House of Commons

Business, Energy and Industrial Strategy Committee

Oral evidence: Work of the Department and Government response to coronavirus, HC 301

Thursday 23 April 2020

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Watch the meeting

Members present: Mark Pawsey (Chair); Alan Brown; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Peter Kyle; Pat McFadden; Anna McMorrin

Questions 1 - 43

Witnesses

I: Rt Hon Alok Sharma MP, Secretary of State for Business, Energy and Industrial Strategy; Sam Beckett, Acting Permanent Secretary, Department for Business, Energy and Industrial Strategy; Joanna Whittington, Director General, Energy and Security, Department for Business, Energy and Industrial Strategy.

Examination of Witnesses

Witnesses: Rt Hon Alok Sharma MP, Sam Beckett and Joanna Whittington.

Q1 **Chair:** May I welcome everybody to this meeting of the BEIS Select Committee? This is the first occasion on which we have had an opportunity to engage with the Secretary of State. First of all, may I congratulate you on your role? Thank you for making the time available to talk to us this morning together with your acting Permanent Secretary and the director general of energy and security.

We are going to ask you questions today about the broader work of the Department, but of course, given the current situation with COVID-19, we have a very large number on questions on that. I am going to ask my colleagues once again to be brief in their questions and follow-ups. Secretary of State and our other witnesses, I wonder if we might also ask you to be brief with your responses.

We know that the Government have introduced a comprehensive package of support for business. It has been worked up very quickly and it is now four or five weeks since businesses were required to close down. Many were required to close down and others since then have chosen to do so as orders from customers have dried up and components and supplies have ceased to be available. Some businesses have been unable to comply with social distancing. Secretary of State, can we ask you to kick this off by giving your assessment of the state of health of British business right now?

Alok Sharma: Thank you very much for that, and it is a pleasure to be here. You are absolutely right: we are in unprecedented times. The scale and the magnitude of what we are facing has also been reflected in the overall package the Government have put in place to support businesses.

I came to the Department around 10 weeks ago, focused on issues of net zero and COP 26, R&D, innovation and making Britain the best place in the world to start and grow a business and to work. Obviously, in the last few weeks the focus has shifted to the work in supporting businesses and employers with the response to the COVID-19 pandemic. My ministerial team and I are speaking every day to businesses and business representative organisations. They have appreciated the scale of what the Government have put in place.

As you know, there are a number of measures in place to support businesses through loans. Money is also going out in grants. If you will allow me, perhaps I can give you some statistics currently out there for what we have achieved. In terms of the furlough scheme, a policy which is led by HMT and being delivered by HMRC, I can tell you that as of last night at 4 pm there were 387,000 applications to the scheme. That covers 2.8 million employees.

In terms of the £10,000 and £25,000 grants that are going out of the door, where we have given money to local authorities and they are distributing it, as of 19 April almost 500,000 businesses had received that money, representing just over £6 billion. I am sure you will want to discuss how the CBIL scheme is working in more detail, but the latest figures published today show that there are around 38,000 applications to date, and 16,600 businesses have secured a loan, representing a total value of £2.8 billion. The corporate finance facility has been set up for the largest businesses, which have a credit rating and can have an imputed credit rating. As of 20 April, £11.2 billion of funding has been made available.

I hope that demonstrates to you the scale of what the Government are trying to do. We are working every day, listening to businesses and doing whatever we can to support them.

Q2 **Chair:** Thank you, Secretary of State. Those numbers will be of great value to my colleagues in their questions. In your experience, which sectors have been most severely affected by the current measures?

Alok Sharma: It is fair to say that the whole economy has had an impact—there is no doubt about that. However, there are certain types of businesses that we have required to be closed: those in leisure, those in hospitality and many in market retail. Those are the ones that initially have been the most affected. That is why we have brought in measures so that those businesses get a one-year business holiday, as well as the grant money that I have talked about, irrespective of their size.

Q3 **Chair:** We know that many businesses have temporarily closed down. How confident are you that the measures that have been brought forward will make certain that those temporary closures do not become permanent?

Alok Sharma: That is a very good point. If we look back to what happened in the banking crisis in 2008, this is clearly different. We have made sure we are supporting employers to support their employees to stay in place. People are being furloughed. Of course, there is a limit to the support level, but people are in place so that, when there is a bounce-back, which I am sure there will be, those businesses are ready to take advantage of it. That is exactly why we have put these measures in place to make sure those employees are secured in their jobs.

Q4 **Chair:** The earliest the measures can be lifted is 7 May, but one of the questions many businesses are asking is when they will be able to get back to some sense of normality. What guidance and advice can you give to those businesses?

Alok Sharma: This question comes up very regularly and I completely understand where businesses are coming from. If I may talk a little bit about the businesses that are open, very many businesses are continuing to run. The overall message from the Government has been very clear, which is that you should stay at home. You should protect the NHS and it is about saving lives. By the way, I do not think there is any conflict in terms of supporting business and having that primary function of making sure we are securing lives across the UK.

We have also said that you are able to go into the workplace if you are not able to work from home and you are well. There will be manufacturing companies and people working in construction. We have set out very clear guidance. We have worked with Public Health England in terms of that guidance. Talking to employers, the response that I have got is certainly that that is working. I received a letter from Taylor Wimpey yesterday, saying that it plans to restart activity on its construction sites in a managed way beginning 4 May.

Businesses are working where they are able to. In terms of the overall measures, the First Secretary of State very clearly set out the five criteria that need to be met before the measures are lifted overall. We will always be guided by the health and scientific advice when it comes to those particular measures.

Q5 **Chair:** Are there things you think that businesses should be doing right now to prepare for when the measures are lifted? What can businesses effectively do to secure their future while they are unable to trade, in many cases, or trading at vastly reduced levels?

Alok Sharma: First, I would say, "Take full advantage of the schemes that the Government have put out there". That is really important and businesses are responding to that. Secondly, I do not think it will surprise you when I say that we are starting to think about how, once those measures are lifted—I am very clear about this; I am not talking about the lifting of the measures, which is a matter for SAGE and those five criteria—businesses can have safe workplaces for employees. I am going to engage on that with a range of stakeholders: employers, unions and others.

Q6 **Pat McFadden:** I would like to ask you a couple of questions about the business loan scheme. When this was first announced by the Chancellor, the whole package was billed as a £350 billion package, of which £330 billion was loan guarantees. Can I ask you conceptually why the Government, when they were announcing a business aid scheme, placed between 94% and 95% of that as the possibility for extra debt for companies, and less than 6% of it in terms of cash? That is what companies really need right now. Why was the emphasis so much on more debt for companies that, by definition, are already in financial trouble because of the crisis?

Alok Sharma: We have to look at the overall package and compare that to what other countries are doing. We may get into a discussion about some of the other loan schemes around Europe, but you have to look at the totality of what we are offering. By any measure, the full value of the fiscal impetus that the Government are providing is clearly leading across the world.

Yes, there is an element of loans, but the furlough scheme is also available for businesses to take advantage of. That is cash going straight to them. We are making sure we give those grants to small businesses; we are talking around a million small businesses getting an advantage from that. I have talked about the rates holiday for certain sectors. We are taking a balanced approach in supporting businesses. I hope the statistics I have set out this morning to the Chairman, about the numbers of loans that are going out there, demonstrate that we are responding to the demand.

Q7 **Pat McFadden:** Can I ask you about the operation of the scheme? A big part of this is banks assessing the viability of the companies that are applying. They are in financial distress in the first place, which is why they have to apply. For understandable reasons, we do not know when the lockdown is going to be lifted, and they cannot be sure about their future revenues. How can it be logical to have a loan scheme that is so dependent on normal viability criteria when the businesses themselves cannot know what their future revenue is? Is this not part of the problem of why this has been slow and why greater numbers of loans have been given out at much greater financial volume in other countries?

Alok Sharma: Stakeholders raised a range of issues with us when the scheme was introduced; that is why we made changes. As you know, there was an adjustment on 3 April. In fact, we ensured that all SMEs could get access to and take advantage of the CBIL scheme for companies with a turnover of up to £45 million. We also ensured that personal guarantees would not be required below £250,000, which will support very many businesses that apply.

We have also ensured that there has to be much more automation when it comes to credit checks. I would certainly share the view that we have made changes to this to improve the system. I can tell you that over the bank holiday weekend, and prior to that, I had individual discussions with a range of the largest lenders. I was really quite granular while going through the sorts of questions that they were asking. I asked questions around interest rates. I wanted to make sure businesses were being assessed very quickly.

This scheme, along with all the other schemes, has been set up at great pace. The banks have started to respond to this, but they have faced the same pressures. The people who are doing the work in the banks are facing the same pressures as you and I. The banks are facing the same issues when it comes to people potentially not being able to work. They have worked hard to make sure more people are trained up and focused on supporting customers.

We are now at the stage where around £300 million a day is going out through the CBIL scheme. I hope that will continue to ramp up. As I said, we are talking on a daily basis to the banks, the BBB and UK Finance to make sure the processes are simplified further.

Q8 **Pat McFadden:** I will just leave that viability thought with you, and ask you and your officials to think about this, but let me ask you about the international comparisons. You said in your opening statement today that around 16,600 businesses had received loans of a total of £2.8 billion. In Switzerland, 98,000 firms have received loans. That is about six times the figure you have given us this morning and the loans are 100% guaranteed by the state. The form is a one-page online form and the funds are paid the following day. Germany is giving out about three times the figure that you have said today and has moved to 100% loan guarantees for small firms too. The 100% loans are the same in Hong Kong. Is it not the case that a number of other countries have been able to do this much more quickly with much less bureaucracy than we have?

Alok Sharma: I go back to the point that I made earlier. You have to look at the totality of what we are offering. You talked about the Swiss scheme and the German scheme, and I am happy to come back and talk about them. Looking at what the Swiss are offering in terms of fiscal stimulus, I am very happy to stand corrected on this but as I understand it the majority of that has gone through these particular loan schemes that you have talked about.

We are offering a range of support. I have just said this morning to the Chair that 387,000 applications have gone into the furlough scheme so far. We are helping a million businesses through support with grants. I have talked about other numbers in terms of the loans. We have to look at the range of this. I certainly agree that we need to make sure we do even more to get more loans out there. The number of accredited lenders has gone up; we are now at 48 and lenders such as Funding Circle have joined in recent days. We hope further lenders will join this.

Part of the German scheme offer is the 100% guarantee you have talked about. If you look at the detail of that, it is available to businesses with 10 or more employees. If we were to replicate that, a significant number of SMEs would not qualify. I absolutely agree with your point about the speed of processing; I completely agree with that and we will continue to look at that.

Pat McFadden: I will leave it here, but if another developed country can offer a one-page online form with payment the next day, why can we not?

Chair: Secretary of State, I wonder if I might ask you to include that answer in the answer to the next question.

Q9 **Peter Kyle:** It is very good to see you, Secretary of State. Thank you. Everybody agrees that the scale of what Government have done has been unprecedented, but even you would agree that some businesses are falling between the cracks. I would like to tease out from you a few areas where you might be considering offering additional support. Now we are a few weeks into this, it is becoming apparent that some businesses actually are falling between the cracks.

When it comes to the small business rates relief, and the support for retail, hospitality and leisure through the grant fund, it is very clear that some businesses just simply are not finding that accessible enough. Are you considering either softening the applications for that or widening those schemes to encompass other businesses as well?

Alok Sharma: Just to be clear, you mean in terms of the rates relief one-year holiday.

Peter Kyle: Indeed, yes.

Alok Sharma: The reason it was put in place for those particular sectors is that many of those businesses have been required to be closed, which is different from other businesses that are able to function. I completely accept that we are not in normal times, so perhaps other businesses are not able to function in a normal way. There is a reason those particular businesses have been targeted with the rates relief one-year holiday.

The grants are available based on the size criteria of the rateable value of the property, but that is across the board. Yes, it is £10,000 for SMEs, and there is a £25,000 element for larger businesses within retail and leisure and hospitality. The reason for that is that we have tried to be targeted. I go back to the point that we have to look at the totality of what we are offering. We have now announced the larger business interruption loan scheme, which became operational on Monday.

Q10 **Peter Kyle:** I am afraid we are pushed for time, so I do need to cut you off there. I am afraid we both have to be quite succinct. I understand what you are saying. It sounds like you are erring towards defending the system you have rather than actively looking for other businesses that might need support. To give you an example, I have a local business here that has a rateable value of less than £51,000. It is seasonal, which means it will struggle to get a loan on commercial terms if it goes to the bank with the last three months of accounts, even though Government are backing it to 80%.

Those sorts of businesses would really benefit from some of the support that has been given to hospitality. I am obviously grateful for hospitality, representing a seat in Brighton and Hove. If you could just widen the brief for acceptance criteria for that scheme, other great businesses would survive this crisis.

Alok Sharma: We have made adjustments to some of the schemes. I have talked about the CBIL scheme and the furlough scheme. You have seen certain changes that have been made. I am not able to announce some big changes to you here. If you would let me have details of these particular businesses you are talking about, I would of course be very happy to look at that.

Q11 **Peter Kyle:** That is exactly what we are after if you are open-minded. We turn then to small businesses, microbusinesses, and some people who are self-employed, who do pay themselves partly by dividends. This is an issue that you are aware of because we have all been contacting you about this. What are you going to do to tackle this? The bottom line is that our tax system actively encourages people to pay themselves partly by dividends. By doing so, they are now excluded from some of the support from Government, which has been incentivising them to behave in this way in the past. What are you going to do to tackle this? It really is impacting people on the frontline of business here.

Alok Sharma: The self-employment income support scheme is for anyone who reports trading profits through income tax self-assessment. You are talking about employees who are working through their own company. Therefore, this scheme is not appropriate for them.

In terms of dividends, on this particular point HMRC is not able to distinguish between the dividends that people are deriving from their individual company and dividends they may get from other sources. If they are employees of their own company, they are able to use the job retention scheme.

Q12 **Alan Brown:** There are some examples of gaps in provision regarding the furlough scheme, no matter how welcome the job retention scheme was. First, will you ensure that workers who have joined a new employer but are still to be paid, although their details have been submitted to HMRC, can get furloughed? The change or the extension to the cut-off date was welcome, but that still does not capture a lot of people who might be getting paid monthly in arrears.

Next, is there any consideration about agency workers being able to be furloughed? Finally, what consideration will you give to workers whose normal pay is dependent on commission, bonus or piece rates? They are struggling when they are only accessing 80% of what is otherwise just their basic pay. That is a real shortfall for these workers as well.

Alok Sharma: Alan, thank you for the point you made. We have changed the furlough scheme so you are now able to qualify if you were on the PAYE payroll on or before 19 March rather than 28 February. We think this means that another 200,000 employees will be able to take advantage of the scheme, but of course it will require the employer to have notified HMRC through an RTI submission.

On the specific point you raise of piecemeal, this is HMRC policy, so I will come back and write to you if what I am saying is not entirely accurate. Whether commission or piecemeal rates, or any of those, count towards furlough payments will depend on what is actually written in the contract. My understanding, and let me come back and clarify if this is wrong, is that piece-rate payments—for example, when you are paid per item manufactured—would count under the furlough scheme. You are asking me a level of detail that I would like to come back and confirm to you.

Chair: The change in date for the furlough scheme is very welcome.

Q13 **Anna McMorrin:** I just wanted to come in on this issue of limited companies where people are paying themselves in dividends or, indeed, under PAYE short-term contracts. This is particularly so in the creative industries, where we know that people are by no means well off and they go from contract to contract. The impact on that whole industry is going to be great. What are you going to do to make sure those people are not falling through the gaps?

Can I also ask you to comment quickly on zero-hour contracts? It is being left up to almost a million companies as to whether they will use the furlough scheme to help their zero-hour contracts. Particularly in my constituency, and across the country, the Village Hotels zero-hour contract workers have not been contacted at all. They have been left high and dry.

Alok Sharma: I would be very happy to look into that second point if you would separately email me. If you are on PAYE, you should be able to get furloughed as long as you meet the criteria.

In terms of the creative industries, I am sure you will have seen that yesterday the Secretary of State for DCMS gave evidence to his Select Committee as well. He talked about the work on this that is going on and made the point that he is pushing very hard on these issues. The schemes are as announced, but we will look at any submissions or views that are put forward.

Q14 **Paul Howell:** Good morning, Secretary of State. We hear a number of occasions where particularly larger companies, despite having schemes available to get finance, are pushing down and not paying the smaller companies, which are therefore left in a much more disadvantaged position. Can you tell me what, if anything, we can do to ensure that the bigger companies do what they should and pay the smaller companies as promptly as they can in these difficult times?

Alok Sharma: You raise a very important point. We have made a whole range of support available for businesses across the piece. I know that lots of businesses are feeling pressure right now, but I do not think we want a situation where people are making late payments. I am afraid that just effectively leads to a vicious circle in all of this.

I know that Phil King, who as you know is the interim Small Business Commissioner, has been looking at this issue. He has been writing to companies, which perhaps have not been behaving as they should. I would ask the Committee, where you have specific examples, to please pass them on to me, and we will make sure these are taken up by the Small Business Commissioner.

It is always important that Government set an example in this. I can confirm to you that in public sector contracts the Government already commit to pay 90% of all valid invoices where there are no disputes from SMEs within five days and 100% of all valid invoices within 30 days. We require this to be passed down the supply chain as well. If you have particular examples, I would be grateful if you would share those with me.

Q15 **Paul Howell:** Thank you. It is a case of just reinforcing the message as well. The other thing that we see in the supply chain, and get representations on, is companies that are inappropriately profiteering, shall we say? That can be at a very simple level in terms of them overpricing the goods and things, or it can be at subtle levels.

I have been given examples. We talk about people having contract hire schemes; they will go back to the people they rent their motor vehicles from. A contract like that is made up of a variable element and a fixed element. While the fixed element is fixed for everybody, the variable element for wear and tear on tires, et cetera, could be put back, but they are refusing to do that. I think that is hidden profiteering. We could do with some messages to encourage particularly finance organisations that back these kinds of schemes to try to attack it.

Alok Sharma: I had a roundtable on profiteering a couple of weeks ago, together with the CMA, the main business representative organisations and the online retailers, which have a particular part to play in all this. The conclusion was that the CMA has some powers. The vast majority of businesses are behaving perfectly responsibly; a very small number are not. Where cases are being made available to the CMA, it is taking them up.

I have said very publicly that I will keep this under review. If this issue continues to emerge and grow, we will have to look at this very seriously. My current understanding from having that roundtable is that this is actually a relatively small issue. Again, if there are individual cases, people should take them straight away to the CMA. I know that it will be very happy to look at them and take them up with the businesses that may be undertaking this kind of unfair activity.

Chair: Thank you, Secretary of State. On the issue of payments, we will have the Small Businesses Commissioner giving evidence to us in the next couple of weeks as to the practice that is taking place right now.

Q16 **Mark Jenkinson:** We have seen reports that some pregnant women have been dismissed as the pandemic broke out, singled out for redundancy, and told to take unpaid leave or statutory sick pay rather than being furloughed. I am aware that the Government were due to introduce extra protections for pregnant women awaiting maternity leave, to bring them in line with those on maternity leave, as part of the expected employment Bill. What assurances can you give those women awaiting maternity leave that they are given the same rights as those on maternity leave?

Alok Sharma: First, we have been pretty clear in the guidance that pregnant women can be furloughed. If they meet the set criteria, there is no reason why they should not be. As a result of what has happened with this pandemic, there has been no change in the law when it comes to pregnancy and maternity discrimination. I want to make that very clear. Any kind of discrimination of that sort against women in the workplace is unlawful. My understanding is that if a pregnant woman is dismissed or made redundant on the grounds of a pregnancy, it would automatically be found by an employment tribunal to be unfair dismissal. I am very, very happy to emphasise that point. In terms of furlough, of course that is available. That is set out in guidance as well.

Chair: Thank you for that clarity.

Q17 **Peter Kyle:** Can I just ask a broad question please, Secretary of State? In the last decade, there has been a lot of discussion as a country about some very well known, very profitable companies that are paying very little tax in this country and using some pretty sharp practices to reduce the tax they pay to our country overall. Do you think it is right in this time of crisis that those companies that have been actively reducing their tax contribution to our country should be eligible for some of the massive pay-outs that they are now eligible for? Do you think this is fair in the eyes of the taxpayer?

Alok Sharma: With our package, we have tried to support companies, but this is about supporting individuals and jobs.

Q18 **Peter Kyle:** Do you think the taxpayers would expect you to go back to those particular companies and have a conversation, once this crisis is over, to encourage them in return to contribute and not use these vehicles to reduce their tax contribution?

Alok Sharma: As you know, a lot of work has gone on to look at this particular issue of avoidance. A whole range of measures have been introduced in recent years to tackle this. This is something that the Treasury will continue to look at. I want to separate that out from the point that what we are doing right now, with the support we are providing, is about supporting individuals and helping them. Yes, they will work for companies, but this is about helping individuals get through this particular period. You are right: the work of tackling egregious tax avoidance has been underway for quite some time. I will be very happy to write to you and set out all the measures that have already been introduced.

Q19 **Peter Kyle:** I appreciate that and am very grateful for it. I would just point out that those individuals who are benefiting now will also be the ones shouldering the burden of paying additional tax going forward, in order to pay back the amount of money we are pumping into businesses at the moment. Those individuals also have a right to fairness, to make sure those companies are contributing their fair share going forward.

To turn specifically to rent, the protection from eviction you have given to people is very welcome. Thank you so much for that, because I know that benefits huge amounts of businesses. Some businesses are actually using other vehicles in order to reclaim rent. Some businesses that are unable to pay for it are forced to do so through commercial rent arrears recovery and statutory demand notices. What is your view on this practice, and do you think it is going to lead to the loss of businesses?

Alok Sharma: This is a very important point that you raise. The majority of landlords and tenants are working well. They are reaching agreements on debt obligations, but I am certainly aware that certain landlords are putting on undue financial pressure, with aggressive debt recovery tactics. I am happy to say to you that I will look to introduce temporary measures on this particular issue, which will ease commercial rent demand and protect the UK high street. I do not want to set out the details right now here, but that is something I will be doing very shortly.

Q20 **Peter Kyle:** Do we know exactly when—in the next week?

Alok Sharma: I hope even sooner than that.

Peter Kyle: Fantastic, thank you.

Q21 **Chair:** On that point, can landlords be encouraged to be more pragmatic? There is clearly no point in them enforcing those covenants to find that it causes the business to fail and the premises to be empty.

Alok Sharma: I agree. By the way, it is important to recognise that lots of landlords are behaving perfectly responsibly and supporting their tenants, first, because they think that it the right thing to do and, secondly, it is a perfectly appropriate commercial judgment. Where people are not behaving appropriately, we will introduce measures to support tenants.

Q22 **Richard Fuller:** I would like to start by saying a big thank you to you, Secretary of State, to your Cabinet colleagues and, most importantly, to the civil servants who are advising all Ministers for their tremendous efforts on so many fronts in helping the country to tackle this crisis. I would like to start with a question right at the start about the decision about starting the lockdown, when the Cabinet had the epidemiological modelling for the alternative scenarios. Did the Cabinet have an economic model, at the time, for the consequences? If so, will that be published?

Alok Sharma: First, thank you very much for acknowledging the work that has been going on in Government. We have all been working at pace on this. This is pretty unprecedented. In terms of the economy, you have seen the measures that we have put in place over a period of weeks. You have seen the measures that have been put in place globally. In terms of somehow being able to model this out several months ago, it would perhaps have been difficult. As I said, any of that work is work that would be done by the Treasury. What I have been engaged in, and what the Chancellor particularly has been engaged in, is providing that support right now, so that we can alleviate some of the issues that may arise as a result of the pandemic and businesses can come out of this much more quickly.

Q23 **Richard Fuller:** Thank you for that. One difficult situation is directors' duties. You will be aware of the roles and responsibilities, and what directors can do. Clearly, if a director wants to furlough themselves and they are the director in a very small business, that gives them no scope to do other duties, to keep the business ticking over or to prepare it for recovery. What is your advice to directors in very small businesses about what they can do to help their business?

Sam Beckett: Company directors can, of course, be furloughed. They should not be involved in the value and commercial activities of the business, because they are in the state of being furloughed, but they are allowed to complete any activities that are their duties as company directors. Preparing accounts and all those activities that are inherent in the role of being a director are still allowed to be fully pursued.

Q24 **Richard Fuller:** That does not really assist the very small companies where directors are involved in the day-to-day viability of the business and will certainly want to be involved in preparing the business for reopening. What thought has the Department given to the very small companies, where a director wears very many hats? That set of restrictions is not going to work for them very effectively.

Sam Beckett: I hear what you say about the very smallest businesses, in that some of these lines might be a bit blurred. We can help with advice, consulting Companies House, on what is and is not proper under the rules of the furlough scheme. There is also the self-employment scheme and other things that they may be able to take advantage of, as an alternative, if the furlough scheme is too restrictive. I understand that it is probably not as straightforward in the smallest businesses. We can certainly help and look, with Companies House, at making that guidance as clear as possible.

Q25 **Richard Fuller:** I appreciate that very much. I have one other question, on audit, to the Secretary of State. Many company board directors will have to have an eye on issues to do with going concern or material change clauses, and auditors will need to look at how they are going to prepare accounts in the light of the efforts on COVID. Can you give the Committee some guidance on what conversations you are having with auditors and company directors—or associations of company directors—for preparation of audited accounts later this year?

Alok Sharma: First, we have worked to make sure that, for the filing of accounts, there can be an extension up to three months. I think about 50,000 businesses have taken advantage of this. You have raised a very important point, because this is a big issue for company directors and auditors, in terms of assessing the whole issue of going concern. The FRC has put out some pretty detailed guidance on how auditors should conduct audits during this period. It particularly revolves around the need, if they think a material uncertainty exists, for it to be disclosed in the company accounts.

Importantly—this is the bit that a lot of businesses will be very keen on understanding—the discussion has also taken place, from the FRC, the FCA, the PRA and others, with banks and institutional investors, so that they do not treat those particular statements about material uncertainty as an automatic breach of covenants. If that was to happen, it would not be great for the company. We are having conversations, but the guidance has already been put out on this and people will be able to take a look at that.

Q26 **Chair:** Secretary of State, in her answer to Richard Fuller, the acting Permanent Secretary gave a pretty technical statement on the position of directors of small companies. Is there anything you can say to directors of small companies who are furloughed, who are doing very limited work on their businesses, to give them some comfort that they are not going to be doing anything wrong?

Alok Sharma: I am very happy to write to you, Chair, to provide any clarification on this. The Permanent Secretary has set out a clear explanation as to what is and is not possible for furloughed directors. I am very happy to write to you.

Q27 **Alan Brown:** The Committee as a whole has received over 2,000 emails from people who are concerned about the safety of workplaces. As we go forward, more businesses are going to reopen. What measures will the Government require these businesses to put in place to protect workers?

Alok Sharma: I talked earlier about the issue of workplace safety, which we are looking at. There are a lot of businesses that are open and, indeed, employees who cannot work from home go into these workplaces. We have been very clear with businesses and worked with Public Health England to put out very clear guidance. In fact, it was updated a couple of weeks ago, on 7 April. We have even given detailed examples of how you might work in individual sectors.

We want businesses to follow that guidance. I believe that that is happening, from the conversations I have had with business representative organisations. Of course, where employees have any concern at all, they should contact the Health and Safety Executive. At the end of the day, the HSE is there to inspect work conditions and gives guidance to employers. If required, it can take enforcement action. We want workers to be safe in the workplace. On the other hand, where it is possible, I want businesses to continue to work and trade, to keep our economy moving, but worker safety is absolutely paramount. If people have concerns, they should be raised with the Health and Safety Executive.

Q28 **Alan Brown:** The existing guidance states that, where activities cannot be undertaken following social distancing guidelines in full, staff should work side by side or facing away from each other rather than face to face. Is that not just a giant loophole that allows companies to keep working and doing what they would otherwise be doing? You say employees should speak to HSE. We have heard from a number of people who have felt unsafe in their workplaces due to a lack of PPE, hygiene facilities or insufficient social distancing. Is the only Government recourse that they should speak to HSE and leave it up to the enforcement agency?

Alok Sharma: This is an issue where employers and workplaces should be having that discussion with their employees. We have set out the guidance and you have alluded to the points in it. I also know, from talking to employers, that they have put in place measures to ensure that employees have access to PPE or have put up barriers. I believe they are acting responsibly. You have these 2,000 examples; please pass them on to me. I am genuinely interested in having a look at that. From a Government point of view, we do not want anyone to feel unsafe, particularly not in the workplace. Where there are examples, I would be very happy to pass them on.

Q29 **Alan Brown:** Can you give examples of where the Government have taken any action to date? Again, as businesses reopen, how are the Government going to make sure there are adequate supplies of PPE and hand sanitiser? We know that has been an ongoing issue since the additional measures kicked in.

Alok Sharma: There has been a whole discussion around PPE. A plan has been set out. Some businesses, such as Diageo, BrewDog and others, are producing hand sanitiser. That work is ongoing. Specifically in terms of safety in the workplace, if the individuals in the examples you have do not feel safe, please pass them on to me. By the way, you talked about the HSE. That is the body that looks at this and it can put in place enforcement action, which can go pretty far. At the end of the day, we want employers and employees to have a sensible discussion about these measures, to make sure, ultimately, that employees feel safe.

Q30 **Alan Brown:** To make one more comment, does HSE have enough resources to deal with all these concerns? That is an agency that has suffered severe cutbacks over the years. How would it be able to react to all these additional concerns that people are possibly raising about workplace safety?

Alok Sharma: I have not had feedback from HSE with concerns about the number of people it has. I am very happy to look into that. I would say to you, though, that it has a range of measures. It can do everything from requiring improvement notices to prohibition notices. It has the tools but, of course, I am very happy to hear from HSE how it is actually working. I go back to this point: where you have cases, please send them to me.

Chair: I think every Member of Parliament will have had representations from workers in a workplace who have those concerns. If the answer for them is to refer to the Health and Safety Executive, I wonder whether you might give us some information as to the extent to which the HSE workload has increased over the last four weeks. It would seem to me that, if every case is referred to the HSE, it is going to be pretty busy. My experience is that, in most cases, when businesses at a senior level are alerted to the concerns of their workers, they take efforts to deal with those matters. It is in nobody's interests for this virus to continue to spread.

Q31 **Alan Brown:** What are the Government doing to make sure energy suppliers can continue to operate and, importantly, stay solvent in this critical period?

Alok Sharma: To go back briefly to your previous point, Chair, you are absolutely right. When you talk to the senior management, they will take action. Also, where people have concerns, they can go to the business representative organisations, which I am talking to on a very regular basis, and bring them up through there.

In terms of the energy sector, I have been very keen to make sure we are confident about energy supply going forward. I am not trying to be complacent, but this is something I get an update on every day in my ministerial meetings. We are looking at this. It is the case that energy usage is going to be lower because of the circumstances that we find ourselves in. We are engaging with energy businesses and helping them understand their eligibility for the various schemes and financing options available, where these companies have come to us, but there are a range of measures available beyond that.

Joanna Whittington: As the Secretary of State says, energy businesses, like all others, can benefit from the schemes we have been talking about. They benefit directly and indirectly from the furloughing scheme. We have been working very closely with the sector, speaking to individual companies, industry representatives and the energy regulator, to understand the issues they are facing. Off the back of that, we have developed some financial modelling to understand the implications for the sector as a whole. They are concerned about, for example, an increase in bad debt.

I should say that, because of the essential nature of energy services and the importance of consumers always being able to receive those services, we have tried-and-tested methods in place, in the event of energy insolvency. That arrangement is known by an acronym, the supplier of last resort, and is administered by Ofgem, the energy regulator. Over the last couple of years, Ofgem has used it 18 times and successfully transferred about a million customers, so that nobody's energy supply has been compromised by insolvency.

Q32 **Alan Brown:** You say the supplier of last resort mechanism has been used successfully before. Are you confident that it could still cope with the failure of, potentially, a large energy supplier or several small ones collapsing at the same time? Would that process still be robust enough? Are there any alternatives to the supplier of last resort process?

Joanna Whittington: We have been working with the regulator and colleagues across Whitehall to make sure we can use the supplier of last resort, as you say, if a small group of suppliers go bust at or around the same time. In addition to supplier of last resort, for larger cases we have special administration arrangements, which were put in place in the event that a network company failed. The Secretary of State would be able to appoint a special administrator, again with the intention to maintain continuity of supply until an alternative owner for that business could be found.

Q33 **Alan Brown:** If I change tack slightly, last month concerns were raised that the crisis could increase the risk of blackouts. What advice has been received on the ability of National Grid to manage the low electricity demand for what could now be an extended period?

Joanna Whittington: We have been in regular contact with National Grid, and in particular the electricity system operator, which is the part of the grid responsible for balancing supply and demand on a daily basis. We have seen, as you said, a significant fall in the demand for electricity. Over the last seven days, we think there has been a 15% reduction in demand, compared with where you expect to be at this time of year.

National Grid is very confident that it has the mechanisms in place to manage the system in low demand, whether that means taking renewable generators off the system or increasing demand in areas, for example, by bringing pump storage operators on to the system, both with the intention of balancing the network as effectively and efficiently as possible. National Grid obviously has experience of this every summer and published its summer outlook a couple of weeks ago, which set out in more detail how it intends to do this.

Q34 **Alan Brown:** Will any of the measures that National Grid needs to take to manage this balancing effect impact on people's utility bills?

Joanna Whittington: A number of things are happening with utility bills. National Grid operates under an incentive scheme, operated by Ofgem, which will encourage it to do the most efficient, least-cost activities first. In due course, those costs will feed through to consumers. On the other side, we have seen a reduction in commodity prices, which will also feed through to consumers when Ofgem resets the price cap. Gas prices in particular have also fallen significantly and that will feed through to lower electricity prices in turn.

Q35 **Alan Brown:** Has anyone done any modelling to see what that predicted net impact on household bills is?

Joanna Whittington: We have not yet done any modelling of the impact on household bills. Ofgem resets the price cap every six months; that would be the first opportunity for the change to take place, for those customers who are protected by the price cap.

Chair: We have a question coming up on vulnerable customers in a moment.

Q36 **Ms Ghani:** Good morning, Secretary of State. I want to talk about what modelling has been put in place to help non-essential businesses start opening up, post-lockdown. Before we get to that, Secretary of State, you know I have been leading a campaign with many people, including *The Sun on Sunday*, to relax the Sunday trading laws, because shops can open for only six hours. I have many family members working in key worker roles, who have to spend quite some time queuing to get into shops. With the CMO saying that social distancing will continue, possibly for the rest of the year, and considering how nimble your Department has been to accept the new normal, can you provide us an update on Sunday trading laws, so they reflect the new times we are in?

Alok Sharma: In terms of Sunday trading, you and Peter, with around 40 other parliamentary colleagues, wrote to me about this. I responded to say that I am keeping this under review. If we look at the circumstances we have right now, there is not a unanimous view across the large supermarket chains. Yes, more are coming forward now and suggesting they would like to see temporary changes in Sunday trading; others are less keen on this. I have also been written to by one of the trade unions in this area, USDAW. I expect other colleagues have received this. USDAW has set out its view that it would not be keen on changes. I am keeping this very actively under review. That is probably the best thing I can say at this point.

In terms of supermarkets right now, I understand there were reasons around allowing time to restock shelves and all the rest of it, but some of them, at least, are not currently opening the full hours during the week itself. That is the measure that they might look to, but I get the point you are making and I continue to look at this. You had a second question as well.

Q37 **Ms Ghani:** It would be good if we could have sight of or publish the letter from the union. It seems slightly absurd, considering that we have people working multiple shifts, as they are key workers, and the only time they can go out and shop could potentially be a Sunday, and they are having to queue a little bit longer than normal because of the reduced shop opening times.

Time is limited this morning and I really want to talk about the next phase for the Department—how we get to a sense of normality. I wondered what guidance you have had and what economic modelling you are relying on to inform you and your Department of which non-essential businesses will start to open up first.

Alok Sharma: In terms of Sunday trading, I want to make clear that I am keeping this very actively under review. Temporary changes were made during the time of the Olympics as well. Colleagues across the House will want to reflect on the fact that temporary measures may well assist our constituents.

I think the phrase you used was "getting back to normality". I said earlier on that we are going to be led by the science in terms of the lifting of any measures. Dom Raab set out very clearly the five criteria that would have to be met. That is a question for SAGE, but we are doing work. We are starting to look at how you could work safely in different scenarios once those measures are relaxed. That is work we are going to be undertaking. I will also be talking to stakeholders: employers, employer representatives and, very importantly, trade unions. The Permanent Secretary may want to elaborate on some of the work that is going on.

Sam Beckett: This is the work of a number of Departments across Whitehall. BEIS has a lead in thinking about safer workplaces, but we are talking very closely with our colleagues in the Department for Transport, because it is very key that people can get to work in a safe way and a way that they feel safe, because perceptions and confidence are very important in this story. Our colleagues in the Department for Education, because school places are being taken up at a greater level, will be really important in supporting people to get back to work.

This work, as the Secretary of State says, is for a future stage. It is at an early stage, but key to it, as the Secretary of State has pointed out, is doing this hand in glove with companies, their representatives and trade unions. A lot of the issue is going to be people feeling safe enough to return to work. In a sense, whatever the guidance says, there is a confidence issue, so it is really important to build public confidence and work with those external stakeholders to help us. This is going to be the job right across Whitehall, but with BEIS taking a lead in the workplace piece of the story.

Chair: Secretary of State, the Permanent Secretary tells us that BEIS is batting on behalf of business. We really want you to be there, with the voice of this Committee. We talk to businesses all the time. Businesses want to know how this is going to come to an end, hopefully soon, in order that we have a strong business base to move forward.

Q38 **Paul Howell:** Moving to the other end of the discussion when it comes to energy provision, we have talked about the suppliers, but there is a risk with the vulnerable people in our society. How will you gauge whether the principles set out in the voluntary agreement are sufficient to protect them?

Alok Sharma: We are all agreed that we do not want anyone to go without a basic necessity such as energy supply. You are right. On 19 March, we set out an industry-wide programme, where we had secured agreement with them, looking at how they will support consumers, particularly those impacted by the pandemic. All energy suppliers have agreed that they will look to identify and prioritise the customers who are particularly at risk, support those who are impacted financially and support prepayment meter customers to stay on supply. There is going to be a complete suspension of credit meter disconnections at this time. That is very important.

We are working with Ofgem and Energy UK, and indeed the suppliers, to monitor how customers are being supported throughout this process by suppliers. Joanna, I do not know whether we have any stats we can share.

Joanna Whittington: You are absolutely right to be concerned about the prepayment meter customers. We know there are about 4 million prepayment meter customers and they are likely to experience more economic distress in any event, before COVID, than consumers more generally. In addition to working with Energy UK and the suppliers, as the Secretary of State described, we are also working with Citizens Advice, specifically so that it can survey the people who approach it, to understand whether any self-rationing or self-disconnection might be taking place.

Ofgem has just started collecting data on a weekly basis, so I hope that, in future, we will be able to get some numbers on the vulnerable consumers who are being supported in this way.

Q39 **Anna McMorrin:** You mentioned at the beginning of this session that focus has shifted away from COP 26 during this pandemic. Absolutely rightly, we need to be focused on the health emergency that is around us, but we know that the climate emergency is a far deeper emergency, which is going to go on for years and years. What leadership role are you playing to ensure rapid transition to zero carbon?

Alok Sharma: To be clear, there has been a postponement of COP 26 and that agreement has been reached by the COP bureau. We had a dialogue with the UN and other partners, and will continue to have a dialogue with them as to the new date. The focus has not stopped. In March, I took part in the first meeting of the global Coalition for Disaster Resilient Infrastructure, which we are co-chairing with India. Yesterday, I attended online the Placencia Ambition Forum, put together by the small island nation states. Next week, I am taking part in the Petersberg Climate Dialogue, which is also going to happen online.

We continue to work on this issue and, to be clear, we want to be ambitious on this. Certain countries have already set out their NDCs. We want all countries to be ambitious on this level. In terms of net zero, as you know, in the Budget we set out a range of measures for helping industry get to net zero. You know the work we are doing on battery technology. Very importantly, the Budget also set out an ambition of getting to £22 billion a year on R&D spend by 2024-25. A lot of that, I hope, will be used to drive innovation and drive to net zero. I want to be very clear with you. Yes, there has been a postponement of COP 26, but we are definitely not taking the pressure off. We continue to work with our partners on this agenda.

Q40 **Anna McMorrin:** Do you foresee fixing a date any time soon? Is it going to be pushed a whole year so that we miss a year and it is back to November 2021 that we have that COP? On the risks, what do you see in terms of global emissions and ensuring that countries are not using this pandemic to backslide on commitments already made? We know that reaching the Paris agreement target of 1.5 degrees is very challenging. We are nowhere near that. Are you seeing that at the moment?

Alok Sharma: It is completely understandable that, right now, lots of countries are focused on tackling the COVID-19 pandemic. They want to support their people and businesses. You are absolutely right that this is not either/or. We need to keep up that particular ambition. I hope the UK will come forward with an ambitious set of NDCs later on this year. Others have already set those out. At the forums I have talked about—and there will be more of them this year—we will continue to make the case.

The precise timing of COP 26 is something that we are discussing at the moment. Whatever date is arrived at, you will see a drumbeat of action going forward towards that summit.

Q41 **Anna McMorrin:** I wanted to ask whether you think this is the time, now, during this pandemic, for a stimulus package for climate targets. Would you support the UN Secretary-General's calls to bring six climate-related actions to shape recovery after the virus, ending fossil fuel subsidies, becoming more resilient and using taxpayers' money for green jobs and sustainable growth?

Alok Sharma: I have seen what the UN Sec-Gen has set out. We are already focused on more green jobs. There are 460,000 in the economy right now; we want to get to 2 million. This is an agenda we are focused on.

Q42 **Anna McMorrin:** Now is the time.

Alok Sharma: Absolutely, and you are right that the recovery needs to be sustainable and green.

Q43 **Richard Fuller:** Just to take you back, Secretary of State, to the answers to the questions about reopening the economy, they will have been heard with a lot of frustration by many people. They were tentative in terms of what measures might be taken and actually quite unclear. The Government have brought in this new thing, a call on the entire British economy to shut it down. The Cabinet made that decision, to judge by your earlier comments, looking at the medical evidence but not the countervailing economic costs that would ensue. Every day now, we are seeing, in the lives lost, an increasing number of lives being lost from the consequences of the lockdown.

Many businesses are looking to you, because you are going to own a lot of the pressure on the recovery, as it moves from medical to business and the Treasury. They need a sense of hope from you about the fact that there are plans in place, and specifics about what those plans are. Can you assure the Committee that you are working hard and will come forward with those? We are all in favour of message discipline, but people need some practical sense of hope and expectation as to what they need to do for the future.

Ms Ghani: This follows on from Richard's question. Many businesses feel that they are on the verge of bankruptcy, especially if they lose this summer. People talk about the economic and social impacts, but they are the same. Secretary of State, what support are we giving to businesses that are not essential, to get them up and running? Who makes that decision? Is it BEIS, the Cabinet or the Treasury?

Alok Sharma: Thank you to both Richard and Nus for those questions. First, we have not shut down the economy. Millions of people are working from home. You do have businesses that are open. As I said at the start of this session, I had a letter yesterday from Taylor Wimpey, a big construction company, as colleagues know, which is going to reopen activity on 4 May. Businesses are also taking action. I agree with you, Richard, that we need to show direction. We need to show hope. I hope we are doing that in the dialogue that I have, on a daily basis, with businesses.

Yes, as we have said, we are working to see how people can work safely in all different work environments. That work is ongoing. But, overall, in the conversations I have had with businesses, they appreciate why we have had to sustain the measures that we have. This is done for a very clear reason that is about preserving lives. The worst possible thing we could do is lift the measures we have too early—that leads to a second peak and that in itself will really dent confidence in the economy and, indeed, in people.

Finally, on the point Nus has raised, we are looking to see how people may be able to open safely, but there is a large amount of support that we and the Chancellor have already outlined. A lot of work has gone behind that. It is now about operationalising that and making sure the money gets out of the door. I hope, from the statistics I gave at the start of this session, people will feel that is starting to happen.

Chair: Thank you, Secretary of State. There are many more questions that my colleagues would have wanted to put, and my apologies to Members for cutting them short. Secretary of State, you used the word "unprecedented" many times in your remarks to us and told us about the very great challenge that the Government have had to deal with, to support business and get measures in place very quickly. I hope you will take away from this session a very strong welcome from the Committee for the measures the Government have put into place and, to pick up the final few points, the concerns of business, wanting to know the way out, when it is going to be and which sectors. We hope you, with your colleagues, will be able to provide us with greater clarity on that over the next few days and weeks. That brings our session to a close. Thank you once again.