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& Industrial Strategy

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Dr Rachel

I am writing to provide more detailed responses to the questions raised during my appearance before the Business, Energy and Industrial Strategy (BEIS) Select Committee on Wednesday 6 February 2019, and those set out in your letter dated 13 February 2019.

I have asked Alex Chisholm, BEIS Permanent Secretary, to respond on the corporate questions outlined in your letter, which the Committee will have received separately.

State Aid awards to British companies since 23 June 2016 (Q264)

The Government is committed to supporting businesses to succeed in the UK and uses several mechanisms to achieve this; one of which is the use of State Aid support in compliance with EU regulations. The Regional Growth Fund for example, has supported over 30,000 companies – large, medium and small – since 2010, with £2.6 billion of public support. They are all independently assessed and subject to strict rules.

As promised, I attach details of BEIS awards that have been made to 310 recipients between June 2016 and December 2018, which are uploaded onto the European Commission's Transparency Website. The website contains full details of all State Aid measures over €500,000 and under what State Aid mechanism the awards have been made.

The attached spreadsheet also contains details of awards made by UK Research and Innovation (UKRI) on behalf of the Aerospace Technology Institute (ATI) and the Advanced Propulsion Centre (APC). UKRI are in the process of finalising further uploads to the Commission's website. My department can provide further details of UKRI awards, in addition to a further update to cover the period January to June 2019, in due course.

Departmental plans to issue advice to companies regarding imminent transactions not completed until after 29 March (Q277)

Since the Referendum in 2016, the Government and my department has been continuously engaging with businesses, listening to their concerns and using these to inform our approach, and providing information to support their preparation. My Ministerial team and I have met with thousands of businesses and stakeholders since

2016, and we are committed to regularly meeting with, and listening to, a large range of businesses.

To help businesses prepare for EU exit, we have also published 28 technical notices; established 17 sector councils; convened an SME Advisory Board; and published 14 Sector Primer web pages that identify the top priority areas for business sectors, providing businesses with information on their most important issues. We have also supported the Government Digital Service (GDS) to develop a business tool web page, which has been viewed over 175,000 times since its launch on 20 December 2018.

My Department is working closely with the Department for International Trade (DIT) to ensure advice on these issues provides businesses with as much information as possible to inform their plans. DIT issued guidance on trade agreement continuity on 21 February 2019 and will be issuing guidance on tariffs in the event of a no deal scenario in the near future.

Potential costs to UK consumers of leaving the EU without a deal and the accuracy of UK Energy Research Centre's £270m figure (Q351)

In line with our continued commitment to ensuring that business is prepared for EU exit in all scenarios, we set out steps they would need to take in our technical notices on trading electricity and gas. These address the implications a no deal outcome would have on cross-border flows across electricity interconnectors. As these will no longer be governed by EU legislation which provides for efficient trade and cross-border cooperation in operating the electricity system, alternative cross-border electricity trading arrangements will be required. The analysis by UK Energy Research Centre (UKERC) of the potential impact this may have on consumers is broadly consistent with other previously published analysis, including work commissioned by National Grid.

However, the UK's exit from the EU will not alter the fact that our energy system is resilient and secure. For this winter, National Grid forecast a healthy electricity margin forecast of 7.1GW - 0.9GW higher than last year. The UK will remain physically linked to the EU post-exit through interconnectors and the UK gas market is one of the most liquid and developed markets in the world and provides security through diversity of supply, the majority of which does not depend on the EU.

We have a strong pipeline of new interconnections, with three final investment decisions for new links to France and Denmark concluded since 2016. The two new projects to France are already under construction.

Pre-legislative scrutiny on Taylor review and timings for primary legislation (Q403)

I am very grateful to the Committee for their continued interest and support in delivering the important agenda around the Good Work Plan. I recognise the invaluable contribution you have made to date, including the publication of a draft Bill and recommendations on how the proposals in the independent Taylor Review could be taken forward. I hope the Committee would agree there is much common ground between your recommendations and the commitments set out in the Good Work Plan, including legislation already brought forward to implement the Taylor Review.

I would very much welcome the Committee's continued involvement in this work. My department intends to bring forward primary legislation as soon as possible and will engage with the Committee in advance. I also intend to publish further details on next steps for employment status reform shortly and would welcome the Committee's input on this work.

Timeline for further announcements on insolvency consultation, consumer green paper and work on share backs (Q317)

Work on the measures we announced to improve our insolvency regime is now well advanced in preparation for bringing forward legislation when parliamentary time allows. Progress has also been made with work to improve corporate governance in businesses at risk of insolvency. ICSA - the Governance Institute is also making progress with bringing together investors and other stakeholders to identify ways of improving the quality of boardroom evaluations, including the development of a code of practice.

Separately, the Independent Review of the Financial Reporting Council made important recommendations for helping to avoid unnecessary causes of major corporate failure such as giving the proposed new regulator a market intelligence function to identify emerging risks at an early stage and powers to require rapid explanations from companies and to commission skilled person reviews where the regulator has reasonable concerns. The Government has welcomed these recommendations.

We are still considering the issue of share buybacks and will be setting out our plans in due course. Work has also been ongoing on Modernising Consumer Markets, the Consumer Green Paper, which sought views on how to ensure that our regulatory, competition and enforcement regimes are suitable for the modern economy and modern consumer. I have committed to publishing the Government's Consumer White Paper in the first half of 2019.

Ensuring all BEIS staff are paid at least the London Living Wage (Q403)

We value all our staff, and they deserve a fair and competitive wage, whether they are directly employed by us or working for our contractors. I asked the Department to review the pay of staff working through our contractors, to ensure that they receive a wage which is fair and directly comparable to other employers across the labour market.

The review concluded in December 2018 and the Department has agreed with its contractors (Engie and Aramark) that, from 1 March 2019, they will align the pay of their cleaning, catering, mailroom and security staff to the appropriate median rates for those occupations as identified in the Annual Survey of Hours and Earnings (ASHE). As part of the review, we also looked at the position of our lower paid staff across BEIS relative to other Government departments. Our pay ranges for such staff are above the comparable medians though we will, of course, keep the position under review as part of the annual pay award process for those staff employed by the department. Pay for staff working through our contractors will continue to track the median rate in future years.

Letter to Cabinet Office confirming agreement on Committee's proposals for specific posts to be subject to pre-appointment hearing (Q414)

I would again like to thank the Committee for its recent pre-appointment hearings, including those with Andrew Tyrie, Chair of the Competition and Markets Authority

(CMA), and Martin Cave, Chair of the Gas and Electricity Markets Authority (OFGEM). The Committee plays an important role in scrutinising these and other key appointments.

I can confirm that, at the request of the Committee, I have written to the Minister for Implementation at the Cabinet Office on the inclusion of the additional posts that the Committee has proposed should be subject to a pre-appointment hearing.

My officials are also in ongoing discussions on this matter with the Cabinet Office and I will respond to the Committee with the outcome of these discussions.

I welcome the Committee's continued interest in and engagement with the work of my Department and look forward to continuing to work with the Committee going forward to continue to deliver the best outcomes for businesses and the country.

I trust that this letter, along with the response from the Permanent Secretary, answers your questions and I look forward to our next discussion.

Yours ever


THE RT HON GREG CLARK MP
Secretary of State for Business, Energy & Industrial Strategy