

## Finance and Public Administration Committee: The Sustainability of Scotland's Finances

Sent by E-mail to: [fpa.committee@parliament.scot](mailto:fpa.committee@parliament.scot)

Link to consultation page: <https://yourviews.parliament.scot/finance/sustainability-scotlands-finance/#pasted-question-1633529018-84-2768-factbanksubquestion-1687963240-3>

8<sup>th</sup> August 2023

To whom it may concern,

### Finance and Public Administration Committee: The Sustainability of Scotland's Finances Call for views

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 5,098 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. Furthermore, Convenience stores are known to be economic multipliers and an important source of local employment, providing over 49,000 jobs in Scotland ([Scottish Local Shop Report 2022](#) (SLSR22)) .

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding range of services in response to changing consumer demands close to where people live. According to our Local Shop Report 2022, the valued services provided by local shops include post office services (27%), bill payment services (78%) and free-to-use cash machines (49%).

With the UK convenience sector expected to grow to £48.6bn by 2025, the sector is more relevant than ever to every type of customer and has key social benefits and is of key economic value to the economy. Over the last year, the UK convenience sector contributed over £9.7bn in GVA and over £9bn in taxes (SLSR22).

SGF welcomes the opportunity to respond to the Committee review of the Scottish Government's Medium-Term Financial Strategy and longer-term financial challenges.

Many convenience stores and small businesses are facing an extremely challenging trading environment. As well as contending with their own pressures such as cost-of-living crisis, retailers are still trying to cope with exceptionally high energy costs, stubbornly high inflation and food inflation, higher interest rates and continued supply chain disruption.

In addition, the burden of further regulation from government, across a range of issues, is also impacting on business viability. Including potential measures, such as restrictions on alcohol advertising and promotion, restrictions on promotion of foods High in Fat, Sugar or Salt, potential charges on single-use items such as coffee cups, and the Scottish, now UK, Deposit Return Scheme.

Policy and legislation from government, however well intentioned, will always have a disproportionate impact on smaller retailers. They do not have large scale back-office functions which can reduce the impact of compliance, they do not have the financial strength to cope with the sudden increases in cashflow and they cannot pass costs onto customers as efficiently as larger retailers.

SGF recognise that local retail businesses are vital to their communities and to their local economies. We believe the best way to deliver on our nations targets is for the Scottish Government to collaborate and listen to the concerns of stakeholders, businesses and sectors critical to the Scottish Economy. Working in partnership to deliver our aims wherever possible and limiting the need for further regulation and restrictions to a minimum.

SGF have also repeatedly called for additional support for small and retail business with regard to Non-Domestic Rates, to match the 75% relief available to retail elsewhere in the UK. While we welcome the recent freeze on poundage, Scottish businesses have consistently paid higher rates over a number of years.

Recent changes to the Small Business Bonus Scheme has also reduced relief for some small retail businesses (between £12,000-15,000).

SGF would emphasize that the cost of doing business is the most crucial challenge facing small retailers. It is essential that the ever-increasing costs of running convenience stores and the wider industry at this time are not exacerbated by any new additional taxation measures or the removal or qualification of present reliefs. This will help the sector remain viable, be profitable and competitive and in so doing share the benefits with the local communities which they serve be that through for example supporting local employment and local suppliers.

For instance, the SGF Go Local project aims to support convenience stores throughout Scotland to provide dedicated, long term display space for locally sourced Scottish products, with a bias towards fresh and healthy, coupled with enhanced consumer engagement. The project is funded by the Scottish Government and is being delivered in close partnership with Scotland Food & Drink.

Outlets who took part in the initial pilot saw a 40% increase in sales of local products and delivered additional local economic benefits in excess of £159,000 per store. The programme enables stores to support local, Scottish producers and give these businesses a vital route to market to help with the recovery and regrowth from COVID 19.

## Consultation - The Sustainability of Scotland's Finances

### **8. How should the Scottish Government's Budget 2024-25 and its future budgets respond to these challenges?**

SGF acknowledges that the Scottish Government and the UK as a whole is facing significant economic headwinds and Ministers are limited in their powers to borrow, cut spending, increase taxes or grow the economy in order to increase tax take. For the purpose of delivering on its public aims and obligations.

SGF is of the view that growing the economy and promoting a successful business environment is the best way to pursue long-term recovery and sustainable public expenditure.

In particular, the Scottish Government should aim to reduce the cost, regulatory and administrative burden on local businesses and some of our globally recognised industries. Ministers should be ambitious about working with industry to deliver on economic, environmental and health targets, without the need for further regulation.

Likewise, where possible small businesses, such as retail, should be given support and assistance in investing in their business. To cut energy costs, for example. This will enable business to invest in growing their business, taking on more staff and providing a high-quality service for their communities. Growing the local economy.

**9. Does the Scottish Government's 'three pillars' strategic approach to managing the public finances adequately address the scale of financial pressures expected in the Scottish Budget 2024-25 and in the medium-term? Should the Scottish Government follow a different approach instead, and if so, why would that be more effective?**

SGF welcomes the wording used in the Scottish Government's 'three pillars' financial strategy and agrees with its stated aims. We also warmly welcome the First Minister's change in approach to business and the New Deal for Business, which emphasises the importance of cooperation and engagement with private sector industries.

Similarly, SGF is pleased to see the establishment of several independent and business led groups that will explore issues such as taxation and 'joined-up' regulation.

However, we note that there has been limited time to assess the effectiveness of this approach. It is yet to be seen whether the proposed aims will have a significant impact on Scottish finances and, importantly, is not clear that there has been the required change in approach by ministers and ministerial departments in order to deliver on the stated aims.

We are also concerned that it is not clear how some of the targets will be developed and delivered. For example, Section 1.2 states that:



*Supporting businesses across the economy to raise productivity, so that they can raise wages and offer greater security of employment. Adopting proven technology tools and management approaches could help boost productivity in the service sectors, like hospitality and retail, which are such an important part of Scotland's economy.*

However, without further detail it is impossible to know if this will be achievable.

**10. Given the pressures on the capital budget, how should the Scottish Government prioritise its capital spend in the Scottish Budget 2024-25 and over the medium-term?**

SGF does not have a strong view on this matter.

Nevertheless, meaningful investment in infrastructure, specifically in public transport, ease of movement of goods by road and rail and key local services is a crucial issue for the Scottish Economy and for both developing thriving communities and growing businesses.

Scotland appears to be lagging behind many other developed and European nations in this regard.

**11. What are the implications of a declining capital budget, including on the productive capacity of the Scottish economy?**

SGF does not have a strong view on this matter. Although we believe that targeted capital investment provides a necessary foundation for economic and business growth.

As discussed above, a declining capital budget, alongside significant delays to several major infrastructure and telecommunication projects in recent years appears to have had a detrimental impact on the Scottish Economy and the wellbeing of some communities. Particularly in rural and remote areas.

**12. The Scottish Government's spending plans for resource (day-to-day spending needed to run public services) and capital (investment in assets and infrastructure) for 2024-25 until 2026-27 are to be updated and published alongside the Scottish Budget 2024-25 later this year. Where should the Scottish Government protect or prioritise spending in these multi-year plans?**

**Please also indicate how these funds can be found, such as increased taxes or reallocation of money from another portfolio.**

SGF agrees that investment in improving and developing infrastructure should be a key goal for government, however we do not hold a strong view on public expenditure across other government departments. Nonetheless, SGF has previously argued that the focus on government in achieving its targets on issues such as public health, sustainability and crime should be to prioritise preventative measures, education and public awareness rather than restrictions and further regulation on struggling businesses.

As mentioned above, the goal of the Scottish Government should be to grow the economy in order to increase the tax take and cover the cost of public spending. To allow this to happen, it is imperative that businesses are not subject to unnecessary regulation, increasing the burden on small businesses especially, and that taxes are not increased for businesses that would otherwise be able to re-invest and grow.

**13. The Scottish Government plans to address the budgetary implications of the expected long-term fall in population through growing the economy and tax base, public service reform, and an upcoming 'Addressing Depopulation Action Plan'. Are these the right priorities to address the implications of this fall in the population and, if not, how could the Scottish Government be more effective in this area?**

This is not an issue that SGF has a view on.

However, many small and retail businesses, as well as other sectors such as agriculture, have been significantly impacted by issues regarding employment and retention. In particular, a decline in the number of working age incomers from Europe. Alongside increasing wage and staff costs,

employment issues are having a marked effect on the viability of many small and retail businesses.

#### **14. How should the Scottish Government start to address the forecast funding gap of 1.7% each year up until 2072-73?**

As discussed above, the Scottish Government priority should be to grow the Scottish Economy with the support of the private sector.

Other factors that may assist in this aim would be to support businesses and communities with the cost-of-living crises and energy costs. Ministers should also appeal to the UK Government and the Bank of England to reduce interest rates, take action to reduce continued supply chain issues and ensure that every measure is taken to bring inflation into line, as a priority.

#### **15. How should the Scottish Government balance its short and long-term financial planning and where can improvements in this area be made?**

SGF recognises that the short to mid-term finance deficit is a significant challenge for the Scottish Government. For that reason, it is vital that the Scottish Government works to reduce the cost of doing business as soon as possible, and does not add further pressure wherever possible, in order to allow businesses to invest and the economy to grow.

#### **16. How will long-term financial pressures impact on the delivery of national outcomes and climate change targets and what steps can the Scottish Government take to alleviate these impacts?**

As mentioned above, Ministers should be ambitious about working with industry to deliver on economic and environmental targets, without the need for further regulation. Many businesses are eager to reduce their energy costs and carbon footprint. For example, in a convenience retail setting, modern fridges, LEDs and solar panels can significantly reduce costs. However, retailers

require the capacity and investment to make these changes which may not be the case in a high cost of business and high regulatory environment.

SGF also believes that education and clear public messaging may have a key role in meeting Scotland's climate change targets.

**17. In follow-up to the Committee's inquiry on effective decision making, how can transparency be improved around how the Scottish Government takes budgetary decisions?**

SGF would like to see robust engagement with industry ahead of the Budget. However, it must be meaningful engagement, where ministers are not only open to listening to business but acting on concerns that are raised and implementing changes where required.

SGF welcomes the opportunity to respond to this consultation and hopes the Committee will find the information provided in this response useful.

Yours sincerely,

**Jamie Mackie**

Policy and Public Affairs Officer (Scottish Grocers Federation)

07794 237326

[JamieM@sgfscot.co.uk](mailto:JamieM@sgfscot.co.uk)

222 Queensferry Road, Edinburgh, EH4 2BN

- SGF gives permission to the Finance and Public Administration Committee to publish its consultation response in full (name and organisation included) and to share this response internally as required.
- SGF is also content to be contacted again in the future, in relation to this consultation exercise.