



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

6 April 2020

Rt Hon. Mel Stride MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

Dear Mel,

Thank you for your letter of 24 March setting out the Committee's questions regarding the Covid-19 interventions.

This government has taken unprecedented measures to help support the economy, businesses and individuals during this emergency. At Budget I set out the first stage of the government's economic response. On 17 March I went further, extending the support available to individuals and businesses, including a package of government-backed and guaranteed loans, which make available an initial £330 billion of guarantees – equivalent to 15% of GDP. On 20 March I went further still, announcing a package to help individuals affected by the crisis. This covered a Coronavirus Job Retention Scheme, as well as changes to our welfare system including Universal Credit and Statutory Sick Pay, to continue to help those affected by this public health emergency. On the 26 March I announced even more support to help the self-employed, with the Self-Employment Income Support Scheme.

The speed with which these interventions have been designed and delivered means that there remain outstanding policy questions that we are continuing to work hard to resolve. Regular updates are being made to published guidance, which address many of the concerns outlined in your letter.

Employment support measures

1. What additional support will be given to the self-employed, particularly those working in sectors hit hard by the coronavirus?

The new Self-Employed Income Support Scheme (SEISS) will help those with lost trading profits due to Covid-19. It means the UK will have one of the most generous self-employed Covid-19 support schemes in the world.

The new scheme will allow eligible individuals to claim a taxable grant worth 80% of their trading profits up to a maximum of £2,500 per month for an initial three months. This may be extended if needed. Self-employed individuals, including members of partnerships, are eligible if they have submitted their Income Tax Self Assessment tax return for the tax year 2018-19, continued to trade and have lost trading/partnership trading profits due to Covid-19. To qualify, their self-employed trading profits must be less than £50,000, with more than half of their income from self-employment. Some 95% of people who are mainly self-employed could benefit from this Scheme.

More information about the SEISS, including the eligibility criteria and how to claim, is available at www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme.

2. What additional support is being given to low earners who are currently not entitled to Statutory Sick Pay?

I have announced temporary measures to increase the support provided through the benefit system to low income families, including by:

- increasing the Universal Credit standard allowance and Working Tax Credit basic element by £20 per week for one year;
- increasing the support for renters receiving Universal Credit or Housing Benefit, so that rates cover the cheapest third of local rents;
- making contributory Employment and Support Allowance for eligible people unable to work because they are sick or self-isolating available from day one, not day eight; and
- temporarily relaxing earnings rules for self-employed claimants on Universal Credit, so that their UC award fully reflects any reduced earnings as a result of sickness, self-isolation, or the wider economic impact of the outbreak.

The government has also removed the requirement to attend the job centre to complete a UC claim or access a UC advance, ensuring claimants can observe government guidance on self-isolation and social distancing.

3. How will those on zero hours contracts be given help through the Coronavirus Job Protection Scheme and how will their incomes be assessed, given they often fluctuate on a monthly basis?

The Coronavirus Job Retention Scheme (CJRS) is available to employees on any type of contract, including employees on flexible or zero-hour contracts.

For employees whose pay varies, if the employee has been employed (or engaged by an employment business) for a full twelve months prior to the claim, employers can claim for the higher of either:

- the same month's earnings from the previous year; or,
- average monthly earnings from the 2019-20 tax year.

If the employee has been employed for less than a year, employers can claim for an average of their monthly earnings since they started work. If the employee only started in February 2020, use a pro-rata for their earnings so far to claim.

More information about the CJRS, including the eligibility criteria and how to claim, is available at <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>.

4. When will the Job Protection Scheme be up and running?

HMRC are working night and day to get the scheme up and running. The aim is to have the scheme up and running by the end of April.

5. Can you confirm which costs will be included in the 80% of employment costs (up to £2,500 per month) that the Government will be providing for those subject to furlough? For example will these costs include Employers' NI and the value of any non salary employee benefits?

Employers will receive a grant to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. Fees, commission and bonuses will not be included.

6. Can you confirm that employers, who rehire those workers who were laid off shortly before these measures were announced, would subsequently get these workers' wages paid through the Job Protection Scheme? What is being done to encourage employers to rehire these workers?

The CJRS covers employees who were made redundant since 28 February 2020 if they are rehired by their employer. This incentivises employers to rehire their staff because it allows them to maintain the initial size of their labour force at almost no financial cost.

7. The IFS has commented on the Coronavirus Job Protection Scheme announced on Friday, 20 March, noting that:

- *Depending on the details, it might turn out to be extremely generous to those who work for their own companies;*
- *Some employers might find it frustrating that it rewards them for having half of their workforce not working at all when they would much rather have all of their workforce working half-time;*
- *It may discourage employees from moving to job opportunities that will be opening up, including in areas where the virus outbreak has increased demand for workers.*

How will the Treasury respond to these identified shortcomings in the scheme?

- i. Those that work for their own business will be eligible for the CJRS if they are paid through a PAYE scheme. A salaried owner-manager can continue to act as a director and fulfil their statutory and administrative obligations such as filing accounts, and will still be considered to be furloughed under the scheme if that is all they are doing.

The self-employed are also eligible for financial support and will be able to benefit from the SEISS, details of which are set out in response to question 1.

- ii. The CJRS is designed to help those who otherwise would have been made redundant, and support businesses who have seen a significant fall in demand. However, the scheme allows for employees to be furloughed and unfurloughed an unlimited number of times, subject to employees being furloughed for at least three weeks each time. A clear minimum period also aids a clear definition of who is and who is not furloughed.
- iii. Employees will be unable to work for their employer if they have been furloughed. However, individuals can work for another employer while on furlough if their existing employment contract permits, and they are also allowed to undertake volunteer work, so long as this does not involve producing services or generating revenue for their existing employer.

The Treasury will continue to keep the scheme under review.

8. If evidence indicates that increasing numbers of people are being laid off despite a high uptake of loans and the Government's employment support measures, what will the Government do?

The government is monitoring the economy and labour market and will continue to keep the policies under review.

Poverty alleviation

9. Have you investigated specific measures that the Government can undertake to prevent the coronavirus outbreak raising child poverty? How will parents be reimbursed for the loss of free school meals now that schools are closed?

The government is committed to addressing child poverty and has already taken significant steps including raising the living wage, ending the benefit freeze and increasing work incentives through the rollout of Universal Credit. The Treasury is closing monitoring the impact of Covid-19 on vulnerable groups.

The government has developed a national scheme to provide supermarket vouchers for children eligible for free school meals unable to attend school. Schools will not have to pay for these vouchers as the costs for this scheme will be picked up centrally by the Department for Education. Further guidance on the scheme can be found at www.gov.uk/government/publications/covid-19-free-school-meals-guidance. Moreover, educational settings are remaining open for vulnerable children.

NHS funding

10. We note that the Italian Government has provided approximately €700 million in extra funding for its health system, to provide for: overtime for healthcare workers; an increase in Intensive Care Unit beds; subsidised loans or contributions to companies that produce masks and related products; and to recruit additional health care staff. What extra funding will be provided to the NHS to deal with these issues in the UK?

I have been clear that the NHS and other public services will get whatever funding they need to respond to Coronavirus. I announced at Budget an initial £5 billion for the Covid-19 Response Fund, to support the NHS and other public services. The Treasury will continue to provide additional funding as needed.

This funding is on top of June 2018's NHS settlement, which provided the largest cash increase in public services since the Second World War - of an additional £34 billion per year by 2023-24. The Spending Round 2019 further confirmed the government's commitment to the NHS, with £139 billion for health budgets in 2020-21. Budget 2020 provided over £6 billion of further funding to strengthen the NHS in England and pay for vital services that will improve people's health, reaffirming the government's commitment to health and social care.

Already, over 15,000 former professionals have come forward to return to the NHS – including doctors, nurses and paramedics. Up-to 17,000 final-year nursing students and 5,750 final year medics have been asked to take up placements, and will be available in trusts in the coming weeks. Over 750,000 volunteers have signed up to help up to 1.5

million people who have been asked to shield themselves from coronavirus because of underlying health conditions.

The NHS and DHSC continues to procure crucial equipment, such as ventilators, testing equipment and PPE. The Treasury stands ready to consider any and all requests from the NHS at this time.

Additional Funding

11. How much additional funding has to be given to other departments, for instance HMRC, Department for Work and Pensions and local authorities who are in the front-line of implementing the measures to tackle the economic impact of dealing with the coronavirus outbreak?

I announced at Budget an initial £5 billion for the Covid-19 Response Fund, to support the NHS and other public services. The Treasury has been making provisions from this funding at pace, often responding to requests in less than 24 hours.

I recognise that as the situation evolves there will be knock on impacts for departments such as HMRC and Department for Work and Pensions, as well as local authorities, so the Treasury will remain in regular discussions with them and will continue to provide additional funding as needed.

Communication

12. How will the Government communicate to businesses to make them aware of all the assistance available to them, and also get feedback on whether the communication channels they are using are working?

13. How will the Government ensure that firms have access to the advice they need to utilise the sometimes complex support offered?

Communicating with business about the support which is available to them and their employees is crucial to the success of our response to Covid-19. We have launched a website to help businesses find out how to access the support that has been made available, who is eligible, when the schemes open and how to apply: <https://www.businesssupport.gov.uk/coronavirus-business-support/>.

A government information campaign launched on Monday 23 March using radio, social media and television to reach businesses eligible for help. Businesses can call the Business Support Helpline on 0300 456 3565 for advice on the support available and can access more in-depth advice and guidance from their local Growth Hub. The government is working with Business Representative Organisations who can provide additional support and help: <https://www.businesssupport.gov.uk/support-for-businesses-from-outside-of-government/>.

The government welcomes feedback on policies which helps us understand how well they are working and how we can further improve our guidance, and we are continually engaging with stakeholders to receive such feedback.

Charities

14. How will the Government be supporting charities, who face sharp falls in their revenue streams, but who may also face additional demand for their services due to the "social distancing" enforced by the coronavirus outbreak, for instance homelessness charities and women's refuges?

I recognise that charities are facing difficult circumstances and increased demand. Charities are eligible for the Coronavirus Job Retention Scheme, enabling them to furlough staff with the government providing grants to cover 80% of their wages. Charities are eligible to defer VAT bills for three months, and many charity shops will qualify for a year-long business rates holiday from 1 April. Charities which raise at least half their income from trading are eligible to apply for the Coronavirus Business Interruption Loan Scheme. The Treasury continues to work very closely with the sector to make sure help is directed where it is most needed.

Local authorities

15. Local authorities that run swimming pools, sports clubs and music schools are likely to suffer a loss in income. Will Central Government reimburse local authorities for the loss of income and enable them to keep paying their staff?

The Government has given local authorities £1.6 billion of additional funding to support them in responding to the Covid-19 pandemic. This funding is un-ringfenced and is intended to help local authorities address any pressures they are facing in response the Covid-19 pandemic, across all service areas.

Where employers receive public grant funding for staff costs, and that funding is continuing, we expect employers to use that money to continue to pay staff in the usual way – and correspondingly not to furlough them. This also applies to non-public sector employers who receive public grant funding for staff costs.

Where staff are not able to carry out their usual work, all employers in the public sector should make every effort to redeploy employees to assist with the Government's response. This could include redeployment within the current organisation, or to other areas of the public sector.

In exceptional cases where local authorities need to close venues and furlough staff, it may be appropriate for them to claim funding through the CJRS.

HM Treasury continues to work closely with MHCLG to assess whether any additional support is required. The Government will always work with local authorities that are experiencing financial difficulties.

Regional impact

16. To what extent is there a regional dimension to the impact of the coronavirus on the economy? For example, is there any evidence that the economic impact will be harder on some regions than others?

The Treasury is working to monitor the impact of Covid-19 on local communities across the United Kingdom, using administrative and survey data and qualitative information collected through engagement with local authorities, LEPs and regional growth hubs.

The Government has announced unprecedented support for business and workers around the country to protect them against the current economic emergency. We are working closely with local areas to make sure that individuals and businesses in all regions are directed to the right support during this difficult period.

These are the right steps to take to support people and businesses, to minimise deep and long-lasting impacts, and to support the economy.

Insurance

17. Will those businesses who are able to claim insurance for business interruption still be eligible for Government support?

The government or relevant delivery organisations have set out the eligibility criteria for each of the government support schemes and businesses should refer to the guidance online. This can be found at <https://www.businesssupport.gov.uk/coronavirus-business-support/>.

Covid-19 Corporate Financing Facility (CCFF)

18. The CCFF is only available to investment grade companies (prior to being affected by Covid-19), or those who can demonstrate that they had financial strength equivalent to this. What support are you providing for larger businesses with a rating below investment grade that may have funding needs greater than the £5 million available under the Business Interruption Loan Scheme?

Between CBIL and CCFF the government will be delivering access to finance initiatives covering 80% of corporate UK turnover and employment. This is alongside a range of

unprecedented business support measures announced by the Chancellor, including the CJRS.

In response to concerns from businesses that are not eligible for the existing Government-backed loans, I have taken action by announcing the Coronavirus Large Business Interruption Loan Scheme (CLBILS). This will ensure that more firms are able to benefit from government-backed support during this difficult time. It will provide a government guarantee of 80% to enable banks to make loans of up to £25 million to firms with an annual turnover of between £45 million and £500 million. This will give banks the confidence to lend to more businesses which are impacted by coronavirus but which they would not lend to without CLBILS. Loans backed by a guarantee under CLBILS will be offered at commercial rates of interest. Further details of the scheme will be announced in due course.

Public sector finances

19. What is the Treasury's operating assumptions of the impact of tackling the coronavirus outbreak on the public sector deficit, debt and overall economic growth in this financial year and the next?

The government is taking unprecedented steps to fight the coronavirus. Closing down many parts of normal life, including schools, restaurants and community spaces. Those steps are necessary to save lives. None of this is done lightly. The government knows those measures will have a significant economic impact. The UK is facing significant economic disruption, but the underlying causes of this disruption will pass.

The work of the last ten years in bringing borrowing and debt back under control ensures the public finances are well placed to deal with the challenges posed by Covid-19. However, it is clear that the impact on the economy and the government's necessary response to it will lead to a significant increase in borrowing this year compared to the OBR's March forecast. It is expected that this rise in borrowing will be temporary. The intention is to finance additional borrowing through the government's normal debt management operations. As already announced, the Treasury and the DMO will publish a comprehensive update to the 2020/21 gilt financing remit in April 2020. The Treasury, the DMO and the Bank of England are cooperating closely to support the orderly functioning of the gilt and money markets.

The government will reflect the costs of its response to Covid-19 at a future fiscal event, alongside an updated OBR forecast which will include updated forecasts for the deficit, debt and economic growth.

As was stated in the session, we would be most grateful for data on:

- monthly call volumes from businesses regarding Time to Pay over the last year including number since the beginning of March;*
- monthly breakdown by tax or duty of the number of requests to HMRC to put in place Time to Pay arrangements over the last year or so, including the most recent data since the beginning of March;*
- monthly breakdown by tax or duty of the number of decisions made by HMRC over the last year or so including a) agreements for Time to Pay/ agreements to defer collection of interest and penalties for late payment and b) refusals for Time to Pay/ refusals to defer collection of interest and penalties, with explanations as to why these would be refused. Please include the most recent data since the beginning of March.*

Please can you also explain how HMRC is ensuring that businesses are aware of Time to Pay arrangements.

Time To Pay (TTP) is an existing scheme to support businesses and self-employed individuals in temporary financial distress and with outstanding tax liabilities by providing support with their tax affairs. TTP can help those in temporary financial distress as a result of Covid-19 and they have set up a dedicated helpline to enable those eligible to get practical help and advice which can be reached by calling 0800 024 1222. Current government guidance on all channels can direct businesses and individuals to this helpline.

It is not possible to provide a specific duty or tax breakdown of TTP arrangements as these details are not captured for Covid-19 specific agreements. As of 1 April 2020 there are nearly 30,000 new Time to Pay arrangements since the Covid-19 response began, totalling over £3.8billion worth of financial support.

Please can you provide detail on how the Treasury is going to engage with different groups in the population (be it trade unions, businesses or civil society) to gather feedback on the effectiveness of the support it has, so far, given on the ground.

The Treasury has frequent calls with stakeholders representing a variety of organisations, including businesses, trade unions and civil society. Indeed, many of these stakeholders fed into the design of the policies I have announced and continue to feedback directly on what is working and what is not. The government has issued revised guidance for certain policies on the basis of this feedback.

Additionally, how will the Treasury get real-time information on i) the take-up of loans and grants ii) the number of people being laid off by businesses iii) the number of businesses going bankrupt iv) the impacts on those who may be self-employed. What additional data does the Treasury think it needs to judge the effectiveness of its measures?

The Treasury is working closely with other Government departments, including HMRC, DWP and BEIS, as well as other relevant delivery organisations, to collate the data on take-up of loans and grants, the number of people applying for Universal Credit and other benefits, and will also monitor the numbers of people accessing the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme.

We would also like to know how the Treasury is going to respond to reports that some pregnant women are being told by their employers to go on to maternity leave sooner than planned, and will therefore lose out on maternity leave post birth. Will this leave be reinstated, extended or compensated for?

Employers must have the consent of their employees to put their employees on maternity leave. If employees are being placed on maternity leave against their will, the government would encourage them to discuss this with their employer in the first instance, or to contact the Advisory, Conciliation and Arbitration Service (ACAS). Employees also have recourse to an employment tribunal where they are unable to achieve a resolution with their employer.

Whilst maternity leave will start automatically for women who are absent from work “wholly or partly because of pregnancy” after the beginning of the fourth week before the expected week of childbirth (EWC), following Government guidance to shield at home due to Covid-19 does not count as a pregnancy related illness, and therefore would not trigger an early commencement of maternity leave.

I hope that this letter has addressed your questions and demonstrated that the Treasury is fully committed to continuing to support the economy, businesses and individuals through these interventions, during this crisis. I will endeavour to keep the Treasury Select Committee and Parliament updated in these unprecedented times.



RISHI SUNAK