

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

COVID-19 – impact on Scotland’s businesses, workers and economy

SUBMISSION FROM

Federation of Small Businesses

Things have been moving so quickly in the last 3 weeks, with fast-moving changes in our priorities for government. First of all it was getting support announced, then up and running and now we’ve moved on to start thinking about some of the gaps in support. Please see attached letter we sent to the Cab Sec on Economy a few days ago outlining where we need to go next (we’re fleshing this out in a little more detail at present – and aware agencies have been asked to think about gaps too). Shortly writing to Kate Forbes regarding some delivery aspects of the grant scheme.

Federation of Small Businesses

Fiona Hyslop MSP
Cabinet Secretary for Economy, Fair Work and Culture
The Scottish Government
By e-mail

3 April 2020

Dear Fiona,

On behalf of Scotland's small business community, I'd like to thank you for the support the Scottish Government has offered firms during the coronavirus crisis. As you will be aware, our shared priority was to get support up and running quickly to ease the immediate cashflow crisis facing many small firms.

Now that these schemes are underway, I wanted to get in touch to share our feedback on how they are working in practice and outline some additional steps we believe are now required to support smaller businesses who may find themselves falling through any cracks.

As I am sure you and your colleagues are aware, there are gaps in financial support for a variety of different businesses. For example, small businesses which are not linked to the rates system, such as home-based or vehicle-based businesses in Scotland, cannot access the grant funding package.

Similarly, the UK Government's Self-Employed Income Support Scheme leaves a number of people who work for themselves without support, including those who have recently set up their own business. Further, it is fair to say that the Coronavirus Business Interruption Loan Scheme, notwithstanding the welcome reforms announced this week, has not yet delivered the intended volumes of short-term bridging finance that were envisaged.

As a consequence, we still have substantial concerns that a significant minority of operators will either get very little or no support from government at any level.

We would therefore urge you to launch a new business hardship fund which would be open to any business or self-employed person in Scotland, particularly those ineligible for existing support. Drawing from any underspend in the funding currently allocated to the grant scheme – with the possibility of new monies being delivered by HM Treasury – this Scotland-wide pot could be administered flexibly to fill gaps and top-up existing packages. For example, if a business had a small chain of shops and found that the £25,000 grant package was insufficient to meet their outgoings during this crisis, they could apply to this fund.

In addition, we would ask you to ensure, where existing public funding has been allocated for business growth loans – whether through the precursor to the Scottish National Investment Bank, the Building Scotland Fund, or the Scottish Growth Scheme – that this is re-purposed to provide rapid-access, bridging finance.

To relieve any burden on local authorities, and given the wide-ranging requests for finance this fund might receive, we would suggest that the scheme should be delivered on a national basis. Organisational resources could be drawn from Scotland's enterprise and skills agencies to get it up and running.

We note that the Welsh Government recently launched an Economic Resilience Fund and, while Scotland may make different choices about support, we're confident that

policymakers here can match the ambition of this initiative in supporting businesses across our economy.

As ever, FSB's team in Scotland would be pleased to talk to you and your team about the details of this proposed initiative and I am sure this is only the start of an ongoing dialogue about how we continue to support our businesses through this crisis.

Yours sincerely,

Andrew McRae
Chair, Scotland Policy Unit, Federation of Small Businesses (FSB)