

Public Accounts Committee

Oral evidence: [Whole of Government Response to COVID-19, HC 404](#)

Monday 15 June 2020

Ordered by the House of Commons to be published on 15 June 2020.

[Watch the meeting](#)

Members present: Meg Hillier (Chair); Gareth Bacon; Olivia Blake; Dame Cheryl Gillan; Peter Grant; Mr Gagan Mohindra; Sarah Olney; Nick Smith; James Wild.

Also present: Darren Jones, Chair, Business, Energy and Industrial Strategy Committee, and Mr Tobias Ellwood, Chair, Defence Committee.

Gareth Davies, Comptroller and Auditor General, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-125

Witnesses

[I](#): Sam Beckett, Acting Permanent Secretary, BEIS; Alex Chisholm, Permanent Secretary, Cabinet Office; Cat Little, Director General, Public Spending, HM Treasury; Jeremy Pocklington, Permanent Secretary, MHCLG; and Sir Tom Scholar, Permanent Secretary, HM Treasury.



Report by the Comptroller and Auditor General

Overview of the UK government's response to the COVID-19 pandemic (HC 366)

Examination of witnesses

Witnesses: Sam Beckett, Alex Chisholm, Cat Little, Jeremy Pocklington and Sir Tom Scholar.

Chair: Welcome to the Public Accounts Committee on Monday 15 June 2020. We are here today to look, very importantly, at the Government's early preparations for dealing with covid-19. This is on the back of a very helpful factual report by the National Audit Office, which has sought to pull together the data to date, to give us a flavour of what has happened in terms of money spent, processes gone through and how the Government have managed to deal with this very challenging situation.

As well as looking back at some of the issues that we obviously all know about around testing, PPE and so on, we want to be clear from witnesses today what lessons have been learned about the next steps if, for example, there is another spike, so that we are prepared better for any future spikes or issues arising from the pandemic, as well as of course the economic side of things.

I want to introduce our witnesses. Sir Tom Scholar is the permanent secretary at the Treasury. He was in front of us only last week, so Sir Tom, welcome back to you. Ms Cat Little is the director general of public spending at the Treasury, and she last appeared in front of us as finance director at the Ministry of Defence, so welcome to your new job, Ms Little. It's a big job to step into in the current climate, so congratulations to you. We also welcome Sam Beckett, the acting permanent secretary at the Department for Business, Energy and Industrial Strategy. A warm welcome to you on your first outing, in front of us anyway, as permanent secretary; good luck to you. Alex Chisholm is the permanent secretary at the Cabinet Office and was previously at the Department for business, so we have a surfeit of business knowledge in the room. Jeremy Pocklington is the permanent secretary at the Ministry of Housing, Communities and Local Government—a pivotal department in getting support out to local authorities and right to the frontline. Welcome back to you, Mr Pocklington.

I am also delighted to welcome today, as well as our own members, two guests to the Committee: Darren Jones MP, who chairs the Business, Energy and Industrial Strategy Committee, and Tobias Ellwood MP, who chairs the Defence Committee. *[Interruption.]* I am just waiting for the bell to stop and then I will bring in Peter Grant MP, who is going to kick us off.

Q1 **Peter Grant:** I would like to ask some general questions of both the Cabinet Office and the Treasury as to the state of preparedness of the



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Government, before the pandemic was identified, in November and December of last year. What was the state of readiness of Government to address a pandemic before we knew for certain that a pandemic was coming?

Chair: Who are you addressing that to, Mr Grant? Is it to Mr Chisholm?

Peter Grant: Yes, please.

Alex Chisholm: Thank you for inviting us today to give evidence. The preparations made by the Government for the pandemic go back over a number of years, because a pandemic has rightly been identified as one of the top risks—in fact, the single top non-malicious risk—facing the Government, and there has been a series of tests and exercises in preparations against that event. I should emphasise that those have been against a pandemic, not this specific pandemic. This particular pandemic's scale and characteristics—especially how infectious it is, how many countries have been affected at one time, and the high asymptomatic rate—have made it very difficult to counter and to control, but that was not from a lack of foresight or preparation.

Q2 **Peter Grant:** Could I pick up on your comment about the difficulty in planning for this particular pandemic? The intrinsic infectiousness of this pandemic is not that high, compared to some. It is about half as infectious as German measles—rubella. We now know that the “Do nothing” R rate for covid-19 is about 3. At what point did the Government have a series of scenarios planned out, so that they would know how to deal with a pandemic with an R number of 3, an R number of 5 or an R number of 1? Did you have those different scenarios mapped out before this pandemic was identified?

Alex Chisholm: I can't say for sure whether or not we had specific plans against those specific R numbers—probably not, because there are a lot of different factors to go for in a pandemic, and although I am not an expert on epidemiology, I know that the incidence of cases is a vital factor, as well as the R number.

Also, what has made this coronavirus particularly difficult has been the high asymptomatic rate; the number of people busy infecting people before they show any symptoms at all made it very difficult to plan for.

Q3 **Peter Grant:** But had the possibility of a relatively infectious disease with a high asymptomatic transmission rate been identified as something that you had to plan for before this outbreak was known? Was that a scenario you had planned for?

Alex Chisholm: That was certainly one of the scenarios. I think the test that was done and that you may be aware of—Operation Cygnus—was against an influenza-type pandemic, which is a bit different from the one that we have had to deal with. As I mentioned, information about and understanding of this new coronavirus has been added to every week and every month since the beginning of January, but it is not perfectly



understood even now, and it has been exceptionally difficult for the UK, in common with all other countries that have experienced it.

- Q4 **Peter Grant:** Although we could not have predicted the characteristics of this virus, we knew that a pandemic was going to come at some point, and we knew that the pandemic would be of a new virus, which would have some characteristics that we had not necessarily seen before, and certainly a combination of characteristics that we might not have seen before. With hindsight, were the Government adequately prepared to respond immediately to the characteristics of this particular virus?

Alex Chisholm: It is probably a bit early to say for sure, because we are very much in the midst of it, and I expect that there will be lessons, and that will be a judgment probably for others at a later time. However, I made inquiries when I joined the Cabinet Office about what preparations had been made, and I was struck by how many of the things that have been put in place as a result of the pandemic exercises have proven useful. In particular, the draft pandemic legislation, which was the basis of the coronavirus Bill that Parliament passed, and the contingency plans for dealing with the deceased at a local level both proved extremely effective. The surge capacity in hospitals—all those plans at a community level got activated.

Partly as a result of that exercise, we have added the Independent Scientific Pandemic Influenza Group on Behaviours. Of course, trying to judge and to some extent shape behaviours among the general public has been a critical dimension of our response to this pandemic. There are certainly quite a lot of examples that I have been able to see of how the early exercise testing has enabled us to respond very positively.

- Q5 **Peter Grant:** Were you taken by surprise by the need for a massive quantity of protective equipment, and by the difficulty sourcing that from reliable UK-based suppliers?

Alex Chisholm: Yes. There was a very, very big increase in demand; we think that it was something like fourfold in total. I think the central buying operation alone has bought 1.7 billion pieces of PPE, and of course this is at the same time that almost every other major country is also trying to source that same material. Some of the materials that you use in PPE are not in plentiful supply, there is a relatively small number of manufacturers of it, and the machines involved are massive and not very mobile. It has undoubtedly been a challenge.

Things were tight at various stages at the peak of the crisis, but I am pleased to say that we didn't run out of any of the items. Indeed, we are now restocking and replenishing to put us in better standing going forward.

- Q6 **Peter Grant:** When you say we "didn't run out" of any of the items, are you telling us that everyone in the health service and every one in the social care sector who needed PPE had as much as they needed from day one? That certainly doesn't seem to have been the experience of myself and others.



Alex Chisholm: I am sure there are going to be examples of people who have said that they were short, or that they would have liked more. I am just looking at the overall stock levels—which, obviously, was central information held by NHS England; there would be a different story across the four nations of the UK—and they would have shown that at various points some items, particularly the apron, came under pressure. It got close to—even within days of—us not having enough to be able to supply, but we didn't run out, as such.

Given the number of places where the supply is being used—there are about 58,000 sites utilising PPE across the UK—undoubtedly there would have been at least a number of sites, every day, where we might have been facing a shortage of one of several dozen items; that's clear and will inevitably be the case.

- Q7 **Peter Grant:** For clarification, when you talk about not running out, does that apply only to what was needed within the NHS, or does it also mean the social care sector, which, as you will know, is widely dispersed across the public and private sector? Is it your view that that sector always had access to all the personal protective equipment that its staff needed?

Alex Chisholm: You are absolutely right: that is the thing that has added enormous complexity to not only the procurement of PPE, but the supply of it. The NHS systems are very much geared towards supplying the 226 NHS trusts, but as I mentioned, there are 58,000 different settings that have become necessary—care homes, hospices and community care organisations. Delivery to them has added enormously to the logistical challenge.

You may have read, heard or been informed that the Army had to come in to provide some of the support necessary to make sure that the right equipment came to the right place at the right time. There was a huge amount of work done on NHS data technology platforms to enable us to track the movement of these items, and to begin to make sure that we didn't have any stock outages at any point in that normal network. With 58,000 different settings, it is demanding, especially when that demand is going up and down every day. In some cases, people also wanted a large amount of stock just in case, so that too adds to the irregularity.

- Q8 **Peter Grant:** Did the contingency plans for the supply of personal protective equipment explicitly recognise that there was an issue with the way that it was organised, particularly for the residential care sector in the United Kingdom? Was there a specific plan in place before the pandemic broke out to make sure that care homes would get the supplies that they needed at the same time as hospitals and other NHS facilities?

Alex Chisholm: I certainly know from what I have read that care homes were recognised as a particular issue in a pandemic context. I don't recall whether the supply of PPE to care homes was a particular issue that was identified in that previous assessment.

- Q9 **Peter Grant:** Could you write to the Committee Chair with a definitive answer to that? Some of the Committee would be interested to know.



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I would like to turn to Sir Tom Scholar from the Treasury. Sir Tom, at what point in the Government's plan for this pandemic did it become clear that the Treasury would need to release significant funding to pay for either furloughed employees or self-employed people who could not do their usual work?

Sir Tom Scholar: We had the Budget on 11 March, and it already set aside a considerable amount of money to help deal with the effects of the virus. If I remember rightly, it was the week after the Budget that it became clear that the effort to contain the virus would involve imposing very significant restrictions on the economy, such that a scheme of that sort would be needed. Really, I would look at it starting from the Budget, and the days and the weeks immediately following that.

Q10 **Peter Grant:** The Budget was at least three months after the whole world knew the pandemic was coming. Are you are telling us that until the middle of March, the Government hadn't prepared contingency funds for the likelihood that millions of employees and self-employed people would need significant financial support from the Government? Are you telling us that there was no contingency plan in place for that until the middle of March this year?

Sir Tom Scholar: As I said, in the Budget we already had money for public services, and a scheme to support businesses, but the need for a bigger support package materialised alongside decisions elsewhere in Government to impose restrictions that would, in effect, make it impossible for people to work. The development of a package to support those people proceeded alongside the decision on public health grounds to impose those restrictions.

Q11 **Peter Grant:** But surely, regardless of the specific characteristics of the virus, if the Government were planning for a pandemic, they would know there would be significant disruption to people's ability to work, and to businesses' ability to provide employment. Why was there no plan in place between the Treasury and BEIS to support people who were in danger of losing their jobs, and self-employed people whose businesses had to shut down? It is not rocket science to know that if there is a pandemic and economic activity has to be curtailed significantly, those doing that economic activity would need financial support.

Sir Tom Scholar: In the Treasury, we wanted to be ready at any point to extend support where needed in the economy. As I hope you would understand, our planning assumption for that would be that the planning on the public health measures would happen elsewhere in Government. Our concern was to make sure that we would be ready to announce, at the same time as those public health measures, the support that would be needed to see people through the consequences of those measures.

Q12 **Peter Grant:** We knew very quickly—in fact, probably on the day of the Budget speech—that the covid support in the Budget would be nowhere near enough. Was there a plan B in place at that time for how the Treasury would fund a significant increase in spending requirements at the same time as a huge reduction in tax intake? Was there a



contingency plan in place, even if not announced in the Budget in March?

Sir Tom Scholar: Raising money for urgent need is something we always aim to be in a position to do. It is one of the central roles of any Ministry of Finance to be able to get access to funding when needed. In terms of the specific schemes and their policy design, as I said, they were designed specifically to meet the requirements that came out of the public health measures that were taken.

Q13 **Peter Grant:** In the first few weeks of lockdown, my constituency office was inundated—as were, I suspect, the offices of every MP in the United Kingdom—with people who were not covered by the various financial support schemes that the Government announced. I, and I think every member of the Committee, still have a lot of constituents who had set up as self-employed businesses—in some cases almost two years before the outbreak—yet do not qualify for the support they need. Is that an indication that because the Government was far too slow to recognise that self-employed people mattered, they were given a financial support package that was inadequate for some and completely non-existent for others?

Sir Tom Scholar: In designing all the packages, including the package for the self-employed, one of the challenges we faced was having sufficient reliable information on who the recipients should be. In the case of employed people, with the system of pay-as-you-earn, HMRC obviously has pretty well contemporaneous records of their employment. But for people who are self-employed, that information comes with a lag. Because of that, it took a little bit longer to design a scheme that would be up and running quickly. That said, it was something we put a lot of effort into and treated as a priority, and I am glad that HMRC could get it up and running quickly and paying out.

Q14 **Peter Grant:** Do you accept, though, that there are still a lot of self-employed people who, for whatever reason, get no financial support whatsoever from the Government, other than falling back on to universal credit?

Sir Tom Scholar: We are aware that the scheme is not universal in its coverage. As you would expect, we have had a lot of representations and correspondence about that. We covered some of that in our session last week, and as we said then these are things that we keep track of and keep under review, in terms of our advice to Ministers about the coverage of the schemes.

Peter Grant: Thank you. I am happy to leave it there, Chair, and let someone else come in for a while.

Chair: I am going to bring in Nick Smith MP, and then Olivia Blake MP.

Q15 **Nick Smith:** I want to pursue a line of questioning from Mr Grant to Mr Chisholm. Mr Chisholm, as part of your answer about the provision of PPE to the NHS, you talked about the NHS being ready to supply PPE to its 200-plus organisations across the country. I felt that was an insubstantial



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response on the care home sector, which we all understand is atomised. Why do you think there was no provision of PPE to the care sector?

Alex Chisholm: I think there was provision for the care sector, but the particular question that I was asked by the MP for Glenrothes was whether, as a result of the previous exercise, extra provision was made for the care home sector. I said that I wasn't sure about the answer to that, so I have undertaken to write to the Committee with the answer.

Q16 **Nick Smith:** Do you accept that it is a fair point to press, given the scale of the care sector and the importance of providing PPE to the vulnerable people within it?

Alex Chisholm: Absolutely.

Q17 **Nick Smith:** And do you think the NHS or the Government failed to provide PPE to the care sector in a timely way?

Alex Chisholm: There has been a huge provision of PPE equipment to the care sector. I wouldn't attempt a general assessment at this point, when we are still so much in the midst of it, of whether everything has been done that could have been done. I would be very surprised if there weren't some lessons about how to do that better in the future, but I can absolutely testify to the scale of the effort. From my own Department—

Q18 **Chair:** Mr Chisholm, no one is doubting that the effort was at a big scale, but Mr Smith is rightly highlighting that there was a big issue with care homes. This Committee has repeatedly looked at support for the social care sector, and it is repeatedly at the end of the line. The NHS has a central procurement system, and there isn't an equivalent for the care sector. Do you want to try again, and then Mr Smith may like to come back in?

Alex Chisholm: It is probable that those questions are better addressed to the DHSC, because obviously they have responsibility—

Q19 **Chair:** Except, Mr Chisholm, that you are head of the Cabinet Office, which has pandemic planning as part of its bread and butter. You would have been in those meetings before anyone even knew that there was a pandemic coming. You were discussing school closures and things like that. Surely you were discussing care homes in those settings, aside from whatever the Department of Health and Social Care was doing.

Alex Chisholm: Absolutely, and in fact the exercise that I referred to was done jointly with the civil contingencies secretariat, with the Department of Health and Social Care as the lead Department.

Q20 **Nick Smith:** Did that contingency plan include provision of PPE or extra support for the care sector, given the hundreds of thousands of vulnerable people in it?

Alex Chisholm: I am sure that it did, but I am not sure exactly what the conclusions from the previous exercise would have been. As I mentioned before, that exercise was based around an influenza style of pandemic, whereas, as you know, this one was different. I totally recognise and



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support the point you are making—I am not trying to take anything away from it. I just can't tell you exactly what was done as a consequence of that particular exercise. I am very happy to write to the Committee with that specific answer.

Nick Smith: Thank you, Chair.

- Q21 **Chair:** Mr Chisholm, you talk about this being planning for an influenza pandemic. What in particular caught you and the Cabinet Office by surprise about this pandemic? You have named some of them. Do you want to list those, and then anything else that caught you by surprise? That is pretty critical to what we do next.

Alex Chisholm: Let me mention a few things. First, the response that seems to have been necessary in the UK and other countries was a complete lockdown. That is pretty much at the top end of the scale of responses that we would have expected. It has not been necessary to close the schools in the UK for decades—even during the war, I'm told—so this is absolutely at the top end. The knock-on effects of that on every other part of the economy and society have been huge. It is also the case that the idea that we needed to shield over 2 million people and that we needed to have a lockdown in place for several weeks really is at the top end of any expectations for any scenario. It has been hugely stretching for the whole of the Government and for the whole country to cope with that set of circumstances.

On the spread of the disease—this is moving into the medical area—the hardest thing to do has been to track it right from the beginning. There was difficulty with identifying the number of cases and the location of those cases, partly because more than half of those cases are asymptomatic, which has made it exceptionally difficult to deal with. Some of the planning would have been against a different type of pandemic. Now that we have seen the nature of this particular virus, clearly the social distancing type of measures that we have had to introduce seem to be the best way to fight it, but that would not have been the case if it had been an influenza style of pandemic.

- Q22 **Chair:** It is a long time ago, but my memory does not lie on one thing: I was in a Cabinet Committee in a Cabinet Office briefing room a decade ago and they were discussing then the prospect of closing schools, because children in that instance would have been seen as super-spreaders. School closures were being discussed then, but you have indicated that that wholesale closure was a surprise. I am puzzled.

Alex Chisholm: It is at the top end of the scale. It was certainly in the range of things that were being looked at. What I am saying is that the overall impact of having to close schools has been very significant for the workforce and for the children who would otherwise have been in those schools. I am not saying that it was not within the realms of one of the possible scenarios; just that it is an instance of what a big impact it has had.



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Another thing to emphasise is that we have certainly had pandemics before, but they have not applied in as many countries at one time. This is one where we have got millions of cases across the whole world. That has meant that there has been a demand for things like testing capacity, for treatment drugs, and for PPE and all of those things. All of the countries in the world pretty much have had a demand for the same thing at the same time, and that parallel pressure has really added to the intensity of the difficulties. As our teams have been going around the world trying to find extra sources of PPE equipment, they have been up against teams from other European countries and from America and other countries affected around the world simply looking for extra equipment and supplies. That, again, has added to the intensity.

Chair: We will come back to the PPE thing in a moment. Olivia Blake next, then Tobias Ellwood and Cheryl Gillan.

Q23 **Olivia Blake:** Thank you, Chair. This question is for Mr Chisholm. I want to go back over PPE and ask a simple question. Do you think the national PPE contracts have been value for money?

Alex Chisholm: I think so, yes. It is very difficult to make good value-for-money assessments in this context because you have to compare scenarios: what if you didn't buy more of this equipment? I think you would find that for the PPE, the ventilators and lots of other things that we have purchased, the per unit cost of buying things at great speed from multiple sources in a seller's market has been higher than we would like to have paid.

If you compare the average cost a year ago with what we have been paying now, it has been expensive, but if you compare that with not having enough equipment to enable frontline workers to perform their jobs and to be able to protect ordinary people in the workplace, then that is a much more serious thing to have to bear.

It is right that there have been these huge efforts to buy 1.7 billion additional items already, and much more to come. That has been extremely expensive but necessary, and in that sense value for money. I do not think we had a better alternative.

Q24 **Olivia Blake:** Have there been any penalties for national suppliers in any of these contracts?

Alex Chisholm: I am not aware of any, but where the quality has not been sufficient, payments have been stopped and items have been rejected, but that is only a very small percentage of items.

Q25 **Olivia Blake:** While donations from volunteers have been welcomed locally in my area, there were barriers to manufacturers making PPE that would have been fine. Have you identified those barriers and tried any actions to remove them?

Alex Chisholm: Overall, we have had a great response from manufacturers and the business community as a whole to requests and calls for action and help by the Government. We are grateful for those,



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and they certainly helped us to identify a number of new sources of supply, both in the UK and internationally. In amongst that large number of good and valid offers of help, we got a large number of other offers of help that, in reality, were more like intermediaries who were offering to procure something from a place where we already had a contract in place. We have had to go through sometimes thousands of offers to isolate the ones that were most useful to us. We have gone through that process over the past few weeks, and I am pretty happy with the contracting directly with the optimum sources.

Q26 Olivia Blake: Do you think there is more work to do in planning for the future to ensure you are aware of manufacturers who could quickly be turned around, so that we do not end up in this situation again?

Alex Chisholm: Undoubtedly. There is probably a broader point that the overall resilience of our system to a shock of this kind has been severely tested. I suspect that not just the Government, but businesses and all of us have had to readjust how much additional capacity we have and how much we want to prepare for these high-impact, low-probability events. I am sure that will be true for PPE purchasing; we will build up bigger stocks in future than we have had in the past.

Q27 Olivia Blake: Has there been any assessment of local workarounds to ensure supply to the frontline and of what the cost of that has been to the public purse? Are there any plans to reimburse local authorities and so on for that?

Alex Chisholm: I am not best placed to speak for local authorities, but it is possible that my colleague Jeremy Pocklington might be able to speak about that.

Q28 Chair: Mr Pocklington?

Jeremy Pocklington: We have set out that part of our additional funding for local authorities can be used for PPE where local authorities need to fund that themselves, either for their own use or for use in social care settings. Local resilience forums have played an important role in ensuring the delivery of PPE to non-NHS settings. There have been nearly 1,000 deliveries, or drops, as they are called, through local resilience forums, delivering well over 130 million items. My Department's responsibility is to oversee the data collection there, to ensure that we have an understanding of demand so that the Department of Health and Social Care and the NHS can make decisions on supply.

Q29 Olivia Blake: Mr Chisholm, what orders for PPE do you have in the pipeline now on the back of that?

Alex Chisholm: We are continuing to buy PPE every day, seven days a week, in very large volumes, because we are conscious that in this whole crisis, as your colleague mentioned, it is not only in the conventional settings, but in all kinds of settings, that PPE needs to be used. We are buying very large amounts of it on behalf of multiple authorities across the UK.



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Q30 Olivia Blake: I would also like to ask about the shortfall. How much did you have? There were a lot of reports of some being out of date. How much did you actually need, and how are you tracing it and ensuring that the right stuff is getting to the right place?

Alex Chisholm: I think the overall amount being purchased centrally, if we look about a year ago, was about 200 million items a month. We have had to increase that two or threefold. If you look at the monthly purchase rate, it gives you an idea of how big a stock it would have needed to be, to be ready for all kinds of eventualities. I think you are right, and I see some of the same reports that some of the stock would have been out of date, but that is only a small minority of it. Mainly, we rely on supply rather than stock, and the challenge we have had with supply was the one I referred to: a lot of the suppliers we would normally rely on were under similar pressure in their own countries and from other customers, so it has been a very demanding situation to manage.

Q31 Olivia Blake: There was a lot of pressure on local NHS services, particularly for gowns. Why was there not any kind of plan, with industry, to shift supply lines into producing that sort of PPE?

Alex Chisholm: I believe that the type of materials used in NHS blues, especially gowns and aprons, is a specialist type of material, and it is not something that you can easily produce using alternative materials or machines. Some of the machines are enormous in scale to be able to do that, so to actually construct a new machine like that would certainly take months, possibly years. We have certainly been able to identify new sources to import some equipment to the UK and set up some new production lines for some of the PPE items, including face masks, but for aprons and gowns, which are very specialised, that was not a practical option.

Q32 Olivia Blake: On the supply of oxygen, I understand that mental health trusts were told that they would receive the same amount of oxygen and that vets and dentists were asked to cease using it. Can you explain how you are preparing for the amount of oxygen used in different settings and why we are still pursuing the ventilator contracts when, hopefully, we are over the peak?

Alex Chisholm: I cannot really speak to operational decisions on the allocation of oxygen between different parts of the NHS, because that would be a decision for the NHS—it certainly would not come to the Cabinet Office to decide alone. If it is helpful, I can speak to the ventilator issue. Again, I know that has attracted some interest, and perhaps I can share a few data points with the Committee.

At the outset of the crisis, there were around 8,000 ventilators in total across the UK, in different hospitals. That includes a number in the private sector as well as the public sector and includes all four nations within the UK. As you will remember, a reasonable worst-case scenario was put in place about the number of potential deaths that could occur. We had a lot of data coming in about the intensity of the use of ventilators—not only from China, but from European countries, particularly Italy—and about



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how many days people needed to be on a ventilator and the type of ventilator that was needed, because of the particular way in which coronavirus affects patients.

All of that data went into saying that there was no way in which our conventional supply of ventilators was going to be sufficient and that it needed to be doubled or tripled in a matter of the next three months, and more again for later in the year potentially. That was the initial estimate that we got.

That is what led to the ventilator challenge, to UK industry as a whole and to international partners if necessary, to build new ventilators from scratch. At this point in time, we have about 20,000 ventilators of the necessary specifications to be able to cope with sufferers of coronavirus in intensive care units and in their transportation. We have increased two and a half-fold the number that we had at the beginning and we continue to add to that—we will probably get up to about 25,000, which is our target over the next two or three weeks.

- Q33 **Olivia Blake:** You keep saying that this was unprecedented and unpredictable, but it played out in other countries a lot earlier than in the UK. Surely we could have had the foresight in January and February to know that we would need to step up the production of PPE and ventilators. Why was there such a time lag? Was there no communication with the countries that were already in the midst of the crisis?

Alex Chisholm: The full effects of the crisis were not at all visible in January; they became so in the latter part of February and in March. To design and build a ventilator from scratch, the ordinary time frame, I am told, is three and a half years. We were able to build our first ones in four weeks, and we have been able to increase two and a half-fold the number of ventilators in production in the UK, through a fantastic effort by four different industrial consortia. That has been done very rapidly.

Fortunately, due also to the effects of social distancing and to other improvements in NHS capacity, we have never been close to the peak demand for ventilators. Ventilators were identified as a potential area of scarcity; we took action and avoided that scarcity materialising.

- Q34 **Olivia Blake:** You said that we were not aware of the issue in January, but WHO issued its guidance on tracking and testing and managing cases back on 10 January and released that to countries. I think that to say that we were not aware is not quite accurate and that we need to reflect on that going forward and make sure that we are looking for second peaks so that we can learn and act quicker. Do you agree?

Alex Chisholm: I agree with the general point, but we are talking about ventilators. Looking at the data that I have seen, even from when we first set the specification to the final specification, changes were made because of the particular observed experience of patients—in particular, the amount of suction required, for example, which is an important aspect of ventilators. That was happening in March and April and I do not think that information was available in the early part of January, as you describe.



Olivia Blake: This is a question to Mr Beckett.

Chair: Ms Beckett.

Q35 **Olivia Blake:** I am so sorry—Sam Beckett. I am sure that Members welcome the discretion, but I am concerned that, unlike the other grants, a business in Hackney or something similar in, say, Scarborough, may be treated completely differently under this scheme. Do you think that is equitable?

Sam Beckett: This is the third of three local authority-delivered schemes. The first was the small business grant scheme and the second was the one particularly focused on retail, hospitality and leisure, because we realised that those businesses were going to be particularly hard hit and we wanted a scheme that was going to be a bit broader in scope and help slightly larger and smaller businesses than the small business grant fund.

We then got feedback that particularly hard cases were coming up—for example, businesses that were not the key payer of business rates, but also had fixed property costs that they were having to meet. So the local authority discretionary grants fund was just to give that layer of flexibility to local authorities to design their own criteria to deliver a top-up, if you like, to the previous two schemes, but to help hard cases. It is up to local authorities to put parameters around those schemes to work out who can and cannot receive them.

Q36 **Olivia Blake:** I understand that the extra money for discretionary grants was dependent on the deliverability of the ordinary grants. Do you think that is fair, given the regionality of different types and models of business? Do you think that makes the discretionary fund fair?

Sam Beckett: I think it was done proportionately to the number of business premises that the different local authorities had under the scheme, but it did help to meet the demands and feedback from some of the harder cases. So it added to the overall equity of this suite of three schemes to add the discretionary grant fund, but we are watching and monitoring who is receiving the money and where so that we can monitor and evaluate that scheme over time.

Chair: Ms Blake?

Olivia Blake: That is all, Chair.

Chair: Thank you very much.

Ms Beckett, we will come in a moment to the ministerial directions that your own Department issued. I turn now to Tobias Ellwood, Chair of the Defence Committee.

Q37 **Mr Ellwood:** Thank you for allowing me to join you today, Chair.

My question is about Government structure in strategic planning versus operational delivery. Mr Chisholm, I guess that you were not always an expert on ventilators, PPE and oxygen delivery. Situational awareness is critical for informed decision making in any enduring emergency, as is



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command and control, yet this Government are essentially using a peacetime policy construct. We see policy makers leading operations and delivery for which they do not necessarily have the expertise.

Do we not need a slimmer, swifter Government decision-making process, complemented by a permanent Cobra with a situation centre, to co-ordinate our national response and the execution of Government strategy?

Why are you not better utilising MoD strategists to better appreciate what is coming over the horizon? It is the one Department that trains and plans for crises and excels in strategic thinking, yet, away from transport, logistics and Nightingale hospitals, they are not allowed, it seems, into the Cabinet room.

Alex Chisholm: Thank you very much indeed for your question. I have a couple of points by way of response. The basic structures for dealing with an emergency crisis, which have been long-established, have proven serviceable during this whole experience to date. We have had to adapt them, to optimise them for each phase of the crisis so far.

I would broadly identify three phases. At the beginning, conventionally, we led through the Cobra process, through the lead Department—the Department of Health and Social Care. That proved okay up to 16 March. Then we recognised that we were in a pandemic situation, which was declared on 11 March. It was confirmed that we had a large number of cases in the UK and this was going to be a massive challenge for the whole of Government and the whole country.

At that point we adapted the conventional structure to add in these ministerial implementation groups. There are four of them, as set out in figure 2 of the NAO Report you have in front of you, reporting into the covid-19 strategy group chaired by the Prime Minister. That gave us a lot of additional capacity to be able to work in parallel across health and the economic and business impacts, which we heard about from Sir Tom. It also allowed us to deal with the international dimension—it has been significant to co-ordinate with international partners—and the impact right across public services. That required an incredible intensity of effort right across Government, led by Ministers, with probably tens of thousands of officials across Government involved in different aspects of that.

At the end of the last month we moved to a new setting, which I think you referred to when you said that this was about both strategy and operations structure for covid-19. I think that is a simplified, rationalised structure, which will probably be more sustainable going forward. That is the response that we have tried to put in place.

Q38 **Chair:** That is interesting. Mr Chisholm, you have given us a very process-based answer about Committees in Whitehall. Mr Ellwood was asking, is that process that you described going through—even when you changed it—the right approach? Perhaps you can have another go and then maybe Mr Ellwood would like to come back in.

Mr Ellwood: I can jump in now.



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Q39 **Chair:** Can I get Mr Chisholm to come in first and then bring you back, Mr Ellwood? So, did you consider bringing in the Army, in simple terms?

Alex Chisholm: The Army has been highly involved, not only in the planning of operations, working right in the centre of the Cabinet Office as part of the portfolio management office for all of this, but also, as Mr Ellwood referred to, the procurement and logistics, and at a local level it was fundamentally embedded within the local resilience forums.

We are extremely grateful for the support that we have had from the Army, which, as I say, does play to its strengths. It is no surprise to hear from the head of the Army that this is one of the biggest operations that it has been engaged in.

Q40 **Mr Ellwood:** To make it really clear, this Government have taken too long to make decisions. Of course, we must be cautious about it, but we could get there far faster with a swifter, more informed decision-making process, which the armed forces are very good at helping with. I press again, from their own volition, the armed forces do not feel they are welcome in the room at Cabinet level.

I agree about what is happening at local resilience forums, but even that can be improved as well. Ultimately, we should not have policy makers, who are not experienced in operations, phoning up to chase PPE. That is not their job.

Alex Chisholm: Back to the PPE thing, we were able to use 500 commercial professionals to help with that procurement, of whom about 230 came from the MoD and DE&S, which is the specialist group for procurement. I want to emphasise that, far from being cut out, we have made heavy use of the Army during the whole process.

I understand the desire for slimmer and swifter operations, but I also want to emphasise that there has been an incredible scale of operation across Government requiring a lot of co-ordination. If you think about a programme such as the shielding programme, which has been led by MHCLG, that has required incredible co-ordination with the Department of Health and Social Care, the NHS, DEFRA for the food supplies, DWP for the call centres, and the Government Digital and Commercial Services for the data supply.

Slim is one way of looking at it, but actually it is a massive scale operation to sustain that over time, stand it up from scratch in a matter of weeks and keep it going day in, day out. That requires very high-level co-ordination.

Chair: I think standing it up from scratch is part of the point. I thank Mr Ellwood for joining us and I turn to Dame Cheryl Gillan MP.

Q41 **Dame Cheryl Gillan:** Mr Chisholm, I am sorry that you seem to be in the hotseat; I will not divert from that. In a crisis situation like this, you need to feel that the Government have a very tight grip. You need to have that confidence. Unfortunately, we saw a period when the Prime Minister was ill and was removed to hospital, his special adviser was ill and was



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removed elsewhere, the Cabinet Secretary was ill and the Secretary of State for Health was ill. What protections did you have in place in No. 10 or Cobra or elsewhere for dealing with that? It seems that the protections were not enough to prevent a rather large number of people right at the top of the pyramid falling ill.

Alex Chisholm: There are probably two issues that are raised there. One is the working environment and whether the appropriate social distancing was being applied. Obviously, as soon as those rules were put in place, we applied them absolutely to the letter and more within the Cabinet Office, including No. 10, but I think that some of those cases were contracted before the rules were applied, and even with social distancing in place, it is possible for some infections to occur.

Q42 **Chair:** We are not talking about the infections spreading. The question was about the planning.

Alex Chisholm: The other issue around that is clearly about whether there was continuity in the command and control structures. We were absolutely aware of the possibility of individual key decision makers and responsible persons being affected directly. I am sure it is true for all my colleagues on the call that everyone had to make plans for if they were ill, who was the person who was in charge, and if they were ill, who was the person—a domino-type effect. In some cases, that had to be activated. There was a plan to cope if the Prime Minister himself was ill, which is why the First Secretary of State was able to step in and chair meetings every day in his absence.

Q43 **Dame Cheryl Gillan:** You said in answer to an earlier question that you expect there to be lessons learned. If we possibly face a second spike, have you made any changes to the way in which you operate and the contingency planning for people not being able to carry out their jobs?

Alex Chisholm: Yes. I have tried to describe already how we have evolved the decision-making structures twice already, first with the introduction of the ministerial implementation groups and now with a move to covid strategy and covid operations committees. I do not rule out further evolutions in Government structures to cope with whatever we have to and what lies ahead. Certainly our willingness and ability to do that is important in our flexibility as a Government in responding to the situation.

It is also the case that we have found out that, to a remarkable extent, it is possible to conduct the business of Government, as it is of Parliament, while working from home over digital channels, such as the one we are using today. There have been one or two areas where that has been much harder to do in practice. For example, the support of people working in benefits offices would be an area where we could look again at the quality of our digital platforms. Undoubtedly there will be lessons of that kind that we can apply going forward.

Q44 **Dame Cheryl Gillan:** Mr Chisholm, surely, when facing any crisis of this nature, and particularly a pandemic for which, after all, we had



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supposedly been in planning for 10 years, the mobility of officials and the civil service must be an absolutely core part of the plan. Are you satisfied that you have got that mobility and it can deal with this ongoing crisis, or are you making adjustments? If so, what adjustments are you making?

Alex Chisholm: I have been very pleased and, actually, proud of the mobility that people have been able to show. For example, even before I arrived in the Cabinet Office, right from the beginning of the crisis, a business continuity taskforce was put in place, and we have been able to keep business continuity in the high 90s in terms of people's availability to do work, and maintain essential work, throughout the whole crisis—and that, I know, has been mirrored in other Departments.

We have also seen the example that Sir Tom was referring to earlier, with the establishment of the furlough scheme—the HMRC assistance, which was mainly based on money coming from people to be collected for the Exchequer. They have had to reverse those out and I think within less than 30 days from the announcement of the coronavirus job retention scheme payments were being made to people; so we have shown incredible flexibility. A lot of people have been working without interruption weekends and nights in order to be able to cope with this, but we have actually been able to cope remarkably well through great flexibility.

Q45 **Dame Cheryl Gillan:** So you would say that no one Department is under particular strain or stress at the moment. Would that be correct?

Alex Chisholm: I think that we would probably all recognise that colleagues in the Department of Health and Social Care have been under the greatest of all stresses. That is not to take anything away from other Departments, including colleagues here today. I would also pick out DEFRA as a Department that has been very active throughout.

Q46 **Dame Cheryl Gillan:** I noticed in the past week or so that there have been some changes to the machinery of Government. For example, the Official Secrets Act responsibilities have gone from the MoJ to the Home Office, and the border delivery group has now passed from HMRC to the Cabinet Office. Is this part of the mobility in relationship to the crisis, or are these essential changes to the machinery of Government, to relieve pressure on the Treasury?

Alex Chisholm: No. It is good that you noticed those, and I am happy to speak to the second of those, which relates to my Department, but I don't think those are covid-related. So the move of the border delivery group into the Cabinet Office is really to reflect the fact that the co-ordination of policy around the border and the plans for the border to be fully effective—that requires co-ordination across about a dozen different Departments and, actually, I think, 26 different agencies and over 100 different IT systems. So there is a big co-ordination job there. Rather than that being led from HMRC, recognising that it needs to be very tightly co-ordinated, and also dealing with the very latest developments in policy and from negotiations, that was moved to the Cabinet Office with effect from the beginning of June.



Q47 Dame Cheryl Gillan: I suppose that leads me to the question about Brexit and about the capacity within all the Departments to deal with Brexit and to deal with this crisis. What is your assessment of the capability of Government as it is currently constituted to deal with both a very large move as far as Brexit is concerned and, of course, the ongoing crisis, given we don't know when it will end?

Alex Chisholm: That is a real test for the Government system. I think that it is one where we are in the process, now, of remaking plans and priorities—of seeing which resources can be freed up for EU exit work alongside the covid-19 response. We are looking to recruit more people to make use of different private sector contracts, to be able to move people around.

We experienced it in previous phases of the overall EU exit, leading up to the exit itself, when we had thousands of people being redesignated to different roles and moved between Departments. That is something which we have shown we can do, and we had to do during covid-19—I think 4,000 people being moved between Departments, through the efforts of the civil service HR resource team hub and also DWP direct contracting. We have shown that we can do that and that is something on which we will need to show that flexibility going forward.

Q48 Dame Cheryl Gillan: Can I use a much overused word—is that an “unprecedented” movement of officials from Department to Department and subject to subject and area to area?

Alex Chisholm: I would not like to say for sure whether there are precedents for that, but it has been great to see the extent to which Departments have been able to work across departmental boundaries and with public agencies.

Q49 Dame Cheryl Gillan: I have one last very simple question, which is just a practical one. With so many officials now working from home—I do not know whether you are working from home, or whether that is your office I can see—may I ask, so that we learn for the future, what has been the biggest problem right across the board with this? Has it been broadband connections? Has it been equipment that is supplied? Has it been making sure that you have the contact that you would get with officials in the office? Where have the major problems lain, and how have you solved things?

Alex Chisholm: Do you mean the problems of working from home specifically?

Dame Cheryl Gillan: Yes.

Alex Chisholm: We probably all have different experiences, but working from home has been quite sustainable for three months. We have been surprised by how it has been possible to do that—running big Departments, as we all do, with thousands of people working in them. Using technologies like this has made it possible to maintain communications and continuity, so it has been serviceable. I suspect that



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the experience has not been uniformly good for people, recognising that there are all kinds of practical restraints—

Q50 Chair: To cut to the chase, what has been the biggest problem in dealing with this? What would the challenges be if you had to do it again? You are still doing it, but you know what I mean.

Alex Chisholm: The answer that I would give is probably different from the answer others would give. In the Cabinet Office, nearly all of our core functions are able to operate remotely. That would not be true of civil servants working as prison officers, for example, or civil servants working in benefits offices. If you look across all 440,000 civil servants, for some people, seeing others working from home while they have had to go to their place of work has probably not been a great experience. I would hesitate to offer a generalised response.

Q51 Dame Cheryl Gillan: I am hoping that, with such optimism, we can look forward to good cost savings from central Government in the future as we move forward in a sustainable fashion.

Alex Chisholm: On that positive note, I would say that the overall viability of working remotely has been proven at scale, not only for civil servants but for elected politicians.

Q52 Peter Grant: Mr Chisholm, may I take you back to your earlier reply to Dame Cheryl Gillan, in which you pointed out that most of the senior Ministers and senior advisers who contracted the virus did so before the rules and lockdown came into place. Is that not a clear indication that the rules and lockdown should have been in place much earlier?

Alex Chisholm: I am not sure that I would draw that general conclusion. Certainly there was very careful consideration on the part of Government before lockdown was introduced. There was a full Cabinet meeting and a lot of scientific and other advice was provided. I think it was recognised, rightly, as being a very big decision, because it would knowingly impose a lot of costs on everybody—not just financial, but other costs as well. I think they went into it very carefully, with proper scrutiny and even reluctance, because nobody would willingly want to impose a lockdown-type situation; it was only to be done if it were absolutely necessary. As soon as they saw that it was the only way that they could avoid the NHS being overwhelmed, the lockdown decision was taken quickly.

Q53 Chair: I want to touch briefly on ministerial directions, 12 of which were issued as a result of the actions taken to tackle covid-19. That is a lot in one go, albeit not completely a surprise. What was interesting—I will go to Sir Tom Scholar, but Cat Little may want to come in on this; we need quick answers really—was that a number of them were about regularity concerns, which is quite a serious point. Sir Tom, do you expect there to be more like that, and are you concerned about the regularity concerns highlighted in the ministerial directions?

Sir Tom Scholar: Some of the questions of regularity came from the eight directions issued at the Department for Business, and I will leave Sam Beckett to talk about them. Then there were the other four, all of



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which related to regularity. This was because of expenditure incurred very late in the financial year—necessary expenditure for the covid response. As it was incurred in the last week or two of the year, there was no way for the Department in question to avoid breaching its control total. I wrote to you, Chair, a bit more than a month ago, in May, to explain the general situation. As I said to you in my letter, we want all Departments to finalise their accounts for this year, and then we will know whether there are any other incidences of that. At that point, I will write again and give you a completely full picture of the impact of covid on control totals.

Q54 Chair: As I say, that is not completely unexpected, but do you think they should be published sooner? They have been dribbling out now, but the NAO saw them much more quickly than the general public did. There is nothing to hide here, so why won't they publish sooner?

Sir Tom Scholar: For those for BEIS, I defer to Sam. For the other four, I do not have the timeline. I do not know at what point it was clear, but I am happy to look into that and write to you.

Q55 Chair: My general point is that if a ministerial direction is given, it is given for a good reason. It is a clear political choice to go ahead. In this climate, I do think that, for a lot of these, there would have been clear backing for that political choice, because of the need to keep people in jobs and so forth. Do you think, on principle, the ministerial directions should be published pretty quickly? There is no reason to sit on them and for that discussion between a senior official, the accounting officer and the Minister to be in private once a direction has been issued.

Sir Tom Scholar: As I said, I do not know whether there is a particular reason why, in those four cases, there was—

Q56 Chair: Okay, I'll go to Sam Beckett on that point and come back to you, Sir Tom, on the value-for-money aspect before we move on to James Wild. Ms Beckett, could you comment on the regularity side? Also, you issued quite a lot of directions. You were particularly concerned about some of the issues with local authority discretionary grants and the bounce-back loan scheme. The money going out the door to business schemes seemed to cause you quite some worry. Do you want to explain that a bit and why you issued the directions?

Sam Beckett: Yes, certainly. It is important to set out where we were coming from with these. BEIS has had eight ministerial directions issued on seven schemes that are key to the covid response. Most of them are on the three local authority schemes, but some are on the schemes that are run by the British Business Bank.

Standing back, the reason why BEIS has had more directions than other Departments have had is the manner of our work. We are often producing schemes and spending money on what are essentially discretionary interventions in a space where private markets are also operating. Other Departments are quite often spending to discharge their legal duties and procure services that maintain essential services for the public. It is in the nature of the Department's work that we use directions more commonly



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than some other Departments do, and we recognise that they are a proper part of the process that is provided for as part of the life of an accounting officer.

The key reason—looking back at the schemes—was the pace at which we were proceeding and the uncertain scenario that was unfolding in economic terms, which made it very difficult to put together a good evidence base for a positive value-for-money case. That was often key to the directions story. Here and there, we also had issues where we had not yet got state aid clearance from the Commission, but that has been received in cases where that was also noted. There were other risks around the scheme.

Q57 **Chair:** What about their publication? Why the delay in publishing?

Sam Beckett: Obviously, we have had a number of them to consider. We wanted to make a proper judgment about whether the schemes were sufficiently launched and delivered, such that the publication of directions that clearly revealed issues in two areas I have mentioned—state aid and value for money—might have undermined the scheme. Businesses may have felt there was some stigma attached to them or, in the case of state aid, worried that money would be clawed back.

Q58 **Chair:** That is fair enough. That is a good explanation for why you might wait a little while, but once the schemes were under way, they still were not published; some were still quite late coming out. What was the reason for that? People just need to know. I mean, it is not surprising that you were doing this; it is just helpful for people to see what you are doing.

Sam Beckett: We had hoped to publish more promptly. We had to consider the case for each scheme—whether it was up and running and would not be undermined—and as there were quite a number of them, it took us a bit of time to produce those. However, I am pleased that we have got them to you in advance of this hearing, and the covering letters give a little explanation as to why there has been a short delay.

Chair: Thank you for that, but just for the record, we like to see them as soon as we can, and we would like the public to see them as soon as they can.

Q59 **James Wild:** My question is for Sir Tom, and it is about the planning. Was an equivalent to Exercise Cygnus, the pandemic public health scenario, carried out for the economic response to the pandemic?

Sir Tom Scholar: As I said in my answers earlier, we developed our economic response in the weeks running up to the Budget, with some initial announcements in the Budget and then—

Q60 **James Wild:** The exercise I referred to was in 2016. At that time, when we were looking at the public health response, was a similar exercise conducted for responding to the economic crisis?



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Sir Tom Scholar: I do not know the answer to that. I am not sure of the extent to which the Treasury was involved in that exercise.

- Q61 **James Wild:** It strikes me that part of the case Ms Beckett was making, regarding preparation for these schemes, is that there were not schemes on the shelf that had learned from what was likely to happen in such a scenario. Did that lead to delay here?

Sir Tom Scholar: That is the case. We did not have these schemes already designed and ready to go; we have been designing them as we have gone along.

- Q62 **James Wild:** Mr Chisholm, do you know whether an economic exercise was conducted as part of the pandemic work? The Treasury was part of that exercise, but it does not appear that a blueprint was developed for business grants. We had the original business interruption loan scheme, then that was revised and we had the bounce-back loans. Those were all very good intellectually, but wouldn't we have been better served if we had prepared in 2016?

Alex Chisholm: The 2016 exercise was between the Cabinet Office and the Department for Health and Social Care. I know that it also had considerable impacts for local resilience forums, which made changes and were agreed fully on that, because they are a key part of the Civil Contingencies Act. Like Tom, I am not aware that that led to any direct action on the part of the economic authorities.

- Q63 **James Wild:** Weren't you a permanent secretary in BEIS then, Mr Chisholm?

Alex Chisholm: In 2016? Yes.

- Q64 **James Wild:** So you did not do any preparatory work after that exercise. Were you aware of that exercise having taken place?

Alex Chisholm: Not that I recall, no.

- Q65 **James Wild:** It would appear that we had a big exercise in 2016 on a potential pandemic global health crisis, but no work was done off the back of that to prepare our economic response. Is that correct?

Alex Chisholm: Like Tom, I am not aware of any direct actions that were taken on the economic side.

Chair: If that is true, that is extraordinary, and I am sure that some later questions will pick that up. I am quite dumbstruck by that for once, but I am going to turn to Sarah Olney, who I know has lots to say and lots of short, sharp questions to ask.

- Q66 **Sarah Olney:** My questions are mostly for Jeremy Pocklington, but before I start, I want to take the opportunity to pay tribute to our local authority staff, who have worked so hard during this crisis and have done many long hours' work. Many are doing roles that they do not normally do. Here in Richmond and Kingston, the response has been extraordinary—I really want to highlight that—and I am sure it is just as true for local



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authorities across the country.

Mr Pocklington, you appeared before this Committee on 11 May, when we were talking about local authorities engaged in commercial property. On that occasion, you told us that there were not currently any section 114 notifications that you were aware of. We have been hearing a great deal about the pressures on local authority budgets as a result of the coronavirus. Many local authorities are concerned that they aren't getting the financial support that they need from central Government. I just wondered whether you want to update the Committee on the status of section 114 orders?

Jeremy Pocklington: May I start by endorsing your support and thanks to everyone in local government for their tremendous work in response to the covid-19 crisis? They have been absolutely at the forefront of the response, and we are all very grateful for the work that they do.

The position on section 114 notices remains as it was when I last appeared before this Committee. We are not aware of any local authorities that are imminently planning to issue a section 114 notice. We would encourage all local authorities to come and talk to the Department if they ever were in that position. We are continuing to focus on the hugely important question of ensuring that local authorities have the funding that is necessary in order to do the things the Government has asked them to do in response to the crisis.

Q67 **Sarah Olney:** We are hearing from local authorities that are concerned that they are not going to be able to fund the response to the coronavirus crisis out of the current level of funding. Short of section 114s, what else are you doing to support local authorities and make sure they have resilience to deal with a second spike or a future pandemic?

Jeremy Pocklington: Since the last hearing, we have done three things. First, we are analysing the monitoring returns, which we discussed at the previous hearing. We intend to publish those details very soon, but I can describe what we are learning from that if the Committee would like.

Secondly, further funding has been provided for local authorities since the last hearing. For example, the Department of Health and Social Care has provided £300 million for the test and trace programme. We have brought forward rough sleeping money, which has also had the effect of supporting local authorities, and further money was provided by the Government last Friday to support food and other essentials for the non-shielded vulnerable, so we are providing further funding.

Thirdly, and perhaps most important—this really gets to the heart of your question—we are now working on a fuller, more comprehensive solution to the question of local authority finance to ensure that councils are on a more sustainable footing this financial year. We are working closely with the Treasury on that. Obviously, it is a complicated issue and there is much uncertainty, particularly around what will happen to local authority taxes and, as we discussed last time, whether the shortfall in taxes that



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we have seen is a temporary deferral or a default. We are working on a solution that will provide more certainty to the sector at the moment.

- Q68 **Sarah Olney:** Thank you. Is it because of some of the actions that you have taken that we haven't seen any section 114s? I am thinking particularly about the bail-out that Transport for London received. Are you aware of actions like that, and may they have forestalled the need for section 114s?

Jeremy Pocklington: We provided considerable funding for local authorities. The issue of TfL is very much a matter for the Department for Transport, rather than MHCLG. I won't describe it at length, but at the heart of it is the £3.2 billion, the £600 million for the infection control fund, and money for test and trace and other things. We have also introduced cash-flow measures to ensure that local authorities have the cash they need, particularly at the start of the financial year. We have deferred the central business rates share payment for several months and paid, in an all-in-one-month sum, an adult social care grant. So we are taking the action that needs to be done.

In addition, CIPFA, which is essentially the regulator, the overseer, of local authority finance, has issued some updated guidance to local authorities and to section 151 officers to inform them that they should consult—they should have informal and confidential consultations with the Department—before they issue a section 114 notice, and that is very much what we would hope local authorities would do. Obviously, it is a matter for the individual section 151 officers.

- Q69 **Sarah Olney:** In terms of the demands that are going to be placed on local authorities going forward, what actions are you putting in place now to provide support, and what are your key areas of concern?

Jeremy Pocklington: Local authorities will continue to be at the heart of the response to the coronavirus. We will continue our monthly monitoring reports. The third monthly monitoring process is under way; that kicked off last Friday. I am very grateful to local authorities for providing comprehensive information for us so that we can take forward our work.

We are learning that there are different elements here—we talked briefly about them at the last hearing. First of all, there are expenditure pressures. Adult social care is of course the most important and the biggest, but there are other spending pressures directly relating to covid-19 as well. There are shortfalls in sales and fee income—for example, from parking. We are learning that from our monitoring reforms. Some local authorities have specific commercial investments, and we are talking to one or two local authorities bilaterally to understand their position. And then there are the big local authority taxes—council tax and business rates—where we are seeing shortfalls, but again, it is early in the financial year and we don't yet know the long-term trends. We are using this information and working closely with the Treasury to identify a more sustainable solution for this financial year.

- Q70 **Sarah Olney:** Going back to section 114 notices, do I understand



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correctly that you are saying that if local authorities raise with you privately what their particular issues are, you will take action to prevent them from needing to issue a section 114 notice? You are being proactive in stopping them.

Jeremy Pocklington: That would be a decision for Ministers, depending on the circumstances, but obviously we want to avoid section 114 notices wherever possible and do what we can to avoid them where local authorities are being responsible in their management of public money, so we would very much encourage local authorities to speak to us. Obviously, we have a range of techniques to support them.

Q71 **Sarah Olney:** So if a local authority comes to you and says, "There's a section 114 in the offing," what would your avoiding action be for that?

Jeremy Pocklington: It is very hard to offer a general answer to that question. It would very much depend on the specific circumstances of the local authority, so it is difficult for me to provide a general response.

Q72 **Sarah Olney:** But can you confirm whether local authorities have come to you in private—not naming any names—and you have taken action to avoid the need for them to issue a section 114?

Jeremy Pocklington: As far as I am aware, we have not had any local authorities coming to tell us, "We're at imminent risk of issuing a section 114 notice." We continue—it is a very common thing for this Department to do—to talk to local authorities about their financial position. We have long-standing and regular protocols to—

Chair: We have covered those a lot in this Committee. Ms Olney.

Q73 **Sarah Olney:** Mr Chisholm, you spoke earlier about the huge impact that closing schools has had. Obviously, there is a lot of focus and attention on that now. Just today, we have seen a letter from Marcus Rashford, for example, about free school meals during the summer. I wonder what the Government's overall approach will be, not just to reopening schools but to addressing the shortfall that many children are now facing in their education, and also the inequality that will have arisen between those who have been able to maintain the standard in learning over this time and those who have not.

Alex Chisholm: That is an excellent question, but I am not sure I'm a good person to answer it, as it relates to education policy and also decisions by Ministers, and future events and policy.

Q74 **Sarah Olney:** It is not entirely a question just for the Department for Education; it touches on a range of different Departments. It is also something that impacts the Government as a whole and impacts a lot of different people. Are you saying that the impact of closing schools in the round has not really been discussed and future actions have not been discussed?

Alex Chisholm: No. I am sure it has been discussed; I am just trying to say what I can reasonably be accountable for and give evidence on. From



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my perspective, the biggest impact that I have been looking at there has been the impact on our own workforce, but that is only one small dimension of the overall problem. I am not taking anything away from your question—I think it is a great question—but it's just one that I cannot help you with very much.

- Q75 **Sarah Olney:** In that case, can I put the same question to Mr Pocklington? In terms of your own area of responsibility for local authorities, what support are you giving to local authorities on this particular question—as I say, not just the education but supporting children who have been out of school?

Jeremy Pocklington: Again, that is mainly a question for the Department for Education. What I can say we have done is that we have explicitly considered the importance of children's social services in making our assessments of the funding, or the additional support, that was required by local authorities. That could be for a range of issues connected to increased demand, home-to-school transport, special educational needs, et cetera. We have not been involved in the specific issue regarding free school meals for children.

- Q76 **Sarah Olney:** That was just an example of the range of different factors that are coming into play now, because of the negative impacts of children having been away from school. I just wondered: are you issuing specific advice at all to local authorities about what their responsibilities ought to be, beyond just education, in this situation?

Jeremy Pocklington: That would very much be a matter for the Department for Education rather than for the Ministry of Housing, Communities and Local Government. Our focus has been to work with teams in DFE to ensure that local authorities have the funding they need to support children's services.

- Q77 **Sarah Olney:** Okay. Looking back on the response to the crisis—this is probably a question for both Mr Pocklington and Mr Chisholm, but maybe for Mr Pocklington first—are there elements that were delivered centrally in this case that you think would have been much better delivered locally?

Jeremy Pocklington: No, I don't think so. As I say, local authorities have been at the heart of our response, and our job in the Department has been to ensure really close communication between local government and local resilience forums, and central Government. We have done that with incredibly close communication. There are very regular webinars to all chief executives and leaders from the Secretary of State and Ministers, and very frequent meetings with nine regional chief executives, to ensure that we have that really close dialogue and properly involve local government in the decisions that we are taking—often daily, and almost hour by hour at some of the earlier stages of the crisis.

- Q78 **Sarah Olney:** Mr Chisholm, I am thinking about things such as testing, and the supply of PPE and other items. In retrospect, do you think it would have been better to deliver some of those processes locally rather



than nationally?

Alex Chisholm: It is a bit hard to say at this stage. I think the main emphasis that we have tried to focus on is supporting local authorities in the performance of their duties. From the functions that are answerable to me in the Cabinet Office, obviously there has been a big effort made by the digital services to support local authorities, providing them with digital channels and data. Also, in relation to handling of the deceased, which I mentioned before, that has been a function where local authorities' local capacity is inevitably quite limited, whereas the incidence of coronavirus is uneven across the country, so we have put in place some supportive contracts to ensure a back-up plan and a drawdown of essential resources there. I should also mention that some of our more specialist functions, such as our counter-fraud team, have been working very closely with local authorities across the country in the operation of their schemes.

Q79 **Sarah Olney:** Mr Pocklington, to what extent do local authorities have access to the right data to allow them quickly to target those most in need?

Jeremy Pocklington: I think the importance of data, and timely access to data, has really come to the fore in this crisis. For example, through the shielding programme that Mr Chisholm referred to, we are regularly providing local authorities with the data on those who are being shielded where we are unsure whether they are getting the support they need. Secondly, something we have done in realtime in the crisis is further improve our realtime situational awareness through data at the local resilience forum level, obviously involving local authorities, and sharing that data with local resilience forums so they have a good understanding of what is happening in their local areas.

Q80 **Sarah Olney:** So you don't think there has been any situation where local authorities have been hampered by a lack of information in delivering what local people need?

Jeremy Pocklington: Obviously I cannot speak for every situation, and in a crisis it is not possible to have perfect information, so there may be examples, but we have been working very hard to provide data, where it has been for central Government to provide data, to build the capability to have realtime information—I talked earlier about the emergency deliveries of PPE through local resilience forums, for example—with those data systems put in place overnight or over a couple of days to respond to events as they unfold.

Sarah Olney: That's all, Chair.

Q81 **Dame Cheryl Gillan:** I have a couple of quick questions for Mr Pocklington. I understand that on the tracking and tracing of people, some local authorities still do not have those individuals identified. They get the numbers, but virtually no information locally that is useful. Is that right across the country or just in specific authorities?

Jeremy Pocklington: The lead on track and trace is the Department of Health and Social Care. We are working closely, though, with local



authorities and the Department of Health to ensure that the needs of local government are built into the system. It is still continuing to be developed in realtime. The focus for—

Q82 Dame Cheryl Gillan: The answer is that they still do not have the detailed information.

Jeremy Pocklington: The focus is on upper-tier authorities, who are working with the Department of Health and NHS Test and Trace to ensure that the information flows and local care outbreak plans are in place. That work is absolutely under way at the moment.

Q83 Dame Cheryl Gillan: That means it is not possible for local authorities to have outbreak plans in place at the moment, because they do not know where the individuals are who are testing positive, whose contacts we are tracking and tracing. Is that not correct, as we speak at the moment?

Jeremy Pocklington: The local authorities are in the middle of producing their local authority outbreak plans. That process will continue throughout June, in close collaboration with the Department of Health and Social Care and NHS track and trace. The programme is continuing to develop. I don't think the issue of data prevents the local authority from getting on and developing their local authority outbreak plan.

Q84 Dame Cheryl Gillan: Mr Pocklington, that is a very long answer to say, "No, they don't know where the individuals are." Even if they developed an outbreak plan, they do not know what road that individual lives in or who they have been in contact with. At the moment those plans are still raw and have not emerged yet; they are not sophisticated enough to enable local authorities to follow up. That is the truth of the matter, isn't it?

Jeremy Pocklington: This is being developed right now. I don't have any further information for the Committee on the operational readiness today of the data, but I would be happy to write to the Committee if you wanted more information on that.

Q85 Dame Cheryl Gillan: I would be really grateful, because I was quite shocked to find—*[Inaudible]*—and I thought that was important. It means that we are not ready to put in place those outbreak plans at the moment and, since we are looking at what lessons could be learned, that is important.

May I ask one more quick question? Of the money that has been given to local government at the moment, is there any danger that if it is not all allocated—for example, on the discretionary grants—somebody will claw it money back from our local authorities?

Jeremy Pocklington: I'm afraid that is a slightly more complicated answer. It depends on the local authority funding and whether it is ring-fenced. As we touched on at the last hearing, the discretionary business grants are for local authorities to spend, consistent with the guidance the Government have issued, but ultimately underspends would be returned to Government. That is the position on those local authority grants.



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Q86 Dame Cheryl Gillan: Okay. Does that mean that, even though a local authority might be running into great difficulty because of the outbreak, if they have not been able to spend all their money in the discretionary grants, for example, it will be clawed back by central Government? Is that what you are trying to tell me? A yes or no answer will do.

Jeremy Pocklington: That is the position for local authority business grants, the three grants that Ms Beckett talked about earlier. However, you also raised the question of whether local authorities have sufficient funding in the crisis, and for that I would come back to the broader point, which is that we are working on a fuller response to deal with the pressures on local authority finance for this financial year.

Dame Cheryl Gillan: I do hope so. Thank you very much.

Q87 Chair: Can I just pursue this, Mr Pocklington? Clive Betts, the Chair of the Housing, Communities and Local Government Committee, and I wrote to you. You sent him a list of the areas of local government funding that Government would refund. We then pushed for a bit more information, and I had a letter from you about new burdens funding on 5 June. We wanted a list with a bit more information about what you are going to refund. There was an annex, but could you perhaps go back and look at that and provide us with a more detailed list of everything that local government is spending now that it will definitely get paid back for by central Government through your Department. Is that something you can commit to now, please?

Jeremy Pocklington: I am happy to provide further detail. I think the annex already contains quite a lot of detail about the areas we are proposing to fund, but if there are further—

Chair: Can I just pick on one? For instance, on homelessness and rough sleeping—I have it in front of me here, so forgive me for looking at my screen: "Government has asked local leaders to help rough sleepers into alternative accommodation. This was to protect their health and stop wider transmission, particularly in hot spot areas". That is descriptive. It is not saying, of that whole homelessness and rough sleeping spend, that they will get the money back. That is what we really need: to nail the action to the money, and then to the money that will fill back from Government. Could you perhaps get some of your officials to do that work? Local government up and down the country is waiting for it with bated breath and great worry. Thank you for that. I will bring in James Wild very briefly, and then turn to Nick Smith.

Q88 James Wild: Thank you, Chair. Mr Pocklington, on the funding that has been provided to local authorities already, Norfolk County Council in my area is forecasting a £20 million shortfall on the funding that they have had for covid-related costs. Can you clarify what funding period the two tranches of funding are expected to cover?

Jeremy Pocklington: We have not set out a specific funding period for those two tranches of funding. The need to provide more support for local government is well understood. That is why we are working on the fuller



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package to provide that certainty for the year ahead. We have reassured local authorities. I understand the point that more detail is asked for, but for the areas that we have set out, we will ensure that local authorities are funded, and they should ensure that they respond to the coronavirus crisis in the areas that the Government has asked them to.

Q89 **James Wild:** So Norfolk County Council should feel reassured that the funding shortfall at the moment is at the front of mind of MHCLG and will be closed.

Jeremy Pocklington: I cannot speak for the specifics of that council, but we do want to reassure local government that we have heard the need for providing greater certainty in our approach for the overall financial year. We took a number of steps to give them certainty around cash flow and to provide reassurance that additional funding was provided in March and April. Further funding has also been provided in May, so the Government is responding and ensuring that local government is being funded to do the work that the Government is asking it to do. As I say, we now need to provide a more comprehensive solution. That is what we are working on at the moment. I cannot give the Committee more details until that is agreed, but its importance is understood.

Q90 **James Wild:** This is the final one from me. Looking ahead to the 2021-22 financial year, the crisis will have a significant impact on local authorities and the role they play in social care or economic development. Are you considering that as part of the discussions with the Treasury and looking forward to the Budget next year to get sustainable funding for local authorities to perform those very important roles and hopefully bring the economy back to strength?

Jeremy Pocklington: You rightly raise the importance of future years. That will be a matter for the spending round, and the details of that will need to be set out by the Treasury.

Chair: I suspect we will not get more from the Treasury today. Nick Smith next and then Darren Jones, Chair of the Business, Energy and Industrial Strategy Committee, will join in.

Q91 **Nick Smith:** Thank you, Chair. I have a couple of questions for Cat Little. Ms Little, what will be the cost of extending furlough through to October? What is your projection?

Cat Little: Sir Tom Scholar is probably in a better position to answer that, but at the moment we are very much reliant on the OBR estimated cost, which they have published, of £60 billion. Sir Tom Scholar might want to add to that.

Sir Tom Scholar: That is exactly what I was going to say. The estimated cost for the scheme is £60 billion through to the end of October.

Q92 **Nick Smith:** That is a fair chunk of change. Do you think it will be extended beyond October? What is your best guess?



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Sir Tom Scholar: The Chancellor said very clearly that the scheme will end at the end of October.

Q93 **Nick Smith:** You have no anticipation at all of its being extended?

Sir Tom Scholar: As I said, the Chancellor has said clearly that the scheme will end at the end of October.

Q94 **Nick Smith:** What will be the cost of the Government-backed loan scheme?

Sir Tom Scholar: The various schemes for business? Clearly, we are not going to know for sure until a much later date, when we have better information on repayments, but the current estimate, which is both the estimate of the NAO and also the OBR, is for a cost of £5 billion across all those business loan schemes.

Q95 **Nick Smith:** Is that all—just £5 billion?

Jeremy Pocklington: That's right.

Q96 **Nick Smith:** That is all for me on those questions. I now turn to Sam Beckett and say that we are really enjoying the artwork over your shoulder.

Sam Beckett: Thank you very much.

Nick Smith: The intention of the job retention scheme was to retain jobs, but have you taken a view yet on the fact that some companies are clearly claiming employees' wages from the Government, but at the same time putting some employees on redundancy? What are you going to do then?

Sam Beckett: I am sorry; the furlough scheme is actually a Treasury scheme. Our loan schemes are trying to—

Q97 **Chair:** Shall we direct that to Sir Tom? I should have picked that up.

Sir Tom Scholar: I think we covered this and Jim Harra answered some questions on it in our session last week. As you say, the purpose of the scheme is to keep people in employment. As we discussed last week, the scheme was put together and implemented very quickly, so it has, as Mr Harra described it, some rough edges around it, but the purpose of the scheme, which is currently extended to 9 million workers, is to help to keep people in their jobs.

Q98 **Nick Smith:** Everyone understands the scale of the scheme, but in my constituency, I have heard of three companies at least that are planning to make redundancies, although they have furloughed workers. Do you think that you will have to claw back some moneys if that, in the end, is what happens?

Sir Tom Scholar: I cannot speculate as to any future policy decisions. Of course, we very much hope—the Government very much hopes—that firms will not need to make people redundant and that, as the economy gradually gets moving again, that will give businesses the circumstances they need to resume their business and keep people in jobs. The purpose



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of the scheme was to provide temporary support during the period in which there were severe restrictions on how businesses could operate, with the intention that that would see those businesses through the period of restrictions and out the other side to when they could resume their business.

Chair: We covered some of the fraud issues with HMRC last week.

Q99 **Nick Smith:** Although we covered it, I think there were outstanding questions about some companies, such as House of Fraser and Sports Direct, which seem to have plain exploited the furlough scheme by claiming employees' wages but still asking them to work. HMRC, as we discussed last week, have had hundreds of queries raised about abusing that. What will you do to make sure that bad employers stop that?

Sir Tom Scholar: The implementation of the scheme is a responsibility of HMRC, but let me say again what Mr Harra said last week, which was that he cannot, HMRC cannot and I cannot comment on any particular action that they take in regard to any particular employer. They would not speak about that, but they are determined to take action and make sure that the rules of the scheme are respected and that, where people are being supported under the scheme, that is because they are actually being furloughed.

Of course, from the beginning of July, it is possible for people to work for some hours a week. That is a new element that has been built in from that point, but up until now, that is not the case and HMRC will take action to ensure that the rules are respected.

Q100 **Nick Smith:** This will be my last question. It is something that has come up in my constituency, and I bet it has impacted colleagues' constituencies, too. What assessment have you made of the effectiveness of the furlough scheme for agencies? At one agency in my constituency, a furlough claim was submitted for some workers while it tried to find alternative work placements for others. But when no work was found, the agency was not able to submit an additional claim for these workers. Is that gap in provision something you have heard about across the country? I suspect a lot of people will be affected by it.

Sir Tom Scholar: Can I look into that and write to you? I would expect that we would have heard about that. Between the Treasury and HMRC, and the policy team looking it, we have had a lot of representations on a lot of issues. I would guess that that is one of them, but I do not have the information in front of me.

Q101 **Chair:** I know we have all had correspondence on related issues, but this is quite specific. Perhaps you and HMRC could get your heads together and write back, so that the Committee and Mr Smith can see that response.

Sir Tom Scholar: Yes.

Chair: Is that everything, Mr Smith?



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Nick Smith: Yes, thank you.

Chair: We will now have a quick one from Dame Cheryl Gillan, before I move to Darren Jones.

Q102 **Dame Cheryl Gillan:** Sir Tom, clearly the aviation industry has been really badly affected during this pandemic. You said that the furlough scheme was there to help retain people in their jobs. Is it not against the spirit of the scheme that, as is being reported, British Airways are now going to make a large number of people redundant and then try to re-employ people on worse terms and conditions than they are on now? Do you have something to say about that?

Sir Tom Scholar: Again, I need to repeat what Jim Harra said last week. I think he was asked about this specific issue. As he said, we cannot comment on the particular case of a particular company. The rules of the scheme are clear and need to be respected. Where there are breaches of the rules, HMRC will investigate those.

Q103 **Dame Cheryl Gillan:** But you would admit that it is against the spirit of the scheme.

Sir Tom Scholar: You have the rules of the scheme. The rules are the rules, and the rules need to be respected. That is all I can say on that.

Chair: Okay. Thank you very much. I think we have made our point, both this week and last week. Over to you, Darren Jones MP.

Q104 **Darren Jones:** Thank you, Chair, and thank you for inviting me to take part in your Committee today. My questions are largely for Ms Beckett, which is hopefully no surprise to you. I have two sets of questions. One is around business support, and one is around worker support.

On business support, we have heard today that, in terms of the eight ministerial directions that you have had in your Department, you have not been able to think about value for money, procedural fairness or other issues that might come up, because of the speed of the response. What lessons have you learned through the one-size-fits-all approach for schemes supporting businesses as we now move into a part of the economic response that is likely to have to be more bespoke or specific to different sectors?

Sam Beckett: The broad point I would make is that we were keen to respond quickly, recognising the economic imperative of doing so. Now that we have the Office for National Statistics data showing output falling by over 20% in April, we realise that every working day we are losing *[Inaudible]* of the economy. So speed was absolutely of the essence there.

But we then took a lot of feedback from firms and lenders, and amended the schemes and added to the scheme portfolio as we went along. In many ways, I think that has been a strength of the response. Although it led to a number of ministerial directions, as new schemes were created and amended, it is really a story of us being prepared to respond, fill gaps and listen carefully to the needs of business.



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Q105 **Darren Jones:** UK Steel, for example, gave evidence before my Committee, alongside manufacturing colleagues, that they have been waiting for 10 weeks for support and not been able to get it, whereas competitor countries, such as France and Germany, were able to distribute funds in 10 days. What lessons have been learned about needing to be bespoke, so that support is going to the right parts of the economy as quickly as possible?

Sam Beckett: Mostly, we have tried to have a broad suite of schemes, to avoid having to have very high-touch, intense and bespoke engagement with businesses in difficulty. That really has been why we have put out a number of different schemes.

At the moment, between the key schemes, over £35 billion of loans have been extended and to very broad numbers of businesses. If you add them together with the amount of businesses supported through the local authority schemes, well over 1 million businesses must have benefitted.

Q106 **Darren Jones:** Ms Beckett, I do not want to interrupt, but I am keen within the time I have to focus on what lessons have been learned for the next stage. We recognise the numbers and the one-size-fits-all approach that has been taken by the Government. A lot of that has been applauded by business, but everybody is saying that we now need to have a more sector-based, bespoke scheme. What we are currently hearing is that we were not able to do that in the first place. Are you confident that we are going to be able to do that in the next round of support for businesses?

Sam Beckett: Our schemes are largely neutral on sectors, so all sectors should be able to come forward and benefit if they meet the eligibility criteria—very small, very large and even pre-profit businesses. For some of them, the bounce-back loans are given to businesses in a day or two. Of course, we would want to look at very large cases or specific sectoral issues, but the support—

Q107 **Darren Jones:** We do need to look at those sectors, Ms Beckett, whether it is UK Steel, aerospace or automotive. They are very significant parts of British production, export and productivity across the country. They are saying they are not getting access to the support they need. I will ask the question for a third time: what lessons have been learned from the initial phase around how we can become more bespoke in supporting the sectors that are going to need it? They are now increasingly calling very urgently for that.

Sam Beckett: In the case of very large companies of national strategic significance, those would be issues that we would discuss very carefully with the Treasury, as is traditional and has happened in the past for key sectors. We would certainly respond to any requests there, but I would also go back to some of the schemes that are available not only from the British Business Bank but also from the Bank of England, which many of those sectors will be able to access.

Q108 **Darren Jones:** I am afraid your answers, Ms Beckett, do not give me any confidence that we are going to be able to meet the calls from very



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important sectors of our economy for bespoke support, and we are going to have to revisit this in my Committee and, no doubt, on the Floor of the House.

May I ask one more question on businesses before I go to workers? Many businesses have had to borrow loans from the Government very quickly to stay afloat. There is a concern that many SMEs, for example, when they start to be able to reopen are just not going to be able to afford to pay back these loans, which may result in very high numbers of businesses in distress. Have you had a risk assessment or a review as to how many businesses that might affect and what the Department's view will be if SMEs are unable to pay back the loans they have taken on?

Sam Beckett: It is essentially the difficulty of working out how many businesses will eventually be able to repay the loans that we have extended that has made the value-for-money calculations so difficult. We are in an unprecedented situation. Borrowers' ability to repay may not be known for a long time under even the rules of the scheme. If you think about the bounce-back loans—the SMEs that you are talking about would be likely customers of those—businesses are not required to make any repayments for 12 months, so we will only begin to see the likely repayment rate after some period of time. Obviously, it is something that we will continue to think about.

Q109 **Darren Jones:** How will the Department or the British Business Bank respond if a business comes to you and says, "I'm really sorry, but I can't pay back the payment due this month"?

Sam Beckett: It would obviously depend on whether it was a genuine long-term default situation. Lenders would make reasonable efforts to try to recoup taxpayers' money. In other areas, it may be that the lenders will extend some period of forbearance; that is something we have discussed with the lender community. At the end of the day, we recognise that, in all these schemes, some businesses will not be able to repay, because they will not open successfully. That is in the sense of the liability that we have notified to Parliament, but we cannot make an accurate assessment of that now.

Q110 **Darren Jones:** My last question focuses on workers and the direct conversation between BEIS and businesses about their employees. We are now getting close to the redundancy consultation period phase and the end of furlough. We have heard that there is no real commitment that can be made today about post-furlough payments. Evidently, that will have an economic cost, a skills cost and a cost to the productivity of British businesses. Has the Department had any conversations about the cost to business of workers—whom we need in order to grow back the economy—being made redundant, as the furlough scheme is not being extended?

Sam Beckett: On furlough, again, it is really a matter for the Treasury and HMRC. We are engaged in an intensive effort to talk to businesses about the recovery plan. Over the last week, the Secretary of State has had five in-depth economic recovery discussions with 20 or 30 businesses



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and academics—he will continue to have discussions with trade unions—to try to look at how we best get the economy back on its feet, recognising that this has had a huge impact on businesses and therefore on their workers.

Q111 Darren Jones: It was reported at the weekend that those business roundtables were not what the businesses were expecting. They said that no minutes were taken and that Ministers seemed to not be prepared. They were not really clear about what the purpose was or what actions will be taken next. Clearly that is unsatisfactory, isn't it?

Sam Beckett: I am sorry to hear that. It is certainly not consistent with a lot of feedback that we have been getting about how pleased people have been to have been able to put across their ideas in a relatively informal forum like that. All the ideas have been noted down. We will be looking at them and thinking about what part they might play in economic policy going forward. We will also be having other rounds of engagement, playing back and developing some of those ideas.

Q112 Darren Jones: Have you published the list of businesses on those roundtables? Do we know who was there?

Sam Beckett: We have certainly got a list of invitees. In the roundtables that I attended, there was some sort of roll-call to check who was and wasn't on the call. Obviously, we were socially distanced.

Q113 Darren Jones: Yes, but Ms Beckett, surely we know who has been invited to sit on the panel. The reason I ask is that businesses have contacted me to say that they wrote to your Department, asking to take part in the roundtables. They were asked to submit written evidence, but they were not invited to take part. We do not have any clarity about who has been invited to sit on those roundtables, on what basis and who has been attending the meetings. Surely that should be public information, shouldn't it?

Sam Beckett: I think that would be a decision for Ministers. They are informal conversations, and people may be sensitive about the things they said or about their attendance. There may be some sensitivity about that. All I would say is that that is just part of the story of a really intensive engagement with literally thousands of businesses, both on preparing safer workplace guidance and on responding to the economic situation at hand and trying to leave no stone unturned in finding out what the impacts are and what we might do about them. There have been a host of different forms of engagement by all our ministerial team, not to mention officials at the Department.

Darren Jones: Thank you.

Chair: Thank you, Mr Jones. It is a pleasure to have you guesting on the Committee today. One quick question from Sarah Olney before we finish off.

Q114 Sarah Olney: This is for Sir Tom Scholar. In his responses to my earlier questions, Mr Pocklington talked about council tax and tax rises. He later



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responded to James Wild about how local authorities will fill the gap between what they have spent and what they are getting back from central Government. Can we expect that that shortfall is going to be filled by tax rises?

Sir Tom Scholar: As Jeremy said, in the spending round later in the year we will need to look at the position of local authorities because, as usual, we will have to set out the local government financing settlement by the end of the year. I can't say today what will be decided then, but we will clearly have to look at the position of local authorities now and the way in which the covid emergency, and the response to it, have affected them. The financial position will, as always, be something that we will discuss with the Department and address in the spending review.

Chair: Thank you. I think that is all Sir Tom can tell us at this point, but we will be watching and waiting for that spending review with bated breath, and crawling all over it, as they expect. Nick Smith MP, and then we are nearly at the end.

Nick Smith: I have a further question for Mr Chisholm. About 10 days ago, the UK Government announced that face masks or face coverings would be compulsory on public transport. [*Interruption.*] Sorry about the bell.

Chair: Try and continue, Mr Smith. It is a long bell. If you wait, we will wait a long time, so please continue through it.

Q115 **Nick Smith:** I muted it so you wouldn't have to put up with it, but okay.

The UK Government said face masks would be compulsory on public transport. The Welsh Government complained that they weren't consulted on that at all; on public transport in Wales, that is not the case. Would it have been better to have consulted in good time, come up with a decision by consensus and done the right thing by public health across the UK? What happened in that instance?

Chair: I hope you got the gist of that through the bell, Mr Chisholm.

Alex Chisholm: I do not know what happened in that instance, but I agree with the general point that it is good to try and consult. I know that all four chief medical officers speak very regularly, to try to agree a common approach to shared problems. There has also been a huge amount of liaison between Ministers in the UK Government and devolved Administrations throughout the whole process. I don't know whether, in that particular case, there could have been better communication. I am not aware of that particular instance.

Q116 **Nick Smith:** Can I ask you to look into that, please? I accept that there has been discussion in the round, but sometimes there are real grievances about the UK Government not consulting properly with the devolved Administrations. I think this is one, so will you look into it for me please?

Alex Chisholm: I will do.



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Q117 **Chair:** While we are on the subject of face coverings, Mr Chisholm, there was an announcement a couple of weeks ago that every visitor to a hospital would be required to wear a mask. Is that something that is part of your planning, or is it entirely a matter for the Department of Health and Social Care?

Alex Chisholm: The Department of Health and Social Care.

Q118 **Chair:** Does that have an impact on your supply plans for PPE? That is an awful lot of people who will need medical-grade face masks.

Alex Chisholm: Yes, but, to emphasise, the supply of PPE through the Department of Health to the NHS is being done by the Department of Health. The role of the Cabinet Office has been to try to lend commercial expertise, to be able to scale up, to secure value for money, to identify new sources and to work with overseas contractors.

Q119 **Chair:** So not your issue. Well, we will certainly be raising that with them next week.

The other issue, which must surely fall into your remit, although it is partly a public health issue, is that we have all been advised to wear fabric face coverings from today on public transport in England, as Mr Smith highlighted, but there is very little guidance on what that is. I note that Patrick Grant of the Great British Sewing Bee is one of the people advising on how to do this—he is an excellent tailor, no doubt. There is not much guidance on what we are supposed to make and what with. Could you advise the watching public how they should make, find or procure a face mask that is suitable for public transport? What is the minimum standard? Is it supposed to be medical grade? Is it supposed to be a fabric face covering? Can you give us a little more information please?

Alex Chisholm: The second of those—the fabric-based face covering—is to reduce the risk of infecting other people if you yourself are infectious. The medical authorities and the BBC have published guidance on that, and that gives quite a lot of information about how you go about doing that.

Q120 **Chair:** I will perhaps write to you separately about this. It is quite an issue, because medical-grade ones can be made by people with the right materials, which are not that difficult to source—or certainly weren't in normal times—yet people are being advised just to use bits of cloth. It is an interesting point, and we can perhaps pursue it next week with our colleagues at Health.

I want to touch on the issue of economic contingency planning. We were very surprised—“gobsmacked” would not be too small a word to use—that there had not been proper economic contingency planning for this coronavirus. What about the other issues in the risk register, Mr Chisholm? You said that this was at the top, but for the other issues in the risk register, has there been economic contingency planning?

Alex Chisholm: Quite a number of risks are set out there, and I am sure that some of them would have had economic contingency planning built into them.

Q121 **Chair:** But you don't know here and now. Could you write to us with the list?

Alex Chisholm: The focus of the pandemic planning was very much between the civil contingencies secretariat, the Department of Health and Social Care and local authorities. I don't think it had a particular economic focus, but some of the other risks, I am sure, would have had an economic focus.

Q122 **Chair:** Mr Wild elicited the responses that he did by asking some pretty obvious questions—what happens if schools close, and so on? Perhaps you could do us a follow-up note with the Treasury on the lack of economic planning for this pandemic, because we are also concerned about other pandemics and other situations on the risk register. It would be helpful if you could agree not just to that but to allowing the National Audit Office full and frank access to any planning documents that it needs to see. Are you content to agree that, Mr Chisholm?

Alex Chisholm: I am happy to include that in the letter that I am already going to be writing about the care homes and PPE aspects. I will add economic planning to that.

Chair: Thank you very much indeed.

Thank you all very much indeed for your time and for joining us virtually today. For those watching, we will be quizzing the Department of Health and Social Care and others next week about the health and social care impacts of Government planning to date. That will be on the back of an excellent National Audit Office report that came out at the end of last week—I shouldn't say "report"; it is a factual document that uses the data available. The Committee is now over. Thank you very much indeed.