ANNEX 1

INFORMATION RELATING TO QUESTION 1

Q1. The economic assessment made of changes to trading hours for bars and pubs which was announced by the First Minister, The Rt Hon Nicola Sturgeon MSP, on 7 October 2020.

Document 1 – Extract from paper "COVID-19 - hospitality - Aberdeen support model estimates" - 8 October 2020

Purpose

1. To provide outline estimated costs of support for restrictions announced yesterday (7th October).

Overview

2. Two broad sets of restrictions were announced yesterday, covering the Central Belt and the whole of Scotland. These are in place for 16 days from 9th October, and are summarised below – both sets have potentially substantial implications for the hospitality sector across Scotland.

Central Belt

- Covers five health board areas (Ayrshire & Arran; Forth Valley; Greater Glasgow & Clyde; Lanarkshire; Lothian):
- All licensed premises will be required to close (exception of takeaway services)
- Cafés (unlicensed premises) able to open between 6am and 6pm
- Takeaways (including from pubs and restaurants) can continue
- Evening meals served in accommodation for residents only but no alcohol
- Weddings and funerals, may continue with alcohol, with current meeting rules
- No group exercise classes for indoor gyms and sports courts, pools with an exemption for under 18s
- No adult (18+) contact sports or training, except professional, indoor or outdoor
- No outdoor live events
- Snooker/pool halls, indoor bowling, casinos and bingo halls are to close

Nationwide

- Hospitality (food and drink): all premises may only open indoors between 6am and 6pm, with no sales of alcohol
- Hospitality (food and drink): premises may open outdoors until 10pm, with sales of alcohol (where licensed)
- Takeaways (including from pubs and restaurants) can continue
- Evening meals may be served in accommodation for residents only but no alcohol can be served

Analysis of Costs and Support

3. This analysis has focused on the hospitality sector. no account is taken of the impact on outdoor live events, as the extent to which the meaures announced yesterday have a concrete impact on that sector are unclear at this time.

4. **[REDACTED, AS OUTWITH SCOPE OF REQUEST]**

Direct Support Within Central Belt Health Board Areas

5. This measure consists of direct support for business premises obliged to close; sporting activities directly affected by the regulations; and hospitality premises who are permitted to continue trading, but whose operations are substantially affected by the regulations.

6. **[REDACTED, AS OUTWITH SCOPE OF REQUEST]**

7. In each case, the accuracy of any estimates will be substantially affected by the information available from the NDR roll. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

8. Table 1 estimates potential support costs for licensed premises obliged to cease trading under the new measures.

Table 1: For businesses obliged to close (Licensed pubs and restaurants, snooker, indoor bowling, casinos, bingo halls)

Health Board Area	**RV > £51,000**	**RV ≤ £51,000**	**Total Premises**	**[REDACTED, AS OUTWITH SCOPE OF REQUEST]**
Ayrshire and Arran	59	591	650	
Forth Valley	53	338	391	
Lothian	400	1,269	1,669	
Greater Glasgow and Clyde	527	1,370	1,897	
Lanarkshire	131	567	698	
Total Affected Areas	**1,170**	**4,135**	**5,305**	

9. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

Table 2: [REDACTED, AS OUTWITH SCOPE OF REQUEST]

10. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

Table 3: [REDACTED, AS OUTWITH SCOPE OF REQUEST]

11. **[REDACTED, AS OUTWITH SCOPE OF REQUEST]**

Direct Support Outwith Central Belt Health Board Areas

12. Under the nationwide measures, some hospitality premises (pubs, restaurants, hotels) are allowed to continue trading under restricted conditions. The measures may still allow some trade to take place, but under constraints. However, in the case of pubs, they may in effect result in trade ceasing within the affected business premises for the duration of the regulations, as a minimum.

13. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

Table 4: [REDACTED, AS OUTWITH SCOPE OF REQUEST]

14. **[REDACTED, AS OUTWITH SCOPE OF REQUEST]**

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

15. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

Table 5: [REDACTED, AS OUTWITH SCOPE OF REQUEST]

Issues Arising

16. The analysis above presents several key issues.
    - **[REDACTED, AS OUTWITH SCOPE OF REQUEST**] OCEA analysis indicates the average costs of business input and overhead purchases per business unit in Scotland’s Public Houses to be of the order of £3,300 per week.
    - **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]
    - Restriction of trade in this way may also impinge on the hospitality sector’s supply chain. This is not accounted for within the analysis. OCEA analysis suggests the hospitality sector supports 16% of activity in the Beer and Malt industry is estimated to be supported by the hospitality sector; 9% of the Soft Drink industry; 4% of the Travel and Related Services, 3% of Agriculture and Wholesale and 2% of the Food and Drink industries. It is estimated that around 1% of all non-Hospitality industry activity is supported by the Hospitality sector.
    - **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]
    - **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

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8 October 2020

Document 2 – Extract from “Support for Hospitality and Recreation - Increased CJRS Take-up” – e-mail to C Chikwama of 8 October 2020

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

Analysis of Costs and Support

The support for additional furlough costs could be on the basis of a grant to each business making a claim. It is recognised that businesses will be likely to place more workers on Furlough given tighter restrictions, and that this puts financial pressure on businesses who may not have adequate revenue streams to cover 20% of Furloughed workers’ pay.

Assuming the proportion of workers on Furlough under latest restrictions is in line with those on Furlough at the peak of the pandemic, and comparing with latest Furlough data, we can estimate the number of workers that might be re-Furloughed.

The tables below show the estimated number of workers anticipated to be re-Furloughed (in addition to those already on Furlough) in affected Hospitality **[REDACTED, AS OUTWITH SCOPE OF REQUEST**] sub-sectors. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

Workers Anticipated to be Re-Furloughed - Hospitality				
	Region	55100 : Hotels and similar accommodation	56101 : Licensed restaurants	56302 : Public houses and bars
Number of Workers Expected to be Re-Furloughed Under Restrictions 07/10/20	Ayrshire & Arran	2,188	1,094	938
	Forth Valley	1,406	1,250	938
	Glasgow & CV	3,750	7,500	5,000
	Lanarkshire	1,094	1,406	1,406
	Lothian	5,000	6,250	4,375
	Total Affected Regions (7 Oct)	13,438	17,500	12,656
Estimated Cost to Employer per Worker Re-Furloughed Over 16 Days	SABS	£ 80	£ 80	£ 80
	ASHE	£ 115	£ 115	£ 115

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

SABS and ASHE are entirely separate surveys from different years, and as such have different findings with regards to typical wages by sector. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

The evidence base for predicting numbers of workers to be re-Furloughed is imperfect. The Furlough data most suitable for this analysis is from ONS BICS (UK level). The assumptions made are that under new restrictions the proportion of workers in affected Hospitality sectors on Furlough will increase from 29.3% (as at BICS Wave 12, 10-23 August) to 91.8% (as at BICS Wave 4, 20 April – 3 May), and that the proportion of workers in affected Recreation sectors will increase from 40.7% (as at BICS Wave 12, 10-23 August BICS) to 77.9% (as at Wave 6, 18 May - 31 May).

This only allows for robust estimates of the proportion of workers on Furlough to Section level – i.e. the Accommodation and Food Services sector as a whole to represent affected Hospitality sub-sectors, **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]. In reality, Furlough take-up across the sub-sectors affected could vary significantly. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST].

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

Tables for cost if grants cover all Furloughed staff

Accommodation and Food
91.8%

Arts, Entertainment and Recreation
77.9%

Total Workers Anticipated to be Furloughed - Hospitality					
	Region	55100 : Hotels and similar accommodation	56101 : Licensed restaurants	56302 : Public houses and bars	Regional Total
Number of Workers Expected to be Re-Furloughed Under Restrictions 07/10/20	Ayrshire & Arran	3,213	1,607	1,377	6,197
	Forth Valley	2,066	1,836	1,377	5,279
	Glasgow & CV	5,508	11,016	7,344	23,868
	Lanarkshire	1,607	2,066	2,066	5,738
	Lothian	7,344	9,180	6,426	22,950
	Total Affected Regions 7 Oct	19,737	25,704	18,590	64,031
Estimated Cost to Employer per Worker Re-Furloughed	SABS	£ 80	£ 80	£ 80	
	ASHE, Mean	£ 115	£ 115	£ 115	

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

Document 3 – Extract from "Assessing Impact of Closing Hospitality" - e-mail from OCEA officials to Economic Policy and Coordination Unit, 1 October 2020

Business Still Trading and Workers still on Furlough

- The share of businesses 'currently trading' was estimated at 95.0% in the period 24 August to 6 September. This rate varied by industry sector – with lower rates for Arts, Entertainment & Recreation (estimated at 69.4%) and Accommodation & Food Services (estimated at 84.8%).
- The share of businesses with any staff on furlough leave was estimated at 67.2% in the period 10 August to 6 September. This suggests a lot of businesses are still making use of the current furlough scheme.
- The share of the workforce on furlough leave was estimated at 15.0% in the period 10 August to 6 September. This rate varied by industry sector – with higher rates for Arts, Entertainment & Recreation (estimated at 57.5%) and Accommodation & Food Services (estimated at 34.4%)

Assessing Impact of Closing Hospitality (Food and Beverages Services) Sector in October

1. Under current levels of activity, OCEA modelling estimates that business in the food and beverages services sector will, on aggregate, make:

- a profit £10.1 million in October with current levels of support (continuation of CJRS for staff than currently remain on furlough, NDR relief, and VAT Relief). This is equivalent to £700 per business on average.
- a loss of £46.9 million in October without support (i.e., without the CJRS, NDR Relief, or VAT Relief). This is equivalent to £3,300 loss per business, on average.

2. If sector was to close (i.e., activity reduced to levels seen in the peak of the pandemic) and all eligible staff were re-furloughed to the peak levels we saw in April 2020, the modelling estimates that the sector will, on aggregate, make:

- a loss of £42.7 million for the month of October. This is equivalent to £3,042 per business.

3. The modelling suggests that opportunities available to businesses to re-furlough staff under the current scheme (i.e., CJRS) will not be enough for businesses to offset the cost of stopping trading. If consideration is given to providing businesses with grant support:

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

4. Even with support in place, the Food and Beverages Services sector (and Accommodation & Food Services sector as a whole) is modelled to have been in negative profitability since April, and is only now beginning to approach a breakeven point. Given the losses incurred over the year we expect most businesses in the sector to be close to tipping point, thus a significant proportion 207,000 people working in the Accommodation & Food Services sector face high risk of redundancy without significant additional support under a further lockdown scenario.

Figure 1. Employment Estimates for Accommodation and Food Services Sectors

Employment by Sub-Sector: Accommodation & Food Services	
I : Accommodation and food service activities	**207,000**
55 : Accommodation	**52,000**
55100 : Hotels and similar accommodation	46,000
55201 : Holiday centres and villages	800
55202 : Youth hostels	350
55209 : Other holiday and other short-stay accommodation	2,250
55300 : Camping grounds, recreational vehicle parks and trailer parks	2,500
55900 : Other accommodation	800
56 : Food and beverage service activities	**155,000**
56101 : Licensed restaurants	41,000
56102 : Unlicensed restaurants and cafes	30,000
56103 : Take away food shops and mobile food stands	19,000
56210 : Event catering activities	19,000
56290 : Other food service activities	11,000
56301 : Licensed clubs	6,000
56302 : Public houses and bars	29,000
Source: BRES 2018	

Modelled Impacts of COVID Across Economic Sectors – Profitability Estimates for September 2020

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

Table 2 [REDACTED, AS OUTWITH SCOPE OF REQUEST]

<u>Background</u>

- In July, GDP in the Accommodation and Food Services sector was around 50% lower than the level in February, compared with 10.7% for the economy overall.
- July's Monthly Turnover Index showed the majority of businesses in both the Accommodation and Food Services sectors were reporting substantially lower turnover than in 2019, with the sector being the worst-affected by the lockdown (covered by these statistics).
- In recent months, the accommodation and food sector has made substantial use of the CJRS.
    - OCEA analysis, based on BICS data, suggested that 34.4% of staff were still on furlough in the sector, during the period 10 August – 6 September, in businesses with 10+ employees and a presence in Scotland.
    - This is roughly estimated as being around 54k jobs still on furlough in Accommodation and Food Services overall, and potentially around 21k jobs still on furlough in Food & Beverage Services – this is a lower end estimate as excludes jobs in micro businesses with less than 10 employees.
- OCEA's BICS analysis also suggests that 85% of businesses in the sector were trading during the period 10 August – 6 September, and that a further 2% intended to resume trading in 2 weeks. However, an estimated 6.5% of businesses had paused trading did not intend to resume within 2 weeks, and a further 6.5% had permanently ceased trading.
- Industry bodies have estimated that outlets in the hospitality sector could make only 30% of pre-COVID-19 revenues with 2m distancing, as opposed to 60-75% at 1m.

Document 4 – Extract from "Impact Analysis – Note for FM – 6 October 2020" – e-mail from PO Cabinet Secretary for Finance to First Minister of 7 October 2020

Annex A1 - Overview/Summary of Analysis and Advice 05 October 2020

1. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]:

2. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]:

3. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

4. The proposed restriction for the brake period will have a significant impact on the hospitality sector in particular.

5. The hospitality industry is an important employer, supporting 8% of FTE jobs, with just 5% of GDP. We estimate that there are 13,855 business units in the Food and Beverages Services sector in Scotland, employing directly 155,000 people.

6. In addition to the direct jobs in the hospitality, the sector also supports 30,000 jobs across its diverse supply chains. This reflects jobs that will be under threat if the sector was to close.

7. In September we estimated that the sector was operating at 44% of pre-COVID levels, with 34% workers still on furlough. It is estimated around 54,000 jobs are still on furlough in Accommodation and Food Services overall, and around 21,000 of these are in Food & Beverage Services.

8. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

9. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

10. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

11. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

12. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

13. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

14. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

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5 October 2020

Annex B

Economic Background

15. Economic output in Scotland is 10.7% lower than pre-pandemic levels but there is significant sectoral variation across sectors. (For example, output in the Accommodation and Food Services sector is down by 50%). Even without further restrictions we expect unemployment in Scotland to increase by 100,000 by the end of 2020 and the economy to contract overall by 10 per cent. The path for the economy remains fragile, with easing of support and downside risks from a second wave of cases.

16. Any further restrictions to trading or further temporary closures to parts of the economy (such as a 'circuit breaker') will have significant impacts on the economy. Many of these businesses are operating well below pre-Covid capacity and some have recently just been able to reopen. Other parts of the economy are still required to stay closed by law: soft play centres; nightclubs; and indoor theatres and concert halls.

17. Moreover, some sectors that have reopened to limited degrees continue to struggle and their viability remains under threat, e.g. the wedding event industry and community football clubs which are due to start back shortly and many will struggle without the ability to have income via supporters or social clubs. The arts and live events sectors have been particularly hard hit, because many are simply unable to trade under the conditions or have not been eligible for support. Many of these are also self-employed.

[REDACTED, AS OUTWITH SCOPE OF REQUEST]

18. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

19. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

20. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

21. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

Scale of Financial Support Required and Jobs at Risk in Hospitality Sector

Background of sector

22. The hospitality industry is an important employer, supporting 8% of FTE jobs, with just 5% of GDP. We estimate that there are 13,855 business units in the Food and Beverages Services sector in Scotland, employing directly 155,000 people. The business units are distributed across different sub-sectors of the hospitality industry, across size groups and different regions of the country. Altogether, we estimate that there will be 12,170 hospitality **premises** across Scotland – 1,411 cafes (12%), 5,157 pubs (42%), 3,010 restaurants (25%) and 2,392 hotels (20%). Table below shows breakdown on hospitality sector by sub-sector, including

estimates of employment, number of businesses and business sites and number of premises.

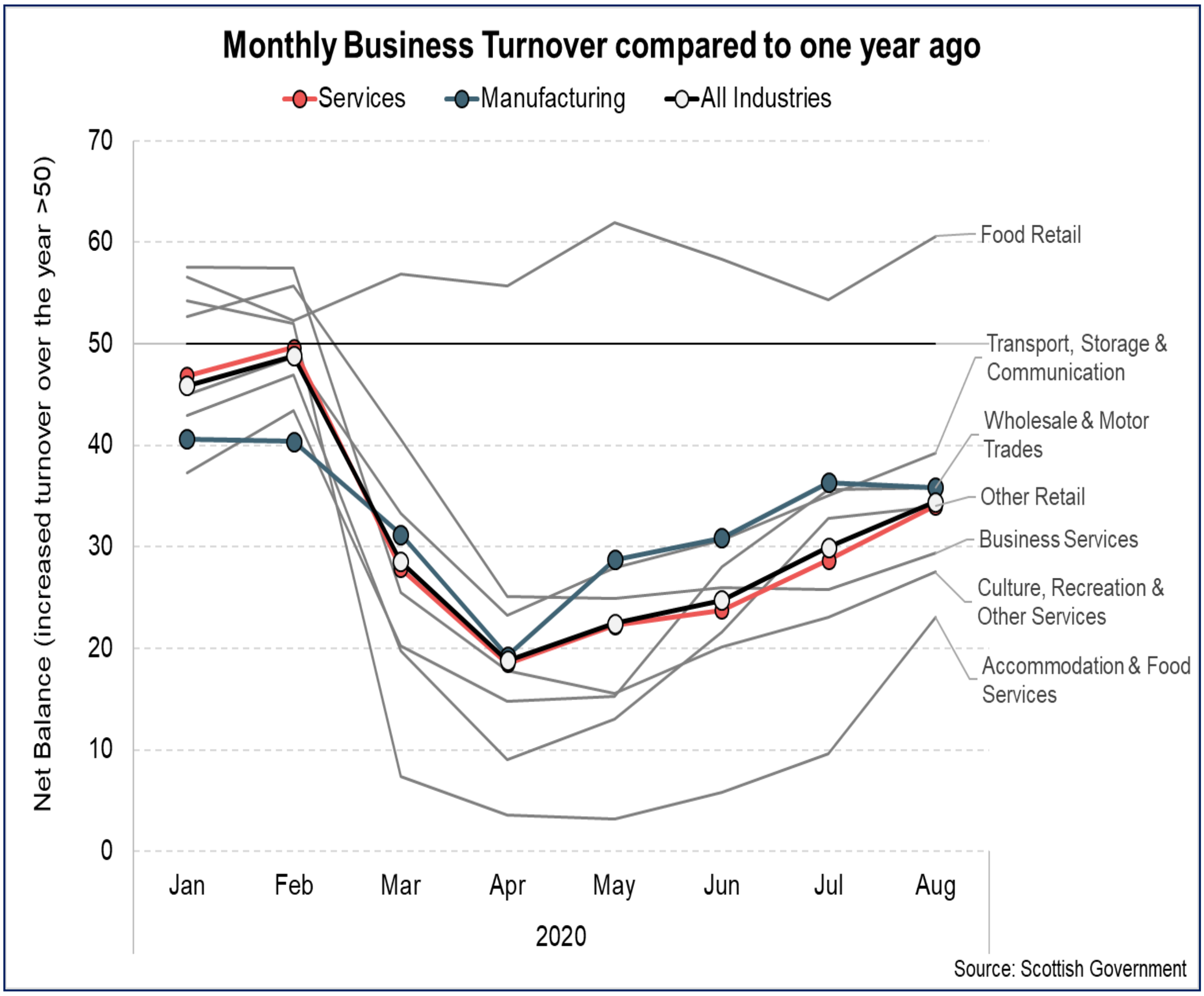
Sector	**Employment (2018)**	**Number of Businesses (2019)**	**Number of Business Sites (2018)**	**Number of Business Premises (NDR Roll), 2020**
Hotels and Similar Accommodation	**46,000**	**1,675**	**2,005**	**2,392**
Restaurants and cafes (56.101 + 56.102)	71,000	4,260	5,240	4,621
Pubs and bars (56.302)	29,000	2,270	2,800	5,157
Total food and beverages services	**155,000**	**11,235**	**13,855**	**9,778**

23. In addition to the direct jobs in the hospitality, the sector also supports 30,000 jobs across its diverse supply chains. This reflects jobs that will be under threat if the sector was to close.

Current levels of activity in the sector and potential impacts of closure

24. Following relaxation of lockdown measures over the summer, the sector has shown gradual signs of recovery, although activity levels remain significantly below pre-COVID levels. In September we estimated that the sector was operating at 44% of pre-COVID levels, with 34% workers still on furlough. It is estimated around 54,000 jobs are still on furlough in Accommodation and Food Services overall, and around 21,000 of these are in Food & Beverage Services (NB. this is a lower end estimate as it excludes jobs in micro businesses with less than 10 employees).

25. The Monthly Business Turnover Index for August indicates that business turnover has increased for the fourth month in a row, but remains significantly below pre-pandemic levels. Accommodation and Food Services continued to be the industry with most businesses reporting a decrease in turnover over the year, followed by Culture and Recreation Services. This reflects the more gradual pace that restrictions have needed to ease in consumer facing parts of the services sector. More broadly, the improvements in business turnover over the month reflect the further reopening of the economy, however the extent to which business turnover remains below last year continues to emphasise the weak demand and operational challenges that businesses are facing.



26. It is possible to estimate the viability of sectors and the impact of different changes. For example, for Food and Beverages Services we estimate a trading profit of £10.1 million in October given current levels of support (continuation of CJRS for staff than currently remain on furlough, NDR relief, and VAT Relief) and their trading levels in terms of turnover. Even with this level of profit, a lot of businesses in the sector are still operating at a level which still requires a number of staff to be on furlough. Any further restrictions will exacerbate the problem and threaten their viability and the return of staff on furlough beyond October.

27. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

28. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

29. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

Options for supporting the hospitality sector

30. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**]:

31. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

***[REDACTED, AS OUTWITH SCOPE OF REQUEST**]

32. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

<u>[REDACTED, AS OUTWITH SCOPE OF REQUEST</u><u>]</u>

33. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

34. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

35. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

36. **[REDACTED, AS OUTWITH SCOPE OF REQUEST**].

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