

# Unlocking the Lockdown:

Supporting our economy as we lift restrictions

February 2021

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# Foreword

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Throughout this pandemic we have faced a difficult balance between protecting lives and livelihoods. Between taking the necessary action to control coronavirus, and shutting down large sections of our economy – non-essential shops, pubs, restaurants and hotels. For so many people, these have been incredibly trying times, and this has been especially true over the lockdown of the last two months.

However, thanks to the fantastic work of our NHS staff, the Armed Forces and volunteers, over 1.3 million Scots have received their first dose of the vaccine and this number will only continue to rise. Our collective sacrifice has also reduced the prevalence of the virus significantly from its peak at the start of January.

We are now in a position to plan how we ease restrictions to exit the lockdown, reopen the economy and return our lives to normality. However, what we have heard from Scottish Government ministers and officials so far has been throwaway comments to the press about what that looks like. People and businesses need a definitive statement.

The First Minister has said that her government will set out a revised strategic framework next week. This needs to be a complete approach to gradually removing restrictions and ending the lockdown. It needs to answer key questions around whether there will be a local or national approach to restrictions going forward, in what order sections of our economy and society will see restrictions lifted and how the progress of vaccination will affect this.

However, the most fundamental question that needs answering, is around what the 'new normal' will be. There has been a lot of speculation and warnings about there not being a wholesale return to pre-Covid freedoms and continued restrictions to international travel. This is unfair, in order for people and businesses to

plan for the future they need to know exactly what the Scottish Government means by this.

We also need to use this opportunity to give businesses the reassurance of continued support during the recovery and not just when restrictions are in force. The Scottish Government's business support system is a sprawling mess of 44 different funds and schemes. We need to see reform towards a simple single fund that is available for all businesses, quicker to pay out and ensures no one is left behind.

In addition, we need to ensure that the public and our economy has time to prepare for the lifting of restrictions and be imaginative in encouraging people to get out and support local businesses, when it is safe to do so. We are proposing as a start that the Scottish Government funds the scrapping of parking charges on public car parks.

The effectiveness of the rules that are in place for controlling the virus are dependent upon people and businesses continuing to comply with them. The public need to see a route map that offers hope and the certainty that they will be able to go to favourite pubs and restaurants, return to workplaces and reopen businesses and see dearly missed friends and family in the not too distant future.

A clear plan for removing restrictions and offering businesses continued support to recover is how we can deliver the maximum certainty possible for the public and our economy in the most uncertain of times.



**Douglas Ross**  
**Leader of the Scottish Conservative and Unionist Party**



# Introduction

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Scotland has been in a second lockdown for the last two months and under some form of restrictions for the past year. While it is a necessary situation, it has been incredibly damaging to our economy and public life. Fortunately, we now well into the process of delivering the vaccination programme, with over 1.3 million Scots receiving their first dose. We have also significantly reduced the prevalence of the virus, with daily test positivity down to around between a half and a third of the level seen during the peak at the start of January. While there is a need to remain cautious, it is time for the Scottish Government to set out a route map to end the second lockdown and lift restrictions generally.

The Scottish Government intends to publish a revised strategic framework next week. This needs to be a full route map that ends the weeks of speculation around how we exit the lockdown. That will only be the case if it definitively answers the questions around whether we will have a national or regional approach to restrictions going forward and presents the order at which sections of our society and economy will open up. Most importantly, it needs to set out what the 'new normal' will look like, including in terms of continuing restrictions on international travel and large public gatherings.

However, while lifting restrictions will allow our economy to reopen, this does not mean that support for businesses can just stop. Our economy needs to not just be supported to survive being closed down but also to recover and rebuild as we lift restrictions.

The Scottish Government's support for and engagement with business during these difficult times has often been delayed, inadequate and in some cases non-existent. As we ease restrictions, the Scottish Government needs to correct its mistakes and establish a regular forum for involving business in decision making. It should also reform the business grants system

to leave no business behind and ensure that the public and businesses have time to prepare for restrictions being lifted.

This paper is intended to make the case for delivering the certainty that our economy needs to recover, as we look to lift restrictions. The Scottish Government's at times piecemeal and speculative approach to the future of restrictions has damaged businesses and our economy. We need to see the strategic vision that ensures that businesses can plan and secures continued public compliance, as vaccination and falling infection rates offer us the opportunity to reopen our economy and society.



# Key recommendations

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## Our tests for the Scottish Government's revised strategic framework:

- **The revised framework needs to be a full route map for ending the second lockdown and lifting restrictions generally.** With increasing vaccination numbers and falling infection rates, the Scottish Government needs to set out a full plan for lifting restrictions to end the second lockdown.
- **The revised framework needs to set out whether there will be a regional or national approach to lifting restrictions.** We need to know going forward, as we exit the second lockdown, whether restrictions will continue to be managed on a regional basis or if the new strains of the virus make that approach impossible.
- **The revised framework needs to set out the sequencing for lifting restrictions and the evidence on which that sequencing is based.** We need to see the order that sections of our economy are going to have their restrictions lifted and the reason why.
- **The revised framework needs to set out how progress with the vaccination programme will affect restrictions.** A new route map needs to set out the stages of vaccination progress at which certain restrictions can be eased.
- **The revised framework needs to lead to and set out what the expected 'new normal' will be.** We need to see a new route map establish what is likely to be the new longer-term restrictions that our economy and society will face even after we have completed the vaccination programme.

## The action that the Scottish Government needs to take to support businesses as we ease restrictions:

- **The Scottish Government should appoint a 'Coronavirus Business Advisory Council'.** We are calling on the Scottish Government to create a group of business advisers, to give advice on the easing of restrictions and the grants system.
- **The Scottish Government should introduce a minimum one week 'adaptation period' between the announcement and date of lifting restrictions.** We need to ensure that businesses are prepared for the easing of restrictions as parts of our economy reopen. The Scottish Government should allow for a one-week minimum period between the announcement and lifting of restrictions.
- **The Scottish Government should undertake a rapid review of coronavirus business grants system and simplify down to a single support fund.** We are calling on the Scottish Government to urgently review the grants system to move to a single fund providing regular payments for all affected businesses based on need.
- **The Scottish Government should establish a 10-working day national standard for new business grant applications to be processed and a decision made.** This will ensure that businesses across Scotland can expect applications to be assessed and payments made promptly. Councils should receive funding and support to deliver this standard.
- **The Scottish Government should be imaginative in supporting our economic recovery as restrictions are lifted.** The Scottish Government should consider a range of measures to encourage the public to support local businesses. The Scottish Conservatives believe that they should fund the removal of public car park charges.



# What we need to see in the Scottish Government's revised strategic framework

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The single most important thing that government can give to businesses, and to individuals, in the face of the uncertainty of the pandemic, is certainty. That is why the publication of a route map out of this second lockdown is so important for our economy. It enables an element of forward planning and budgeting to take place, even if the exact dates of when certain restrictions are going to be lifted cannot be given. It also sets out the approach and the metrics that are going to be used to inform decisions on easing restrictions.

Given that test positivity is now approaching the 5 per cent threshold, which the World Health Organisation says is the level at which the virus is under control, and that Scotland has been living under lockdown restrictions for two months, now is the right time for the Scottish Government to outline a full plan for easing restrictions when it is safe to so.<sup>1</sup> Not only is this essential for our economy but also for continued public compliance with the current restrictions.

The Scottish Government's revised strategic framework must deliver the certainty of a clear exit strategy from the lockdown and the reopening of significant parts of our economy and society. It must also set out what the 'new normal' of longer-term restrictions that we will all have to live under upon the completion of the vaccination programme. Delivering this certainty is the only way that our economy can begin to recover from coronavirus.

## Chronology

The first lockdown to tackle coronavirus in Scotland was introduced on the 23rd of March, with measures to close schools, cinemas, pubs and other premises already in place from the 20th. On the 21st of May, the Scottish Government first published its four-stage route map to easing restrictions, beginning the 28th of May.

This easing of restrictions continued until the announcement of increased restrictions on the 22nd of September, coming into force on the 25th. From this point until the 2nd of November, restrictions were increased nationally before the introduction of a local approach (the Strategic Framework) to controlling coronavirus.

At this time, we saw significant easing of restrictions, such as the movement from Level 2 to Level 1 restrictions (notably allowing the meeting between two households indoors – though this was only actually allowed in the Islands) in the Highlands and Islands and the Borders or the movement from Level 3 to Level 2 restrictions (notably allowing non-essential travel outside of local authorities) in Falkirk, Inverclyde and East Lothian. However, in some cases, we also saw a significant tightening of restrictions, such as the movement of Glasgow and the West of Scotland into Level 4 (notably closing non-essential retail and enforcing a 'stay at home' message).

From the 26th of December all mainland areas entered Level 4 and on the 4th of January we entered the current lockdown restrictions which are still being enforced uniformly across all of mainland Scotland. The Scottish Government has announced that it will begin a limited return to schooling and early years education for children up to P3 and for pupils in S4-6 who need to complete in-school practical work for national qualifications from the 22nd of February and has promised further details next week.

## Different approaches to easing restrictions

Over 1.3 million people have now received their first dose of the vaccine, a fantastic achievement showcasing the very best of the UK and Scottish Governments and of the NHS, the Armed Forces and volunteers coming together to achieve a common goal. The ongoing vaccination programme and persistent progress towards reducing the infection rate mean that we will



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be in a position to consider easing restrictions again in the near future. However, there remains questions over how this should proceed.

We have had two periods of restrictions being eased so far. The first, from the 28th of May to the 22nd of September, saw national restrictions eased at the same pace across the country based on the impact of different settings for the transmission of the virus. Put bluntly, those parts of the economy and society that were deemed to be the least able to be adapted to be Covid-secure or were considered to be the cause of transmissions had restrictions lifted last. In some cases, such as night clubs, restrictions have never been lifted and they have been closed since March 2020.

However, at that stage, the impact of easing certain restrictions was severely underestimated. Daily reported cases over this period increased from 113 on the 28th of May to 383 on the 22nd of September to 1,712 on the 22nd of October.<sup>2</sup> As such, this necessitated a return to increased restrictions.

The second period of easing occurred following the end of the circuit breaker restrictions from the 2nd of November to the 26th of December. During this time, the primary driver of restriction levels were local metrics on coronavirus prevalence, including transmission rates and hospital occupancy. This meant that restrictions could be eased in one part of Scotland while being maintained or even tightened in another part. Yet, the arrival of new more contagious strains of coronavirus resulted in the local approach being abandoned and a return to national measures on the mainland. From the 19th of December, when the second lockdown was effectively announced to a month later on the 19th of January daily new cases increased from 572 to 1,165 and ICU occupancy from 53 to 150.<sup>3</sup>

We therefore have two significant questions that have yet to be answered on our approach to easing restrictions. First, we need to establish whether the order of priority for easing restrictions will remain the same this year as was the case last year. Comments from the Scottish Government have suggested that this will be the case, however they have not been definitive. The

Scottish Government now accepts that getting children back to school should be our first priority and this, by itself, will be a major difference from last year.

The second question that needs answered is whether a local approach is still viable in the face of new strains of the virus. Professor Axel Gandy of Imperial College London estimated that one new variant increased the R number by between 0.4 and 0.7. Given how much more transmissible the new strains can be, we need to consider if it is even possible to prevent the virus quickly spreading from areas of high prevalence to those of low prevalence.<sup>4</sup>

In addition to the strategic approach, we also need to understand whether certain measures are going to be taken forward. For example, there has been a lot of speculation around 'vaccine passports' and we need a definitive statement on whether that will be an approach implemented in Scotland.

### **The metrics for easing restrictions**

In addition to setting the approach to easing restrictions, it is essential that the route map establishes the metrics that underpin decisions on timing. Throughout this crisis, the Scottish Conservatives have argued that the data used to inform decision making on restrictions should be made widely available, so that the public understand the rationale behind the changes in restrictions. This is essential for ensuring continued public compliance.

It took until the publication of the Strategic Framework on the 23rd of October for the metrics being used to underpin decision making to be made transparent last year. These included test positivity, weekly cases per 100,000, hospital capacity, hospital ICU capacity and projections for these data sets. With the publication of this data, individuals and businesses could see the trends in coronavirus in their area and largely the reason why restrictions were being increased and eased.

We believe that maintaining a system of clear metrics for informing restrictions is the best way to ensure transparency in decision making as part of any route map. However, there must be a reassessment of whether the metrics tied to



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the current Strategic Framework are right for decisions concerning the end of the second lockdown. We must also establish how the progress of the vaccination programme impacts upon restrictions.

At all other times during this pandemic, our approach has been to control the virus and keep transmission low, so that case numbers decrease. However, we now have another way to reduce the need for restrictions, by immunising the population to reduce the risk of the virus. That is why the Scottish Conservatives strongly made the case at the start of this year for the Scottish Government to step up its flagging vaccination programme and why we welcome the hard work of health workers, volunteers and the Armed Forces that have achieved this. It is also why we remain concerned at geographic differences in vaccination progress, with progress as at the 14th of February showing vaccination rates of 22.0 per cent in Lothian against 38.8 per cent in Dumfries and Galloway.<sup>5</sup> The impact of immunisation is of course dependent upon ongoing research into the effect of vaccination on transmission, on developing strains of the virus, including the potential need for booster programmes in future to immunise against new strains.

We therefore need to understand the extent of immunisation required to begin to ease restrictions. The First Minister herself described the vaccination programme as being in a race against the virus.<sup>6</sup> Immunisation has been repeatedly said to be our way out of restrictions, but it is not going to be the case that every single person in the country is vaccinated before any measures are lifted. We need to understand how vaccination progress is linked to restriction levels, while acknowledging that avoiding a damaging third lockdown must be paramount and that the effectiveness of the vaccine against transmissions and new strains is still in question.

### **What is the new normal that we are aiming to reach?**

All of this, immunisation progress and controlling transmission rates, is with a view towards being able to progressively reduce restrictions. However, we have heard a great deal of speculation that there will not be a wholesale

removal of restrictions to pre-pandemic levels for a significant period of time, even after the completion of the vaccination programme.

Such speculation and off-the-cuff comments are entirely unhelpful for both our economy and for public compliance. If there are going to be longer-term restrictions, be they on the size of public gatherings or on international travel, then we need to see a clear statement on what those are likely to look like. While there will always be elements that we cannot be certain of, there needs to be a shared understanding of the best- and worst-case longer-term scenarios that we will face once the whole population has been vaccinated.

Not only is this essential for public compliance but also for the continued operation of our economy and the longer-term planning of businesses. For example, much of the travel and tourism sector are already working an assumption that there will be no international tourism this year. This, therefore, means that their marketing must be focused on domestic tourism and they need to know what the domestic travel arrangements are going to look like. Our economy and the public need to know what conditions the government expects that we will be living under in the longer-term.

This extends to travel between Scotland and the rest of the UK. Many people work and travel across the border as part of their daily lives and many families are spread across the UK. They need to know if there will be longer-term restrictions on the border and the scientific rationale behind them. The Scottish Conservatives have been concerned at the Scottish Government's communicative approach towards the border throughout this pandemic, in driving unnecessary speculation and public concern. Therefore, any approach that is implemented must take account of the economic and social impact for the individuals and communities that rely on cross-border travel.

### **Recommendations**

- **The Scottish Government's revised strategic framework needs to be a full route map for ending the second lockdown and lifting**





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- restrictions generally.** With increasing vaccination numbers and falling infection rates, the Scottish Government needs to set out a full plan for easing restrictions to end the second lockdown. Having a definitive published plan will prevent a piecemeal and speculative approach that stops businesses and individuals from forward planning and being reliant on off-hand comments in the press for information on future restrictions. This is important for ensuring continued public support for the restrictions.
- **The revised framework needs to set out whether there will be a regional or national approach to lifting restrictions.** We have moved from national restrictions into the regional approach set out in the Strategic Framework and back into a national lockdown again. We need to know going forward, as we exit the second lockdown, whether restrictions will continue to be managed on a regional basis or if the new strains of the virus make that approach impossible.
  - **The revised framework needs to set out the sequencing for lifting restrictions and the evidence on which that sequencing is based.** We need to see the order that sections of our economy are going to have their restrictions lifted and the reason why. During the period after the first lockdown, it was unclear why certain sectors of the economy opened before others, creating significant anger and frustration. To avoid this, we need a clear prioritisation of restrictions being eased and the evidence behind the sequencing.
  - **The revised framework needs to set out how progress with the vaccination programme will affect restrictions.** The significant difference between our exit from the first lockdown and our exit from the second lockdown is the vaccination programme. This will dramatically reduce the risk from coronavirus for much of the population. A new route map needs to set out the stages of vaccination progress at which certain restrictions can be eased, depending on other factors.
  - **The revised framework needs to lead to and set out what the expected ‘new normal’ will be.** We have heard a lot of speculation around a ‘new normal’ of continuing restrictions, without anything definitive said by the Scottish Government. We need to see a new route map establish what is likely to be the new longer-term restrictions that our economy and society will face even after we have completed the vaccination programme.
  - **Any approach in the revised framework needs to carefully consider the economic and social needs of those reliant on cross-border travel.** Many communities and individuals are reliant on cross-border travel as part of their daily lives. The Scottish Government must pay special attention to their interests when announcing measures that affect cross-border travel.

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# Supporting businesses to survive and recover

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Businesses across Scotland have had to pay the costs of controlling coronavirus. Some have been in restrictions for nearly a year, whereas others have gone through the cycle of closing and opening numerous times since last March. At the same time, the level of support that many businesses have received from government has been insufficient to cover the costs of closures, restrictions and Covid adaptation.

The Scottish Government needs to put businesses at the forefront of our recovery from the pandemic, if we are to rebuild our economy. Delivering continued grant support and tax reliefs while we exit the second lockdown is essential if we are to prevent business closures and job losses in what will still be a time of real uncertainty. However, that does not mean the system that we have in place now should just be carried on.

This section is an analysis of, and offers recommendations to improve, Scottish Government support for business. It is not intended to offer comment on the substantial support delivered directly by the UK Government. This includes the 90,000 Scottish businesses that have benefitted from UK Government loans and the 930,000 Scots who have had their jobs protected through the Job Retention and Self-Employment Income Support schemes.

However, we do recognise that it is important that UK-wide support schemes also reflect the need to deliver stability and certainty during our recovery as well as during the pandemic itself. We welcome the recent announcement that repayments of Bounce Back Loans can be delayed for a further six months and support this approach being considered for other employment and business support schemes run by the UK Government.

## **Scottish Government business support to date**

Scottish Government support has fallen into two categories, tax reliefs and direct grant payments

to business. At the start of the pandemic, the Scottish Government announced that the retail, hospitality and leisure sectors along with aviation industry would receive 100 per cent relief from business rates for the whole of 2020-21. This included newspaper publishers following a Conservative amendment to the Coronavirus (No2) Act 2020. They initially announced that this will be extended for three months into 2021-22 (except for newspaper businesses) but businesses will have to reapply. However, they have since extended this relief to the entirety of the year and included newspaper publishers. At the same time, they announced that they would freeze the poundage rate for other premises in 2020-21, which has been continued into 2021-22.

The direct grant payments can also be split into two categories, recurring payments and one-off payments. Recurring payments are a relatively recent approach following the introduction of the Strategic Framework. The Fund attached to this pays out up to £3,000 for rate paying businesses required to close by law and up to £2,000 for those directly affected by restrictions, every 4 weeks. The size of the payments is linked to the rateable value of the business premise. The overall size of the Strategic Framework Business Fund is increased each month, to ensure that payments can continue.

The majority of business support has taken the form of one-off grant payments from finite funds. Some of these have been delivered to support businesses directly affected by restrictions like the Small Business Grant Fund or the Retail, Hospitality and Leisure Business Grant Scheme to support affected businesses before the introduction of, or to top up, the Strategic Framework Business Fund. Others have been put in place to support specific sectors, such as the Visitor Attractions Support Fund or the Scottish Wedding Industry Fund. Many of these funds have been time limited or closed when they have paid out to a number of applicants – leaving many businesses frozen out. For example, the

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£10 million Digital Boost Development Grant was supposed to remain open for six weeks but closed after less than 24 hours due to it being oversubscribed.

A final category for business grant support is discretionary funding from local government. The Scottish Government announced a £30 million discretionary fund in November, for councils to deliver funding to businesses that have been unable to access sufficient grant funding or any grants at all. This was then doubled at the Budget and then doubled again to £120 million a fortnight later.

In total, the Scottish Government has set up 44 separate funds for business grant payments since the pandemic began.

### **Working with rather than against business**

The first thing that the Scottish Government should do to ensure that businesses remain supported as we ease restrictions is to listen to them and involve them in decision making. We have heard numerous examples throughout this pandemic of businesses feeling blindsided by changes in government advice and guidance with regards to restrictions. There is a clear feeling in many sections of the business community that the Scottish Government is ‘anti-business’ and that the needs of economy are not being properly considered in decision making on the pandemic.

This has to change as we look to ease restrictions. The Scottish Conservatives have argued for months that the Scottish Government should set up a Coronavirus Business Advisory Council to consider and draw up the guidance that businesses themselves will have to follow. While at one point the First Minister said she was considering this “proposal sympathetically” we have seen no action.<sup>7</sup> That input will be even more crucial as we lift restrictions, due to the need to evolve guidance as the restrictions change, including on the delivery of the route map.

This approach of working with business extends to government regulation. Businesses across Scotland have already borne significant costs in making their businesses Covid-secure and will face further costs in complying with future public health guidance and regulation. We

should not be adding to those costs with further new obligations, however worthy they may be, while businesses are attempting to survive the pandemic. An example of this is the Scottish Government’s short-term lets legislation, which will put new administrative burdens on accommodation providers. The Scottish Government should pause all but essential new legislation on businesses at this time.

### **Timing**

As we follow our route map out of restrictions, we also have to ensure that our economy is reopened in a prepared manner. Businesses should know in advance when restrictions are going to be lifted so that they can plan stock and staffing. We cannot see the same approach of announcements being made days or even hours ahead of changes to the restrictions as we have seen previously, such as in November when it was announced that Midlothian would stay at Level 3 restrictions twelve hours before it was due to move to Level 2.

The Scottish Conservatives have called for the introduction of a one-week minimum adaptation period between the announcement of changes to restrictions and the introduction of those changes. We must stress that, especially when we are considering the relaxation of restrictions, that this should be considered an absolute minimum.

While the route map must ensure that businesses have a strategic understanding of the sequencing of ending the lockdown, it may not be possible to set out exact timescales. Therefore, the Scottish Government needs to ensure that announcements around the lifting of restrictions are made well in advance of the actual removal, to give our economy time to prepare for reopening.

This is not just important for business but also for public confidence. A major part of ensuing our economic recovery will be working to readjust public habits back towards using local services and businesses. This one-week adaptation period therefore also gives us the opportunity to prepare the public for the easing of restrictions and to convince them that it is safe to do so.

This is especially important if the Scottish Government continues to operate a model

of grant funding which is tied to the level of restrictions, as is the case under the Strategic Framework Business Fund – which this paper argues against. Making announcements days ahead of restrictions being lifted would have the effect of removing grants support when businesses are facing the costs of reopening, which will have a negative effect on their recovery.

### **Rates reliefs**

Given that many public facing businesses are currently unable to open by law, the very minimum that they can expect is not to be taxed for a premise that they are not using. However, tax reliefs also have an important role in creating the conditions in which our economy can recover. No one expects that our economy and consumer habits will revert instantly to a pre-Covid situation, even if restrictions were entirely lifted. The Scottish Fiscal Commission have forecast that the Scottish economy is unlikely to recover to pre-Covid levels until 2024.<sup>8</sup> It is therefore essential that our tax system takes account of the weakness of our economy and offers certainty and generosity at this time to business.

We believe that the Scottish Government took the right approach in March 2020 by freezing the poundage rate for all businesses and offering 100 per cent reliefs for those businesses directly affected by restrictions, leisure, retail, hospitality and aviation. This following the same approach taken by the UK Government in England.

The Scottish Conservatives have consistently argued that these reliefs should be extended for the duration of the next financial year. As stated, even where restrictions are largely lifted, consumer habits will take time to readjust. Introducing full business rates at this point would therefore do real harm when businesses could have the opportunity to recover.

We therefore welcome the fact that the Scottish Government has u-turned on its position to extend 100 per cent relief for leisure, retail, hospitality and aviation premises for only the first three months of 2021-22. Relief will instead be available for the whole year. We also welcome the u-turn on its plan to ditch relief for the newspaper industry. The Scottish Government

admits that it only took this decision thanks to the additional £1.1 billion in Barnett Consequentials given by the UK Government to the Scottish Government this week.<sup>9</sup>

However, businesses will have to reapply for 100 per cent relief during the transition into the new financial year. We believe that this is an unnecessary administrative burden for struggling businesses and argue that extended reliefs should automatically roll over. Those businesses that do not require relief into next year can opt-out.

It should also be noted that the UK Government is carrying out a review into the future of the business rates system in England and we would urge the Scottish Government to be involved in that work. The Scottish rates system is underpinned by legislation passed in 1854 and is not fit for purpose for a modern economy that is increasingly driven by digital sales. The Scottish Government needs to work with the UK Government to fundamentally rethink the future of business taxation in Scotland.

### **Schemes and funds**

The first glaring point that is apparent when considering the Scottish Government's business grant schemes are the sheer number of them, with 44 different funds since the pandemic started. This includes numerous schemes for the same industries being announced over time and new funding being made available for older schemes through extensions. While we understand that the pandemic restrictions have gone on for far longer than anyone could have envisioned in March, there has been no attempt to reform or simplify the system since.

This has led to some business schemes being oversubscribed and prematurely closed, while other schemes have only paid out a fraction of the funding allocated to them. Businesses will not be able to access support that they are not aware exists. For example, the Hardship and Closure funds which were in place over the circuit breaker restrictions paid out only £17 million of the £27 million assigned to them.<sup>10</sup> In total, of the £715 million promised in business support since October, only £308 million has so far been paid out to the end of January - less than half.<sup>11</sup>

We welcomed the Strategic Framework Business Fund at the time because it gives businesses a regular grant for as long as they are affected by restrictions, rather than having to wait for irregular one-off payments. However, the opportunity that it presented to simplify the payments system was missed and it has become more not less complex since November.

The Strategic Framework grants are also directly aligned to the legal restrictions. Therefore, a business can only get the full closure grant of up to £3,000 if it is required to close and the restrictions grant if its opening hours or operations are affected. This means that businesses in the supply chain, who are themselves not closed or restricted in operating, are unable to access funding. It also means that businesses who rely on travel, like those in the tourism sector, are ineligible, as funding is linked to restrictions in the affected businesses' council area. In addition, businesses for whom the restrictions make it commercially unviable to open, such as many pubs and restaurants in Level 3, receive restriction not closure grants.

The council discretionary fund was designed to fill in the gaps in schemes, however the initial funding envelope assigned to it was clearly far too small to make an impact. It was therefore welcome that the Scottish Government finally listened to calls for its expansion and quadrupled its size to £120 million. However, the size of the discretionary fund was only part of its problem, with it taking months in many cases to make any payments. This again shows the inadequacies of the Scottish Government's approach of continually creating new one-off schemes, as a fund designed to plug the gaps, cannot be used without knowing where those gaps will be.

The clear need for extra payments makes it obvious that the base level of support offered by the Strategic Framework Business Fund is both insufficient in the amount of support it is paying out and inadequate in terms of scope to support all businesses. The Fraser of Allander Institute's Scottish Business Monitor for Q4 2020 found that "more than half of all Strategic Framework Business Fund applicants said that the level of support was insufficient".<sup>12</sup> With over £400 million in unpaid business support, this

makes it apparent that a more generous, more encompassing system of payments is possible.

We have previously called for the Scottish Government to undertake a rapid review of the business support system and that call is reiterated here. We need to ensure that businesses receive proper support as we ease restrictions so that our economy can 'bounce back'. This should look wholesale at whether linking funding to business rates and restrictions in immediate local areas is the right approach. It should also review the maximum limits for closure and restrictions support and the effect of restrictions on supply chain businesses. In particular, we believe that businesses in restrictions should be able to voluntarily close to access closure funding, if it is commercially unviable for them with the restrictions.

This review should aim to move the Scottish Government towards a single fund that is simple to access and provides regular payments to all affected businesses based on need. Our ambition should be to leave no business behind.

As we have said on tax reliefs, it is important that grant funding overhangs the end of restrictions and is not removed as soon as our economy begins to open up again.

### **Announcement and processing**

Throughout the past year, Scottish Government business support schemes have been announced weeks and months before guidance has been produced and payments made. For example, the Taxi and Private Hire Driver Support Fund was first announced on the 9th of December, yet councils did not begin to contact drivers about this support until the 18th of January and full guidance was only available from the Scottish Government on the 2nd of February.

This 'press release first, guidance second' approach can only be damaging for businesses, who are left having to wait for promised support. It also causes confusion for the councils who have to deliver these schemes. Therefore, we would urge the Scottish Government to ensure that guidance is prepared ahead of the announcement of schemes and approaches agreed on the delivery with councils in advance.



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It is also the case that some claims are taking a lengthy period to be processed and that there is a backlog. 5,830 (11 per cent of) applications to the Strategic Framework Business Fund are still awaiting processing. While there has been an aim of a 10-working day standard, this is not enforced across Scotland, with there being clear local variation. For example, in Aberdeen City and East Lothian there were no outstanding applications at the end of January and in Fife there was just one, whereas in Moray and Dumfries and Galloway half of all applications were awaiting processing.<sup>13</sup>

The Scottish Government needs to support those councils that are struggling to process applicants quickly enough. While some extra funding has been delivered, more can and should be done to support those councils who are falling behind with staffing and resourcing. This could include seconding Scottish Government civil servants to councils or pooling expertise through COSLA to support councils that have been unable to process applications. A timely turnover of grants may make the difference between a business being able to survive or not. We believe that the Scottish Government should ensure that the 10-working day standard is a national target rather than an aspiration.

### **Imagination to help our economy to recover**

The Scottish Government should also consider a range of measures to incentivise economic activity as restrictions are lifted. Consumer habits have shifted over the pandemic and, as noted previously, will not shift back as soon as restrictions are lifted.

We believe that encouraging people to support local businesses as restrictions are removed will be an essential part of our economic recovery. One way that we can encourage this would be to remove parking charges from public car parks, to encourage people into town centres and high streets. In 2018-19, parking charges raised £44 million for local authorities, which the Scottish Government would have to mitigate.<sup>14</sup>

Imaginative responses like this should be considered by the Scottish Government to support business and drive our economic recovery.

### **Recommendations**

- **The Scottish Government should appoint a 'Coronavirus Business Advisory Council'.** We are calling on the Scottish Government to create a group of business advisers to give advice on the easing of restrictions and the grants system.
- **The Scottish Government should pause new non-Covid related business regulations.** We have called for a temporary pause on all but essential new regulation on businesses while the pandemic is ongoing.
- **The Scottish Government should introduce a minimum one week 'adaptation period' between the announcement and date of lifting restrictions.** We need to ensure that businesses are prepared for the easing of restrictions as parts of our economy reopen. The Scottish Government should allow for a one-week minimum period between the announcement and easing of restrictions. It should be stressed that this is an absolute minimum time period for preparation.
- **The Scottish Government should automatically roll over rates relief to next year without forcing businesses to reapply.** The Scottish Government should operate an opt-out system for businesses currently in receipt of business relief rather than an opt-in system when we move into the new financial year.
- **The Scottish Government should work with the UK Government on rates reform proposals.** The UK Government is currently reviewing the future of business taxation in England and we believe that the Scottish Government should be engaged in this work.
- **The Scottish Government should undertake a rapid review of coronavirus business grants system and simplify down to a single support fund.** We are calling on the Scottish Government to urgently review the grants system to move to a single fund providing regular payments for all affected businesses based on need. This should look at expanding the limits and eligibility for payments and ensure that businesses

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in supply chains and those affected by restrictions outside their local area are supported.

- **The Scottish Government should end the ‘press release first, guidance second’ approach on business funding.** The Scottish Government should work with councils to ensure that guidance is in place ahead of any announcements of support funding.
- **The Scottish Government should establish a 10-working day national standard for new business grant applications to be processed and a decision made.** This will ensure that businesses across Scotland can expect applications to be assessed and payments made promptly. Councils should receive funding and support to deliver this standard.
- **The Scottish Government should be imaginative in supporting our economic recovery as restrictions are lifted.** The Scottish Government should consider a range of measures to encourage the public to support local businesses. The Scottish Conservatives believe that they should fund the removal of public car park charges.



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# Conclusion

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Businesses and the public need certainty in the months ahead as we look to ease restrictions. They need to see a clear plan for what order restrictions are going to be relaxed in, whether there is going to be a regional or national approach and how the progress of the vaccination programme will affect measures to control the virus. They also need to know what the 'new normal' is and the longer-term restrictions they will continue to face after vaccination. That is what the Scottish Government's revised strategic framework has to deliver next week.

However, it is not just enough for the Scottish Government to lift restrictions, our economy needs to be properly supported to recover. The Scottish Government needs to work with business and give them time to adapt to sections of our economy reopening. It also needs to simplify and expand the grant system so that no business gets left behind.

These proposals are intended to support our economy over the coming months as we move from lockdown to a 'new normal'. However, this only marks the start of our economic recovery. We will need to look at how we rapidly reskill our workforce, develop strong and distinct local economies and sell Scotland at home and abroad, if we are to rebuild fully from this pandemic and move forward. The Scottish Conservatives will set out our proposals for our long-term economic recovery in our election manifesto.

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# Endnotes

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