



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
BING VEAYN TINVAAL**

**PROCEEDINGS
DAALTYN**

PUBLIC ACCOUNTS COMMITTEE

EMERGENCY SCRUTINY

HANSARD

Douglas, Friday, 15th May 2020

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Members Present:

Chairman: Hon. J P Watterson SHK

Mr C R Robertshaw

Ms J M Edge

Mrs J P Poole-Wilson

Clerk:

Mrs J Corkish

Assistant Clerks:

Miss F Gale

Mr S Wright

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Standing Committee of Tynwald on Public Accounts

Emergency Scrutiny (Financial support schemes)

*The Court met virtually at 11 a.m.
Proceedings were conducted and broadcast live
from the Legislative Council Chamber.*

[MR SPEAKER *in the Chair*]

Procedural

The Chairman (Mr Speaker): Well, good morning everyone and welcome to this public meeting of the Public Accounts Committee. As you know, this is one of a series of meetings in which the aspects of the response to the state of emergency first declared on 16th March 2020 are being examined. My name is Juan Watterson, I am the Speaker of the House of Keys and I chair this Committee. With me are Mr Chris Robertshaw MHK, Mrs Jayne Poole-Wilson MLC and Ms Julie Edge MHK.

The topic today is the macroeconomic effect of the emergency and the Treasury financial support schemes. Before we go on, I would like to declare that as a director of Southern Befrienders, we are in receipt of the Salary Support Scheme.

Mr Robertshaw.

Mr Robertshaw: Thank you, Chairman.

Yes, I am ... my business has been in receipt of the original £3,000 grant and is currently in receipt of the Wage Support Scheme.

Thank you.

The Chairman: Thank you.

Mrs Poole-Wilson.

Mrs Poole-Wilson: No interest to declare, Chairman.

The Chairman: Thank you.

And Ms Edge.

Ms Edge: Thank you, Chairman.

I can declare that some family members have received the grant and have applied for the Salary Support Scheme.

Thank you.

**EVIDENCE OF
Hon. Alfred Cannan MHK, Minister;
and Mr Caldric Randall, Chief Financial Officer;
Treasury**

30 **Q83. The Chairman:** Well, welcome, Treasury Minister and Mr Randall, Chief Financial Officer. Treasury Minister, if you would care to make your opening statement.
Thank you.

The Minister for the Treasury (Mr Cannan): Good morning, Mr Speaker.

35 It is now 10 weeks since the enormity of the challenges posed by coronavirus became fully apparent. Every single day of the last 10 weeks has put extraordinary pressure on the divisions of Treasury and of course across Government. I would like to take this opportunity today to pay tribute to all those officers for what they did during those weeks and for what they continue to do now.

40 It is worth, I think, Mr Speaker, reflecting on some key dates and words. On Tuesday, 10th March, I wrote to Tynwald as follows:

I am conscious that concern continues to grow about the spread of Covid-19 and that Honourable Members may be experiencing a heightened level of contact from constituents and businesses regarding local and international economic impacts.

I want to reassure you that these matters are being given the highest priority. There is a significant amount of information, action and reaction that is happening at rapid speed, all of which needs to be digested, considered and if necessary acted upon.

Our first and foremost consideration is the health and security of our people, closely followed by a need to act appropriately to help and support our economy.

To that end we currently have £7m of contingency funding available to immediately support our Health and frontline services in tackling any Covid-19 outbreak on the Island. The Treasury will act immediately and decisively if we consider it necessary to ask Tynwald for further funds to protect the Health of our people.

Economic concerns are growing particularly with businesses associated with Tourism and Leisure. We are in daily contact with our colleagues in [the Department for Enterprise] to assess the economic impact from Covid-19 on local businesses. As we get clarity on these impacts, we will work in conjunction with [the Department for Enterprise] to bring forward appropriate supporting measures and again act decisively if we consider it necessary to ask Tynwald for further funds to protect our economy.

Finally we may need to take enhanced social security measures to provide additional support to those who may be suffering directly from Covid-19 and these options are under consideration.

We will work with urgency to tackle these ... [measures], but calm and considered decision making is also needed.

I am sure that everyone will appreciate that we simply do not know at this stage for how long and to what extent Covid-19 may impact on the economy.

Mr Speaker, on Tuesday, 17th March, a week later, I asked Tynwald to approve the transfer of £40 million from the Operating Balance to the Contingency Fund. I said at the time that I wanted to be clear with Tynwald and that it was:

my intention, supported by the Council of Ministers, to use powers exercised under the Financial Provisions and Currency Act to undertake such actions as deemed necessary for the protection of the health and economy of the Island.

45 I also said on that day, as well as outlining a number of initiatives around Social Security, the initiatives that I was bringing forward were a 'phase one approach' and that:

I must be clear and honest with [Tynwald]. These measures may not be enough. £40 million may not be enough. We may need more and much work continues on further support mechanisms both for business and individuals. I said we will not wait ... we will act decisively. We will seek the recall of Tynwald if we need additional measures that require by law Tynwald's authorisation ...

Also on that day, I made a commitment for a further public announcement on Friday, 27th March 2020. So the day after that sitting, Mr Speaker, on Wednesday, 18th March, the

Department for Enterprise and Treasury politicians and officers came together into a joint meeting. That was our first joint meeting to further understand the scale of the crisis and by Friday afternoon, 48 hours later – almost 48 hours of virtually continuous work – we had thrashed out what we believed to be a comprehensive package of support for our economy and for our people.

So these were the Salary Support Scheme, the MERA, deferring VAT, options to defer Income Tax, the Business Support Scheme, the Bank Loan Guarantee/Business Interruption Loan Scheme, the Business Adaptation Grant, the Asset Purchase Scheme and a ban on evictions from tenancies and rental properties for the duration of the crisis. But during that following weekend, detail was added to the schemes that we believe were needed. The packages were presented to various groups and by Sunday, 22nd March at 5 p.m. Council of Ministers had agreed and approved the support packages.

I then announced these measures directly to the public on the morning of 23rd March and by 27th March legislation had been prepared and Tynwald approved the expenditure and approved the Treasury's major support schemes: the Coronavirus Salary Support Scheme and the Manx Earnings Replacement Allowance, or MERA.

The MERA went live on 6th April and 2,051 people have so far received payments, at a cost of £1.84 million. The Salary Support Scheme opened on 16th April with the first payments being made to businesses on 23rd April. For the 1st March period, in terms of salary support, 1,363 applications were received and £7.7 million has been paid out supporting 9,537 employees and for April 1,412 applications have been received and £8.5 million has been paid out supporting 8,443 employees.

In total to date, £16.2 million has been distributed through the Salary Support Scheme, supporting, we estimate, 11,000 separate employees and their jobs. The Coronavirus Business Support Scheme has also been successfully joint administered with the Department for Enterprise and the Scheme has paid out £8.3 million supporting 3,600 businesses and individuals. Treasury has diverted all available resources to delivering these Support Schemes, with officers being moved to assist with the MERA and virtually all the officers of the Income Tax and Customs and Excise divisions being dedicated to administering the Salary Support claims. In addition, deferred income of £2.4 million of Income Tax and National Insurance and £11.8 million of VAT and duties has been granted so far.

Whilst the administration of the schemes is now settling, the economic uncertainty that we and the rest of the world now face has not and we must now focus our attentions on our economic recovery.

Thank you, Mr Speaker.

Q84. The Chairman: Thank you, Minister.

If we can launch straight into the macroeconomic position that we find ourselves in, what did you estimate initially that the emergency would cost Government per month or ... either in total or per month, and where are you now in reality?

The Minister: So I think at the time, Mr Speaker, I stated figures that we thought that the cost of the total support packages over the six-month period would be approximately £300 million, 'up to £300 million' I think were the words I used, per quarter and so possibly up to £600 million. The reality of the situation at present is that we are below, well, potentially well below that estimate.

But I must tread with caution with you because clearly there are a number of uncertainties around any forecasts. But, actually, as it stands at the moment, for the first quarter I expect that in total, as at stands today, we estimate about £60 million in total will be our negative net position. But we have a long way to go. Obviously claims are still coming in. We do not actually effectively close this first stage of the Salary Support Scheme until the May payroll. So there are

100 still figures to come in, estimates to be realised. But as it stands at the moment we are below where we thought we would be.

105 But clearly, obviously, we now have to think about where the longer term potential projections are, and as you will appreciate, there still remains a lot ... or a lack of clarity around that, and I do not know whether I might just ask Caldric just to give you a bit more detail around anything I have just said there, please.

Q85. The Chairman: Well, given we are on tight timescale, could I just ask, that negative-£60 million, that is just the cost of the Schemes, is that right, rather than other potential overruns, perhaps in Health or lost income? Is that fair to say?

110 **Mr Randall:** Should I come in here?

The Chairman: Please.

115 **Mr Randall:** That is a combination of the estimate of the lost revenue. These are scenario positions at the moment, it is extremely difficult to determine our final position, but the cost of the schemes in the first month during April, we think, will be somewhere around £25 million. We are working on the basis that the lost revenue that we will incur, which is very difficult because we have got deferments, it is not quite clear how they will play out, will be around £30 million to £35 million. So that gives you a net loss, a net cost if you like, of £60 million, which is lower than we were working on before, which was our one scenario. We are now looking at another scenario and that is the kind of position that we would expect to continue with the levels of lockdown that were in place in that month.

120 Obviously, as things start to release slightly, we would expect that to improve.

125 **Q86. The Chairman:** Thank you.

Minister, you were very realistic at the outset and said on 23rd March that the measures announced would not save every business and every job. But what data do you have about how that is going?

130 **The Minister:** Actually, I believe that we have done incredibly well.

I think, Mr Speaker, it is going to be some time before we are able to fully digest how this is played out, how businesses are able to recover as they get back to work and potentially support schemes start to fall away. We have done significantly well, I believe: over 90% of our applications for salary support have been accepted. In terms of the business support, well, you covered a lot of that I know last week. The vast majority of Business Support Schemes have gone through and of course on the MERA applications as well. I think that when you start to look at the percentage-wise of how many have not gone through, and bear in mind we have had 2,851 applications on MERA, (*Interjection by the Chairman*) only approximately 650 of those have been disallowed.

140 So actually I think the support generally, given the figures we have told you, has got out to the public and has reached its destination in pretty quick time when you compare our performance against the benchmarks being set around us.

Q87. The Chairman: But too soon to tell, to talk about long-term unemployment and in terms of how many businesses have not made it through so far? Okay.

How long can we continue to provide support along the same lines as currently before reserves are exhausted? Obviously we are operating about a tenth of the estimate, so presumably if we carried on in this vein for another year that would still be affordable?

150 **The Minister:** Well, if we stayed at the current position, Mr Speaker, then we could afford it, if that is the right word. I think at the moment we are forecasting potentially a negative outturn of about, maybe, up to £300 million for the next 12 months. We have to believe that certain sectors will get back into work successfully. I think there are going to be some headaches around perhaps tourism and leisure, we can see that. But we are comfortable that we can afford it. But
155 as you know we are being prudent and that we are going to seek additional reserve support to make sure that we do everything we can to support the economy and jobs as much as possible in the next 12-month period.

160 **Q88. The Chairman:** Understood. How far advanced are Government's plans regarding taking on the debt envisioned by the changes in the Loans Act and when will that happen? And have you been required to liquidate investments unprofitably?

The Minister: Caldric?

165 **Mr Randall:** I can take that.

So in terms of looking at securing a short-term borrowing facility, we have been through a process and have appointed a lead arranger – that is Lloyds– to help us put in place a syndicated borrowing arrangement and we would expect that to come back to Tynwald in July. So we are putting in place those arrangements at the moment. So that is active and ongoing. It is there as a
170 kind of a failsafe because we have still got quite good liquidity. At the moment we have got around £300 million in cash, plus about a £103 million in cash equivalents. We have asked the investment managers to hold 15% in cash where they can, so that has happened.

We have not been forced to liquidate any assets unprofitably at the moment. That is something that we have been very aware of and even with the cash equivalents there is some fixed income in there as well and we want to hang on for that as long as we can to maximise our
175 position going forward.

Q89. The Chairman: Thank you.

I noticed when comparing us with Jersey that they are publishing their macroeconomic indicators on a weekly basis. I see that there is an awful lot of information that you are collecting
180 on a regular basis. Is that something that we could do as well, please?

The Minister: I think we do need to publish data, Mr Speaker. Obviously we have been very open in terms of the numbers and the detail that is being paid out. I absolutely can take that
185 point away and examine how we can better publish data to give a better picture to you and to the public as to where the levels of expenditure are, the numbers that we are dealing with.

I am quite happy to take that point away and look at that.

The Chairman: Thank you very much.

190 I am now going to hand over to Mrs Poole-Wilson.

Q90. Mrs Poole-Wilson: Thank you, Chairman.

Turning to the eligibility for the financial support schemes, and accepting the point made by the Minister that these things were put together very rapidly over a short timescale, Minister,
195 could you tell us how the criteria for the schemes were initially decided and how that has evolved?

The Minister: Yes, I will give that a go.

So initially, obviously bear in mind, we were having to make a lot of assumptions as to what
200 the potential impact we were facing. It was clear to us immediately there were certain sectors that were materially impacted by the virus and were going to be impacted, and there were

sectors of the economy that we believed had a reasonable chance of continuing to maintain levels of business and cash flow and it was not clear to us whether they would or would not need support. So we identified initially the broad areas of the economy that needed support and we defined those, and we felt that we could potentially avoid having to give mass support across every single business and try and bring some control to it by making some assumptions about both the likelihood of the business being able to continue and its likely sustainability from its size and scale.

So that set us out on our pathway initially and we have had to refine that as time has gone on and we began to understand more about some of the assumptions that we initially made. So that is from a business sector perspective and, of course, one of the issues that we have all become very aware of is particularly around the self-employed, the structures of certain businesses and the varying needs, disparate needs, across the community for support. So we have changed the schemes, particularly the Salary Support Scheme, where we have made amendments to try particularly to deal with those very small businesses and, as you know, we have also made amendments to the Business Support Scheme as we have moved through this process.

Q91. Mrs Poole-Wilson: Thank you, Minister, and yes, particularly thinking about the Salary Support Scheme and the change, for example, to include small local accountancy businesses and certain legal practices. We have heard, for example, from a small local IT business that is struggling and would you not say the time might have come that the scheme like the Salary Support Scheme, might be open to all who could demonstrate a loss of earnings?

The Minister: Well, in effect, it is actually, because there is a route for any business to come to the Salary Support Scheme and appeal directly to the Chief Financial Officer for an exemption and to claim support. So I think we have been cognisant of the fact that we need to provide the routes for any business to come to us because we cannot be 100% certain of everybody's circumstances. But we have also got to balance that out with a need to bring some control to that. Bear in mind, clearly, obviously, public funds need some kind of mechanism to ensure that we are, the public, is getting value for money.

So actually, I would argue that any business, Mrs Poole-Wilson, could come to us and get a proper overview as to whether they should get salary support and, as you know, we have obviously adjusted that Scheme to allow for, yes, some businesses, accountancy, legal practices, particularly small businesses in the financial services sector. We also have adjusted that Scheme to allow, for example, charitable businesses to come and obtain salary support and we have also adjusted that to allow care homes to obtain salary support so that care staff, for example, were being looked after.

So we have adjusted it and there is the option there for any business to come to us, large or small, and say that they need salary support, and due consideration will be given in those circumstances.

Q92. Mrs Poole-Wilson: Thank you.

So, a question then for Mr Randall, on the process of exceptions or exemptions: are these actually being strategically reviewed to ensure consistency and perhaps to identify where there may be a previously unidentified need for support, whether by sector or otherwise?

Mr Randall: Firstly, if I may, just picking up on the Minister, if anybody does want to apply for the exceptional support, can they do so via the website. There is a specific kind of process, it is on the website, it says 'Consideration of exceptional applications' and that will guide you through and that will make sure you get to the right place very quickly.

Yes, there have not been that many applications so far. We have had 30, 28 of those became eligible for introduction of changes to the Scheme. So, for example, the businesses with one

255 employee and we have got two of those underway at the moment. But yes, they will go through a strategic review.

The criteria by which the assessment that we done have been published there and are there for everyone to see, and, in fact, when someone is asked to make that application they are asked to comment on those things. So there is an opportunity to give a narrative, there is a process behind it in which we would look at it, consider what was there.

260 When we are doing these things we are looking about what the initial purpose of the Scheme was, and it was to maintain employment and the employment relationship between employer and employee. And if that can be demonstrated, that that is there and there is a genuine need and that without it it would remove that relationship, then they will receive a favourable view. But at the moment, as I say, those levels are quite low.

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Q93. Mrs Poole-Wilson: Thank you.

Could I just now turn to the criteria that are applicable to the MERA? Some of the concerns that have been raised with us are that small business owners require a minimum profit or certain length of trading history and in other cases the six-month assessment period does not reflect their trading history, as they have a seasonal summer business.

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So can I ask whether the criteria are being or can be adjusted to take account of that?

Mr Randall: Sorry, is this the individuals that want to claim MERA that are self-employed?

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Mrs Poole-Wilson: Yes.

Mr Randall: Obviously there are some rules that they need to have met. I think we have not picked up on any of those specifically, as far as I am aware, but obviously we want to make sure that it is fair for all. There have been some concessions made in terms of allowing people to bring their arrangements up to date, but really the idea of or the purpose behind the Earnings Replacement was as simply that: it was an earnings replacement and somebody would have to demonstrate that they had had earnings to replace of at least £200 over the previous 26 weeks.

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So we have not seen a need –

Q94. Mrs Poole-Wilson: If I could interrupt? Sorry, if I could interrupt you there, Mr Randall. I think the difficulty is that the seasonal business owners their main earnings period is the spring and summer and so they would struggle to comply for the period before these schemes came into effect.

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Mr Randall: I understand that, but I do not think, I am not aware, that we have had any representations. So if they could drop me a line on that, I will look into it.

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Q95. Mrs Poole-Wilson: Thank you.

I think another area of concern that we have certainly heard about is, accepting that Government should not be paying businesses more than they make, does the minimum profit criterion actually discriminate against part-time workers and, for example, those with caring responsibilities? So in the same way it is possible to prorate the Salary Support Scheme, would it be possible to prorate the MERA?

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The Minister: I will have to look into that. What I can tell you in terms of ... well, we have done some analysis of where the disallowances have come in. Of the statistics that I have here, of the 354 self-employed who have been disallowed MERA, just under half had not paid Class 2 National Insurance, 60 of them had received the Business Support Scheme's £3,000 and approximately between 10 and 20 of them were receiving other benefits above the rate of MERA already. Of course, this issue of not earning £200 a week is something that has cropped

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up. But then again, we have also felt that actually there are other access and other benefits within the Social Security system that should give people who have been in that category access to benefits if they need it.

310 So yes, I think throughout this process, in the main, I would argue *very* strongly that the majority of people who have needed support have got it. There have been exceptions. We have had to iron out where there have been bulk exceptions, if you like, which we have needed to address or we have needed to get right. We have worked to try and address those and there are always individual circumstances that require further examination and we have done our very best to try and find ways round that. And of course, once you get into the Social Security
315 element, we have to also try and apply it as fairly as we can and those are essentially the main reasons that we are looking at the issues that you have highlighted are perfectly correct.

But in the main, we have found the way round for the vast majority of people.

The Chairman: Thank you. Again, just to reiterate a plea for brevity. But I am going to hand
320 over now to Ms Edge.

Q96. Ms Edge: Thank you, Chair.

I would just like to ask with regard to the wage support rates, they seem low at 75% of the
325 2019 Living Wage, or around 40% of the UK support levels. How did you set the rates at £200 for a person or £280 for an employer?

The Minister: Thank you.

I think it is important to recognise that we were paying ... Very much, we were putting the
330 payment into the hands of the employer. So yes, absolutely they had to demonstrate they are paying their employee and that employee has to be receiving at least £280 a week. But of course, it was also intended ... it was not just the payment support that was going to employees. Basically the business was able to use the excess and they were having to declare that they had suffered a 25% decrease in their turnover. So they were actually able to use the money even if the employees are working, bear in mind.

335 So actually, the figure that we are getting is only the basic support that somebody might be receiving, £280, which is 75% of the living wage and because of the way we structured our scheme, which is different to the way that they are operating, for example, in the UK, where it is just furloughed employees. So I think we took the view, actually, this will allow business the flexibility – owners and employers – to make proper decisions about how they pay their staff and of course employers can top up that figure.
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So I think that, actually, the way we approached it was different. Perhaps people are slightly
345 confused that these have to be furloughed staff – they do not. Employers can take this money, providing they have been impacted by COVID, and use it to keep people in jobs, keep paying employees if they choose to effectively sit them at home or sit them off the active staff, if you like, and that will give them, we felt, the best chance of making their own decisions on how to keep their businesses going during this period. So that was the basis for that.

Of course, what we tried to do in terms of then deciding the MERA rate was to pick on a rate
350 that was below what we felt someone would get by being laid off. So in other words, we were trying to encourage and incentivise the process for employers, even if they were dubious about what the future was, to maintain that relationship by recognising that, actually, the employee would be better off being paid £280 a week rather than being let down to take the MERA or put under the Social Security system.

The Chairman: Ms Edge, are you still there?
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Q97. Ms Edge: Apologies.

What sort of data are you looking at with regard to that and the effectiveness of it, and are you considering reviewing that going forward?

360 **The Minister:** I will take the second part of that question first. We are considering our options as to how these schemes progress, but more so around how they need to continue and to whom they need to be continued to be offered.

I guess it is very difficult to determine the success, other than to say I think the feedback that we have received from both individual businesses and through DfE and the Chamber of
365 Commerce has been extremely positive, particularly around the Salary Support Scheme. I think it will be at least, probably, two or three months before we really recognise how valuable or successful or otherwise the schemes have been.

Clearly, businesses returning to open does not necessarily mean that they are going to quickly resume their previous levels of turnover and I think we are going to have to continue to
370 manage this process extremely carefully. But we will get further clarity and in fact I intend to announce to Tynwald early next week and what we will do, how we are going to keep the Salary Support Scheme and the MERA functioning beyond the periods that we initially set out.

Q98. Ms Edge: Thank you.

375 So is the rise in the number of registered jobseekers in line with what you would have expected? So if the £280 is achieving what it intended or employers failing to take advantage of it?

The Minister: Again, clearly there has been significant impact. I think, I have not done the ... I
380 have not got to hand the full analysis and breakdown of where all those individuals come from. It was not unexpected to see the Jobseeker's Allowance rise so dramatically, particularly given that what we intended to be a tourist season, hospitality, the leisure, pubs, clubs, restaurants, were likely to have a lot of seasonal workers. So it is not surprising that that total has risen like that. I think there is still quite a lot of analysis to be done before we have actually got a clear
385 picture.

What we need to obviously do as we get these sectors back to work, in theory what we should start seeing is the MERA in particular starting to reduce down and clearly, obviously, you would hope that Jobseeker's would also start to decline slightly. But it is just too early at the moment to be able to give you an indication of an expectation level, I guess, as to where we are.
390 Except to say that we expect the situation is serious. You can clearly see it is not just the Island but one has to be cognisant of the fact of the forecasts that are going on around us in terms of both the UK's economic forecasts and the global forecast.

It is hard to say definitively what that means in terms of the impact on the economy, both from those businesses, our international-facing businesses, and clearly, obviously, our domestic
395 businesses, which are going to be more or equally as impacted by what happens, for example, in terms of border travel and our ability to facilitate tourism, a broader tourism offering.

Q99. Ms Edge: So for the MERA, why do earnings of £50 or any remuneration from an employer disqualify you for the week? You cannot live on £50, but we should not be
400 discouraging economic activity. So could a top-up amount not be paid?

The Minister: I think that anybody who is earning would then start to qualify for other benefits and I guess also the other issue that is a complex issue for us is trying to administer these schemes as simply as possible and to make sure, given the numbers that we are dealing
405 with, that we were able to administer them as simply as possible. I think as we move forward we are going to ... One, I think we will keep the MERA. We may need to refine the MERA. I think we will have more time to be able to refine some of these schemes and of course we may look, have to look, given, depending what the numbers are, as to the effectiveness of the Social Security

410 offering going forward, particularly both in the interim period over the next 12 months and this
may be a chance in any case to look and review how Social Security is delivered depending on
the scale and numbers that we are needing to support.

Q100. Ms Edge: And once you do that analysis of the potential for MERA recipients to return
415 to work, to their previous jobs, what thought has been given to identifying new opportunities
and support for reskilling those with regard to your review of that system and benefits?

The Minister: It is just far too early at the moment. I think what we need to do more broadly
is get clarity on our vision on the economy going forward and reskilling and retraining will be a
420 fundamental part of that.

Q101. Ms Edge: With regard to the Loans Guarantee Scheme, has this uptake been as
expected? We have had evidence that banks have found it bureaucratic. One had commented to
a business owner, 'It is just too difficult to sort out, so we are not bothering, and requires a
425 charge against business assets.' Is that what was envisioned?

The Minister: I was not aware of that specifically. The Government is underwriting 80% of the
Loan Guarantee Scheme and part of the idea, obviously, of the banks having some skin in the
game, was that they were going to make a realistic or take a realistic view from the information
430 that they had of the way that business was run and its sustainability in the longer term. It is just
too early to tell, again. And I am not trying to dodge the question, Mr Speaker, it is just a lot of
this is just still very early in the great scheme of the progress of this virus as to how this is
performing.

In fact, the feedback from the banks remains that businesses are preferring not to borrow if
they can help it, and they have received lots of 'in case of need' enquiries. We are aware that
435 some applications are beginning to being processed, but I will be able to provide greater
information in the next two or three weeks in terms of what has actually been paid out, unless
Caldric has some current information that he can provide the Committee.

Q102. Ms Edge: Could I just come in there? If the banks are saying that businesses are not
440 choosing to take up the option to borrow, is that possibly because there is something wrong
with the process and the system?

The Minister: Well, as I said, I am not aware of that at the moment. I have not had any formal
feedback. I know I have certainly seen some indications that the schemes are now being utilised,
445 that slowly but surely these applications are coming through. I understand that money is starting
to flow from the banks out through this guarantee support and I would just suggest that I will be
in a better position to really understand that in the next two or three weeks.

We are tracking it. We have a feedback system that is working at the moment. I think the
banks are reporting that, as far as I understand, somewhere between 25 to 30 facilities have
450 been sanctioned at the moment, that £1.27 million has been so far taken down on through the
loan scheme. We will see, I think, in the next few weeks where we are at to get a better
understanding of how successful that has been or the need. I mean clearly businesses, yes
absolutely, we want them to take advantage of this, but of course the individuals themselves are
trying to stay out of debt and one can understand that.

Q103. Ms Edge: Okay, and one last one from me. Will there be reconsideration of supporting
455 retailers and small business premises owners with a form of rate relief rather than just a
deferral?

460 **The Minister:** Again, we are continuing to discuss with our colleagues in the Department for Enterprise what is going to be needed going forward.

We did provide ... Initially, actually, that £3,000 figure was effectively a comparable figure to the rate relief that was being offered in the UK. We stand by to try and help businesses as much as we can, but we also have to be cognisant that we also have to protect public funds and we
465 also need a clear economic strategy moving forward. So this will continue to be dealt with literally on a week-by-week, if not day-by-day, basis as situations become clearer to us and we are working incredibly closely with our colleagues in the Department for Enterprise to make sure that the support is getting out there as and when needed.

470 **Ms Edge:** Okay. Thank you, Chair.

The Chairman: Thank you.
Mr Robertshaw.

475 **Q104. Mr Robertshaw:** Thank you, Mr Chairman. Good morning, Minister; good morning, Mr Randall.

My series of questions, in what is a very short session, is more focused on us trying to unwind out of the emergency powers into the new normal. It is obviously, and remains, an utterly extraordinary period and it has changed us all. But bearing in mind we are looking for short and
480 quick answers, are there any early lessons that you have learned as Minister from this whole process? There will be time enough much later on for a wash down, but could you give us a few of your thoughts thus far?

The Minister: Thank you very much.

485 I think we are always learning and understanding as we move along. I think for us we have clear understanding now that some things need to change in terms of how the community, the business community particularly, is paying and contributing towards the broader revenues of Government. In particular, I think most people now recognise that where we have had difficulties mostly has been around self-employed individuals and business directors and how
490 they have been paying and contributing their National Insurance payments. So clearly there is a lesson for us there.

I think what we need to do, and alongside that, to me it is pretty clear and it is objective, but it is pretty clear that a lot of people do not actually necessarily understand how they have structured themselves in terms of their own self-employment and their own business structures.
495 So we have to question, I suppose, whether they are simple enough or what we might need to do to improve that understanding moving forward.

There have been lessons I think for us, as we know, about communication. You are in a crisis situation, communication obviously is absolutely vital.

500 But there has also been a huge amount that we have learned that is positive. There has been significant cross-government working on this, Mr Robertshaw. We have been very open, I have been very open, to encouraging the support politicians in Treasury and in DfE to work very closely together and that has been positive, I think, and long may that kind of working continue, particularly where we are trying to address problems moving forward.

505 **Q105. Mr Robertshaw:** You will not be surprised when I say hear, hear to that, Minister.

Moving on, emergency powers have their limitations – they are very black and white. And as we try to navigate our way back to, or to, a new normal, what consideration has been given to guide employers and employees in how to deal with what used to be called social distancing and now increasingly is being called physical distancing, and other encouragement as well, in
510 guidance form, to help people find their way back into the workplace?

The Minister: Well, I think to be fair, most of that really has fallen on DfE to knuckle down and deliver that. *(Interjection by Mr Robertshaw)* I think we have ... Clearly it is of interest to Treasury how people get back, and absolutely, as a Minister I have been contributing to that within the Council of Ministers forum and more generally encouraging people when I have been speaking to individual businesses and people, that they should think about how to successfully operate their businesses. But primarily that has been driven through DfE, Mr Robertshaw, and our role really is to equip and to continue to equip businesses and the community from a financial perspective to deal with this.

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Q106. Mr Robertshaw: Thank you.

In some respects I think you have already answered my next question, which is dealing with the next 12-week period. I think I heard you say earlier in this session that you intend to make an announcement next Tuesday. Will that concern itself simply with the next 12 weeks or will it try to include some pointers in terms of forming a vision for beyond the next 12 weeks?

525

The Minister: Yes. So I think initially we will be taking legislation to extend the schemes and we need to try and provide some clarity to you, Tynwald, allow some kind of discussion around how those schemes are refined in terms of who can apply. I think we need to give reassurance that we are not just giving money away for the sake of giving money away, that it is being ... the public have some confidence that we are doing our best to ensure that the funds are going to the right places. It is absolutely vital that we need to continue to support businesses and individuals. It is just in terms of how big and big that scope is moving forward.

530

I have set out an intention to give a budget update and potentially some measures that we think we will be in a position to further understand by July. But broadly moving on, Mr Robertshaw, I think it will then start to become both ... well, first of all, understanding what the economic vision is for the Island on the back of this crisis, that will be very important; and secondly, I think then we will need to be down into areas of defining this almost by sector as to the sort of support mechanisms that we need, and I then would refer back to Ms Edge's comments about, well, how does that look in terms of retraining and reskilling?

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So a lot to think about there and I think in the coming weeks and building up to July we will try to need to bring some further clarity, but that is how I think it is going to play out.

Q107. Mr Robertshaw: Do you think you will have to adjust the Scheme somewhat as we withdraw from the emergency powers situation with regard to recognising the fact that businesses will in a number of clear areas really struggle to get back to pre-emergency powers revenue status?

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The Minister: I am not so sure. I think I would not necessarily tie ... I mean these are obviously emergency situations, but I would not necessarily start to tie up the support mechanisms, the financial mechanisms, with the emergency situation. I think from my perspective I, like many people, would like to see us exiting from the emergency and dealing with this well-worn phrase now, the 'new normal'. But part of the new normal or transitioning out of the emergency and through the new normal will be making sure, I think, that we have the support platforms in place to be able to do that.

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So it may well be that we exit from the emergency situation, but I certainly would not be seeing us doing that without financial support mechanisms in place. I think Treasury, parliament will recognise that we have got to and we will need to adjust these as we move forward. And, as I said, I certainly see an extension of the schemes for the next three-month period and then as we move forward beyond that we need to define that around sectors specifically and of course tie that into a broader economic strategy.

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Q108. Mr Robertshaw: Thank you.

565 In one of your earlier answers you did touch on the fact – and it is very clear for observers
outside to see this – that the Government is working much more coherently across the
Departments. Are there any plans for a cross-departmental team to establish thoughts about
how to generate greater public confidence in that process of returning to work and for
consumers to return to the new normal?

Sorry to repeat that phrase again.

570

The Minister: Well, I think that is really being led by the Council of Ministers and the Chief
Officers Group. So I think I would argue that part of returning people to work and giving them
confidence to do so is being done on a cross-governmental basis.

575 As I said, DfE will be channel primarily in terms of getting in amongst businesses and business
owners and managers to help and guide them through that process. I think, moving ... as we are
talking today, again, both Departments, DfE and Treasury, are working incredibly closely to try ...
and working, indeed, and consulting both with Tynwald Members, as you know, and with
businesses to try and define what the Island thinks, business thinks, we need to do to sustain
ourselves in the longer term, where the opportunities exist and I hope very much that in the
580 next few weeks we will shape that and be able to produce a document that will gain the support
that we need to try and focus where are, both Treasury support, fiscal support, needs to go to
try and take us through successfully.

585 But yes, broadly speaking cross-governmental working needs to be a strong theme that
comes out of this. We cannot and we should not let the positives, if you like, and I know there
are always a few negatives, but the positives from all this and particularly how Government
interacts and where the opportunities exist for it to work far faster, more efficiently and more
effectively. And a lot of that is co-production or working closely with the private sector. I think if
we can really get down and analyse how we can do that and sustain that moving forward,
because I think we are going to have to be nimble, we are going to have to react quickly. Bear in
590 mind of course that this virus itself could sweep back in – that there is a lot of talk about that.

So we need to be nimble, we need to be able to work quickly and efficiently and effectively
together and a lot of that has come out from, I guess, the emergency powers. I think we need to
understand, and parliament will want to understand, how you can take that forward in a
restored democratic process.

595

Q109. Mr Robertshaw: Thank you.

600 My final question, Minister, and clearly you again intimated that tourism is actually in a
rather particular position with the borders being closed and realistically the 2020 tourist season
now finished. On the horizon there are significant opportunities that beckon tourism in the
medium to long term, but are you going to be able to continue to provide financial support and
are you now start to consider measures as how to get tourism to that new beginning, if you like,
in coming years?

605 **The Minister:** I think the answer to that is that we, all of us, recognise that tourism and
leisure is under pressure. There is an accommodation scheme in place at the moment. If I am
brutally honest, I do not necessarily understand at the moment for how long, what the shape of
that support needs to be. There are so many variables attached to that, including, I expect, the
situation with regards to borders, how long we continue to maintain ourselves at this
heightened level of awareness and alertness.

610 This is a very dangerous disease we are in – we all recognise that. They have got quite a lot of
decisions still to come and I think they are not just decisions by the Council of Ministers. They
are decisions also across parliament as to what sort of level and risks we are prepared to take in
the future. But all that really materially ... I guess the headline business out of all this is our
tourism and hospitality because a lot of our other core businesses, the international-facing

615 businesses, can still potentially, one would hope, have a good chance of successfully operating
with technology and the infrastructure that they have got in place at the moment.

Mr Robertshaw: Thank you very much. Back to you, Mr Chairman.

620 **Q110. The Chairman:** Thank you.

I think that brings us into the quickfire rounds now for Mr Randall, if that is possible; if we can just try and cover a little bit of extra ground. Some respondents have advised they have been passed from pillar to post between Enterprise and Treasury about their tax and NI status. Are you content with the current data-sharing arrangements between the Departments?

625

Mr Randall: I can understand how people would be frustrated by that. There are restrictions around the sharing of data in section 106 of the Tax Act. However, I think what is happening here is that – this is probably in relation to the Business Support Scheme – is people being rejected because of tax reasons, but then to kind of rectify their position or bring it back in, they regularise and make payments to bring things back in or get understandings, they are having to talk tax officers because they have got the specialist knowledge.

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So I do not think this particular instance is in relation to data sharing. It is where that specific expertise lies to allow people to get the advice that they need. Clearly data sharing does have advantages and that is something we will look at into the future.

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Q111. The Chairman: Thank you.

It looks from the way that the schemes have been worded that whilst you as Chief Financial Officer can sign off exemptions, it does not seem to be an ability that is able to be extended to other Chief Executives; for example, Mr Lewin at DfE. Is that the case?

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Mr Randall: Yes, that is correct. The only exemption in the legislation is in relation to the Salary Support Scheme.

Q112. The Chairman: Quick question then is why?

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Mr Randall: When the legislation was put together it was because of the way that we added the sectors in at that time and obviously, as the Minister has already said, there was uncertainty around, at that stage, of the impact. That flexibility was in there to allow the sectors to be included, or businesses be included, should there be a requirement to do so. I guess that is a learning from one scheme to the next.

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Q113. The Chairman: Thank you.

Going back to MERA, it is only able to be claimed if you are over 18. Obviously there will be people who are age 16 and age 17 who have been working who are now deprived of an income. Can ask why MERA was not extended to those who had been working up until the lockdown for those who are 16 and 17?

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Mr Randall: I do not have an answer for that. I think I will have to come back to you on that separately.

660

The Chairman: Okay. I suppose the final question that I will throw in is –

Mr Randall: Hello?

665 **Q114. The Chairman:** Microphone ... The final question from me, if I might then, is about comparing us to the United Kingdom. In the UK there are working tax credits for those on low

earnings, so those who would not be quite earning the £200 a week. So whilst I accept MERA is there to replace earnings, it does not seem to be very effective at the lowest end of the scale for those under £200 a week. There is a big gap between what this can provide and what income support can provide.

670

Is there going to be any consideration about bridging that gap as we go forwards?

Mr Randall: We will take that into account when we are reviewing the schemes forward.

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The Chairman: Thank you so much.

Well, Minister, Mr Randall, thank you very much for your time this morning. It has been very enlightening and we will look forward to no doubt continuing this conversation at a future time. In the meantime though, the Committee will sit in private.

Thank you very much.

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The Minister: Thank you.

The Committee sat in private at 12 noon.