

Rùnaire a' Chaibneit airson Ionmhas agus na h-  
Eaconamaidh  
Cabinet Secretary for Finance and Economy  
Ceit Fhoirbheis BPA  
Kate Forbes MSP



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Claire Baker MSP  
Convener of the Economy, Energy  
and Fair Work Committee

[economyandfairwork.committee@parliament.scot](mailto:economyandfairwork.committee@parliament.scot)

Sent by email only

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Dear Convener,

I would like to thank the Economy and Fair Work Committee for its work and its letter. You raised important issues.

### **Labour supply**

We are well aware of the staff shortage issues that are facing the tourism and hospitality sector.

#### Discussions with the UK Government

The Scottish Government continues to engage in discussions with the UK Government around reported labour shortages through several forums where our concerns are echoed by colleagues from Wales and Northern Ireland. The Devolved Governments have also jointly written to the UK Government Minister for Safe and Legal Migration requesting regular and meaningful engagement on migration issues.

It is clear from engagement to date that the UK Government is unwilling to make the necessary changes required to address Scotland's needs. The UK Government must revise its restrictive migration policy to prevent further harm to our economy and society, and establish a specific Labour Market Shortages Taskforce with the Devolved Governments to enable constructive discussion on the measures required to tackle labour shortages.

#### The Youth Mobility Scheme

The Scottish Government have long called for the addition of more countries to the Youth Mobility Scheme. In January 2020, the Scottish Government published proposals for the devolution of immigration powers to the Scottish Parliament. Our paper Migration: Helping Scotland Prosper made a number proposals about the Youth Mobility Scheme, including expanding it to European countries.

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An expanded scheme would not only enable more young Scots to experience life abroad but it would enrich Scotland. We are an outward looking nation, a country that welcomes diversity and the contribution that young people make to our communities.

In addition to expanding the list of nationalities eligible to the Scheme, young people should be allowed to extend their visa for a year if they live in Scotland. This would offer an additional incentive for young people to move to Scotland.

Finally, the UK Government should allow people on a Youth Mobility visa to switch to other categories without leaving the UK. This would help attract and retain talented and hardworking young people.

### Tourism and Hospitality Development Programme

Within the tourism and hospitality portfolio, funding is fully committed to the ongoing Tourism Recovery Programme. On hospitality skills and workforce specifically, this includes the tourism and hospitality talent development project, being delivered as part of Phase 1 of this programme. We are also considering proposals for further interventions in this area, as part of Phase 2, including more work on talent development, and on labour supply and recruitment. In addition we supported the 'Do What You Love' campaign, to encourage young people to take up employment in the sector in summer 2021.

SG is delighted to be funding the Tourism & Hospitality Talent Development Programme for a second year through the National Transition Training Fund. We acknowledge and appreciate the work done by Scottish Tourism Alliance and HIT Scotland to develop and deliver this programme. Demand for the training continues to be high and is being well received by participants. This year's training cohorts commenced in early February with almost 1400 individuals participating so far. These cohorts have good representation from across Scotland and from across industry sub-sectors.

However, we recognise that there is wider work to be done to tackle skills and labour shortages and therefore we will continue to work with industry to ensure that the Scottish Government plays its part in this, and to work with the UK Government to ensure that our migration policy supports mobility, collaboration and innovation.

### Business rates

We acknowledge the challenging trading environment that Scotland's businesses have been dealing with. That is why, to date, we have spent as much as £4.5 billion in business support since the start of the pandemic - almost half a billion pounds more in support of businesses than the funding we received from the UK Government for that purpose.

At the start of the pandemic we moved quickly and offered 100% Non-Domestic Rates relief for retail, hospitality, leisure and aviation premises in 2020-21, and were the first Government in the UK to extend the 100% Non-Domestic Rates relief for all of 2021-22 – offering certainty when businesses needed it most. We recognise that businesses still need support, and this is why our offer includes a 50% rates relief for the retail, hospitality and leisure sectors for the first three months of 2022-23, capped at £27,500 per ratepayer.

This will save businesses an estimated £56 million, responding to the number one ask from the business community on non-domestic rates, to avoid a cliff edge on 31 March 2022 and will help ratepayers get back on their feet. It also demonstrates our continued commitment to supporting business.

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In addition to the extension of the retail, hospitality and leisure relief, the Scottish Budget 2022-23 will also deliver the lowest poundage in the UK for the fourth year in a row, forecast to save ratepayers £40 million compared to an inflationary increase.

In relation to all-party discussions on licensed trade, the valuation of all non-domestic property is a matter for the Scottish assessors, who are wholly independent of central and local Government. Scottish Assessors follow applicable statute and case law in making their decisions on non-domestic property. Concerns in the way that a sector is valued can be brought to Assessors' attention through the Scottish Ratepayers Forum (SRF), the membership of which is open to trade and industry bodies including those from the licensed trade sector. The purpose of the forum is to provide an opportunity for the exchange of ideas, improve understanding and facilitate dialogue between stakeholders.

The Scottish Government accepted the majority of the recommendations of the independent Barclay of non-domestic rates, and some of the recommendations of the Barclay Review, delivered by the Non-Domestic Rates (Scotland) Act 2020, will come into effect as late as 2023. These include key reforms to deliver the aims of the independent Barclay Review of non-domestic rates, to support growth, improve administration and increase fairness. We are watching the implementation of the UK Government's Review of Business Rates with interest but have no current plans to commence a further wholesale review in Scotland. All our NDR policies are however kept under regular review and decisions on the poundage and reliefs are generally made in the Scottish Budget, balancing Scottish Government objectives, the needs of ratepayers and affordability.

## **Allocation of funding**

We recognise the difficulties the hospitality sector faced following the necessary additional measures to control the Omicron variant. That is why we are providing £113m to support the hospitality and leisure sectors impacted by the additional public health measures, including £66m for eligible hospitality businesses impacted by the cancellation of Christmas parties, £32m for eligible hospitality and leisure businesses due to impact of physical distancing and caps on attendance, £10m targeted support for hospitality businesses most affected by the requirement for table service and £5m for nightclubs who were required to close.

We have also allocated £80 million to the Covid Economic Recovery Fund. Councils will have the flexibility to utilise funding, supporting localism. Schemes Councils may choose to support could include existing schemes like Scotland Loves Local, Business Improvement Districts or place based investment programmes, individual local authority grant schemes or utilising funding to support low income households.

Despite being impacted by Omicron public health advice, businesses in England haven't received the same level of financial support as Scottish businesses. For example, hospitality businesses in England will receive a payment of either £2,667, £4,000 or £6,000 based on rateable value while equivalent hospitality businesses in Scotland will receive a payment of £5,900 or £8,900 depending on rateable value.

SG officials have worked closely with councils and sector representatives to make sure the application and declaration processes is as easy as possible for businesses to follow and ensure funding is directed at those businesses most affected. Our decision to use the

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Strategic Framework for Business Support for the delivery of these funds is based on finding the best balance between timely payments while minimising the risk of fraud and errors.

SG wrote to local authorities and other delivery partners on 25 Jan to reiterate the importance of making payments to businesses as quickly as possible. Payments across all our hospitality funds are underway and reaching eligible businesses, and local authorities are working to make payments as quickly as possible. At 11 February, £66.6m had been paid out to hospitality and leisure businesses – more than half of all the funding allocated to these sectors.

### **Clear and supportive policies**

We understand the importance to have clear and supportive policies. This is the reason why the First Minister presented the update to Scotland's Strategic Framework to Parliament on 22 February. This update to our Strategic Framework for managing COVID-19 sets out our future plans as we prepare for a calmer phase and seek to sustain it, while recognising that COVID has not gone away and we must be prepared for a variant which may cause more concern. We cannot remove all of the uncertainty about the future caused by this virus, but we do want to provide as much clarity as possible about our approach in the months ahead. In particular, we want to help people and organisations, including businesses in the hospitality sector, know what to do to manage COVID-19 effectively and sustainably, so that we have the best possible chance of returning to a much more normal way of life.

The Framework therefore makes clear that – thanks to the progress in vaccination and treatments – we intend to rely much less on legal requirements going forwards and much more on people and organisations taking basic, sensible steps to reduce the risk of and harm from COVID-19. Businesses have developed approaches to reducing risk throughout the pandemic and we would encourage them to adapt to the ongoing risk using these approaches. This less restrictive approach will support the broad recovery and better future that we all want to see.

Yours sincerely,



**KATE FORBES**

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