

ANNEX A

INDEX OF ENCLOSURES

Description	Date	Explanation of redactions	Clause
Enclosure 1- Letter from Cab Sec Finance – Kate Forbes MSP and Cab Sec Economy Fair Work and Culture – Fiona Hyslop MSP to The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer	07 May 2020	N/A	N/A
Enclosure 2- Letter from Cab Sec Economy Fair Work and Culture – Fiona Hyslop MSP to The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer	26 May 2020	N/A	N/A
Enclosure 3- Document 1 from RT HON STEVE BARCLAY MP to Kate Forbes MSP Cabinet Secretary for Finance	29 May 2020	N/A	N/A
Enclosure 4- Letter from Cab Sec for Transport, Infrastructure and Connectivity - Michael Matheson MSP to The Rt. Hon. Alok Sharma MP Department for Business, Energy, and Industrial Strategy	28 July 2020	<i>The fragile nature of the viability of the company due to COVID19 may harm the commercial nature of the company should this become public knowledge</i>	33(1)b
Enclosure 5- Letter from Cab Sec for Transport, Infrastructure and Connectivity - Michael Matheson MSP to The Rt. Hon. Grant Shapps MP	28 July 2020	<i>The fragile nature of the viability of the company due to COVID19 may harm the commercial nature of the company should this become public knowledge</i>	33(1)b
Enclosure 6- Document 4 from Chris Heaton-Harris MP Minister of State for Transport to Michael Matheson MSP Cabinet Secretary for Transport, Infrastructure and Connectivity	06 August 2020	<i>The fragile nature of the viability of the company due to COVID19 may harm the commercial nature of the company should this become public knowledge</i>	33(1)b

Enclosure 7- Letter from Cab Sec Economy Fair Work and Culture – Fiona Hyslop MSP to The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer	21 August 2020	N/A	N/A
Enclosure 8- Document 2 from Rishi Sunak to Fiona Hyslop MSP Cabinet Secretary for the Economy, Fair Work and Culture	09 September 2020	N/A	N/A

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The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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7 May 2020

Dear Rishi

We welcome the important role that the Job Retention Scheme (JRS) is playing in supporting continued employment and income, and the fact that so many people have now started to receive that support directly.

Although the JRS has only recently opened for applications, we note from your media appearances in recent days that you are starting to consider a gradual exit from the Scheme from July.

We welcome your statement that there will not be a “cliff edge” to this support ending, but we share the concern raised by a large number of stakeholders about the uncertainty this brings.

The JRS is an essential lifeline for employers and employees, alongside the other schemes that have been put in place by both the UK Government and the Scottish Government. We understand that the support will need to be scaled back over time, but it is imperative that is done in a carefully considered way, and reflect the economic priorities of each of the four nations and the different sectors of our economies. The ability to stagger the closure of the scheme may be beneficial in considering how we safely exit the restrictions currently in place.

The First Minister set out our Framework for Decision Making last week. That will guide us as we make decisions about transitioning out of current lockdown arrangements and we have committed to working with the people of Scotland, including businesses, trades unions and others, as we make our judgements.

We have written separately to Alok Sharma in relation to the draft guidance on safer workplaces that the UK Government shared at the weekend. Employers and employees in Scotland are subject to guidance from the Scottish Chief Medical Officer, and this may differ from guidance issued by the UK Government, given the stage at which the health crisis is in Scotland compared to other parts of the UK.

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We would like your early assurance that workers in Scotland would not be penalised as a result of any such difference, through any curtailing of the job retention scheme. For example, if the rate of infection is lower in the rest of the UK than in Scotland, and as a result the Scottish Government advises that workers in Scotland should not return to work on the basis of public health grounds, it is important to provide reassurance that they will continue to be able to access support. As you will be well aware, the Scottish Government, under the terms of the fiscal framework, does not have the fiscal levers that would enable us to operate a similar scheme for Scotland only.

It is also likely to be the case, that as restrictions are eased, this will happen at a different pace across the different sectors of the economy. It will be important for the Job Retention Scheme to reflect any emerging guidance and that support is maintained, in some form, for sectors that remain closed or are only able to partially open.

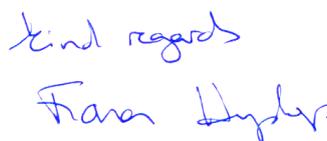
It will be important, too, to consider wider flexibility in the schemes to adapt to the changing requirements we place on employers. We have previously raised a number of concerns about the operation of the scheme – for example, in relation to pregnancy and maternity, and the ability of people to take on other roles while furloughed. We know that there are some sectors, such as tourism and the oil and gas industry, where ongoing or different support may be required. There is also an opportunity to support the transition to net zero emissions as part of our exit from the restrictions currently in place. These and other emerging issues will require consideration as the scheme continues.

Looking forward, as 'test, trace, isolate' is implemented across all four nations, it will also be crucial that workers required to isolate as a result of contact tracing are able to secure any necessary financial support so that they are able to self-isolate effectively.

While events are moving quickly, we look forward to early discussion on any proposals you are starting to develop on a measured approach to ending the JRS, and the alignment of that with health guidance.



KATE FORBES



FIONA HYSLOP

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The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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26 May 2020

Dear Rishi

I am writing to you on several issues relating to the Coronavirus Job Retention Scheme.

Extension of the JRS to October and flexibilities from August

I welcome the extension of the JRS to October. This provides certainty for employers and employees in Scotland as we start to emerge from lockdown.

There are several points of clarity that I want to seek in relation to the extension.

Firstly, while I am pleased that the terms of the extension support employers in each of the four nations to comply with any differences in public health guidance that may be in place, I seek your assurance that this will not change between now and the end of October. Our best understanding of the spread of the virus is that Scotland is slightly behind other parts of the UK in reaching the peak, and we anticipate that over the summer this may mean restrictions in Scotland are lifted later than elsewhere in the UK. We do not have the powers to put in place a replacement furlough scheme in Scotland and we need to ensure that employers and employees in Scotland are not penalised financially for complying with public health guidance.

The second is whether the extended scheme continues to apply only to people who were employed by their current employer on or before 19 March this year. I understand that the purpose of this cut-off date was to mitigate the risk of fraud. While the initial purpose of the scheme has been focused on maintaining the existing relationship between an employee and their employer, between March and October an increasing number of people will have moved or will move within the labour market or have started new jobs. It may be appropriate for employers to consider furloughing some of those staff and I would welcome consideration of any flexibility in this.

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The third is in relation to the welcome change to the scheme allowing people who are furloughed to work part-time. I would urge you to provide employers with as much flexibility as possible in managing this to better allow them to ensure they are meeting the needs of their business and providing flexibility to employees.

Concerns about the impact of schools and nursery closures on parents who in some cases are juggling full time work from home with childcare have been raised with us repeatedly. We know that women are being particularly impacted as they disproportionately absorb these additional caring responsibilities. It is critical that the gendered nature of unpaid care is taken into account in our response to COVID-19, including in the ongoing design and operation of the JRS to prevent longer-term negative impacts on women's labour market participation. Flexibility in the minimum amount of time someone can be furloughed – currently three weeks – would also be welcome and is one of the points that has most consistently been raised with my officials by stakeholders.

Asking employers to contribute to the costs of the scheme from August

I appreciate that the costs of the scheme are likely to be significant, though the alternative costs of ending the scheme too quickly and seeing a large surge in unemployment would also be significant, but with the potential to cause greater longer term damage to the economy.

I support the idea of asking employers to contribute to the costs of the scheme where they are able to do so, but I am concerned about applying this as a blanket rule across all employers and sectors.

My officials have not seen any of the detail of your proposed approach to this, but reports in the media this weekend suggest that employers might be expected to pay (between 20 and 30%) of the wages of furloughed staff, and to pay employers' National Insurance Contributions again. These reports also suggested that all employers may have to contribute even if they are still under lockdown.

There are some sectors that we know are likely to still face some restrictions in August, or where we know recovery will take longer, or where the main source of annual income is usually generated during the time period where restrictions have been in place – for example, over the summer period for our tourism industry. I do not think it is realistic to expect employers who continue to face these challenges to make the same contribution to the costs of the scheme as employers who are operating more normally. This is a particular concern for some sectors, such as the hospitality sector, where a very large proportion of employees are currently furloughed. The latest results from the ONS UK Business Impacts of COVID-19 Survey, covering the period 20 April to 3 May, show that in the Accommodation and Food Services sector, more than three-quarters (77.7%) of the UK workforce are on furlough. In Arts, Entertainment and Recreation, more than half the UK workforce (64.6%) are furloughed. This is in contrast to Human Health and Social Work and Education, where furloughed rates are much lower (6.7% and 8.5% respectively).

If there is not some allowance for this – either within the rules of the JRS, or by providing alternative support to help employers in sectors with the costs of the scheme – then this may just delay, rather than avoid, mass redundancies and business closures in those sectors.

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Additionally, I would be keen to see what steps are being taken to ensure the Job Retention Scheme supports groups in the labour market who are in a more vulnerable position. Women and young people are more likely to be working in the hardest-hit sectors such as hospitality, retail and leisure/entertainment. Recent research (18 May) by the Resolution Foundation found that of all age groups, young workers (18-24 year olds) are more likely to have been impacted due to furloughing, job losses, and hours reductions. Finally, minority ethnic people are more likely to be agency workers and make up a much greater share of employment in the distribution and hospitality industries than the white population and so are likely to be disproportionately affected.

Test and Protect and Income during self-isolation

Our ability to test, trace, isolate and support people who have been exposed to the virus through Scotland's Test and Protect strategy will be critical as we move into the first phase of recovery in Scotland. The financial support that is available to people who have been affected – in particular, to people who are instructed to self-isolate for fourteen days will be critical to the success of this public health intervention. It will be more difficult for people to comply with these arrangements if they face financial hardship in doing so. We cannot say with certainty at this point how long we will require Test and Protect, but our planning assumption is that it will need to be operational for two years, or until we have delivered a vaccine programme.

Your colleague Matt Hancock told Jeane Freeman last week that Treasury officials have been working with the UK Department of Health on the income protection arrangements for people who need to isolate. This work must urgently be shared with the devolved administrations so we can ensure it aligns with the arrangements in place in each of the four nations.

The JRS currently offers one route for support, as employees who are sick, self-isolating, shielding or caring for someone else can be furloughed by their employer. However, there are several constraints with the JRS as the vehicle for this support: as noted above, it is not open to people who were not employed in their current job on or before 19 March; furloughing is for a minimum of three weeks, which is longer than we will require people to self-isolate; and participation in the scheme is a choice for individual employers to make, rather than a right extended to employees who are instructed to self-isolate. I urge you to confirm that the use of the JRS for health reasons, including self-isolation and shielding, as well as for people who are caring for someone else, including children who are not at school, will continue as long as individuals are expected to take such measures. JRS payments must also be administered promptly to ensure those who are required to self-isolate straight away under Test and Protect will have the means to do so. Any alternative arrangements to the JRS for this purpose would need to be worked through in detail with each of the devolved administrations and be made clear to employers and employees well in advance to avoid confusion.

Beyond the JRS, the other financial support currently available to people who are unable to work due to testing and tracing is Statutory Sick Pay. My colleague Shirley-Anne Somerville wrote to Thérèse Coffey on 25 March asking the UK Government to take measures to make SSP more responsive, including extending SSP to all workers irrespective of earnings levels during the current situation; and to increase the money paid under SSP to match the living wage. We look forward to receiving an update on the UK Government's plans for SSP.

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Issues in relation to the current scheme that require to be addressed during the extension

While the JRS has been a welcome source of support, there are some issues with the scheme that have been raised by employers and employees in Scotland that remain now the scheme has been extended.

Greater clarity in the guidance on the scheme is required on the following points:

- Some employers who would normally have income from both public and private sources have concerns about correctly claiming a grant through the JRS.
- Some employers are concerned about their liability for Capital Gains Tax, and their ability to pay this, as the grant paid through the JRS is counted as State Aid.
- How the JRS should apply to people who are required to stay home due to an individual in your household shielding and are unable to work from home – in particular, whether this applies to employees who have a high risk of bringing the virus home and putting those shielding at greater risk and/or employees who have to stay home because those who are shielding in that household require care.

Guidance on the use of the JRS by public bodies

In his letter to Kate Forbes of 18 May, the Chief Secretary to the Treasury set out further clarity on the principles of the scheme as it applies to the public sector. This reflects the additional guidance that we set out to public bodies in Scotland, following earlier helpful official level discussion. A small number of public bodies in Scotland, who are dependent on sources of income beyond the public purse, have furloughed staff – including Historic Environment Scotland; National Galleries of Scotland; National Museums of Scotland; and Royal Botanic Garden, Edinburgh. The scheme going forward should allow for different routes out of lockdown and the way that that will impact how public sector bodies can operate and start to generate income in different part of the UK.

Self-Employment Income Support Scheme

I am pleased to hear that applications for the Self-Employment Income Support Scheme have now opened, and that self-employed people have started to receive payments of the support they need. When the SEISS was announced, its terms closely matched the support available to employers and employees through the JRS. I urge you to announce the extension of the SEISS to the end of October in line with the extension you have already announced for the JRS. The future of the scheme will also be crucial for self-employed people to comply with the self-isolation requirements of Test and Protect.

Beyond October

The JRS has been a critical part of the response to coronavirus and has helped to avoid mass redundancies, provide people with income, and reduce the number of business failures. I accept that the costs are very significant – but so would be the costs of ending the scheme too quickly, particularly if that means mass redundancies have only been delayed, not avoided entirely.

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We already expect that there will be some sectors of the economy who will still face restrictions or challenges in the longer term, and are likely to still require support beyond October, and that our Test and Protect strategy will continue well beyond October for as long as we need to control the virus.

It may also continue to be the case that the rate of infection is higher in some areas of the UK than others, so public health guidance may be different in Scotland than in the rest of the UK. It will continue to be the case beyond October that if Government is telling people they should not go to work for public health reasons, there will need to be a means of providing an income.

Given the timelines for notice period of redundancy – this means we need to be able to tell people by mid-September at the very latest what arrangements will be in place beyond October.

I am keen to work with you to ensure that longer term plans reflect the TTIS strategies of each nation, any sectoral differences in our economies, and public health guidance in response to the rate of infection of the virus in each area.

I would like to discuss these matters with you directly and my office will be in touch with your officials to arrange this.

*Kind regards
Fiona Hyslop*

FIONA HYSLOP

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

Kate Forbes MSP
Cabinet Secretary for Finance
The Scottish Government
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29 May 2020

Dear Kate

The UK and Scottish governments have been working to keep people in employment, protect people's incomes and support businesses, all to give the best chance of recovering quickly as the economy reopens.

Since the UK government announced the extension of the Coronavirus Job Retention Scheme (CJRS) earlier this month, we have discussed the future of the scheme, as have our officials, and I am very grateful for your contributions on the policy. I am writing to inform you that today the Chancellor will make an announcement about the future of the scheme and about an extension to the Self-Employment Income Support Scheme (SEISS). I therefore wanted to share more detail on the next steps for both schemes.

Coronavirus Job Retention Scheme

To date, more than 8 million jobs have been protected through our job retention scheme which would otherwise have been at risk. Around 1m firms have benefitted from this support. As you know, the Chancellor announced on Tuesday 12 May that the CJRS would be extended until the end of October. This means the scheme will now be in place for a full eight months, giving businesses the vital support that they need during this unprecedented time. As we now begin to re-open the economy, it is right that state support is slowly reduced and the focus shifts to getting furloughed employees back to work.

The Chancellor said then that there would be some changes during the extension period, notably the introduction of part time, or flexible, furloughing, and also that we would start to require employers to make a contribution alongside the taxpayer in paying their employees. However, one thing that would not change was the level of support that furloughed employees would receive, which throughout the Scheme will remain at 80% of their normal wage, up to a monthly cap of £2,500.

Flexible Furloughing

You have been clear with me, as have companies small and large across the country, about the importance of flexibility for employers to bring back their furloughed employees for any amount of time and any shift pattern. We will today confirm that employers will enjoy such flexibility. They will be able to claim the furlough grant for the proportion of the employees' normal hours they are not working. Employers must pay their employees for the hours they are working,



subject to their employment contract, and will be required to report data on hours worked by an employee and the usual hours an employee would be expected to work in a claim period under the scheme for furloughed employees.

The Chancellor originally said this was going to be introduced in August, but that he would accelerate the timetable if possible. I am pleased to confirm to you that we are bringing this forward to 1 July, giving businesses across all the nations of the UK more flexibility to respond to demand as the economy reopens.

As a result, from Wednesday 1 July, the three week minimum furlough period will be removed entirely; that is, there will be no minimum amount of time that an employee has to be on temporary leave. However, any furlough arrangement agreed between employer and employee and reported in a claim to HMRC must still cover a period of at least one week; we have reduced this as far as is possible to enable more flexibility, while still managing the potential for widespread fraud in the system.

To enable this change on 1 July, the CJRS will be closed to new entrants on 30 June. This means employees furloughed for the first time must be placed on furlough on or before Wednesday 10 June in order to access flexible furlough, in order for the three week minimum period to have been completed by 30 June. All employers planning to claim a grant from 1 July must have completed their first claim for the period ending 30 June by Friday 31 July. Closing the scheme to new entrants reflects our desire to gradually close the scheme, focusing on bringing those currently furloughed back into productive employment. It will ensure that government support goes to those employers who are transitioning off the scheme, enabling employees to return to work if they can. In addition, it will help to prevent widespread abuse of the scheme when greater flexibility is allowed.

Employer Contribution

As we have discussed, it is right, in the final months of this eight month scheme, to ask employers to contribute, alongside taxpayers, to paying the wages of their staff. This is also in line with other countries' approach. But we understand too, that businesses and employers have been through an incredibly difficult time. So we have decided to ask employers to pay only a modest, affordable contribution. Throughout, employees will continue to receive that 80 per cent of salary covering the time they are unable to work:

In June and July, nothing will change for employers and the government will continue to pay 80 per cent of people's salaries.

From August, the level of the grant will be slowly reduced and employers will be required to top up the government payment to ensure employees receive 80 per cent of their normal pay, up to a monthly cap of £2,500, throughout.

- In August, employers will be asked to pay just Employer NICs and pension contributions – 5 per cent of average gross employment costs. The government will continue to pay 80 per cent of wages, up to a cap of £2,500.



- In September, employers will pay ER NICs and pension contributions, and 10 per cent of wages to make up 80 per cent total, up to a cap of £2,500. The government will pay 70 per cent of wages up to a cap of £2,187.50 for the hours the employee does not work.
- In October, employers will pay ER NICs and pension contributions, and 20 per cent of wages to make up 80 per cent total, up to a cap of £2,500. The government will pay 60 per cent of wages up to a cap of £1,875 for the hours the employee does not work.

Almost 40% of employers have not made a claim for employer NICs costs or employer pension contributions and so will likely be unaffected by the change in August. Also, around 25% of CJRS individual claims are below the thresholds where employer NICs and automatic enrolment pension contributions are due, and so no employer contribution would be expected on these payments to furloughed employees in August.

If an average claim lasted 8 months, the total cost of employer contributions would represent around 5% of the gross average employment costs an employer would have incurred had the employee not been furloughed.

Detailed guidance on these changes will be published on Friday 12 June.

Self-Employment Income Support Scheme

As the Chancellor will announce today, the SEISS will be extended and eligible individuals could now qualify for a second and final grant.

The SEISS opened on 13 May – ahead of schedule – and eligible individuals will still be able to apply for the first grant until 13 July. This is a taxable grant worth 80 per cent of their average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £7,500 in total. Those eligible have the money paid into their bank account within six working days of completing a claim. By midnight on 24 May, 2.3 million self-employed individuals had already applied for grants, worth £6.8 billion in total.

The extension of the SEISS now means eligible individuals whose business is adversely affected by coronavirus will be able to claim a second and final taxable grant when the scheme reopens for applications in August. Individuals will be able to claim a taxable grant worth 70 per cent of their average monthly trading profits, paid out in another single instalment covering three months' worth of profits, and capped at £6,570 in total. This is in line with changes to the CJRS as the economy reopens and the eligibility criteria remain the same for this final grant.

An individual does not need to have claimed the first grant to receive the second grant: for example, they may only have been adversely affected by coronavirus in this later phase.

Further guidance will be published on Friday 12 June.

I believe that the UK's CJRS and SEISS schemes remain some of the most comprehensive and generous schemes provided anywhere in the world.



I am grateful for the constructive conversations we have had on the measures our administrations have taken to support the economy. I look forward to our continued engagement on the Covid-19 response and other matters.

Best wishes,

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

RT HON STEVE BARCLAY MP

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The Rt. Hon. Alok Sharma MP
Department for Business, Energy, and Industrial
Strategy
1 Victoria St,
Westminster,
London
SW1H 0ET

28 July 2020

Dear Alok,

[REDACTED], headquartered in Scotland with sites across the whole of the UK, currently provide 2,500 high-skilled jobs manufacturing buses. The impact of COVID-19 on bus patronage has been profound, leading to a very challenging situation for **[REDACTED]** as demand for new buses has fallen. **[REDACTED]** have raised with me the likelihood of a significant number of redundancies in the coming months which I wish to avoid.

I am committed to a strong public transport sector in Scotland and am optimistic that in the medium to longer term, the prospects for vehicle manufacturing are good. Over the coming decades, as we move to a net-zero emission economy, agile and innovative manufacturers will benefit from the pressing need to replace all road vehicles with zero-emission models. **[REDACTED]** are well positioned to benefit from this, but in order to do so it must be able to get through the immediate impacts of COVID-19. I am writing to ask you to do everything possible to help.

I have considered a broad range of options to support bus manufacturing in Scotland and I consider the following to be the most feasible. The first three I am pursuing directly within Scotland and encourage you to do the same in England, and the last is a reserved issue which I would encourage you to consider for the UK:

1. Bring forward delivery mechanisms, at pace and scale, for the introduction of zeroemission buses.
2. Place orders for buses directly, or support Local Government to do so, which can then be used by operators.
3. Consider offering soft-loan packages, with flexible repayment options, to operators in need of financial support to purchase new buses.
4. Extend the Job Retention Scheme past October 2020 for manufacturers whose order books have been depleted by the impact of COVID.

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I would be happy for our Officials to discuss details and explore options that could be helpful across the board and I call on you to do everything possible to support **[REDACTED]** through this difficult time.

I have written in the same terms to the Secretary of State for Transport.

A handwritten signature in blue ink, appearing to read "Best wishes" followed by a stylized signature.

MICHAEL MATHESON

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The Rt. Hon. Grant Shapps MP
Great Minster House
33 Horseferry Road
London SW1P 4DR

28 July 2020

Dear Grant,

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I am committed to a strong public transport sector in Scotland and am optimistic that in the medium to longer term, the prospects for vehicle manufacturing are good. Over the coming decades, as we move to a net-zero emission economy, agile and innovative manufacturers will benefit from the pressing need to replace all road vehicles with zero-emission models. **[REDACTED]** are well positioned to benefit from this, but in order to do so it must be able to get through the immediate impacts of COVID-19. I am writing to ask you to do everything possible to help.

I have considered a broad range of options to support bus manufacturing in Scotland and I consider the following to be the most feasible. The first three I am pursuing directly within Scotland and encourage you to do the same in England, and the last is a reserved issue which I would encourage you to consider for the UK:

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I have written in the same terms to the Secretary of State for Business, Energy and Industrial Strategy.

A handwritten signature in blue ink, appearing to read "Michael Matheson".

MICHAEL MATHESON

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From the Minister of State
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Our Ref: MC/303137

6 August 2020

Dear Michael,

Thank you for your letter of 28 July addressed to the Secretary of State, regarding the need to support UK bus manufacturers such as [**REDACTED**]. I am replying as the Duty Minister.

I am aware that the Secretary of States shares your commitment to ensuring that Scotland as well as the rest of the UK has a strong public transport sector and we welcome your suggestions on options to support the industry. Companies such as [**REDACTED**] have made the British bus industry a manufacturing success story and throughout this period of unprecedented disruption and uncertainty, the bus industry has played a critical role in keeping Britain moving. As we move forward together and restart our economy, buses will continue to play an integral part in connecting people across the country.

This is why HM Treasury has announced several measures available to UK businesses to financially support them through this time. The Chancellor has been clear that the £330 billion of Government support through loans and guarantees needs to reach as many businesses as possible. [**REDACTED**], as well as other bus manufacturing firms, have benefited from participation in the UK Government's COVID-19 Job Retention Scheme (CJRS).

At the onset of the COVID-19 pandemic, the Government put in place an unprecedented package of measures to protect jobs and incomes, including schemes to raise capital, flexibilities with tax bills, and financial support for employees. Despite these measures, there remain serious challenges for

the bus sector and its wider partners. The CJRS is a crucial part of our financial support in protecting jobs and businesses through this crisis. The Chancellor has extended the scheme to October, with some changes intended to be introduced in August. The CJRS must be temporary and we must ensure people can get back to work when it is safe to do so and get the UK economy up and running again. As the economy re-opens, we must look at how to adjust our support in a way that ensures people can get back to work, protecting both the UK economy and the livelihoods of the British people.

The Chancellor has said “Leaving the furlough scheme open forever gives people false hope that it will always be possible to return to the jobs they had before. The longer people are on furlough, the more likely it is their skills could fade, and they will find it harder to get new opportunities. It is in no-one’s long term interests for the scheme to continue forever, trapping people in jobs that can only exist because of a government subsidy. The scheme will wind down, flexibly and gradually, supporting businesses and people through to October.”

Having extended CJRS to the end of October, this will provide the certainty needed for businesses right across the Union. We will continue to work closely with the Devolved Administrations to support people across the Union, and continue to monitor developments in the public health and wider economic situation, to ensure that the support we are providing is appropriate for the whole UK. The UK Government is providing support directly to people and businesses in Scotland, Wales and Northern Ireland through the UK-wide measures announced in the Plan for Jobs. The Devolved Administrations will also receive additional funding through the Barnett formula and devolved tax fiscal frameworks.

The Government is in regular dialogue with bus firms, mostly recently with a roundtable hosted by the Minister responsible for buses, Baroness Vere, which took place on 30 July with a range of bus manufacturers which included the Chief Executive of [REDACTED]. The Secretary of State welcomes your suggestion that our officials should meet to discuss details and options, and has asked the appropriate policy team to make contact.

With schemes such as the upcoming £50 million All-Electric Bus Town, introduction of 4,000 zero-emission buses and future transport hydrogen hubs, there will be new funding opportunities for UK bus manufacturers such as [REDACTED] to benefit from. The details of these programmes, including how funding will be distributed, will be announced in due course. These schemes will not only support the bus manufacturing sector and wider economy by providing new jobs and retaining current ones, but they will also help decarbonise the transport sector and assist in helping us meet our net zero ambitions and improve air quality.

The UK Government will continue to support Scotland and the Scottish Government where it can and any additional support required for bus

manufacturers will be considered as part of a programme of longer term recovery measures which is currently being scoped.

Thank you for writing to raise your suggestions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris', with a stylized flourish extending to the right.

Chris Heaton-Harris MP
Minister of State for Transport

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E: scottish.ministers@gov.scot

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

21 August 2020

Dear Rishi

SUPPORT FOR BUSINESS FOLLOWING THE END OF THE JOB RETENTION SCHEME

I write in response to your statement of 7 August 2020 confirming that the Job Retention Scheme will end on 31 October 2020 and ask for your urgent support to develop the measures required to ensure that businesses and individuals in Scotland continue to receive the support they need.

The furlough scheme has been an essential tool to enable businesses to comply with the necessary restrictions placed on them. Statistics published today show that 779,500 employees in Scotland have been furloughed. This demonstrates how vital the scheme has been in providing the stability needed.

Ending support in only 10 weeks' time will push many businesses and employees into crisis. Individuals should not be asked to choose between their family's health and their financial security. It is imperative that employers have appropriate continuing support to allow them to fully comply with public health guidance and prevent a resurgence of the virus in our communities.

As we move forward in our response, it is likely that we will see more cluster outbreaks and local restrictions. We need to be able to respond quickly to ensure that these do not escalate. In those clusters that we have already seen, the furlough scheme has provided reassurance that viable businesses will not be put at risk. It has also been an important source of support where individual workers who cannot work from home are asked to self-isolate through our Test and Protect scheme.

It may also take longer than 10 weeks for some sectors of our economy to recover and after October some may still face restrictions which prevent them from fully functioning. Failing to support these sectors will have devastating long-term economic impacts. Investing now would be more effective than the costs of having to rebuild once the crisis passes.

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The indications are that many countries are now considering what their approach will be to supporting economic recovery longer term. The focus of these schemes is to avoid the loss of skills and experience within a workforce which for public health reasons is not able to function at full capacity. For example, France has announced that they will extend their wage subsidy schemes for two years with Germany likely to do the same; Ireland has announced a flat rate wage subsidy scheme which will be available until March 2021.

I am now asking you to consider amending the Job Retention Scheme to enable support to be focussed on those areas that will continue to require assistance. We have to be able to provide a response that is swift and flexible when we face particular challenges like those described above.

If the current furlough scheme could be replaced with more targeted support, I would be keen to work with you to develop this to ensure that it reflects the situation in Scotland. I understand HM Treasury is considering options for financial support in the context of the outbreak in North West England, and I would urge you to expand the scope of that thinking to include workers isolating in different contexts across the country. This is particularly important for individuals who are told to self-isolate for two weeks through the Test and Protect scheme and who cannot work from home. It is critical that this work is done quickly to provide reassurance to businesses and workers about the support they will be able to access beyond October.

I look forward to working with the UK Government and the other devolved administrations to take this forward, building robust supports to ensure that no one is left behind.

*Kind regards
Fiona Hyslop*

FIONA HYSLOP

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St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



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

09 September 2020

Fiona Hyslop MSP
Cabinet Secretary for the Economy, Fair Work and Culture
Scottish Government
St Andrew's House
Regent Road
Edinburgh, EH1 3DG

Dear Fiona

SUPPORT FOR BUSINESS FOLLOWING THE END OF THE CORONAVIRUS JOB RETENTION SCHEME

Thank you for your letter of 21 August regarding support measures for businesses and individuals in Scotland. This is a difficult time for all four nations of the UK, and I recognise the extreme disruption people continue to face in Scotland.

The Government has implemented an action plan to support people, businesses and the economy through this crisis. This ambitious package, unprecedented in UK history, utilises an array of fiscal and monetary measures. We have put in place a £190bn plan - one of the largest and most comprehensive economic responses in the world.

For Scotland this includes over £2.4bn worth of government backed loans through the Coronavirus Business Interruption Loan Scheme and Bounce Back Loans for businesses in need of support, as well as ongoing support through tax deferrals and the Coronavirus Corporate Financing Facility. In addition to this, the UK Government has guaranteed at least £6.5bn of extra resource funding for the Scottish Government for this year, which will help to ensure people, businesses and public services in Scotland get the support they need to recover from the pandemic.

For individuals, the UK Government's COVID-19 welfare measures provide extra funding to those who need it most and those unable to access other forms of support. We have increased the Universal Credit standard allowance and Working Tax Credit basic element by £1,040 a year, made increases to the Local Housing Allowance rates for Universal Credit and Housing Benefit claimants and relaxed the Universal Credit minimum income floor.

Going forward, the UK Government will continue to engage with the devolved administrations, businesses and representative groups with the aim of ensuring that support provided is right for these sectors under strain and for the UK economy as a whole. We are monitoring the impact measures are having and we will keep all policies under review.

UNCLASSIFIED

The Coronavirus Job Retention Scheme (CJRS) was the right policy for the first phase of this crisis. However, the CJRS must be temporary and we must ensure people can get back to work when it is safe to do so and get the UK economy up and running again.

Leaving the furlough scheme open forever gives people false hope that it will always be possible to return to the jobs they had before. The longer people are on furlough, the more likely it is their skills could fade, and they will find it harder to get new opportunities. The scheme will wind down, flexibly and gradually, supporting businesses and people through to October.

It is the case that some firms will be affected by COVID-19 for longer than others, and, working with you and the Scottish Government, we will seek to support these firms appropriately. But it would be challenging to target the CJRS to specific sectors in a fair and deliverable way, and it may not be the case that this is the most effective or sensible way to provide longer term support for those sectors most affected. It would also be difficult to target the CJRS at specific sectors without creating distortion, particularly as some firms work across multiple sectors.

The UK Government's objective is to return to our way of life as soon as possible; focusing on not just saving lives, but also livelihoods. Building on the action taken in the face of the immediate threat posed by the virus, we are proceeding with the second phase of our response with a targeted Plan for Jobs which will support the UK's economic recovery while continuing to prioritise people's health.

We will support jobs through direct help for people to find work and to gain the skills people need to get a job. We are protecting jobs in the hard-hit hospitality and accommodation sectors and at attractions by supporting demand for these businesses, giving them confidence to reopen. We are creating jobs with action to get the property market moving, to increase and bring forward infrastructure investment, and to make homes greener, warmer and cheaper to heat. Finally, the Job Retention Bonus will encourage firms to keep on furloughed workers and preserve the valuable firm/employee match that was protected through the CJRS.

This Plan for Jobs will help to kickstart the nation's economic recovery ahead of a fuller package of medium-term recovery measures in the upcoming Budget and Spending Review.

As the economy re-opens, we must adjust our support, whilst protecting both the UK economy and the livelihoods of the British people. In this effort, I look forward to working with the Scottish Government and all the devolved administrations.

Best wishes,



RISHI SUNAK