



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

Michelle Ballantyne MSP
Member for South Scotland
The Scottish Parliament
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11 May 2020

Dear Michelle,

COVID-19 – Impact on businesses, workers and the economy

Thank you for your letter of 16 April to the Chancellor on behalf of the Scottish Parliament's Economy, Energy and Fair Work Committee regarding the impact of COVID-19 on Scotland's businesses, workers and the economy. As the minister responsible for these policy areas, I am responding on the Chancellor's behalf. The Government has announced unprecedented support for business and workers to protect them against the current economic emergency. These measures have been announced at speed, and the Government continues to listen to a range of businesses and interest groups to ensure these support measures are working effectively.

I have responded to each of your queries in turn below.

1. The Committee asks you whether the access date for the schemes can be brought forward to give access to funds as soon as possible?

The delivery of the Self-Employment Income Support Scheme (SEISS) is an enormous operational task for HM Revenue & Customs (HMRC) because it requires an entirely new system to be built and tested from scratch. HMRC will contact individuals by mid-May 2020 if they could be eligible for the scheme and invite them to claim using the GOV.UK online service. Individuals can also use an online tool now to find out if they could be eligible.

The GOV.UK online service will begin on 13 May and if they are eligible HMRC will tell individuals the specific date from which they can use the service to make their



claim. If the claim is approved, individuals will receive their payment within 6 working days.

The online service for the Coronavirus Job Retention Scheme opened on 20 April. Claims will be paid 6 working days after they have been submitted, so employers making their first claim on 20 April will receive payment by 28 April. The first grants have now been paid.

2. The Committee asks you what flexibility can be applied under the furlough scheme to allow businesses to carry out limited work, which will assist with re-opening when the restrictions are lifted.

To be eligible for the grant, when on furlough, an employee cannot undertake work for, or on behalf, of the organisation or any linked or associated organisation. This includes providing services or generating revenue. Employers are free to consider allocating any critical business tasks to staff that are not furloughed

Encouraging employees to work part-time is also inconsistent with public health guidance for people to stay at home where possible. Where furloughed directors need to carry out particular duties to fulfil the statutory obligations they owe to their company, they may do so provided they do no more than would reasonably be judged necessary for that purpose, i.e. they should not do work of a kind they would carry out in normal circumstances to generate commercial revenue or provides services to or on behalf of their company.

Decisions on when and how to close the scheme will have to take into account the wider context of any lockdown extension and the public health response, so that people and businesses can get back to work when it is safe to do so. We will ensure the approach is coherent with any necessary non-pharmaceutical interventions, while also considering the status of the economy, the affordability of the scheme, and the need to provide certainty to employers and employees.

We will continue to keep the exit strategy of the scheme under review, engaging with business' and representatives. There are a variety of factors we will need to consider including public health guidance and the longer-term economic recovery.



3. The Committee would ask whether the UK Government is considering extending SSP to make it available to larger companies and what scope there is to increase the level of SSP available to workers.

The Government is conscious that Statutory Sick Pay (SSP) is directly paid by employers, many of whom are facing unprecedented strain due to Covid-19. That is why, in addition to other business support measures, we have introduced the SSP rebate scheme to allow employers with fewer than 250 employees to reclaim Statutory Sick Pay (SSP) paid for staff sickness absence due to coronavirus. This refund will cover up to 2 weeks' SSP per eligible employee who has been off work because they have been ill with Covid-19 or have had to self-isolate because of it. Although large employers cannot access the SSP rebate scheme, large employers are able to benefit from a number of other government support schemes in response to Covid-19. For example, like all employers, they are able to access the Coronavirus Job Retention Scheme. All UK employers can apply for a grant, which will help them to continue paying part of their employees' wages if they would otherwise have been laid off during this crisis. Full details can be found by visiting www.gov.uk/guidance/check-if-you-could-be-covered-by-the-coronavirus-job-retention-scheme.

The Government has made a number of changes to extend SSP, widening it to self-isolators, those in the same household caring for self-isolators and shielders. For people self-isolating as a result of COVID-19, SSP is now payable from the 1st day of sickness, rather than the 4th. With regards to the generosity of SSP, it is important to remember that this is a statutory minimum and over half of employees are offered more generous sick pay by their employers.

The government is committed to helping the lowest paid through this Coronavirus outbreak. Our welfare system is best placed to provide this support and lower earners who already claim Universal Credit will automatically see their benefits adjust to compensate for lower earnings. We have also announced extra support to those who will have to rely on the welfare system by increasing the 2020-21 UC standard allowance, WTC basic element, and LHA rates.



4. What steps are being taken to address this unprecedented demand, timescales for individuals receiving funds and how will any errors in calculations be dealt with?

There are unprecedented numbers of claims and the system is under enormous pressure. Despite this, the system is working.

DWP have received additional funding to increase capacity to deliver frontline services and are reprioritising around 10,000 staff from non-core elements of the Department's work to the frontline, to assist with the processing of claims.

Claimants will be paid 5 weeks after they make a claim and payment timeliness has been maintained. However, no one who loses their job or sees their income fall will have to wait five weeks for financial support. Advance payments are available within days of submitting a claim to ensure that families have money to support them through this period.

If a claimant disagrees with a decision about benefits, tax credits or child maintenance they can ask for the decision to be looked at again - this is called 'mandatory reconsideration. More information can be found at <https://www.gov.uk/mandatory-reconsideration>

5. The Committee asks the UK Government what action it is taking to ensure that the banks offer assistance to businesses in these challenging times, with reasonable terms.

The Government continues to work with banks and other finance providers to help SMEs access the finance they need. We welcome the statement by UK Finance on behalf of the sector which announced that banks, building societies and credit card providers are committed to supporting their business customers in continuing to trade, and would encourage businesses to speak to their lender if they need finance.

Individual lending decisions are at the discretion of these accredited lenders. However, we have been receiving helpful feedback from stakeholders on how the new scheme has been working, including the length of time it can take lenders to process applications.

The Government has now taken further steps to ensure that lenders have the confidence they need to process finance applications swiftly. We have removed the forward-looking viability test that required an assessment of whether the business can trade out of the crisis, recognising that this assessment was challenging and time-consuming for both businesses and lenders. The only test that remains is



whether a business was viable before Covid-19, so businesses do not need to be asked for documentation like cashflow forecasts. We have also removed the per lender portfolio cap, to give lenders the full 80% guarantee across all CBILS lending.

The PRA and FCA have also published statements to provide comfort to lenders regarding various regulatory requirements around CBILS lending, to ensure that banks can process applications quickly.

In addition, on 27 April, the Chancellor announced the new Bounce Back Loans Scheme, which will ensure that the smallest businesses can access up to £50,000 loans in a matter of just days. These loans will be from £2,000 up to £50,000, capped at 25% of firms' turnover. The Government will provide lenders with a 100% guarantee on each loan, to give lenders the confidence they need to support the smallest businesses in the country.

The seven largest lenders (Barclays, Danske, HSBC, Lloyds, RBS, Santander and Virgin Money) received more than 130,000 Bounce Back Loan Scheme applications on the first day of the scheme (4 May). Over 69,000 of these have been approved on the first day, and lenders are working hard to process the rest of the applications as quickly as possible.

- 6. The Committee would ask the UK Government to provide statistics on how many applications have been received for a coronavirus business interruption loan from businesses in Scotland and how many have been granted.**

The Government is currently monitoring the scheme and further details will be released in due course.

- 7. The Committee invites you to consider this feedback and to set out what steps could be taken to address the issue.**

I recognise the importance of a consistent approach to the response to Covid-19 across the UK, to support households and businesses. As part of this, the UK Government's key decision-making meetings on Covid-19 involve representatives of all the Devolved Administrations, this includes COBR meetings, as well as the four COBR sub-committees: the Health Ministerial Implementation Group, the General Public Sector Ministerial Implementation Group, the International Ministerial Implementation Group and the Economics and Business Response Implementation



Group, which the Chancellor chairs. Together these groups consider all elements of the UK Government's response to Covid-19.

Best wishes,

A handwritten signature in black ink, reading 'Steve Barclay'.

RT HON STEVE BARCLAY MP