affordable housing and councils recognising in all their local agendas how important tourism is to driving the recovery for local communities. However, supporting the supply chains is equally important, and we very much endorse the support local campaign that Scottish towns initiated.

Encouraging businesses to be more diversified in their product offering is also key. Paul Togneri touched on our ability to enjoy alfresco dining now in Scotland 24/7, which we all need to continue to support because businesses have invested a lot of money in being able to do that. It would be wrong for them to be suddenly penalised by a local authority if they cannot build on that, particularly as our culture has become more used to eating outdoors as well as indoors.

**Miles Briggs:** Thank you for that. Keeping alfresco dining going can also help to support our winter clothes industry.

Those are all the questions that I have for that section, convener, but I hope that I can come in again on theme 5 in the Scottish Parliament information centre paper.

**The Convener:** We move on to our fifth and final theme, which is other forms of business support. I invite Willie Coffey to start on that theme.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Thank you, convener, and good morning, panel. I hope that you can hear me okay, as I have had to switch devices during this evidence session to be able to connect with you. Do the panel members think that the MCC process in general gives us the most effective mechanism to target the support that is needed? We heard just a minute ago from Stuart Mackinnon that only a fifth of small businesses appeal their valuations. I am aware that, back in March, the UK Government announced a £1.5 billion relief scheme that it says will enable local government to target properly the small businesses and other businesses that need the most support. I do not think that that money has been made available yet, but do the witnesses think that that approach is better than the broader MCC appeal process? I ask Stuart Mackinnon to answer that first.

**Stuart Mackinnon:** I agree with the view of both the UK and Welsh Governments that a relief package is the best means of getting rates support to businesses, many of which will not have been able to use their property for large chunks of time during the crisis. It is not appropriate to ask those

businesses to pay property taxes while they cannot, in effect, use their properties, whereas an appeals process is open only to businesses that lodge appeals. We tend to find—although this is not the case across the board—that it is larger organisations that use property professionals and others to argue appeal cases. The other key point in this mix is about the pace of delivery, because a relief can be implemented fairly quickly, but an MCC appeal in the wider appeals system tends to move quite slowly. That is another key advantage of the relief route over the appeals route in reducing bills for businesses.

**Willie Coffey:** Thank you. Will the other panel members give their view on that?

**Marc Crothall:** I echo what Stuart Mackinnon said. Businesses are being asked to—and need and want to—invest in their assets and their people and, in many cases, to apply adaptations in order to become more sustainable and aligned to the challenges of the net zero targets that we are all striving to achieve. To meet those commitments, they need a clear signal that relief is off their balance sheets sooner rather than later.

Not only have the costs of energy and costs in the supply chain in general been rising, but many tourism businesses have been paying way in excess of the minimum wage in order to attract talent. They want to be able to sustain that, but I fear that, if there was uncertainty about any future relief or a different approach to relief being afforded, many businesses would not be able to be competitive and employ the number of people that the sector can employ to help the economy recover. It is important that we invest in those new people because, unfortunately, we do not have enough people in the population. That recruitment will take time.

The cliff edge—I think that we have all referred to the situation—is still looming and, the sooner the Scottish Government gives an indication of what the relief might look like, and the UK Government indicates whether the current level of VAT will be maintained beyond the end of March next year, the better and the more confidence it will give the industry.

**Leon Thompson:** A reliefs system would definitely be better, fairer and more targeted than the current appeals system. The figures that Stuart Mackinnon shared with the committee bear that out.

Those figures also demonstrate that there are fundamental flaws in the business rates system. The fact that larger businesses choose to go down the appeals route suggests that we need to examine business rates fully and develop a fairer system for all businesses that would mean more businesses paying their share than are doing so at

the moment and lift the burden from hospitality businesses.

On the money that Westminster is making available, I understand that there are consequential for Scotland that come to about £145 million. It would be good to hear how the Scottish Government will use that money in the form of relief in due course.

**Paul Togneri:** For the reasons that my colleagues have outlined—surety and the time that it would take—our preference would be for a reliefs system. However, I also highlight the wider economic issues that my sector still faces.

We have real concerns about inflationary costs. The cost of electricity and gas is well documented but, of course, businesses have no energy cost cap, unlike domestic properties. That is another concern for us.

Similarly, staffing levels were a concern to us even before the pandemic. Brexit has had a real impact on our staffing levels, as has the pandemic. We are still suffering an acute shortage of staff, so we need to be able to invest in employees by bringing new people on board and supporting current employees. As Marc Crothall said, pay has also increased a lot as a result of our trying to attract people into the industries that we represent. Therefore, any further relief would be welcome and, the sooner that that can be released and revealed, the better for the sector.

**Marc Crothall:** I will make a couple of other points. Businesses are reporting that suppliers to industry are increasingly looking for an amount of money to be lodged on deposit. Therefore, cash flow has been cut back.

For example, Portavadie marina had something like £250,000 of its revenue go through Worldpay, which is one of the transactional platforms that many of us use to pay through our card system. In August this year, Worldpay announced that it wanted to retain £100,000 of that revenue on credit, which meant that it could not be released into the business. Other utilities companies were doing the same. Businesses therefore have less ability to access cash to do what they need to do, and that is on top of the inflationary challenges that we are all facing.

Scotland's strategic aim is to be the world leader in 21st century tourism. We are starting a bit behind the curve when it comes to our competitors who are attracting international markets. International in-bound tourism is approximately 42 per cent of the total revenue mix, and that will not return to 2019 levels or to the levels what we expect or want for a good few months, if not until the back end of 2022. There is still a lot of work to be done and it is important to be competitive. We need our businesses to be well invested in

recruiting and training people so that we can present the product that Scotland wants to present and the one to which the industry aspires.

**Colin Wilkinson:** I fully agree with all that my colleagues have said, but if there is to be further rates relief, it should be targeted at the businesses that are most in need. Some businesses have done very well throughout the Covid period so the relief should be focused on those that are most in need.

**The Convener:** Thank you for that.

**Willie Coffey:** Thank you, Colin.

**The Convener:** I am sorry Willie, did you want to pick up on something?

**Willie Coffey:** I was just thanking the witnesses for answering that question.

**The Convener:** Thank you. I will bring in Elena Whitham, who is also joining us virtually.

**Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP):** Before I ask my questions, I refer everybody to my entry in the register of members' interests as I am a serving councillor on East Ayrshire Council.

My first question is quite general. We have heard about the fantastic collaborative working between local government and the businesses in their local areas. How effectively has the support for businesses been targeted in response to the pandemic? That question is about both tiers of government, whether it be the UK and Scottish national Governments, or local government, which we have heard quite a lot about today. I direct that question to Stuart Mackinnon to start with.

**Stuart Mackinnon:** Throughout the crisis, decision makers were quite clear that there was no way that they could fully compensate businesses for the income that they would lose as a consequence of some of the public health measures. For example, the Cabinet Secretary for Finance was quite clear that the £10,000 and £25,000 grants that were delivered in Scotland were not meant to fully compensate businesses for their lost revenue, but they would mitigate the immediate pressures that businesses were facing. Anecdotally, we know that many businesses exhausted their cash reserves and that Scottish businesses took on about £4 billion in debt through the Government-backed coronavirus business interruption loan scheme and the bounce back loan scheme. It is obvious that businesses had to borrow because the other mechanisms to support them were not sufficient.

I accept that there was a need for money to reach businesses quickly and, for the sake of pace, some elements of targeting were lost. The economic data produced by the likes of the Bank

of England and others seems to show that the economic burden of the crisis was felt disproportionately by small and medium-sized businesses as opposed to their larger counterparts.

That is why we are arguing that, as we enter the recovery phase, government at all levels should focus on helping small and medium-sized firms, which support every second private sector job in the country, to get back on their feet, simply because we do not think that local communities will recover until their business communities are firing on all cylinders.

09:45

Looking to the future, obviously, we are talking about rates today, and our view is that, in the next financial year, additional support specifically for small businesses outside the scope of the small business bonus scheme might be necessary. We also think that, as Governments make tax and spending decisions, we need to give local and independent businesses time to recover, to pay down their debts and to grapple with the challenges of, for example, rising energy bills and other increases in overheads, which other witnesses have spoken about, and not clobber them with tax rises. For instance, there is some concern that the increase in national insurance contributions will have a disproportionate impact on small businesses. That is why we want the Chancellor of the Exchequer to announce an expansion to the employment allowance when he stands up in Parliament tomorrow.

**Paul Togneri:** I agree with the points that Stuart Mackinnon made. As he said, the cabinet secretary was quite clear at the start of the process that the idea was to allow a bridge to the other side of the crisis for the majority of businesses, and I think that, by and large, the grants have delivered that. As I mentioned earlier, we have lost 400 pubs since the start of the pandemic but, without the economic support that was made available, we would have lost many more.

Although the response has been extremely positive, it has not been perfect in every instance. In the first round of grants, businesses with a rateable value of above £51,000 did not receive any economic support. However, those businesses would have a proportionate share of costs—for example, they would have more staff to support and they would likely have larger bills to pay—so that was a concern for us at the beginning.

Later in the pandemic, the support did not quite line up with the restrictions. I am thinking in particular, for example, of the period when pubs

could not serve alcohol or open late in the evening but were entitled only to the same support that was provided to businesses that were seen as cafes. However, later—in the third round of grants, I think—there was additional support for businesses with a rateable value of more than £51,000, and there was a lot of engagement with the sector. My organisation and those of other colleagues were closely engaged with Government on those measures at that time.

Although the grant support was not perfect and had some inconsistencies in its application, the key thing is that it moved quite quickly and, if it had not been made available, more businesses would have been left unsure of their survival and we would have seen many more businesses fail. It was not perfect but, by and large, it was absolutely vital in keeping many businesses alive and trading today.

**Marc Crothall:** I echo a lot of what has been said. Everyone found themselves having to deal with changing from their day-to-day job into the new situation that they were faced with. At times, pace was a challenge but, without the relief that has been provided, many businesses would have failed, as Paul Togneri said.

In some cases, there was a bit of learning as you go, but from a tourism perspective I want to put on record our thanks to colleagues at VisitScotland in particular, who have managed a series of sectoral funds targeted at the inbound sector, the marine sector, the tour operators, the coach guys and so on. Everyone who has facilitated those grants has been absolutely exemplary in their efforts to get them out as quickly as possible, and the industry has been well consulted on shaping the grant criteria.

On Paul Togneri's point about not being able to acknowledge in a proportionate way where the impacts were felt of a lockdown of a particular local authority area, if the lockdown was in a largely central-belt area, there was a direct knock-on impact on parts of the country for which the people in lockdown were the customer base. Many of the businesses in more rural areas are small, and they were unable to access support because it was not joined up.

None of the support has compensated for the loss of revenue, as we all know, and we continue to make the case for key sectors that will need targeted support. We must speed up the delivery mechanism of the fund to allow businesses to trade constructively and positively in order to recover. Many people would say that we are still not yet in the recovery phase; we are very much in survival mode. We have had the additional £25 million that was announced by the First Minister in March this year to support the delivery of the initial 10 recommendations of the task force to drive

recovery. A lot of that is in train, as is support from Skills Development Scotland to help to recover, retain and upskill our existing workforce. Hats off to those who have done it. What we have learned has been important and, if we go again, I hope that it will be smoother than it has been in recent times and than it was at the outset.

**The Convener:** A couple of folk want to come in but, in the interests of time, I will see whether Elena Whitham wants to ask any more questions.

**Elena Whitham:** I will do a quick mop-up, because my next question was answered in part when Stuart Mackinnon responded to a question from Willie Coffey. I want to give the witnesses an opportunity to explore the matter of some businesses—perhaps larger businesses, as Stuart Mackinnon mentioned—bringing in professional advisers to help them with the MCC appeal process. As Colin Wilkinson rightly pointed out, such businesses have perhaps benefited more during the pandemic than small and medium-sized enterprises, which might have been hit more.

Do the panellists have final thoughts on that aspect? How can we ensure that the small and medium-sized businesses that could not avail themselves of the MCC appeal process get adequate and correct support now? Colin Wilkinson mentioned that in the first place—does he have any thoughts?

**Colin Wilkinson:** I am sure that my colleagues on the panel also provide a service, but at the Scottish Licensed Trade Association, we promote to our members a service whereby Gerald Eve LLP can put in an appeal for them. We have done that for a number of years. Getting the message out to members is always a difficulty, but we provide a service to our members to advise them on what they should do, and we recommend that they speak to Gerald Eve.

**Miles Briggs:** My point is more on the back of Elena Whitham's question. Paul Togneri mentioned that 400 pubs—that is 10 per cent of the total number of Scottish pubs—failed during the pandemic. Through the small business bonus scheme, rates relief is in place for rateable values of up to £15,000, so smaller businesses with smaller premises would not necessarily benefit from other measures. In the panel's experience, what sort of businesses failed during the pandemic? Is there a connection with their rateable value? I namechecked Paul Togneri, so perhaps we should start with him.

**Paul Togneri:** We do not yet have a breakdown available to us. The figure of 400 comes from CGA Strategy, so it has professional backing and we have faith in it, but we do not have further details.

We have anecdotal evidence that some smaller businesses failed, probably as a result of issues

with cash reserves and their inability to apply for grants to weather the storm. We do not have a breakdown of that, but I am sure that further details will come out and that patterns will emerge. We do not yet have a clear picture across the board of where businesses are failing, although colleagues may wish to add their thoughts.

As colleagues have said, there have been different impacts in different areas. City centre premises, which have lost international visitors and office trade, might have been more affected than suburban or more rural premises. People have been keen to get out and about in the countryside, while many have been staying at home. People have not been to city centres as much, so an uptick in the failure of city centre premises is likely.

As far as the pandemic is concerned, the sector is not out of the woods yet. There are still restrictions on properties in the form of the baseline measures, and the introduction of Covid certification has impacted some premises. There might still be further business failures; that will depend on the future economic situation. We do not yet have a clear picture of what types of businesses have failed, but I hope that that will emerge relatively soon.

**Stuart Mackinnon:** Larger licensed businesses are getting the retail, hospitality and leisure relief, so there is no difference between those businesses and recipients of the small business bonus, at least in rates terms.

The panel includes a lot of representation from the hospitality and leisure industry. I highlight the fact that there is a larger picture here, and I would like to speak about issues that some of our other members have experienced over the course of the crisis. Many independent businesses that were dubbed non-essential were closed for large parts of the crisis, while their larger counterparts were allowed to keep trading. We know that smaller businesses were less likely to have large cash reserves than their larger counterparts were.

As we move into the next phase of the crisis, we need to look at policy arrangements to help small and medium-sized businesses to get back on their feet. I highlight the fact that many SMEs operate from slightly more valuable premises, which means that they fall outwith the small business bonus. We would like the Scottish Government to explore mechanisms to get help to them if the current broad relief comes to an end in April next year.

**Colin Wilkinson:** The small business bonus scheme has been mentioned. Because of the way in which premises in our trade are rated, many of what we would term small or medium-sized licensed premises do not qualify for that scheme.

Many pay the supplementary rate. We come back to fact that the way in which our premises are rated affects us in that regard.

**Marc Crothall:** I have a couple of points to make about business failure in general. Paul Togneri has touched on the impacts in the city. The loss of trading from office workers and international visitors has been hugely impactful. The doors of some of the smaller cafes and restaurants are closed. Demand levels are not there, and there are workforce issues.

Across the country, many of our properties in the sector are trading at less than 100 per cent capacity because of their inability to provide a service. More and more properties are now trading only five days out of seven or offering a reduced menu and so on. Niche sectors such as the golf tourism industry have had no international visitors, so a lot of those guys have suffered, too.

I will pick up on Stuart Mackinnon's point. Other small businesses in the supply chain are essential to front-line hospitality and the sector's ability to trade. The Scottish Wedding Industry Alliance was formed, and a huge number of suppliers for that industry have been supported by the Government, but if we do not have a stable supply chain, it is very difficult to deliver at the front end.

In relation to relief, it is critical that we look at the ecosystem of tourism and hospitality. As we said earlier, we are the life-blood of many businesses in local communities, whether that be the florist or the carpenter. The sector employs the workforce that can provide front-line services, and it helps to address some of the mental health challenges that people have been facing.

**The Convener:** We have come to the end of our questions. I thank all the witnesses very much for giving evidence. It was interesting to hear some of you say that this is the first time that you have been able to get your points of view across, so we really appreciate your evidence.

10:01

*Meeting continued in private until 10:55.*



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