



## Scottish Beer and Pub Association & Scottish Licensed Trade Association Scottish Draft Budget Joint Submission 2024-25

Scotland's brewing and pub sector has experienced a challenging few years with the long-lasting effects of the pandemic exacerbated by the rising cost-of-doing business, faltering consumer demand and labour shortages. This perfect storm has been perilous for our sector, which has resulted in 170 Scottish pubs having to close their doors for good since 2020 with closures rates accelerating at a worrying rate. Already in 2023, with a quarter still to go, permanent closures are more than one-third higher than the whole of last year and **over double the closure rate in England** (0.8% in England v 1.7% in Scotland).

The Scottish Government's commitment to accept in full the recommendations of the New Deal for Business Group was welcomed by our sector and is vital to start to address the disproportionate regulatory burden facing our members.

However, we think the Scottish Government can and should go further to facilitate our sector's recovery and give our members much-needed certainty and ensure that the support offered during the pandemic has not been in vain. The sector is a key foundational element of local economies and communities throughout Scotland. Indeed, the explicit commitment within the recent Programme for Government to deliver a fair and affordable non-domestic rates package in the forthcoming Scottish Draft Budget must be honoured.

We are therefore calling for the Scottish Government to include the following proposals in December's Scottish Draft Budget:

- Replicate the **75% rates relief** announced by the UK Government in the Autumn statement in order to ensure Scottish businesses are no longer placed at a competitive disadvantage and to facilitate investment into our sector.
- Introduce a permanent **NDR Licensed Hospitality-specific multiplier of 35p** to support our pubs, encourage investment, help revitalise high streets, and rebalance the business rates burden. This would end the sticking plaster policies that only provide temporary relief for the businesses that bring life to our communities. It would also partially alleviate Scotland's pubs from the disadvantage they have been at in comparison to those businesses in England and Wales where they have enjoyed a 75% rates reduction since the pandemic.
- Announce a **further freeze of the business rate poundage at 2022 levels** in order to provide our members with certainty that their rates bills are unlikely to increase in the coming year. Any further rises could be detrimental to a pub's future viability.
- Alleviate cost of living pressures and protect spending power by **avoiding the imposition of fiscal measures that add to the tax burden** facing consumers.

In addition to adopting the proposals outlined above, we are calling for the Scottish Government to institute a moratorium on fiscal policies which layer additional costs on our sector and to expedite implementation of the recommendations from the New Deal for Business Group as a matter of priority.

Our industry is still facing acute regulatory challenges through the potential for additional single-use item charges, the implementation of the visitor levy, changes to minimum unit pricing, the return of the alcohol marketing consultation and the possibility of a UK-wide Deposit Return Scheme. Certainty is needed that these policies will not disproportionately impact our members.

Our members - small and large - are leading the way in the innovation of low and no alcohol products too. We therefore want to ensure that future policy interventions do not stifle the development of these products which are integral to facilitating responsible consumption and reducing health harms.

Scotland’s beer and pub industry’s gross value added to the economy is £1.6bn annually, and our sector employs 88,700 people – numbers which underpin our strategic importance to not just the Scottish economy but communities right across the country. We want the Scottish Government to be as proud of our sector as we are and provide us with a fiscal and regulatory environment which enables our members to not just survive but thrive.

If you have any questions, please contact Paul Togneri, Senior Adviser at the Scottish Beer and Pub Association at [ptogneri@beerandpub.com](mailto:ptogneri@beerandpub.com) or Colin Wilkinson, Managing Director at the Scottish Licensed Trade Association at [colin.wilkinson@theslta.co.uk](mailto:colin.wilkinson@theslta.co.uk).

**Facts and Stats:**

We estimate the introduction of 35p poundage rates for pubs and bars, using the ratings database, would **only cost the Scottish Government £19,531,449** and could be done via the creation of 14.8p relief for those with descriptors in the ratings database:

- *Hotel (with an RV <60k), Hotel (Licensed) (with an RV <60k), Inn, Inn (apportioned res), Public House, Public House (apportioned res), Public House (Part), Public House & Bedroom Accom, Public House & Restaurant Accom, Public House & Rest (Apportioned Res), Public House & Restaurant, Public House etc, and Restaurant & Public House.*

- **Closure Rate 2023**

Scotland – 1.7% of total pubs

England – 0.8% of total pubs

Wales – 1.4% of total pubs

Pub closures in Scotland are accelerating at a worrying rate according to official ratings data. Already in 2023, with a quarter still to go, permanent closures are more than one-third higher than the whole of last year and almost double the closure rates across the remainder of the UK.

- **Pub closures in Scotland**

	2019	2020	2021	2022	2023 (Q1-3)
Pubs in Scotland change	10	-6	-38	-56	-76

**Current Trading and Challenges:**

## Duty

- 10.1% duty increase in non-draught products will contribute to price inflation
- Additional duty increases due in August 2024 will exacerbate rising consumer costs

## Energy

- Despite costs coming down, the sector still faces 2-3x higher energy prices now government support has ended
- Longer term contracts may delay benefits of falling prices for some as energy providers don't pass on cost decreases

## Consumer Demand

- Spending power increasingly squeezed by continued high inflation & interest rates hits trading volumes as consumers cut back
- 36% of consumers said they would eat and drink out less frequently ( CGA Consumer Pulse Survey, October 2023)

## Interest rates

- Rates at their highest point in 15 years, with further increases expected
- Higher debt servicing costs for some firms – and hits consumer demand

## Wages and Labour Shortages

- National Living Wage will rise almost 10% in April 2024, and further rises anticipated beyond that
- Tight labour market & skills shortages (e.g., chefs) drive higher costs

## Environmental Policies

- Anticipated policy action on DRS, EPR and PRN systems
- Uncertain, but exponential rise in finance and admin' costs risk inflationary pressure

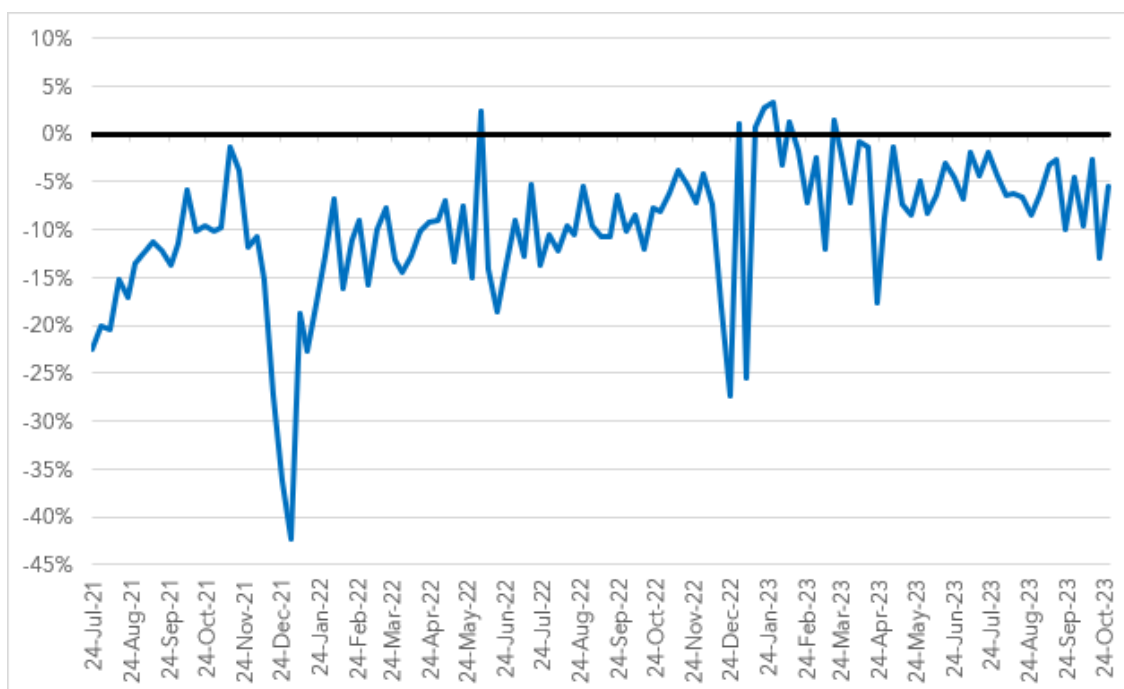
## Commodities

- Cost of raw goods coming down off peaks but will remain 20% higher
- Uncertainty in Ukraine still remains and could push prices back up

## Food and Drink

- Up to 20% higher food COGS persist as new raw material & energy prices increase supplier costs
- Brewers continue to pass-through cost increases with an additional 10% increase expected (partly due to duty)

## Pub trading performance since reopening (July 2021) vs 2019 in real terms



Illustrative pub cost	2019	Change		2024
base*	<i>% sales (gross)</i>	Actual <i>2019 vs '23</i>	Forecast <i>2023 vs '24</i>	<i>% sales (gross)</i>
COGS – drink	15%	+15%	+10%	19%
COGS – food	23%	+30%	+10%	33%
Wages	28%	+30%	+10%	40%
Utilities	4%	+120%	-10%	8%
Repairs & renewals	1%	+40%	+5%	1%
Marketing & rents	1%	+25%	+2%	1%
Other operating costs	6%	+30%	+10%	9%
Combined cost pressure*		+32%	Additional +8%	<b>+43%</b>