

Message

**From:** Leunig, Tim - HMT [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=2F970ACA0EF44F558376F609F08873D1-LEUNIG, TIM]  
**Sent:** 19/03/2020 2:18:19 PM  
**To:** Hemingway, Tom - HMT [tom.hemingway@hmtreasury.gov.uk]; [NR] HMT [NR]@hmtreasury.gov.uk  
**CC:** Russell, Beth - HMT [beth.russell@hmtreasury.gov.uk]; Whyte, Lindsey - HMT [lindsey.whyte@hmtreasury.gov.uk]; York-Smith, Dan - HMT [dan.york-smith@hmtreasury.gov.uk]; Kantor, Suzy - HMT [suzy.kantor@hmtreasury.gov.uk]; [NR]@hmtreasury.gov.uk; Smewing, Conrad - HMT [conrad.smewing@hmtreasury.gov.uk]  
**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Let's keep it simple: binary you are either furloughed or not. (If we had more time, we could look at half furloughing people. But let's avoid the complexity.)

As you say, there is a risk of discrimination, just as there is with redundancies, promotion, etc etc.

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**From:** Hemingway, Tom - HMT <Tom.Hemingway@hmtreasury.gov.uk>  
**Sent:** 19 March 2020 14:11  
**To:** [NR]@hmtreasury.gov.uk  
**Cc:** Leunig, Tim - HMT <Tim.Leunig@hmtreasury.gov.uk>; Russell, Beth - HMT <Beth.Russell@hmtreasury.gov.uk>; Whyte, Lindsey - HMT <Lindsey.Whyte@hmtreasury.gov.uk>; York-Smith, Dan - HMT <Dan.York-Smith@hmtreasury.gov.uk>; Kantor, Suzy - HMT <Suzy.Kantor@hmtreasury.gov.uk>; [NR] HMT [NR]@hmtreasury.gov.uk; Smewing, Conrad - HMT <Conrad.Smewing@hmtreasury.gov.uk>  
**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

I think there's a choice here. In the Cx meeting, not working was what was discussed – it was Tim's idea, so copying him and Conrad in case I'm mis-representing.

I believe in Germany the form allows you to tick they'll either be working 0% or x%, I assume with different levels of support accordingly. That certainly has logic, but (again) adds an extra element of complexity to the design.

Separately my team have pointed out the legal risk of discrimination – basically if firms furlough some of their staff, but not all, are they open to accusations of discrimination. One for the lawyers I suspect.

Tom

**Tom Hemingway** | Deputy Director – Labour Markets and Distributional Analysis | Personal Tax, Welfare and Pensions  
HM Treasury, 1<sup>st</sup> Floor Orange, 1 Horse Guards Road, London, SW1A 2HQ  
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**From:** [NR]@hmtreasury.gov.uk  
**Sent:** 19 March 2020 14:05  
**To:** Hemingway, Tom - HMT <Tom.Hemingway@hmtreasury.gov.uk>  
**Cc:** Russell, Beth - HMT <Beth.Russell@hmtreasury.gov.uk>; Whyte, Lindsey - HMT <Lindsey.Whyte@hmtreasury.gov.uk>; York-Smith, Dan - HMT <Dan.York-Smith@hmtreasury.gov.uk>; Kantor, Suzy - HMT <Suzy.Kantor@hmtreasury.gov.uk>; [NR]@hmtreasury.gov.uk  
**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Hi Tom,

Can I just check this not working requirement point? I get the aim, which is to distinguish between the genuinely affected better than using any sort of sectoral/turnover threshold, but if I am running really tight margins on my business and can choose between paying someone 20% to do nothing, or having no costs, why would I keep the costs if I think I'm going to go under? We're just saying this is a national emergency and businesses need to do their bit? Sorry if you covered it in the meeting, I could only hear half of it at times.

Is this actually the German/Danish model?

Ian

**From:** Hemingway, Tom - HMT <Tom.Hemingway@hmtreasury.gov.uk>

**Sent:** 19 March 2020 13:51

**To:** [redacted]@hmtreasury.gov.uk; Kantor, Suzy - HMT <Suzy.Kantor@hmtreasury.gov.uk>; [redacted]@hmtreasury.gov.uk; Broadway, Nicholas - HMT <Nicholas.Broadway@hmtreasury.gov.uk>; Nurse, Gwyneth - HMT <Gwyneth.Nurse@hmtreasury.gov.uk>; Russell, Beth - HMT <Beth.Russell@hmtreasury.gov.uk>; [redacted] - HMT [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; York-Smith, Dan - HMT <Dan.York-Smith@hmtreasury.gov.uk>

**Cc:** Nayee, Dharmesh - HMT <Dharmesh.Nayee@hmtreasury.gov.uk>; peter.downing@hmrc.gov.uk; [redacted] HMT [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; [redacted] HMT [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; [redacted] HMT [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; zzHMRC\_Bristow, Carol <carol.bristow@hmrc.gov.uk>; cerys.mcdonald hmrc.gov.uk <cerys.mcdonald@hmrc.gov.uk>; Harvey, Anna - HMT <Anna.Harvey@hmtreasury.gov.uk>; [redacted] HMT [redacted]@hmtreasury.gov.uk; Mountford, Laura - HMT <Laura.Mountford1@hmtreasury.gov.uk>; [redacted] [redacted]@hmtreasury.gov.uk; Jones, Victoria - HMT <Victoria.Jones@hmtreasury.gov.uk>; [redacted] [redacted]@hmtreasury.gov.uk; Neilson, James - HMT <James.Neilson@hmtreasury.gov.uk>; Vaghjiani, Parag - HMT <Parag.Vaghjiani@hmtreasury.gov.uk>; Whyte, Lindsey - HMT <Lindsey.Whyte@hmtreasury.gov.uk>; Smewing, Conrad - HMT <Conrad.Smewing@hmtreasury.gov.uk>; [redacted] HMT [redacted]@hmtreasury.gov.uk; Cowan, Johanna - HMT <Johanna.Cowan@hmtreasury.gov.uk>; Athwal, [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk; Medland, Jonny - HMT <Jonny.Medland@hmtreasury.gov.uk>; Furse, Alex - HMT <Alex.Furse@hmtreasury.gov.uk>; [redacted] [redacted]@hmtreasury.gov.uk; Neilson, James - HMT <James.Neilson@hmtreasury.gov.uk>; Josephs, Tom - HMT <Tom.Josephs@hmtreasury.gov.uk>; Drane, Chris - HMT <Chris.Drane@hmtreasury.gov.uk>; [redacted]@hmtreasury.gov.uk; Patel, Kunal - HMT <Kunal.Patel@hmtreasury.gov.uk>; Perelman, Elizabeth - HMT <Elizabeth.Perelman@hmtreasury.gov.uk>; Williams, Mike - HMT <Mike.Williams@hmtreasury.gov.uk>; Henty, Matthew - HMT <Matthew.Henty@hmtreasury.gov.uk>; [redacted]@hmtreasury.gov.uk; Bayley, Emily - HMT <Emily.Bayley@hmtreasury.gov.uk>; [redacted]@hmtreasury.gov.uk; [redacted]@hmtreasury.gov.uk

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

All

I'm hoping this is the right chain. Apologies if I've lost people. I've discussed with Lindsey what I think we need for the next discussion with the Chancellor given the meeting we had this morning.

LMDA [redacted] will hold the pen on another 'annotated agenda' type product. We think this should cover:

- 1) Outline of a possible announcement based on the straw man, sitting alongside the other options being worked up on tax deferral and welfare (**can we ask for input from TASR, WSR and PT please**).
- 2) The straw man of this policy, where we'll basically look to articulate what was discussed earlier. I think this is, on a temporary basis: (permanently) define a new category of worker (furloughed) and say firms can move employees into

this category (with restrictions on what they can do; basically not working); firms then self-declare to HMRC that they have done this, providing information to identify these workers in the PAYE/RTI system; based on that declaration they then qualify for a payment worth x% of the workers salary up to a cap of £y,000; the government will make that payment as quickly as possible, ultimately with the ability to check that the worker has continued to be paid at least £z and that they met the furloughed requirements.

- 3) We need quick work on the costing of different options here. There are a bunch of moving parts in the above. Jack and Chris (LMDA) will work with Huw (scorecard) to get as far as we can.
- 4) Further work on the operational considerations, with two elements:
  - a. FS (**Anna?** Others?) exploring what the constraints on banks are around helping make payments quicker in this sort of scheme
  - b. HMRC (**Carol?**) to consider the ultimate implementation of this sort of scheme (noting the FS points are just intertemporal – i.e. government will ultimately need to pay the money out to the relevant people, be it firms or reimbursing banks in some way)
- 5) We need to consider the legal implications of the strawman – **James**, Ben in my team will speak to you, and is reaching out to BEIS to get their legal input too. Some obviously issues (non-exclusive): do we / HMRC need new powers to make these payments? Are there discriminatory risks?

Hope that makes sense, happy to discuss,

Tom

**Tom Hemingway** | Deputy Director – Labour Markets and Distributional Analysis | Personal Tax, Welfare and Pensions  
HM Treasury, 1<sup>st</sup> Floor Orange, 1 Horse Guards Road, London, SW1A 2HQ

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Sent: 19 March 2020 13:32

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Matthew - HMT <Matthew.Henty@hmtreasury.gov.uk>; [redacted] NR [redacted]@hmtreasury.gov.uk>;

Bayley, Emily - HMT <Emily.Bayley@hmtreasury.gov.uk>

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Thanks Suzy, will get the table round ASAP.

Copying Pete in for reference – Pete, to see on below on the repayment of PAYE to businesses option – as discussed, if this is a potential option, we’d need to get certainty on deliverability to the timeline set out below, and on detail on questions Suzy set out below.

Thanks,

[redacted] NR [redacted]

[redacted] NR [redacted] Personal Tax Strategy | [redacted] I&S [redacted]

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**From:** Kantor, Suzy - HMT <Suzy.Kantor@hmtreasury.gov.uk>

**Sent:** 19 March 2020 13:11

[See recipients listed above]

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

All,

Ian and I just talked and thought that it would be helpful to build on this table so that we have something for the next CX meeting that sets out all the cost-to-business options.

I’d recast the table slightly to can fit on one / two pages max – we’ll need to have further advice on each option alongside, these are (I think) all in train.

In the table I'd have

- Can this be announced tomorrow (i.e. are we confident the measure is legal / could be legislated and is deliverable)
- When would this kick in?
- Who benefits / who doesn't benefit
- Costs (in already)
- what would we say in an announcement

Hope that works for people. Adam / Charlie – are you ok to coordinate across the teams and get this for 4pm? We can then do a quick call pre-CX meeting

Thanks  
Suzy

 **Suzy Kantor**  
Deputy Director, Personal Tax  
1 Horse Guards Road, 1<sup>st</sup> Floor, Orange Zone, London, SW1A 2HQ  
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Working pattern: Monday - Thursday



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**From:** **NR** [s@hmtreasury.gov.uk](mailto:s@hmtreasury.gov.uk)  
**Sent:** 19 March 2020 10:51

[See recipients listed above]

[See recipients listed above]

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Hi **NR**

Please see a table with just the cash flow focused measures included, to have in addition to your wage subsidy note.

Thanks,

**NR**

**NR**

Personal Tax Strategy |

**I&S**

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**From:** **NR** <[NR@hmtreasury.gov.uk](mailto:NR@hmtreasury.gov.uk)>

**Sent:** 19 March 2020 10:09

[See recipients listed above]

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**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

**NR**

Economic Adviser, Labour Market Economics | Labour Markets and Distributional Analysis | PTWP  
HM Treasury, 1 Orange, 1 Horse Guards Road, SW1A 2HQ

**I&S**

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**From:** Broadway, Nicholas - HMT <[Nicholas.Broadway@hmtreasury.gov.uk](mailto:Nicholas.Broadway@hmtreasury.gov.uk)>

**Sent:** 19 March 2020 09:59

**To:** Nurse, Gwyneth - HMT <[Gwyneth.Nurse@hmtreasury.gov.uk](mailto:Gwyneth.Nurse@hmtreasury.gov.uk)>; Russell, Beth - HMT

[See recipients listed above]

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Hi **NR** - As agreed at the call this morning, in your annotated agenda, could you please replace the section “which firms quality” with the following list of bullets:

- Support employees that have been furloughed by their company
- Limited eligibility to businesses in identified sectors (i.e. tourism, transportation, leisure)
- Limit eligibility to businesses in sectors where revenue has fallen by X%
- Limit eligibility to businesses that have already exhausted government loan opportunities

I am putting together a list of pros/cons against each option which will be circulated to colleagues shortly.

Thanks,  
Nick

**Nicholas Broadway** | Economic Risks | Economics Group |  
HM Treasury | 1 Horse Guards Road, London, SW1A 2HQ |  
Tel: **I&S**

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**From:** Nurse, Gwyneth - HMT <Gwyneth.Nurse@hmtreasury.gov.uk>

**Sent:** 19 March 2020 09:40

[See recipients listed above]

[See recipients listed above]

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Beth – we are in the mix but being pulled in lots of different directions of course. Anna Harvey is leading for FS Group (supported by David Raw and team once we have stood up the CBILS scheme which needs to launch Monday). There is a read across between these two things and questions about the capacity of the banks to deliver but imperative is to stand up CBILS in line with CX announcements.



Gwyneth Nurse, Director  
HM Treasury | Financial Services Group  
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**From:** Russell, Beth - HMT <[Beth.Russell@hmtreasury.gov.uk](mailto:Beth.Russell@hmtreasury.gov.uk)>

**Sent:** 19 March 2020 09:11

[See recipients listed above]

[See recipients listed above]

**Subject:** Re: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Thanks

As on separate chain, this needs whole section on FS angle - can't leave that to another time. How do we get money to firms now is absolute key issue

I'd also put financing much more front and centre

Sent from my BlackBerry — the most secure mobile device — via the EE Network

**From:** NR @hmtreasury.gov.uk

**Sent:** 19 March 2020 08:55

[See recipients listed above]

**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

NR

- HMT has shared a OneDrive for Business file with you. To view it, click the link below.

 [off-sen- Wage subsidy 19.03.20.docx](#)

Hi all,

1<sup>st</sup> draft of an annotated agenda to take to CX meeting. Needs input from all, so could ask everyone take a look and add in their respective suggestions by **9.45**- ahead of pre-meet at 10? Know that's really tight, so just the key bullet points which think need to raise in this space.

I've added suggested leads but please correct if wrong and if can't access drop me a line!

Thanks,

NR

NR

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From: NR <[NR@hmtreasury.gov.uk](mailto:NR@hmtreasury.gov.uk)>

Sent: 19 March 2020 08:08

[See recipients listed above]

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**Subject:** Re: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Copying Mike W and Tim, Matt and Emily in BIT.

Fahad has kicked off some x-tax work on impacts on firms.

Thanks

NR

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From: [redacted] NR [redacted]@hmtreasury.gov.uk>

Sent: Wednesday, 18 March 2020, 21:41

To: York-Smith, Dan - HMT

Cc: Nayee, Dharmesh - HMT; Hemingway, Tom - HMT; [redacted] NR [redacted] HMT; [redacted] NR [redacted] HMT; [redacted] NR [redacted] HMT;

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Drane, Chris - HMT; [redacted] NR [redacted] HMT; Broadway, Nicholas - HMT; Patel, Kunal - HMT; Perelman, Elizabeth - HMT

**Subject:** Re: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Hi Tom

The plan looks good.

I worry about making firms commit to holding up employment in order to get money. How will firms know in advance whether they'll be able to do that in advance? And what happens if they don't manage it for reasons out of their control? Do we have to reclaim it? Quite a lot of businesses will perhaps not take any risk and just not take it up?

Presumably what we're saying here is rather something different than keeping employment up: we want to ensure the subsidy goes on wages, not dividends or exec compensation. But that's hard to enforce. But could we consider options to target this more directly/ supplement the targeting? Among big corporates you can impose restrictions on dividends, you can also impose clawback/excessive executive compensation arrangements on regulated firms. Or other means to get the money direct to employees? I know that slows things down, but again, if the terms are clear in advance, you can maybe encourage firms to borrow against the grant easily enough.

[redacted] NR [redacted]

Sent from my iPhone

On 18 Mar 2020, at 20:41, York-Smith, Dan - HMT <[Dan.York-Smith@hmtreasury.gov.uk](mailto:Dan.York-Smith@hmtreasury.gov.uk)> wrote:

Apologies if this is the wrong chain to put this on, but this is the resolution foundation report coming out tomorrow, in case these ideas are helpful

**Dan York-Smith | Director, Strategy, Planning and Budget**

2/22 | W: [redacted] I&S [redacted]

PA: [redacted] NR [redacted] I&S [redacted]

SCS sponsor HMT

<[image002.png](#)>

Network

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**From:** Nayee, Dharmesh - HMT <[Dharmesh.Nayee@hmtreasury.gov.uk](mailto:Dharmesh.Nayee@hmtreasury.gov.uk)>

**Sent:** 18 March 2020 20:18

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**Subject:** RE: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Thanks – also copying fiscal colleagues.

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**Sent:** 18 March 2020 19:58

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Subject: [OFFICIAL - SENSITIVE] Wage subsidy / Short-term work - plan for 19 March

Hi everyone

First of all, thanks to everyone that has been helping think about a new wage subsidy scheme targeted at helping keep people in work. It's been a great team effort so far, and has had a real impact on our ability to talk the Chancellor through this. The headline from the discussion this afternoon is that he is keen to do something in this space, so the challenge now is to work to develop a specific proposal. Hopefully we'll get a formal readout.

On the back of that discussion, I'm going to attempt to articulate a plan for tomorrow. I've started a new email chain because I wasn't sure what the right one to go back on. I've tried to copy widely, but obviously will have missed people.

Tomorrow there is a deep dive with the Chancellor on this at 1045 for an hour. This is the opportunity to present the work everyone has been doing today, but I think we need to turn it into a set of slides to work through. We then have another slot at 5pm (the regular covid meeting), though this won't be the only item (as it wasn't tonight). Based on the discussions today, I think the list of issues we need to go through tomorrow are as below. We need to have a bit of a think about appropriate form for this, but given the timing, my suggestion is that **NR** again holds the pen, this time on an annotated agenda following roughly the below. We would then ideally have any data/tables/evidence we want to present in hard copy to take along and have people ready to speak to each topic.

I think there are three big design choices that will be needed for any announcement on this (where a minimum might be announcing the intention to act in this space). They are:

1. Which firms qualify? I think the options here are going to be pretty crude, but I think the Chancellor will need to set out some principles the scheme is going to use. It would also be good to understand how the economic impact of the different choices and some sense of the scale of the different groups (e.g. if you just targeted hospitality, how many employees are that etc.). Can I ask **NR** and **NR** to link up with **Dharmesh** and **SDX** to think about what we can say about options for how to define which firms qualify and what we can say about the impact of those choices.

2. How generous to make the scheme? The lead option here seems to be linked to full-time work at NLW; I think we should include tying the rate to UC as a cheaper option. I would also like to understand what proportion of wages that would cover (i.e. the replacement rate), ideally by sector and possibly size of firm (?). Can I ask **NR** or **NR** to look into that.

Ideally we would combine both into some sort of costing table – i.e. if you did an option linked to NLW and covered the whole economy, it costs £40b a month if everyone claims; then different coverages etc.. I think we need to assume full take up, though that won't be realistic.

3. What we want firms to do to qualify for the money? I think basic thing here is keeping their employment levels up – i.e. money from gov't tied to how many people remain in employment. **NR** – again, can you think about whether there's anything else here?

There's then the operational questions, where my take from the emails today is that BEIS and HMRC are more viable than DWP (who have other pressures). I think we need to test if this needs to be sorted out for every announcement option (i.e. could we just say we're going to put in place a scheme based on the three design choices above).

Nonetheless, we need have some idea of how we'd do this, including starting to work out how long this would take to deliver and recognise any major risks. I think there are two options (noting I've not fully thought this through):

- A BEIS grant scheme where qualifications are linked to (1) above and payments are linked to employment levels based on the decisions (2) above. I think the policing element – how you demonstrate employment stayed where you said it would be – probably need to fall to HMRC, ideally building on the RTI information they already get.

- HMRC run the whole scheme, building a new system to make the payments (presumably based on the SSP system, though with extra functionality to apply the principles in (1)) and use the RTI again. Realistically this is (at least) two separate functions in HMRC and we should be honest about that.

Can I ask **Carol/HMRC colleagues** to think about whether this fair (you should clearly come to the meeting to talk about it) and ask **NR** to follow up with BEIS (this might well not be ready for 1045).

We then need to think about the options to accelerate this support – basically how do we get the money into people's/firm's pockets quickly. Cx and spads were taken by the idea that this can be done 'easily' through the financial system – **Anna and team**, can you pick up? Charles and Katherine were present. There basically seemed to be two ideas – either essentially getting an advance on this government grant or just pointing to the wider working capital support/lending guarantees we're doing and encouraging banks to recognise businesses have government payments coming down the line. I'm a little worried enthusiasm for these ideas have run beyond practicalities – ideally you'd join the meeting, but we definitely need to know what we should say on this.

Finally, we need a more general tricky issues section. There must be a whole bunch, including (but not limited to) legal risk and how we treat part-time workers. Can **everybody** please think about this and feed thoughts in.

I hope that roughly makes sense to people. I suggest we have a (virtual) pre-meet tomorrow morning at 10am tomorrow to run through this and gather views. I'll get this set up in the morning.

Thanks again

Tom

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