CORONAVIRUS ECONOMY BRIEF

Week Ending 8 January 2021

JANUARY BUSINESS SUPPORT

- **Throughout this crisis, our economic priority remains the same: to protect jobs.**

- **We have already set out our economic package of support for businesses over the Winter, including monthly grants for closed businesses worth up to £3,000 per month, extending the furlough scheme to April and providing further SEISS grants to support the self-employed to April.**

- **But given further national restrictions announced by the Prime Minister yesterday that will prevent further spread of the virus, today 9we provide additional support to the most affected businesses, worth £4.6 billion across the United Kingdom.**

    - **A one-off grant for closed businesses in England of up to £9,000**
    - **£500 million discretionary funding provided to English local authorities to support local businesses**
    - **Barnett funding of £729 million**

- **This support will help businesses get through this difficult period through to the Spring. We will take further decisions about our economic response to coronavirus and how best to support the economy, businesses and jobs at the Budget on the 3rd March.**

New one-off grant to support retail, hospitality and leisure businesses forced to closed

- **Retail, hospitality and leisure business premises forced to close can claim a one-off grant of up to £9,000**. The one-off additional grant each business premises will receive depends on their rateable value:

    - Businesses with a rateable value of £51,000 or above: **£9,000**
    - Businesses with a rateable value between £15,000 and £51,000: **£6,000**
    - Businesses with a rateable value of £15,000 or below: **£4,000**

- This one-off grant is *in addition* to the existing **monthly closed grants of up to £3,000** per month that businesses continue to be eligible for. These grants are worth **over a £1 billion** in total per month.

- We expect **over 600,000 Retail, Hospitality and Leisure business premises** in England to benefit from these grants.

- Businesses can receive **multiple grants**, as they are eligible on a **per premises basis**.

- Local authorities will receive the funding for these one-off grants **next week**, and we encourage them to make payments to businesses as soon as possible.

Additional discretionary funding for local authorities to support their local businesses

- Local Authorities (in England) will also be given an **additional £500 million of discretionary funding** to support their local businesses.

- This builds on (and will be allocated in the same way as) the **£1.1 billion discretionary funding** (worth £20 per head of population) which local authorities in England have already received to support their local economies and help businesses impacted.

Barnett funding of £729 million for Scotland, Wales and Northern Ireland

- **Scotland will receive £375 million, Wales £227 million** and **Northern Ireland £127 million** to support their local businesses.

SUMMARY OF EXISTING ECONOMIC SUPPORT

Support for jobs…

- **We have <u>extended the furlough scheme</u> until the end of April 2021.** The government will cover the cost of 80 per cent of the wages of furloughed employees for hours not worked – employers will only be asked to cover NICs and pension contributions.

- **We have <u>extended the self-employed scheme</u> until April 2021.** Building on the two grants we have already provided since the start of the pandemic, the government is now providing a third grant, covering 80 per cent of average trading profits between November and January 2021, capped at £7,500 in total. We will also introduce a fourth grant, to cover February to April, in due course.

Support for businesses…

- **Businesses forced to close can claim <u>grants of up to £3,000 per month (worth over £1 billion per month)</u>.** Any business in England forced to close due to national or local restrictions can claim grants, via their local authority, of up to £3,000 per month, per business premises, depending on rateable value:

  - Businesses with a rateable value of £51,000 or above: **£3,000 per month**
  - Businesses with a rateable value between £15,000 and £51,000: **£2,000 per month**
  - Businesses with a rateable value of £15,000 or below: **£1,334 per month**

- In addition, on 5th January, the Government **<u>announced an extra £4.6 billion</u>** to protect jobs and support affected businesses as restrictions get tougher. This includes:

  (1) **Retail, hospitality and leisure businesses forced to close can claim a <u>one-off grant of up to £9,000</u>**. This is *in addition* to the monthly closed grant amounts above. The one-off additional grant each business premises will receive depends on their rateable value:

  - Businesses with a rateable value of £51,000 or above: **£9,000**
  - Businesses with a rateable value between £15,000 and £51,000: **£6,000**
  - Businesses with a rateable value of £15,000 or below: **£4,000**

  (2) **Local authorities (in England) will also be given an <u>additional £500 million discretionary funding</u> to support their local businesses.** This builds on the £1.1 billion discretionary funding (worth £20 per head of population) which local authorities in England have already received to support their local economies and help businesses impacted.

Support for local authorities…

- The Government is providing further funding for local authorities in order to support the ongoing public health and outbreak management costs of tackling coronavirus. The Contain Outbreak Management Fund has been increased such that it can provide monthly payments to local authorities under higher restrictions. Areas at Tier 3 and 4 will receive £4 per head of population per 28 days, and those at Tier 2 will receive £2 per head per 28 days. This funding, **potentially worth over £200 million per month**, can be used to fund local public health activities such additional contact tracing, testing for hard-to-reach groups, and public health communications. It will be in addition to the more than £975 million that has been committed to date.

- **In addition, local authorities are expected to receive <u>over £3 billion of support next year</u>.** This new funding will help local authorities assist more than 4 million households least able to pay council tax, compensate for 75 per cent of the irrecoverable loss of council tax and business rates revenue in 2020-21, and other additional expenditure pressures arising from coronavirus. This £3 billion *next year* builds on the £6.7 billion provided for local authorities *this year* – taking the total support for local authorities to over £10 billion.

- **In addition, all wet-led pubs in areas that were in Tiers 2, 3, or 4 for any part of December will receive <u>£1,000 as a Christmas Support Payment</u>.** This will be administered by local authorities. A 'wet-led' pub is defined as one which makes less than 50 per cent of its turnover from food sales (based on pre-Covid sales data).

	NATIONAL RESTRICTIONS (*Pubs, restaurants, non-essential retail, indoor entertainment, personal care, leisure and gyms, schools required to close)*
DIRECT SUPPORT	Coronavirus Job Retention Scheme Self-Employed Income Support Scheme Local Restrictions Support Grant *Monthly grants up to £3,000 for closed businesses* *Monthly grants of up to £2,100 for businesses open but impacted* *One-off grants of up to £9,000* *£500 million discretionary funding for local authorities (on top of £1.1 billion already)* *£1,000 Christmas Support Payment for all 'wet-led' pubs* Contain Outbreak Management Fund
ADDITIONAL SUPPORT	**£280 BILLION PACKAGE, through our PLAN FOR JOBS** Business rates relief CBILS, CLBILS, BBLS and Future Fund VAT deferrals and Time To Pay £1,000 increase to Universal Credit and Hardship Fund for council tax £500 self-isolation compliance payments Kickstart scheme Mortgage holidays Eat Out To Help Out in August Temporary VAT cut to 5% £1.57 billion Culture Recovery Fund Money for charities Stamp duty cut Restart scheme

- **While our health emergency is not yet over, the economic emergency has only just begun.**
- **So, today's Spending Review delivers on the priorities of the British people:**
  - **Our immediate priority is to protect people's lives and livelihoods as we respond to coronavirus.**
  - **But we will also deliver stronger public services – more hospitals, better schools and safer streets.**
  - **And deliver a once-in-a-generation investment in infrastructure – creating jobs, growing the economy, and increasing pride in the places people call home.**
- **This is a shared project – a common endeavour to build a better nation to which every person and business in our country has a contribution to make. That unfinished work – irrespective of coronavirus – continues at pace as we emerge stronger and more united from this pandemic.**

Spending Review 2020 is set in a difficult and challenging economic context

- **The OBR have forecast that the economy will contract this year by 11.3 per cent – the largest fall in output for more than 300 years.** Even with growth returning, our economic output is not expected to return to pre-crisis levels until the fourth quarter of 2022. Due to long-term scarring, the economy, by 2025, is forecast to be around 3 per cent smaller than expected in the March budget. Additionally, despite the extraordinary support we have provided, unemployment is expected to rise to a peak of 7.5 per cent (2.6 million people) in the second quarter of next year.
- **The economic impact of coronavirus means there has been a significant increase in borrowing and debt.** In the OBR's 'central' forecast, the UK is expected to borrow a total of £394 billion this year – equivalent to 19 per cent of GDP, the highest level of borrowing in our peacetime history. We are forecast to still be borrowing over £100 billion (4 per cent of GDP) even in 2025. Due to elevated borrowing levels, and a persistent current deficit, underlying debt is forecast to continue rising every year, reaching 97.5 per cent of GDP in 2025.
- **Over time, we will need to return the government to sustainable public finances.** High as these costs are, the costs of inaction would have been much higher. But this situation is clearly is unsustainable over the medium term. We could only act in the way we have because we came into this crisis with strong public finances. And we have a responsibility, once the economy recovers, to return to a sustainable fiscal position.

Priority 1: Protecting people's lives and livelihoods as we respond to coronavirus

- **This year, the government will spend over £280 billion on its response.** Through the furlough scheme, support for the self-employed, loans, grants, tax cuts and tax deferrals, as well as extra funding for schools, local authorities, the NHS, charities, culture and sport, we are ensuring that we prioritise jobs, businesses and public services.
- **The IMF, OBR and Bank of England have praised the UK response.** In its recent assessment of the UK's economic response to coronavirus, the IMF praised it as 'one of the best examples of coordinated action globally which has helped mitigate the damage, holding down unemployment and insolvencies'.
- But this health crisis is not over, so this Spending Review confirms an **additional £55 billion** for next year for departments to respond to coronavirus, including:
  - **£18 billion to fund our programmes on community testing, test and trace, PPE and vaccines**.
  - **£3 billion to support NHS recovery from the impacts of coronavirus**, allowing them to carry out up to 1 million checks, scans and operations, boost mental health services, invest in the workforce, and ease existing pressures.
  - **Over £2 billion to keep our transport arteries open**, with funding to subsidise rail and bus networks.
  - **Over £3 billion to local authorities**, on the frontline of supporting vulnerable people through coronavirus.
  - **£250 million to help end rough sleeping**, and get people into long-term accommodation.
  - **£2.6 billion to support the devolved administrations** respond to coronavirus.

- **We are also doing more to build on our <u>Plan for Jobs</u>.** Latest data shows the **<u>UK's unemployment is lower than Italy, France, Spain, Canada and the United States</u>**. But there is always more we can do, which is why we are today announcing **nearly £3 billion for a new, three-year programme to help nearly 1 million people who have been unemployed for over a year**, find work.

- **But in such a difficult context, we <u>need to ensure fairness between the private and public sectors</u>.** In the six months to September, private sector wages fell by nearly 1 per cent – but public sector wages rose by nearly 4 per cent over the same period. And unlike those in the private sector who have lost jobs, been furloughed, and seen wages and hours cut, the public sector has not. That is why today **<u>we are targeting our resources at those who need it most by</u>:**
  - Providing a **pay rise to over 1 million nurses, doctors and others working in the NHS**.
  - Protecting jobs by **pausing pay rises in the rest of the public sector**.
  - **Guaranteeing a pay rise of at least £250** for the 2.1 million public sector workers who earn below the median UK wage of £24,000, protecting the lowest-paid.

- This means that the **<u>majority of public sectors will still receive an increase in their pay next year</u>.**

- **We also want to do more for the lowest paid in society.** That is why we are today accepting in full the recommendations of the Low Pay Commission to **increase the National Living Wage by 2.2 per cent to £8.91**, to extend this rate to those aged 23 or over, and to increase the National Minimum Wage as well. These increases will benefit around 2 million people – a full-time worker on the National Living Wage will see their **pay rise by £345 next year**, an effective increase of over £4,000 since the policy was introduced in 2016.

Priority 2: <u>Delivering stronger public services – more hospitals, better schools, safer streets</u>

- **Next year, total day to day departmental spending will be <u>£540 billion</u>.** Over this year and next, core departmental spending (RDEL) will **rise, in real terms, by 3.8 per cent – the fastest growth rate in 15 years**. In cash terms, core day-to-day departmental budgets will **increase by £14.8 billion**.

- **We are boosting funding for the <u>NHS</u>.** Next year, the health budget will grow by £6.6 billion, allowing us to deliver 50,000 more nurses and 50 million more GP appointments. And we are increasing capital investment by £2.3 billion to invest in new technologies to modernise patient and staff experience, as well as building 40 new hospitals, upgrading 70 more and replace the vast majority of ageing diagnostic equipment.

- **We are investing more in <u>social care</u>.** Today's settlement allows Local Authorities to increase their core spending power by 4.5 per cent, which follows the largest real terms increase in core spending power for a decade last year's Spending Review. They will receive £300 million of new social care grant funding, and will have extra flexibility to increase council tax bills by 2 per cent and Adult Social Care Precept by 3 per cent. Taken together, this means an extra £1 billion to fund social care, which comes **<u>on top of</u>** the extra £1 billion social care grant we provided this year, which will be maintained into 2021-22.

- **We are getting on with our three-year investment plan for <u>schools</u>.** We are reaffirming our commitment to increase the schools budget by £7.1 billion by 2022-23, compared to 2019-20. That's the biggest school funding boost in a decade and includes an uplift of £2.2 billion for next year. Every pupil in the country will see a year-on-year funding increase of at least 2 per cent. We are also funding our commitment to rebuild 500 schools over the next decade.

- **We are committed to boosting <u>skills</u>.** We are committing £291 million to pay for more young people to go into further education, £1.5 billion to rebuild our colleges, and £375 million to deliver the Prime Minister's Lifetime Skills Guarantee. We are also delivering funding to extend traineeships, sector-based work academies and the national careers service, as well as improving the way the apprenticeship system works for businesses.

- **We are making our streets safer by cracking down on <u>crime</u>.** Next year, funding for the criminal justice system will increase by over £1 billion. We are providing more than £400 million to recruit 6,000 new police officers – meaning we are on track to meet our manifesto pledge to recruit 20,000 more police officers by 2023. We are also delivering £275 million for the criminal justice system to bring more offenders to justice, along with a four-year, £4 billion prison building programme to provide 18,000 new prison places across England and Wales.

- **We are strengthening the UK's <u>place in the world</u>.** This country has and always will be open and outward-looking, leading in solving the world's toughest problems. That is why we have announced more than £24 billion investment in defence – the biggest sustained increase in 30 years – allowing us to provide security not just for our country but around the world. We are also investing in our extensive diplomatic network, and providing more funding for new trade deals.

- **We also need to prioritise our domestic economic emergency**. During a time when we need to prioritise jobs and public services, sticking rigidly to spending 0.7 per cent of our national income on overseas aid is difficult to justify to the British people. We will continue to meet our commitment to the world's poorest, spending the equivalent of 0.5 per cent of GNI on overseas aid in 2021, allocating £10 billion in this Spending Review. Based on the latest OECD data, this would make the UK the second highest aid donor in the G7 – higher than Italy, Japan, Canada and the US – and considerably higher than the average of the 29 countries on the OECD's development assistance committee – which in 2019, was just 0.38 per cent. Our intention is to return to 0.7 per cent when the fiscal situation allows.

Priority 3: Delivering our record investment plans in infrastructure to drive growth, create jobs and level up

- **Next year, total capital spending (CDEL) will be £100 billion – £27 billion more in real terms than last year.** Our plans deliver the highest sustained levels of public sector net investment since the late 1970s.
- **We are today providing a number of multi-year capital settlements for roads, rail, hospitals, schools, broadband and housing**. We are also publishing a National Infrastructure Strategy, outlining our long-term vision for infrastructure investment. This will go alongside a refreshed Green Book, to ensure that infrastructure projects deliver the government's key priorities to level up the country.
    - A **£7.1 billion National Home Building Fund**, on top of our £12.2 billion Affordable Homes Programme.
    - **Better mobile connectivit**y with 4G coverage across 95 per cent of the UK by 2025.
    - The **biggest investment in new roads**, **railways, cycle lanes and over 800 zero emission buses**.
    - £15 billion of new funding for **research and development** next year.
    - Delivering the PM's **ten-point plan for climate change**, creating 250,000 new green jobs across the UK.
- **To help finance our plans, we will establish a new UK infrastructure bank.** Headquartered in the north of England, the Bank will work with the private sector to finance major new infrastructure projects across the United Kingdom, starting this spring.
- **We are launching a new Levelling Up Fund – worth £4 billion in England, which will attract £800 million in the usual way in Barnett for Scotland, Wales and Northern Ireland.** People want to be able to look at their towns and villages and see change in the places they call home. That is why our new fund will build the infrastructure of everyday life – such as new bypasses, upgraded railway stations, less traffic, more libraries, museums and galleries, and better high streets and town centres. Local areas in England will be able to bid directly to fund local projects of up to £20 million which must be delivered in this Parliament, and projects must command real support, including of their Member of Parliament. The Treasury, which will jointly run the fund with DfT and MHCLG, will set out more details in due course. This fund will replace previously disparate funding streams, enabling the Government to take a more effective, joined-up, place-based approach to local needs.

This Spending Review also unleashes the power of our union

- **This is a Spending Review for the whole of the United Kingdom**. Through the Barnett formula, today's decisions increase Scottish Government funding by £2.4 billion, Welsh Government funding by £1.3 billion, and £900 million for the Northern Ireland Executive.
- **The Spending Review takes advantages of our departure from the EU to benefit the union.** We will ramp up funding, so that total domestic UK-wide funding will **at least** match EU receipts, on average reaching around £1.5 billion a year. In addition, to help local areas prepare over 2021-22 for introduction of the UK Shared Prosperity Fund, we will provide additional UK funding to support our communities to pilot programmes and new approaches. We will also deliver £1.1 billion to support farmers in Scotland, Wales and Northern Ireland, £20 million to support fisheries – and we will build one freeport in each part of the UK.
- **We will also accelerate four City and Growth Deals in Scotland** – helping Moray, Tay Cities, Borderlands and the Scottish Islands create jobs and prosperity in their areas. These add to the total of twenty City and Growth Deals across our country, demonstrating the long-term commitment of the UK Government to strengthening the union.
- **The Treasury is a department for the whole of the United Kingdom.** In Scotland, Wales and Northern Ireland, over 1.4 million jobs have been protected under the furlough scheme, and almost £6 billion in business loans have been granted to 165,000 SMEs under Bounce Back Loans and the CBIL Scheme.
- **Furthermore, much of the funding we are confirming at this Spending Review is UK-wide,** including the UK Shared Prosperity Fund, Gigabit broadband rollout, Shared Rural Network, R&D funding, climate change pledges on Carbon Capture and Storage and hydrogen, increased investment in UK culture and sport, and our record-breaking defence settlement.

DEPARTMENTAL SETTLEMENTS: SUMMARY

DHSC	• Delivering on our promise to give the **NHS its biggest ever cash boost** - a £156.4 billion day to day budget. • Confirming a further **£3 billion next year to support the NHS's recovery from the impact of coronavirus**, including £500m to improve access to mental health services, alongside investing **£15 billion in NHS Test and Trace and £2.1 billion in PPE next year**. • Spending **£260 million to educate and train our vital NHS workforce** as part of our commitment to deliver 50,000 more nurses and create an additional 50 million GP appointments a year. • Providing £9.4 billion of capital funding for projects such as the **40 new hospital building programme**, over **70 hospital upgrades** and replacing the vast majority of ageing diagnostic equipment (CT, MRI etc.)
DfE	• Increasing the **core schools budget** by £2.2 billion in 2021-22, delivering a **minimum 2% increase per pupil**. • Investing £375 million in skills, delivering the **Lifetime Skills Guarantee** and reform of the apprenticeship system. • Improving the education estate through **£1.8 billion to maintain and improve the condition of school buildings**, and £1.5 billion to improve the FE College estate, and funding for T-levels and Institutes of Technology (IOTs).
HO	• Keeping our country safe by providing more than £400 million to continue the recruitment of **20,000 extra police officers (6,000 this year)**, alongside funding for a new **Counter Terrorism Operations Centre**. • Investing an additional £217 million capital to deliver the new **points-based immigration system**.
MoJ	• Investing an additional £337m to strengthen our justice system and reducing the court backlogs caused by C-19. • Providing **£40m to support victims of crime, including victims of domestic violence**. • Investing more than **£4 billion capital funding over the next four years** to help deliver 18,000 additional prison places by the mid-2020s – the **largest prison building programme in over a century**.
MHCLG	• Launching a new **National Home Building Fund**, with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes as well as providing **£2.2 billion of new loan finance to support housebuilders.** • Investing an additional **£100 million in unlocking brownfield**, regenerating estates, and releasing serviced plots. • Announcing over £3 billion of additional support to our councils to deal with Covid-19 pressures next year. • Providing **£254 million (a 60% cash increase) to support rough sleepers and those at risk of homelessness**.
DWP	• Investing £3.6 billion of additional funding in 2021-22 to **double the number of work coaches** and deliver on the support announced in the Government's Plan for Jobs, including funding over **250,000 jobs via Kickstart**. • Announcing a new **£2.9 billion 3-year Restart programme** to provide intensive and tailored support to over 1 million unemployed people and help them find work.
DfT	• Confirming today **£58 billion of investment to build better local roads, improve our rail services and upgrade our buses and cycling infrastructure.** • Providing **£2.1 billion of rail service funding,** to support the economy while passenger demand recovers. • Doubling down on our **commitment to Net Zero by 2050**, investing £1.3 billion in **electric vehicle charging infrastructure** and £120 million for **500 net zero emissions buses** next year.
DEFRA	• **Ensuring total farm support** in England of £2.4 billion in 2021-22, in line with our manifesto commitment. • Setting out our plans for the first four years of the **£5.2 billion six-year flood and coastal defence programme**. • Investing more than **£90 million for the Nature for Climate Fund**, to keep us on track to restore more peatlands and **plant 30,000 hectares of trees** a year by the end of this Parliament. • Maintaining **funding for fisheries across the UK's nations** with £13.5 million committed for England.
BEIS	• Providing **£14.6 billion to invest in R&D in 2021-22**, including an increase of almost £400m next year to core **funding for our world class universities and research institutions**. • Allocating over £3 billion as part of the **wider £12 billion Net Zero agend**a from our Ten Point Plan. • Investing in the British Business Bank and **boosting the Start-Up Loans scheme** by £56.5 million to help new entrepreneurship and stimulate the economic recovery post-Covid.
DCMS	• Investing **£1.2 billion over the next 4 years to support the rollout of gigabit-capable broadband** as well as providing funding to improve 4G coverage in rural areas and roll out local full-fibre networks. • Providing £320 million for our **world-leading museums and galleries and cultural institutions** and more than **£450 million for Arts Council England**. • Funding a major programme of upcoming events, including £118.5m for the **Commonwealth Games**, £29m for **Festival UK,** and £5m to begin preparations for the Queen's Platinum Jubilee celebrations
MoD	• Providing an **over £24 billion** of investment over four years – the biggest programme of investment in British defence since the end of the Cold War, and one that goes above and beyond our manifesto commitment to grow the defence budget by 0.5 per cent on top of inflation. • This settlement will also provide **£6.6bn of R&D** to boost research into artificial intelligence, future combat air power and other battle-winning technologies, and create 10,000 jobs annually across the entire United Kingdom.
FCDO	• Increasing the UK's **core funding to the WHO to £340 million** over the next four years, remaining the largest donor to the International Development Association (the World Bank's lending arm for the world's poorest countries) and supporting developing countries to 'build back greener.' • Allocating £**821 million to the Conflict, Security and Stability Fund**, to support the UK's national security interests overseas, and improving access to education for girls, including by co-hosting a successful Global Partnership for Education summit in 2021.
DIT	• Providing the resources needed to **negotiate ambitious trade deals** with countries across the world – **building on the 53 trade deals** the UK government has signed or agreed in principle in the last two years. • Enhance services for inward investors through the **new Office for Investment**, to drive foreign investment into the UK and ensure such investment plays its part in levelling up across the UK.

PLAN FOR JOBS

- **On Wednesday 8 July, the Chancellor announced our Plan for Jobs, worth up to £30 billion.**

- **Our plan for jobs is about: supporting people to find the jobs that are out there, creating new jobs through investing in our infrastructure and housing, and finally protecting jobs by revitalising the hard-hit sectors upon which many jobs depend.**

- **Throughout the coronavirus crisis, we have put in place a £160 billion plan to protect people's jobs, incomes and businesses – one of the largest and most comprehensive in the world. And the analysis, published today, shows our interventions significantly protected people's incomes, with the least well off in society benefitting the most.**

- **The first phase of our plan was about protection. It is now time to focus on jobs, and there will come a third phase – which is the moment for rebuilding. We will produce a Budget and a Spending Review in the autumn.**

Jobs Retention Bonus Scheme

- **Rewarding and incentivising employers who successfully bring furloughed staff back through a new Jobs Retention Bonus Scheme.** To encourage employers to keep their employees on, we are introducing the Jobs Retention Bonus Scheme, a one-off payment of £1,000 to the business for every employee who was furloughed previously and who is successfully kept on continuously until January. Our message to business is clear: if you stand by your employee, we will stand by you.

Protecting jobs

Front and centre of our economic response has been the Coronavirus Job Retention Scheme – but it cannot and should not go on forever. That is why we will introduce new unprecedented measures to protect millions of jobs.

- **Temporarily cutting VAT for the tourism and hospitality sectors, giving a much-needed boost to some of the industries hardest hit by coronavirus.** From 15 July 2020, we will cut the rate of VAT applied across the UK to hospitality, accommodation and attractions from 20 per cent to 5 per cent until 12 January 2021. This could support almost 2 million businesses and protect 2.5 million jobs.

- **Launching a new Eat Out to Help Out scheme – something that has never been done in this country ever before – giving people up to 50 per cent off meals out, encouraging them back into restaurants, cafes and pubs.** Anyone who eats at a participating business, Monday to Wednesday for the month of August, can receive up to 50 per cent off food and non-alcoholic drinks, up to a value of £10 per person. Businesses can claim the money back from the government weekly, receiving funds within 5 working days. Guidance for businesses will be published next week.

Labour have praised the government for our economic response. Sir Keir Starmer said 'The government did the right thing in putting in furlough and other support schemes' and Anneliese Dodds has said 'The job retention or furlough scheme… has had no parallel in UK history… Without it, one in three businesses say they would have had to lay off staff'.

Creating new jobs

We will not be deterred by this crisis from the urgent need for change in our country and to deliver on our manifesto commitments – that is why we are doubling down on our ambitions to level up, invest in infrastructure and create jobs in all four corners of our country.

- **Temporarily scrapping stamp duty on all homes under £500,000 to catalyse the housing market and boost confidence – helping to drive growth and create jobs.** From 9 July 2020 until 31 March 2021, we are increasing the threshold at which stamp duty applies from £125,000 to £500,000. This will mean, from tomorrow, 90 per cent of people getting on or moving up the property ladder will pay no stamp duty at all – equating to an average saving of £4,500.

- **Upgrading the energy efficiency of homes across England through a new Green Homes Grant, saving people hundreds of pounds on their energy bills, while helping to meet our goal of Net Zero by 2050.** We will provide £2 billion to allow people to apply for a voucher, to fund at least two-thirds of the cost of upgrading the energy performance of their homes – up to a maximum of £5,000. Low-income households will be eligible for up to 100 per cent of government funding, up to £10,000. This measure will also reduce energy bills by up to £300 a year and help to save carbon – equivalent to a flight from London to New York.

- **Launching a pilot to decarbonise social housing, reducing energy bills by an average of £200 for some of the poorest households in society.** We are providing £50 million to pilot new approaches for retrofitting social housing at scale – meaning warmer and more energy efficient homes.

- **Providing £1 billion to improve the energy efficiency of public sector buildings, helping to deliver on our ambitious climate change targets.** The scheme will offer grants to public sector bodies including schools and hospitals to fund both energy efficiency and low-carbon heat measures.

Labour would not help businesses who are recovering from coronavirus. Sir Keir Starmer wants to hike corporation tax putting more burdens on business. Meanwhile, Labour's own union paymasters have called their plans to deal with climate change 'utterly unachievable' saying they would damage workplaces.

Supporting people to find jobs

We know that young people will be hardest hit by this crisis, and we are determined to provide support to give them the best possible chance of getting on and getting a job.

- o **Creating hundreds of thousands of new jobs for young people through a new £2 billion Kickstart Scheme, to give young people the best possible chance of getting a job.** The scheme will directly pay businesses to create new, decent and high-quality jobs for any 16-24 year old at risk of long-term unemployment. Funding available for each job will cover 100 per cent of the National Minimum Wage for 25 hours a week, for six months in total, plus an admin fee – for a grant of around £6,500 per placement. There will be no cap on the number of places available, and our £2 billion will initially fund hundreds of thousands of new placements.

- o **Paying businesses £1,000 to take on Trainees, with triple the number of places there are now, to get young people ready for work.** We will provide £111 million to triple the scale of Traineeships, which consist of work experience placements, training and work preparation for 16-24 year olds. We will also increase the eligibility of Traineeships to include young people qualified up to Level 3 (advanced – equivalent to 2 good A Level passes), up from Level 2 (intermediate – equivalent to achieving 5 GCSEs at 9-4) currently.

- **Providing £2,000 to employers for each new apprentice they hire under the age of 25, helping more people into the workplace while developing key skills.** In recognition of the value apprentices of any age can bring to our economic recovery, we will provide £2,000 to any employer in England who takes on an apprentice aged under 25, and £1,500 for any apprentice aged over 25.

- **Giving young people who have just left school the skills they need to find work in high-value sectors, such as engineering, construction and social care.** We will provide £101 million to help 18 and 19 year olds to take high value courses at Levels 2 and 3 where work opportunities are not available.

- **Expanding the National Careers Service to help more young people find work or training.** We will provide £32 million to recruit more careers advisers for the National Careers Service, so that it can provide advice to 269,000 more people.

- **Tripling the number of places available through Sector-Based Work Academies, supporting those who are out of work with the new skills they need to re-enter the jobs market.** Sector-Based Work Academies are short-term courses lasting up to six weeks for unemployed benefit claimants. They consist of pre-employment training, work experience placements and guaranteed interviews. We will scale up these academies, providing an additional £17 million to triple the number of placements available in 2020-21, supporting 32,000 more vocational training placements.

- **<u>Doubling number of work coaches and boosting the DWP's rapid response service</u> to get people back on their feet and into work.** We will double the number of Work Coaches through Job Centre Plus to 27,000; provide an additional £150 million into the Flexible Support Fund to remove barriers to work; and help DWP react quickly to large-scale redundancies by expanding the Rapid Response Service. We will also expand the Work and Health Programme to provide intensive support to people unemployed for at least three months; and launch a new scheme, modelling on the successful Work Programme, to support the long-term unemployed.

- **Offering a guaranteed foundation of support to all young people on Universal Credit with a new <u>Youth Offer</u>.** From September, we are providing a guaranteed foundation of support for all 18-24 year olds on Universal Credit. The Youth Offer will include: 13 weeks of intensive support – including a referral to work-related training or an apprenticeship; new Young People's Hubs for those who need additional tailored work coach support; and Youth Employability Coaches for those with more complex needs.

- **Creating <u>an Opportunity Guarantee</u> so every young person has the chance of an apprenticeship or an in-work placement.** As the Prime Minister announced last week we will provide an Opportunity Guarantee to give young people the skills and confidence they need to find they job that is right for them.

And analysis shows that our government response has also been **<u>fair</u>** – our interventions since March have supported the poorest working households the most, been worth around a fifth of incomes for working households (on average), and reduced the scale of losses for working households by up to two-thirds (*HMT Distributional Analysis*, 8 July 2020).

Sir Keir Starmer can't be trusted on the economy, just like every other Labour leader before him – and he is still committed to Jeremy Corbyn's irresponsible and reckless plans. No Labour government has ever left office with unemployment lower than when it started.

Supporting the Devolved Administrations

Measure	*UK*	*England*	*Scotland*	*Wales*	*NI*
Job Retention Bonus	✓				
Temporary VAT cut	✓				
Eat Out To Help Out	✓				
Stamp Duty cut		✓	**BLOCK GRANT**	**BLOCK GRANT**	✓
Green Homes Grant*		✓	**BARNETT**	**BARNETT**	**BARNETT**
Social Housing Decarbonisation Fund	✓				
Public Sector Decarbonisation Scheme	✓				
Kickstart Scheme	(GB)				**BARNETT**
Traineeships		✓	**BARNETT**	**BARNETT**	**BARNETT**
Apprenticeships		✓	**BARNETT**	**BARNETT**	**BARNETT**
National Careers Service		✓	**BARNETT**	**BARNETT**	**BARNETT**
Sector-based Work Academies		✓	**BARNETT**	**BARNETT**	**BARNETT**
Support for school leavers		✓	**BARNETT**	**BARNETT**	**BARNETT**
Work search support	✓				

***** *Due to volatility in capital spending, Barnett to be determined at a future date with regard to any underspends.*

Today's package of measures will support Scotland, Wales and Northern Ireland:

- **Scotland** is receiving **£4.6 billion** of extra support during Covid-19, including today's package.
- **Wales** is receiving **£2.8 billion** of extra support during Covid-19, including today's package.
- **Northern Ireland** is receiving **£1.6 billion** of extra support during Covid-19, including today's package.

This builds on the Prime Minister's New Deal for Britain

Over the next five years, we will invest more than £600 billion pounds in our future prosperity, with the New Deal bringing forward and accelerating £5 billion of capital investment projects, supporting jobs and the economic recovery across the country.

- **Providing £1.5 billion this year for hospital maintenance, modernising the mental health estate, accelerating new hospital building projects, and expanding A&E capacity.** This will improve patient care, make sure NHS hospitals can deliver world-leading services and reduce the risk of coronavirus infections.

- **Investing £100 million this year for 29 projects in our road network to get Britain moving,** from bridge repairs in Sandwell to boosting the quality of the A15 in the Humber region. Plus £10 million for development work to unblock the Manchester rail bottleneck, which will begin this year.

- **Providing £1 billion to fund the first 50 projects of a new, ten-year school rebuilding programme, starting from 2020-21.** These projects will be confirmed in the Autumn, and construction on the first sites will begin from September 2021. We are also accelerating existing programmes to repair and upgrade schools and FE colleges. This will be worth £560 million and £200 million respectively this year.

- **Investing over £280 million to support and modernise our criminal justice system creating jobs**; New £142 million for digital upgrades and maintenance to around 100 courts this year, £83 million for maintenance of prisons and youth offender facilities, and £60 million for temporary prison places, creating thousands of new jobs.

- **Bringing forward £900 million for a range of 'shovel ready' local growth projects in England over the course of this year and next, as well as £96 million to accelerate investment in town centres and high streets through the Towns Fund this year.** This will provide all 101 towns selected for town deals with £500,000 – £1 million to spend on projects such as improvements to parks, high streets, and transport.

- **Kick-starting the construction industry and speeding up rebuilding.** New rules will mean existing commercial properties, including newly vacant shops, can be converted into housing more easily. And in July we will publish a planning Policy Paper setting out our plan to comprehensively reform England's outdated planning system with a new approach that works better for our modern economy and society.

- **Confirming a £12 billion affordable homes programme that will support up to 180,000 new affordable homes for ownership and rent over the next 5 years.** This builds on the 464,500 affordable new homes we have delivered since 2010 and will now include a pilot of 1,500-unit 'First Homes' that will be sold to local first-time buyers at a 30 per cent discount, delivering on our manifesto commitment.

- **Allocating funds from the £400 million Brownfield Land Fund.** We have confirmed the allocation of funds to the West Midland, Greater Manchester, West Yorkshire, Liverpool City Region, Sheffield City Region, North of Tyne and Tees Valley to unlock brownfield sites and support around 24,000 homes.

- **Expanding the Home Builders Fund to help smaller developers access finance for new housing.** Developments will receive additional £450 million boost. This is expected to support delivery of around 7,200 new homes.

This Budget delivers our promises to the British people – to get things done. We promised to:

- let hard working families keep more of what they earn – this gets it done.
- back business and innovate, invest and trade – this gets it done.
- invest in science and research – this gets it done.
- deliver green growth and protect our environment – this gets it done.
- level up, with new roads, railways, broadband and homes – this gets it done.
- record funding for our NHS and public services – this gets it done.

We promised to let hard working families keep more of what they earn:

- **Putting more money in peoples' pockets with an over £200 tax cut for the typical family.** We will increase the National Insurance threshold to £9,500 this April, benefiting 31 million people with a typical employee saving over £100 in 2020.
- **Increasing the National Living Wage to boost the wages of the lowest paid.** The National Living Wage will increase by 6.2 per cent to £8.72 from April. The Budget commits to a new ambitious target for the National Living Wage to end low pay and extend this to workers aged 21 and over by 2024.
- **Axing the tampon tax now we have left the EU.** We will reduce the cost of essential sanitary products for women in the UK, abolishing the tampon tax from 1 January 2021.
- **Freezing fuel duty for a tenth year in a row to help with the cost of living.** We will freeze fuel duty for the tenth year in a row saving the average car driver a cumulative £1,200 compared to Labour's plan.
- **Freezing duty rates on beer, spirits, wine and cider helping with the cost of living.** This will be only the second time in almost 20 years a government has frozen all these duties.

We promised to back business and innovate, invest and trade:

- **Increasing the Employment Allowance so businesses can grow and create more well-paid jobs.** We will help businesses to take on extra staff by increasing the Employment Allowance to £4,000 (increasing it by a third) benefitting over 500,000 businesses and taking 65,000 businesses which will be taken out of NICs altogether.
- **Backing entrepreneurs with start-up funding.** We will extend the British Business Bank's Start-Up Loans programme, supporting up to 10,000 additional loans up and down the country.
- **Cutting taxes for businesses to allow them to invest and focus on growing their business.** We will increase the annual rate of Structures and Buildings Allowance to 3 per cent providing over £1 billion in additional relief for businesses by the end of the Parliament.
- **Increasing R&D tax credits to significantly increase private R&D investment helping to reach our 2.4 per cent of GDP by 2027 target.** We will increase the rate of Research and Development Expenditure credit from 12 per cent to 13 per cent and consult on whether to allow additional costs to qualify for both R&D tax reliefs.

We promised to invest in science and research:

- **Increasing public R&D investment to £22 billion per year by 2024-25.** This investment is the largest and fastest ever expansion in support of research and innovation, taking direct support for R&D to 0.8 per cent of GDP and placing the UK ahead of the USA, Japan, France and China.
- **Boosting funding for our world leading universities and research institutions to attract the brightest and best.** We will provide an immediate £400 million from 2020-21 for world-leading research, infrastructure and equipment – a large share going outside the 'Golden Triangle'. We will also provide £300 million for maths research, doubling the funding for new PhDs.

We promised to deliver green growth and protect our environment:

- **Doubling the amount we invest in flood and coastal defence to £5.2 billion over six years.** Flooding has had a devastating impact so we will double the current investment better protecting 336,000 homes, we will also provide £120 million to the Environment Agency to repair assets damaged by recent floods.
- **Boosting recycling and reducing plastic pollution by introducing a new plastic packaging tax.** From April 2022 the plastic packaging tax will incentivise the use of recycled plastic and help reduce the scourge of plastic

waste. We will set the rate at £200 per tonne of plastic packaging that contains less than 30 per cent recycled plastic.

We promised to deliver the housing people need:

- **Setting out an ambitious package to build quality homes this country needs.** The Budget announces £9.5 billion for the Affordable Homes Programme helping to prevent homelessness and help people to get on the housing ladder and taking the total funding to £12.2 billion from 2021-22. This will be the largest cash investment in affordable housing in a decade. We will also publish a White Paper on planning in line with our aim to support at least a million more homes.
- **Creating a new £1 billion fund to remove unsafe cladding so residents feel safe and secure.** Having taken expert advice, we will provide this additional funding to remove non-Aluminium Composite Material cladding from residential buildings above 18 meters to ensure people feel safe in their homes.

We promised to level up, with new roads, railways and broadband:

- **Investing record amounts – triple the average over the last 40 years – to build the railways and roads of the future.** A total of £640 billion of capital investment will be invested in roads, railways, communications, schools, hospitals and power networks. Over the Parliament, public sector net investment will be triple the average public sector net investment over the last 40 years.
- **Providing £50 million to improve accessibility for disabled people at train stations, so that our transport network is open to everyone.** As part of our £300 million Access for All Fund, we will improve accessibility at 12 more train stations across the country.
- **Making an unprecedented investment in urban transport.** 12 city regions will share over £1.2 billion through the Transforming Cities Fund to deliver a range of local schemes including in Preston, Plymouth, Tyne and Wear. We will also provide £4.2 billion for longer-term, London-style funding settlements for eight Mayoral Combined Authorities like Tees Valley, Tyne and Wear, and West Yorkshire.
- **Giving the green light to new strategic road schemes helping everyone get around.** The Budget confirms the development of 15 local road upgrades across the country helping to reduce congestion. We are investing over £27 billion to 2025 on the Second Road Investment Strategy. To decarbonise the transport sector, we expect 97 per cent of cars and vans to be zero emission by 2050.
- **Delivering £2.5 billion to fill millions of potholes over the next five years – speeding up journeys, reducing vehicle damage and making our roads safer.** We have set up a new Potholes Fund, which will provide £500 million a year (a 50 per cent increase) fund to fix 10 million potholes a year.
- **Delivering next generation broadband to the most difficult to reach areas of the UK with a record £5 billion of funding.** This funding will support gigabit-capable broadband which is 40 times faster than standard superfast broadband, benefitting 5 million premises and the hardest to reach parts of the country.
- **Improving phone reception in rural places with a £1 billion investment in the Shared Rural Network.** We will ensure rural areas are not left behind and will provide £510 million of funding – which will be more than matched by industry so 95 per cent of the UK will have high quality 4G mobile coverage.
- **Setting up a new economic campus in the North and review the Green Book on government investment.** We will establish a new economic campus in the north of England, with representatives in every nation, and review the Green Book (the manual for investment to ensure we invest across the UK).

We promised to invest in better public services:

- **Delivering on our promises with £5.4 billion more for the NHS and health service – writing the cheque for 50,000 more nurses and 50 million more GP surgery appointments per year**. We will enshrine into law a cash boost of £33.9 billion by 2024. But this Budget goes further by investing £5.4 billon in this Parliament to support the recruitment, retraining and retaining of 50,000 more nurses including a new nursing maintenance grant for all nursing students.
- **Providing nearly £700 million of new funding in 2020-21 to improve hospitals across England.** Alongside our plan to build at least 40 new hospitals – the largest hospital building program in a generation – we will increase DHSC’s capital budget to allow more vital improvements to hospitals.

- **Brexit is done. Everything that the British public was promised during the 2016 referendum and in the general election last year is delivered by this deal – the biggest bilateral trade deal signed by either side, covering trade worth £668 billion in 2019.**

- **On services, the UK has secured an agreement on services that many thought was impossible – similar to the EU's agreements with Japan and Canada. Continued market access has been secured across a broad scope of key sectors, including professional and business services.**

- **On financial services, outside the single market the UK will have full control to set rules that are appropriate for the UK's world leading financial sector. The arrangements we have agreed meet our goal of ensuring financial stability, market integrity and investor and consumer protection, and provide a stable foundation for us to develop our relationship with the EU.**

Inside the deal

- This deal reinforces the standard WTO/GATS provisions to ensure basic fair treatment and market access for financial services. This agreement supports and protects the sector by ensuring:

    - **Free flow of data**. This provision prohibits unjustifiable restrictions on where data can be stored – a first for an EU free trade agreement – in addition to provisions which allow transfer of data across borders. There is also a time limited 'bridging mechanism' on data adequacy within the deal.

    - **A framework to recognise professional qualifications across the EU and UK.** Qualifications can be recognised if that is the recommendation of associations on both sides, and this is agreed by the Partnership Council. We have improved the existing model to enable a wider pool of professional bodies and associations to participate and accelerate the negotiation process - resulting in more arrangements agreed at a faster pace.

    - **No cross-suspension for financial services**. This ensures that financial services provisions cannot be suspended for any breaches that do not relate to financial services obligations under the agreement, protecting the sector from being targeted in an unrelated dispute. This is true of all the provisions across the agreement, including the rebalancing arrangements.

    - **Business travel.** This deal ensures UK service suppliers travelling to the EU for short term trips do not face undue barriers, such as work permits. UK business visitors will be able to stay in the EU for 90 days in any 180-day period. We have also agreed commitments on visa facilitation for professionals engaged in cross-border trade, and reciprocal provisions to facilitate intra-company transfers, which will be important to international firms with large UK and EU footprints.

    - **No 'Most Favoured Nation (MFN)' requirement for financial services.** This means the ambitious arrangements we are looking to secure with other trading partners are not automatically offered asymmetrically on the same terms to the EU.

    - **Commitment on the practise of home and international law**. This will facilitate lawyers advising international clients and will help to maintain the position of English law as the pre-eminent law for commercial contracts.

Outside the deal

- **Unilateral regulatory processes that govern most cross-border access in financial services.** These autonomous and unilateral regulatory/legislative processes include 'equivalence' determinations – for which we are expecting further progress in Spring 2021 (see below).

- **Data adequacy.** Given the importance of data to the financial services sector, we have secured a time limited 'bridging mechanism' within the deal which will allow personal data to continue to flow as it does now whilst EU adequacy decisions for the UK are adopted, and for no more than six months.

Equivalence

- **We aim to conclude an MoU with the EU in Spring 2021.** Both the EU and UK have agreed a Joint Declaration which sets out our intention to establish a UK-EU financial services regulatory dialogue. This will conclude with a Memorandum of Understanding (MoU) in Spring 2021 to establish a framework for cooperation for '**discussion inter alia on how to move forward on both sides with equivalence determinations between the EU and United Kingdom**'.

- We would have preferred to have agreed the UK's more ambitious proposals, but the EU were not willing to match our ambition.

A New Chapter For Financial Services

On Monday 9 November, the Chancellor set out a NEW CHAPTER for financial services: to renew the UK as the world's preeminent financial centre known for the dynamism, innovation and competitiveness of our financial services, but also to ensure financial services contribute to the life our communities and citizens.

We will do this by making the United Kingdom:

1. The most **open** place in the world to operate a financial services business
2. A world leader in using **technology** to improve outcomes for consumers and businesses
3. A country where financial services are a critical enabler in our drive to make the UK economy **greener**

The most OPEN place in the world to operate a financial services business

- **We are announcing the first set of equivalence decisions for cross-border trade with the EU.** As the transition period ends, we want to provide certainty and stability to UK financial services businesses who currently transact with the European Union. *That is why* we are today publishing a new guidance document on gov.uk that explains principles and processes that govern our equivalence framework for the EU and the rest of the world. Our bias is towards openness, being robust in protecting consumers and maintaining financial stability. We will approach equivalence assessments in a technical and outcomes-based way with transparency and stability at the core. **And we are already building new financial services relationships with countries outside of the EU – such as Switzerland, India and Japan.**

- **We are establishing a taskforce to make recommendations early next year on the UK's future listings regime**, to ensure the companies of the future choose the UK to list and grow their companies.

- **We are reviewing the UK's investment fund regime.** The UK leading investment fund sector is already worth 1 per cent of UK GDP and supports around 113,000 jobs. But there is room to build on this strength and support the innovation we need to underpin long-term investment in our economy, *which is why* we will shortly be publishing a consultation to shape our reforms for the UK's regime for investment funds.

- **We are committing to having the UK's first Long-Term Asset Fund up and running within a year.** Strong investment in long-term assets is key to the success of the UK economy. In particular, we need to encourage the UK's pension funds do direct more of their £500 billion of capital towards longer term assets. *That is why* we are setting out our ambition to have the UK's first Long-Term Asset Fund up and running within a year, designed to unlock tens of billions of pounds for investment while offering strong returns to pensions savers. In addition, the Economic Secretary to the Treasury will work with the Governor of the Bank of England and the CEO of the Financial Conduct Authority to lead a working group with industry to help drive this ambition forward.

- **We will ensure UK financial services firms trading with the EU can reclaim input VAT.** To ensure UK financial services exports to the EU remain competitive, we will treat those exports the same we do for other countries. This means UK firms will be able to reclaim input VAT from 1 January 2021, levelling the playing field with financial services firms around the world and ensuring the sector remains competitive. This support for British industry and jobs is worth over £800m per year.

- **We are launching a Call for Evidence on our current Overseas Persons Regime to ensure it supports our position as a global financial centre.** We want to ensure our legislative and regulatory framework for overseas access achieves the goal of attracting liquidity to the UK while supporting financial stability and openness in financial markets. In leaving the EU we have gained full control over the legislation that governs our market. This is a Call for Evidence to start the discussion with stakeholders about how well the overseas regime is meeting our objectives, and how firms might engage with it in future.

Greater use of TECHNOLOGY in financial services to improve outcomes for people and businesses

- **We will publish a new payments strategy, to maintain the UK's position as a world leader in payments technology.** The UK is a world leader in payments – the world's first ATM was unveiled in London in 1967, developed by a Scottish inventor. But payments have changed over recent years with the rapid growth in technology – innovations like digital banking and contactless payments are helping keep the economy moving even as we impose health restrictions to tackle coronavirus. But we need to stay ahead, *which is why* we have just concluded the first stage of the Payments Landscape Review Call for Evidence, and we will shortly publish our vision for payments to ensure the UK maintains its status as a country at the forefront of payments technology.

- **We will establish a new regulatory environment for digital currencies, such as stablecoins.** Technology is also beginning to have far-reaching implications for money itself; new forms of privately-issued currencies, known as stablecoins, could bring transformative benefits in making it easier for people to transact and store their money. But as the use of these technologies expand, people will want to be reassured that we are protecting consumers and preserving financial stability. *That is why* we will shortly be publishing a consultation on establishing a new regulatory environment for cryptoassets and stablecoins to ensure stablecoins meet the same minimum standards expected of existing methods of payment. And in addition, the Bank of England and the Treasury will work together to consider whether and how central banks can issue their own digital currencies, as a complement to cash. These steps will build on our strengths in fintech and ensure the UK is well-placed to lead the global debate on this complex issue.

- **We will deliver our Fintech Strategic Review, making the UK the best place to start, grown and invest in fintech.** Technology makes the cost of finance cheaper, gives consumers greater choice, and allows firms to attract investment to grow and create jobs to support the UK economy. *That is why* our Fintech Strategic Review, led by Ron Kalifa, will deliver final recommendations early next year to ensure the UK continues to be a leading global destination to start, grow and invest in fintech – a sector worth £11 billion and supporting 76,000 jobs.

Using financial services to make our economy GREENER and combat climate change

- **We will be the first country in the G20 to mandate climate disclosures across the economy by 2025.** We want our new chapter in financial services to see the industry engage with the deep problems we face as an economy and a society – such as our drive to net zero emissions by 2050. We have already asked firms to voluntarily disclose climate change information. But we need to go further, *which is why*, by 2025, large companies and financial firms across the UK will be mandated to publicly disclose climate-related information (in line with the global Taskforce on Climate Related Disclosures), with the majority of firms reporting by 2023. A roadmap is published today.

- **We will implement a green taxonomy, to better understand the impact of firms' activities on the environment.** As well as acknowledging how financial services are impacted *by* climate change, we need to understand how financial services affect the environment itself and allow investors to make better informed investment decisions and help shift finance towards sustainable goals. *That is why* we will implement a sustainable financial disclosure regime and a green taxonomy that defines environmentally sustainable activities. The UK also intends to join the International Platform on Sustainable Finance to benefit from the development of common international standards on taxonomies.

- **We are launching our first ever Sovereign Green Bond.** The way in which the government finances itself and raises money to pay for public services can also play a critical role in driving forward action to tackle climate change. *That is why* next year, the UK will issue its first ever Sovereign Green Bond, with a series of further issuances in the coming years. These bonds will finance a wide range of government-funded projects, helping to tackle climate change, finance much-needed infrastructure investment, create green jobs across the country to help boost our recovery from coronavirus, and meet growing investor demand for investment projects to help achieve these goals.

SUPPORT FOR BUSINESSES

BUSINESS GRANTS

Businesses forced to close can claim grants of up to £3,000 per month (worth over £1 billion per month). Any business in England forced to close due to national or local restrictions can claim grants, via their local authority, of up to £3,000 per month, per business premises, depending on rateable value:

- Businesses with a rateable value of £51,000 or above: **£3,000 per month**
- Businesses with a rateable value between £15,000 and £51,000: **£2,000 per month**
- Businesses with a rateable value of £15,000 or below: **£1,334 per month**

Businesses in the hospitality, leisure and accommodation sectors not forced to close but severely impacted by restrictions, can claim grants of up to £2,100 per month. Hospitality, leisure, and accommodation businesses in England which are not forced to close, but are impacted by restrictions in Tiers 2, 3 and 4 and therefore face less demand, can claim grants, via their local authority, of up to £2,100 per month, per business, depending on rateable value. Exact grant amounts and eligibility is at local authorities' discretion. Businesses in areas where household mixing was banned between 1 August and 5 November can also claim back-dated grants from their local authority. Additionally, the government has provided a 5 per cent top up discretionary funding which local authorities can choose how to use – such as for supply chains in the hospitality, leisure and accommodation sectors.

- Businesses with a rateable value of £51,000 or above: **£2,100 per month**
- Businesses with a rateable value between £15,000 and £51,000: **£1,400 per month**
- Businesses with a rateable value of £15,000 or below: **£934 per month**

In addition, retail, hospitality and leisure businesses forced to close can claim a one-off grant of up to £9,000, worth an extra £4.6 billion. This is *in addition* to the monthly closed grant amounts above. The one-off additional grant each business premises will receive depends on their rateable value:

- Businesses with a rateable value of £51,000 or above: **£9,000**
- Businesses with a rateable value between £15,000 and £51,000: **£6,000**
- Businesses with a rateable value of £15,000 or below: **£4,000**

Local authorities (in England) will also be given an additional £500 million discretionary funding to support their local businesses. This builds on the £1.1 billion discretionary funding (worth £20 per head of population) which local authorities in England have already received to support their local economies and help businesses impacted.

How to access

- Local authorities will directly contact businesses which are eligible for these grants. If businesses believe they are eligible and have not yet heard from their local authority, they should get in touch with them directly.
- Businesses can find their local authority at: https://www.gov.uk/contact-your-local-council-about-business-rates.
- The grant schemes are fully devolved, with the Devolved Administrations allocated Barnett consequentials.

These rateable value thresholds are unfair – why have they been chosen?

- The two grants schemes have been designed to support the smallest businesses, and small businesses in some of the sectors hit hardest by the measures taken to prevent the spread of Covid-19. In order to ensure that payments can be made quickly and efficiently to businesses which are facing particularly high fixed costs, the scheme is tied to the business rates system. £51,000 is the accepted threshold in the business rates system for a 'small' business, as only businesses which occupy properties with a rateable value of less than £51,000 can benefit from the Small Business Multiplier rate. This threshold applies across England, thus providing a straightforward existing basis which Local Authorities can use to issue grants. In England, 90% of all properties and 89% of all retail, hospitality and leisure properties have a rateable value below £51,000.
- The Government continues to review the economic situation and consider what support businesses and other organisations need. However, there are currently no plans to extend the grants scheme beyond these rateable value thresholds.

BUSINESS RATES HOLIDAY

- All eligible **businesses in the retail, hospitality and leisure** sectors in England will pay no business rates for 12 months, from 1 April 2020 – that's **worth an estimated £11 billion for businesses**.
- There will be **no rateable value threshold** – meaning businesses of all sizes in these sectors will benefit.
- The Government also acted to include **nurseries, estate agents and bingo halls** in the 12 month holiday.
- An estimated **735,000 properties** will pay no business rates in 2020-21 – half of all business properties.
- And on 6 May, the Government announced it is **postponing the planned business rates revaluation**.

- If a business is already receiving the retail discount on their business rates bill, they will receive a revised bill from their local authority with 100% relief.
- Some businesses may need to contact their local authority directly to receive the discount. Guidance on locating local authorities is available at: https://www.gov.uk/contact-your-local-council-about-business-rates.
- The guidance for local authorities on eligibility is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/877758/Expanded_Retail_Discount_Guidance_02.04.20.pdf.
- Business rates are devolved and the devolved administrations will receive Barnett consequential funding in the usual way.

Progress so far

- Nearly half of all properties in England will not pay any business rates for the next 12 months.
- As of **Thursday 21 May, 99% of bills for eligible ratepayers have been stopped.**
- **350,000 businesses** in the retail, hospitality and leisure sector have benefitted, **worth around £10 billion**.

Third party support

- 'The business rates holiday, together with the announcement of a loan package, represent a vital shot in the arm for a sector facing enormous uncertainty.' **British Retail Consortium.**
- 'Businesses will welcome the scale of the Government's latest response, as well as the specific support it is offering to some of the worst-affected parts of our economy.' **British Chambers of Commerce**.
- 'This unprecedented package of loan guarantees, business rates breaks and cash grants marks a hugely welcome step forward'. **FSB.**

Businesses need support now – I haven't received a new bill?

- Guidance for local authorities was published by MCHLG on 18 March, and updated on 25 March to include further properties such as estate agents and bingo halls.
- Local authorities will re-bill all eligible businesses as soon as possible. All queries should be directed to the relevant local authority.
- 99% of bills for eligible ratepayers have already been stopped.

Why are you supporting supermarkets when they are making millions?

- The holiday aims to provide support to all eligible businesses in the retail, hospitality and leisure sector at this challenging time. This is a necessary and proportionate response. It builds on the previous one-third business rates relief discount announced at Budget 2018. Food retailers have always been eligible for that relief.

BOUNCE BACK LOANS

- The Chancellor has announced a new Bounce Back Loans Scheme **to ensure that businesses get the financial support they need quickly, to help them survive this crisis.**
- **Loans will be from £2,000 up to £50,000**, capped at 25% of a firms' turnover, initially with a maximum repayment term of 6 years, but **extended now to 10 years through our Pay as You Grow scheme.**
- The Government will provide lenders with a **100% guarantee on each loan**, with **no repayments due during the first 12 months**.
- The Government **will cover the first 12 months of interest payments,** and the government has agreed an interest rate of 2.5% for the remaining period of the loan.
- Businesses will be able to complete a **short, simple, online application in just 15 minutes** – or 7 questions.

How to access

- Businesses can apply via the British Business Bank website: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/.
- A list of accredit lenders through which to apply is available at: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/current-accredited-lenders-and-partners/.
- Further information is available at: https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan.

Progress so far

- The scheme was announced on Monday 27 April, and went live at 0900 on Monday 4 May.
- Since its launch, **over 1.4 million loans worth over £43 billion have been approved.**
- There are now **18 accredited lenders**, with Tide announced as the latest approved lender on Friday 15 May.
- There are **80 existing accredited lenders for CBILS** – any one of these can be accredited for Bounce Back Loans by signing a simple, easy form.

Third party support

- 'The Chancellor's new 100% guaranteed loan scheme for small businesses is transformational. Sole traders, micro-firms and entrepreneurs will now have a simple route to fast finance to stay afloat, without red tape or time-consuming checks. Thousands of businesses could be saved by this lifeline. Banks now need to continue their work in overdrive to get the loans flowing faster. It's good to see the Chancellor listening to business, proving that where there's a need to adjust schemes, he will do what it takes. It will be vital to maintain this approach in the months to come. Every job saved today will ensure a faster recovery tomorrow'. **Dame Carolyn Fairbairn, CBI Director-General.**

- 'The Bounce Back Loans Scheme will help smaller businesses and sole traders rapidly access the finance they need by filling in a simple form online with an accredited lender. This builds upon the broad package of support that lenders are already offering to help SMEs through these tough times, including capital repayment holidays, extended overdrafts and billions of pounds worth of lending. Accredited lenders approved to offer Bounce Back Loans have worked at pace with the Treasury to get this scheme up and running by Monday, and staff are now focused on processing applications and getting money to businesses as quickly as possible'. **Stephen Jones, CEO, UK Finance.**

- 'We know many small firms have struggled to secure small loans speedily. We are pleased that the Chancellor has listened, and swiftly developed this new scheme for small businesses to access finance quickly, interest-free for the first year and at an affordable fixed interest rate for the remainder'. **Mike Cherry, Chair, FSB.**

- 'The government has kept an open ear to businesses, and continues to adapt its coronavirus response, which is very welcome. The business interruption loan scheme has started to reach firms, but small firms were still having difficulty accessing finance. This additional measure should help more of those firms get the cash they need to see them through the weeks and months ahead'. **Tej Parekh, Chief Economist, IOD.**

- 'This is extremely welcome news for small businesses up and down the country who trade online and offline, including the 300,000 who trade on eBay on a daily basis. Many of Britain's SMBs are really struggling financially in the current crisis. Hopefully, this move from government will help our very smallest businesses get the financing they need quickly to manage their cash flow or replenish their stock. While the existing CBIL scheme may be appropriate for some businesses, our smallest businesses told us that they were finding it hard in practice to access this support from banks. By extending the current government guarantee from 80% of each loan to 100%, we hope this will make it more likely that banks will extend finance at a critical time. And by making it simpler to apply, SMBs should be able to get the help they need quickly just when they need it most'. **Rob Hattrell, Vice President, eBay UK.**

- 'The launch of the Bounce Back Loan Scheme is an important milestone in getting credit flowing to small firms who have so far struggled to access the financial support they need. The standardisation of the interest rate that can be charged after the first 12 months is a welcome step in helping firms manage their ongoing costs. We look forward to working with the government, British Business Bank and UK financial institutions to ensure that the new scheme supplies cash to businesses on the ground quickly'. **Dr Adam Marshall, Director General, BCC.**

- 'The Chancellor is standing shoulder-to-shoulder with small businesses to help them through the crisis. A 100% government guarantee on loans and a simple way of applying will be a lifeline to many small businesses and sole traders under pressure. Banks have been operating at full throttle and must stay in overdrive to get more money out of the door faster. Time is of the essence.' **Rain Newton Smith, Chief Economist, CBI.**

Why didn't you introduce a 100% guarantee sooner? This is a u-turn.

- This scheme has been introduced following feedback on CBILS, and is targeted at the smallest businesses in the country. Lenders have seen a large increase in the number of applications received for small loan values – but borrowers often struggle to complete the application forms or find the process unnecessarily burdensome.
- This scheme responds to the feedback the Government has received, and creates a bespoke product that will help the smallest businesses in the country access finance more quickly.

Is it fair that this is 100% of taxpayers' money?

- This is an entirely new scheme to support our smallest businesses that are the backbone of our economy. We said from the start that we would do whatever it takes to support business, and this is us delivering on that promise. This is in addition to the support we offer through business grants, the CJRS and tax deferrals.
- We know small businesses are still struggling to access credit in the timeframe that they need. They are, in many ways, the most exposed businesses to the impact of the coronavirus, and often find it harder to access credit in the first place. If we want to benefit from their dynamism and entrepreneurial spirit as we recover our economy, they will need extra support to get through the crisis.
- As the Chancellor has said, this is a proportionate response. It would not be appropriate to extend 100% guarantee – and expose the taxpayer – on larger loan volumes.

This scheme will face the same problem as CBILS: lenders won't process applications quickly enough.

- The government has also taken steps to remove the requirement for lenders to undertake forward-looking viability assessment tests, such as cash-flow projections, which are particularly challenging in these uncertain times. Typical assessments including affordability have also been removed, speeding up the application process. These features will enable accredited lenders to process loan applications in a matter of days, faster than under CBILS.

Isn't this unfair to medium and larger businesses which only have an 80% guarantee on their loan?

- While the existing Coronavirus Business Interruption Loan Schemes have resulted in significant volumes of financing being provided to medium-sized and larger businesses, small businesses are still struggling to access small loans, particularly at the pace they need to, in part because lenders often have less information available regarding these businesses.
- For this reason, the Government has decided to provide a 100% guarantee on these loans. This feature of the scheme, along with reduced affordability and viability checks, will enable the smallest businesses, some of which may not have taken on debt before and therefore be less familiar to banks, to access loans which they may have been struggling to do. A 100% guarantee is not a step taken lightly, given the taxpayer stands behind these loans. But small businesses need more help, therefore it is a step we have deemed necessary.
- The 80% guarantee on lending under CBILS to medium and larger businesses is already extremely generous, and no evidence suggests this is acting as a significant barrier for lenders. This in fact remains an important tool to ensure that lenders have sufficient skin in the game, when they are lending much larger sized government-backed loans of up to £5 million to an SME.

Are banks only allowed to give loans to their own customers?
- No, banks can offer loans to their existing customers and new customers. But it is only right and natural that they prioritise their own customers first. There are now over 70 accredited lenders under CBILS and BBL, and customers can access Bounce Back Loans by filling out a form in just 15 minutes.

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME

- We will do **whatever it takes** to see our businesses through this crisis – which is why we have launched the Coronavirus Business Interruption Loan Scheme to support businesses across our country.
- It is delivered through over 100 commercial lenders, backed by the British Business Bank.
- Businesses with a **turnover of up to £45 million are eligible**, for loans of up to £5 million, up to 6 years.
- The Government will provide lenders with a **guarantee of 80% on each loan**, will not charge businesses for this guarantee, and **will also cover the interest costs and fees for the first 12 months**.
- Through **Pay as You Grow**, we have **extended the term of the guarantee on CBILS loans from 6 to 10 years.** This enables lenders to give borrowers more time to repay loans if needed.
- In response to feedback, the Government also extended the scheme so that **all viable businesses – not just those unable to secure regular commercial funding – will now be eligib**le.
- We have also **removed the forward-looking viability test** that required an assessment of whether the business can trade out of the crisis. The only test that remains is whether a business was viable before Covid-19, so businesses do not need to be asked for documentation like cashflow forecasts.
- The government **will provide as much capacity as required** for the scheme.

How to access

- Businesses can apply via the British Business Bank website: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/.
- A list of accredited lenders is available at: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/.
- Further information is available at: https://www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme.
- Loans are available to businesses across the UK.

Progress so far

- The scheme was launched on Monday 23 March.
- **Over 83,000 loans have been approved, worth nearly £20 billion**.
- There are now **over 100 accredited lenders,** compared to 39 at the start of the crisis.

Third party support

- 'We're pleased that the Chancellor is listening and responding to the real-world concerns posed by firms across the UK who are urgently trying to access financial support. Improvements to the Coronavirus Business Interruption Loan scheme will help firms get access to cash more quickly, and the announcement of a new loan scheme for mid-sized companies closes a significant gap in existing support. Chambers of Commerce will continue to work with government and the banks to ensure that support reaches businesses at the front line'. **Dr Adam Marshall, Director-General, BCC.**

- 'The Chancellor's measures are a big step forward. They will help deliver cash faster to firms battling for survival in the headwinds of the pandemic. By providing more support for mid-tier companies, they are backing our most significant and iconic regional employers. These firms number in the thousands and make a huge contribution to the economy, so it's good to see them getting the support they deserve. More detail and a clear time frame are still needed, but this plan is hugely welcome. Each week brings unprecedented levels of economic support and it's encouraging to see the Government stepping in where urgent help is needed. This will need to continue as the challenges of this health and economic crisis unfold'. **Dame Carolyn Fairbairn, Director-General, CBI.**

- 'The most immediate issue threatening the survival of millions of small businesses and the self-employed is severely depleted cash flow. Time is of the essence and therefore we welcome government action in ensuring that any viable small business that has been negatively impacted by the Coronavirus can now directly access CBILS rather first being offered a bank's own standard commercial lending product. Removing personal guarantees for all commercial loans below £250K is also very welcome. Taking on debt at the current time is a daunting prospect for many small businesses and the self-employed. We look forward to continuing our constructive engagement with government to ensure that debt can be repaid in an affordable way that allows small businesses to recover from this crisis and to thrive again'. **Mike Cherry, National Chair, FSB.**

The CBILS loan process has been too slow – what are you doing to speed this up?

- We have been receiving helpful feedback from stakeholders on how the new scheme has been working, including the length of time it can take lenders to process applications.
- The Government has now taken further steps to ensure that lenders have the confidence they need to process finance applications swiftly – by removing the forward-looking viability test that required an assessment of whether the business can trade out of the crisis, and removing the per lender portfolio cap, to give lenders the full 80% guarantee across all CBILS lending.
- The PRA and FCA have also published statements to provide comfort to lenders regarding various regulatory requirements around CBILS lending, to ensure that banks can process applications quickly.
- We continue to work closely with banks – and the British Business Bank – to ensure businesses can access support as quickly as possible.

Why are you only providing an 80% guarantee for CBILS loans, but 100% for Bounce Back Loans?

- While the existing Coronavirus Business Interruption Loan Schemes have resulted in significant volumes of financing being provided to medium-sized and larger businesses, small businesses are still struggling to access small loans, particularly at the pace they need to, in part because lenders often have less information available regarding these businesses. For this reason, the Government has decided to provide a 100% guarantee on these loans.
- The 80% guarantee on lending under CBILS to medium and larger businesses is already extremely generous, and no evidence suggests this is acting as a significant barrier for lenders. This in fact remains an important tool to ensure that lenders have sufficient skin in the game, when they are lending much larger sized government-backed loans of up to £5 million to an SME.

What about personal guarantees?

- No lender can take a personal guarantee for a loan of less than £250,000 that is supported by the Coronavirus Business Interruption Loan Scheme. For loans over the value of £250,000, a personal guarantee can only be taken for 20% of the outstanding balance.
- However, a lender is not allowed to take a personal guarantee against a borrower's principle residence under the scheme. So even if a personal guarantee is required under the lender's credit policy for loans over £250,000, it cannot be taken against the borrower's home.
- It is important that business owners remain accountable for the debt that they take on. Businesses will remain responsible for repaying any facility they may take out.

How does this compare in generosity to Germany, Switzerland and the USA?

- **Germany:** The German KfW loan scheme is available to SMEs with 10 or more employees, and enables them to access loans of up to 3 months turnover up to €800,000. There is a 100% government guarantee, but with a 3% interest rate from the outset, has a subsequently low take-up.
- **Switzerland:** Switzerland do not offer cash grants and tax cuts, while their furlough scheme requires a cash payment. The Swiss loan scheme enables SMEs to access loans of up to 10% of their annual turnover, up to CHF 500,000 with a 100% guarantee. Larger firms can access loans of up to 10% of annual turnover, capped at CHF 20 million, with an 85% government guarantee.
- **USA:** The US offers loan schemes which are aimed at businesses using the funds to keep on staff, therefore no UK-style equivalent furlough scheme for employees.

FUTURE FUND

- Our Future Fund will **unlock investment for innovative, start-up and high-growth firms** affected by the crisis which are unable to access the CBILS and other schemes because they rely on equity investment and are typically either pre-revenue or pre-profit.
- We have committed a **£1.25 billion package to protect high-growth firms driving innovation** in the UK:
    - A **£500 million investment fund (Future Fund)** for high-growth companies, made up of **£250 million funding from government with equal match funding by the private sector**;
    - **£750 million of grants and loans for SMEs focussing on research and development**, available through Innovate UK's grants and loan scheme.
- The Future Fund is **delivered in partnership with the British Business Bank, and Innovate UK** will administer the grants and loans.
- The Government will issue **convertible loans of between £125,000 and £5 million**, which will be matched by private investors and turned from debt into equity at the next round of funding. Firms must have raised a minimum of £250,000 in the last five years.

How to access

- Firms were able to apply from Wednesday 20 May, with the first payments made shortly thereafter.
- Loans are available to businesses across the UK.
- Further information is available at:
  - https://www.british-business-bank.co.uk/ourpartners/future-fund/.
  - https://www.gov.uk/guidance/future-fund.

Progress so far

- The scheme was announced on Monday 20 April and opened for applications on Wednesday 20 May.
- On 2 November, we announced that the Future Fund has been extended until 31 January 2021.
- Companies can check they meet the criteria for funding by going to the British Business Bank website. If they have secured private match funding, one of their investors can register online to start the application process.
- Further details on operation of the Fund is available at: https://www.uk-futurefund.co.uk.
- On its first day, the fund received **£515 million worth of applications.**
- To date**, £975 million worth of loans** have been approved for **971 innovative companies**.

Third party support

- 'Britain is the start-up capital of Europe and this package is a signal of intent that the Government will make sure it remains so in the future. This support will help early-stage innovators survive the crisis and thrive after it'. **Dom Hallas, Executive Director of the Coalition for a Digital Economy (COADEC)**
- 'We welcome the announcement from the Chancellor regarding support for high-growth FinTechs and start-ups. Financial innovation will play a vital role as we emerge from the crisis, especially in areas of financial inclusion, SME financing and digital transformation of the financial services sector'. **Charlotte Cresswell, CEO, Innovate Finance CEO.**
- 'We welcome today's announcement from the Chancellor as a very positive step in supporting the UK's Innovation Economy. Getting funds into the hands of entrepreneurs to protect the UK's technology and healthcare industry is critical to maintaining our place as one of the most attractive and successful tech hubs globally. UK start-ups and scale-ups are creating technologies and jobs that are critical to the development of life changing breakthroughs and enhancements in the areas of healthcare, finance, communication, education, work and beyond. We believe these actions are a welcome step in the right direction and we look forward to supporting UK innovation companies and their investors through these initiatives and other government programmes'. **Erin Platts, Silicon Valley Bank, Head of EMEA & President of UK Branch.**
- 'The Future Fund will help provide urgently needed support for many of our most innovative and fast-growing businesses around the UK, as we have urged. The fund fills an important gap in existing government support and could make a real difference to entrepreneurial firms navigating challenging circumstances. It's crucial that this enhanced support reaches companies in difficulty as quickly as possible'. **British Chambers of Commerce.**
- 'Tech startups and scaleups are crucial to the UK's future growth, jobs and innovation. The £500m Future Fund and £750m for loans and grants for R&D for startups is a bold intervention, and although the full implementation details are to still be released, it is likely to give the sector a welcome boost in these unprecedented times'. **Gerard Grech, CEO, TechNation.**
- 'The new Future Fund will be a vital cashflow boost for many smaller businesses at the forefront of tech development and innovation'. **Federation of Small Businesses.**
- 'Future Fund is a great way for @hmtreasury to support the UK's series A and B startups, and ensure we still have a vibrant tech ecosystem. I know of several funding rounds that were pulled because of Covid. This should help restart them'. **Tom Blomfield, CEO, Monzo.**
- 'We very much welcome the Chancellor's announcement today of a £1 billion rescue package for startups and scaleups, including the £250 million Future Fund. This is a key step to supporting the UK's most innovative businesses through the Covid-19 crisis'. **Seedrs.**

Isn't this just special treatment for the tech sector?

- No – these measures will benefit companies across many different sectors. Companies that rely on venture capital and other early stage investment are often pre-profit and as such may be unable to access traditional business loans, including the government's pre-existing coronavirus business loans for SMEs (CBILS and CLBILS).
- We need to help fund our most innovative companies during this crisis. These companies will be an engine for growth once the outbreak is over.
- The UK tech sector is an important contributor to the wider UK economy; tech sector Gross Value Added (GVA) grew nearly six times as fast as that of the UK economy as a whole last year and the sector employs 1.5 million people.

How will this be funded – is it new money?

- The government will initially provide £250 million for the Future Fund, with at least a further £250m expected to be provided in match-funding from private investors. This is new money.
- Protecting the pipeline of innovative start-ups and scale-ups is vital to achieving our objective of increasing economy-wide investment in R&D to 2.4% of GDP by 2027, and to creating an innovation-intensive and technology-driven economy.

Start-ups won't be able to raise match-funding to access these loans?

- The scheme takes a market-led approach to protect the taxpayer and ensure funding is provided to the most viable early stage companies. It is not possible to help every business.

Does this mean that only companies supported by big VCs can access the Fund?

- No, a range of investors will be able to provide match funding as part of the scheme. Further detail on the terms of the Future Fund will follow on gov.uk.

Won't this crowd out private investment/distort the market?

- This is a temporary and targeted programme to address funding challenges arising from the Coronavirus pandemic. Loans will be offered on commercial terms alongside private investors.

These companies are high risk and the failure rate is high in normal times – are you gambling with taxpayer's money?

- The Future Fund uses convertible loans that turn debt into equity at the next round of funding. Matched funding reduces the risk to government by taking our lead from industry in assessing risks appropriately.
- *If pressed – won't most of these shares be worthless in a few years?* It is precisely because these firms are riskier that they are the forefront of innovation and will help drive growth once the outbreak is over. But the government is not trying to pick winners here – the funding will be provided alongside with those with deep industry expertise. The eligibility criteria are also intended to target viable companies, minimising the risks to the taxpayer.

Will this debt instrument be eligible for the EIS/SEIS?

- No. EIS/SEIS tax reliefs are only available when investors purchase ordinary equity in qualifying companies. Convertible loan notes and other debt instruments are not eligible for tax relief. However, companies can still use the EIS and SEIS to raise tax-advantaged growth capital. Since the schemes began, around 30,000 companies have received over £20 billion of EIS-advantaged funds and around 13,000 companies have received £1 billion of SEIS-advantaged funds.

Won't EIS investors be disadvantaged compared with bigger VC fund investors?

- EIS tax reliefs remain available for investors who wish to invest directly in equity in qualifying companies. EIS investors can provide match-funding for the government loans, but tax relief would not apply to this investment.

TIME TO PAY

- Time To Pay is an existing scheme to support businesses and self-employed individuals by **allowing them to defer taxes they owe** to the Government by a short period of time.
- HMRC have set up a new Covid-19 helpline to handle calls and have made an **additional 2,000 experienced call handlers** available to support firms where needed.
- They will also **waive late payment penalties and interest** where a business experiences difficulties making a payment due to Covid-19.
- So far **over 68,000 new deferrals are in place related to Covid-19, accounting for £10.93 billion** of tax liabilities.

How to access

- If a business has missed – or is worried about missing – their next tax payment due to coronavirus, they should contact HMRC on 0800 024 1222.
- More information is available at: https://www.gov.uk/guidance/find-out-how-to-pay-a-debt-to-hmrc-with-a-time-to-pay-arrangement.

Progress so far

- As of 15 June, there were **over 70,000 new deferrals** in place related to Covid-19, **accounting for £11.63 billion** of tax liabilities.

INSURANCE

- Most commercial insurance policies are unlikely to cover pandemics or unspecified notifiable diseases, such as Covid-19.
- However, those **businesses which have an insurance policy that covers government ordered closure and pandemics or government ordered closure and unspecified notifiable disease should be able to make a claim** (subject to the terms and conditions of their policy). Insurance policies differ significantly, so businesses are encouraged to check the terms and conditions of their specific policy and contact their providers.
- The Government recognises that businesses who do not have appropriate insurance cover will require support from elsewhere. As such, businesses should explore the full package of support.

How to access

- Businesses are encouraged to check the terms and conditions of their policy and contact their providers.

Progress so far

- The Government is working closely with the FCA to ensure that the rules are being upheld during this crisis, and fully supports the regulator in its role.
- On 1 May, the FCA announced a consultation and further expectations for insurers on assisting policyholders during the Covid-19 crisis.
- The FCA also outlined its intention to seek a court declaration, on an agreed and urgent basis, to resolve uncertainty for many customers making business interruption claims.
- The FCA expects insurers to assess the value of their insurance products to customers during this period and to consider appropriate action. This might include changing how benefits are delivered, refunding some premiums or suspending monthly payments for a certain period of time.

Third party support

- 'This is a welcome step from the FCA and insurers will look to work closely with the regulator to make this process a success. Although the vast majority of business interruption policies do not cover pandemics and the Government has confirmed it will not seek to retrospectively amend contracts, we support any process that will provide clarity and certainty for the minority of customers who are disputing whether they should be covered. For valid claims, leading ABI members have agreed a set of claims handling principles to ensure speedy processing, including interim payments'. **Hugh Evans, Association of British Insurers.**

What about cases of unspecified notifiable diseases not paying out?

- Those businesses which have an insurance policy that covers government ordered closure, pandemics and unspecified notifiable disease should be able to make a claim, subject to the terms and conditions of their policy.
- The Financial Conduct Authority has said that, in light of Covid-19, insurers must consider very carefully the needs of their customers and show flexibility in their treatment of them. The Government is working closely with the FCA to ensure that the rules are being upheld during this crisis, and fully supports the FCA in its role.
- The Government has been clear that the sector has a significant role to play in these unprecedented times.

TAX DEFERRALS

- The Government is **deferring VAT payments** so businesses will not need to pay any VAT from 20 March through to the end of June – a **deferral worth over £30 billion or 1.5% of GDP**.
- The option to defer VAT is **open to all 2.3 million UK VAT registered businesses**, with the average benefit expected to be around **£30,000 per business**. Businesses will have until the end of the financial year to pay back any deferred VAT.
- For self-employed people, we have also **deferred income tax self-assessment payments** for July until the end of January 2021.
- And **68,000 new tax deferrals are in place through Time To Pay**, accounting for **£11 billion** of tax liabilities.

How to access

- The deferral for businesses is an automatic offer using HMRC's existing systems, with no applications required. The scheme is already operational. VAT-registered businesses should cancel any relevant direct debits. They will have until the end of the financial year to pay back any deferred VAT payments.
- More information on VAT deferral for businesses is available at: https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19 or by calling HMRC on 0800 024 1222.
- More information on Time To Pay is available at: https://www.gov.uk/guidance/find-out-how-to-pay-a-debt-to-hmrc-with-a-time-to-pay-arrangement.

Progress so far

- As of Monday 1 June, there were **over 70,000 new Time To Pay deferrals** in place related to Covid-19**, accounting for £11 billion** of tax liabilities.
- Over **£38 billion of VAT has been deferred**, by **over 400,000 businesses**.
- Over 160,000 businesses have already cancelled their direct debits.

Third party support

- 'This extraordinary economic package from the Chancellor packs a punch. He has not flinched from taking essential action to support jobs and underpin consumer confidence. He has offered urgent action to help firms operate now and in the immediate future. The VAT deferral is a vital lifeline for thousands of firms and millions of jobs in UK retail'. **Helen Dickinson OBE, Chief Executive, British Retail Consortium.**

- 'The Chancellor has given businesses desperately needed breathing room at this critical moment. The deferral of VAT payments keeps money in the pockets of businesses so that they can pay their people and suppliers'. **British Chambers of Commerce.**

We need a tax holiday, not a deferral – companies will still have to pay this tax back?

- This will help alleviate the immediate, temporary pressures businesses are facing. We are confident the economy and businesses will bounce back from this in time. To help them do that, we will give them the time needed to pay back deferred tax. Businesses will have until the end of the financial year to make these repayments.
- This should be seen as part of a wide package of support for businesses, including our loan schemes, grants for businesses and significant changes to our welfare system.

How is this supporting the self-employed?

- The next self-assessment payments – due in July – will also be deferred until January 2021. This is on top of the Self-Employment Income Support Scheme the Government announced on 26 March.

TAX CUTS

- We have recently brought forward a permanent zero rate of VAT to **e-publications and e-books** from 1 December to 1 May 2020 – **reducing the cost of access to online publications** during these times.
- A zero rate of VAT will also apply to sales of **personal protective equipment (PPE)** for Covid-19 from 1 May 2020 until 31 July 2020, **saving care homes and businesses over £100 million**.
- We have also reduced the level of **VAT in tourism and hospitality to 5 per cent until 31 March**, and have **scrapped stamp duty on all house purchases under £500,000 until 31 March.**

How to access

- More information on zero VAT for PPE is available at: https://www.gov.uk/government/publications/vat-zero-rating-for-personal-protective-equipment/vat-zero-rating-for-personal-protective-equipment.
- More information on zero VAT for e-publications is available at: https://www.gov.uk/guidance/zero-rate-of-vat-for-electronic-publications.

CORONAVIRUS LARGE BUSINESS INTERRUPTION LOAN SCHEME

- Businesses with a **turnover of over £45 million will be eligible for loans of up to £200 million**, subject to a **limit of 25% of their turnover.**
- To ensure that this support is used in the right way, companies borrowing over £50 million will be **required to agree not to make dividend payments or share buybacks,** and will face **restrictions on executive pay.**
- The Government will provide a **guarantee of 80% on each loan**, at commercial rates of interest.
- The Government **will not cover any interest or fee income**.
- It is delivered through **over 50 commercial lenders**, backed by the Government-owned British Business Bank.
- Businesses cannot also apply for a loan under the Covid-19 Corporate Financing Facility.

How to access

- Businesses should apply via the British Business Bank website: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/clbils/.
- A list of accredited lenders is available at: https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/clbils/current-accredited-lenders-and-partners-2/.
- Further information is available at: https://www.gov.uk/guidance/apply-for-the-coronavirus-large-business-interruption-loan-scheme.
- Loans are available to businesses across the UK.

Progress so far

- The scheme was launched on Monday 20 April.
- There have been **682 loans worth £5 billion**.

Third party support

- 'Once again, it is good to see the Chancellor listening to real-world business concerns, and expanding assistance to good companies facing severe cash constraints as a result of the Coronavirus crisis. These changes fill an important gap in government support, and could make a real difference to medium-sized and larger-firms navigating challenging circumstances. It's now crucial to ensure that this enhanced support reaches companies in difficulty as quickly as possible'. **British Chambers of Commerce.**
- 'This is another helpful measure from government to bring cash into businesses, which is a matter of urgency for many medium sized and larger British companies'. **Institute for Chartered Accountants in England and Wales.**
- 'We are pleased the Government has listened and once again shown it will respond to the needs of the industry in this time of crisis. The expansion of CLBILS will support businesses and jobs by helping prevent retailers slipping through the gaps

between the various loan schemes. It is essential that the scheme, along with other Government interruption loans, are easy to apply for and fast to deliver much needed cash to businesses'. **British Retail Consortium.**

Why are you not covering the interest and fees for the first year, like with CBILS?

- CLBILs is intended to help larger firms, who will generally be better placed to meet interest payments. They can also secure significantly larger loans of up to £25 million or £50 million depending on their size.

What about businesses which need more than £50 million?

- Previously, loans under CLBILS were capped at £25m or £50m, depending upon businesses' annual turnover. To ensure that larger firms are able to receive the funding that they need, we have raised this cap. Businesses will now be able to borrow up to 25% of their turnover, capped at £200 million. As a result, more businesses and more jobs will be able to benefit from government-backed support.

Why are you making these changes?

- The Government has heard from a wide range of stakeholders including firms, banks and industry groups. In response to this feedback, the Government has decided to extend the scheme to ensure that larger firms are able to receive the support that they too need.

Why are you restricting dividend payments?

- These restrictions will ensure that CLBILS financing is being used to support businesses, and not just enrich shareholders. The further restrictions on the larger loans that will be permitted from today are in line with protecting the taxpayer's interest on these larger loans.

Why did you not put in place dividend restrictions earlier?

- All CLBILS borrowers are already required to agree to a restriction on dividend payments which means they are only allowed to make dividends which were a) declared before the CLBILS loan was taken out, b) is in keeping with similar dividends made in the preceding 12 months, and c) does not have a material negative impact on the borrower's ability to repay the loan.

Can businesses get this loan and other forms of support?

- Yes, with the exception of the Bank of England's Covid Corporate Financing Facility. The eligibility criteria for the scheme does not require lenders to take into account the other forms of government support that firms may be benefiting from, i.e. reliefs or grants unrelated to the Coronavirus Large Business Interruption Loan Scheme.

What interest rate will lenders charge? Won't these be more expensive than a normal commercial loan?

- The interest rate charged on finance facilities will be set at the discretion of each lender. However, the Government expects that these rates will be competitive, and fairly priced, taking into account the unprecedented situation businesses may currently face. All lenders must clearly explain the interest and fees that they will charge over the duration of the facility.

COVID-19 CORPORATE FINANCE FACILITY

- For larger firms with an investment-grade credit, the Government has **guaranteed a funding scheme from the Bank of England** to buy short-term debt from larger companies which are fundamentally strong, but have been affected by a short-term funding squeeze.
- This is a scheme for **firms with an investment-grade credit**.
- It will be **funded by central bank reserves**, in line with other Bank of England market operations.
- It will **operate for at least 12 months**, and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy.

How to access

- Businesses should contact their bank to see if they are eligible.
- Further information is available at the Bank of England website: https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility.
- UK Finance also provides a list of banks able to assist: https://www.ukfinance.org.uk/covid-19-corporate-financing-facilities.
- Loans are available to businesses across the UK.

Progress so far

- The scheme was launched on Monday 23 March, with the first loans being paid on Wednesday 25 March.
- As **of 6 January 2021, a total of £84.6 billion issuance** has been provided into the scheme to 230 businesses.
- This is providing finance to a wide range of businesses (the Bank of England estimates that 400-450 firms are eligible for the scheme), encompassing both services and consumer industries and support for key sectors such as transport and energy.
- On 19 May, the Treasury and the Bank of England announced that all businesses wishing to draw from the CCFF will be expected to provide commitments to show restraint on the payment of dividends and other capital distributions and on senior pay during the period in which their commercial paper is outstanding.

- The Treasury and the Bank have also decided to publish the names of businesses that have drawings under the CCFF, as well as the amounts borrowed. These details will be published by the Bank every Thursday, beginning on 4 June. Businesses that have drawn under the CCFF are now able to repay their drawings early if they choose to do so.

Third party support

- 'Luckily for us and for many others the government reacted quickly … we need[ed] to borrow money … to sustain our operations over the longer term and once again the government stepped in and we were successful in applying for a Bank of England loan'. **Roger Whiteside, CEO Greggs.**

How much money will be available? Doesn't it impact the national debt?
- The guarantees on offer to support the facility are without limit. It is expected that this facility will have no significant impact on national debt.

Is this scheme compatible with state aid rules?
- This scheme has been classified as monetary policy and is therefore exempt from state aid rules.

Why are you helping large firms?
- The Covid-19 Corporate Financing Facility is designed to support companies which are fundamentally strong, but have been affected by a short-term funding squeeze. This will act as a vehicle to support corporates who would ordinarily seek market-based finance to strengthen working capital, but find themselves struggling to access financial markets in this uncertain operating environment.
- This will primarily provide bridging support for a period of time to see through the temporary nature of Covid-19 related disruption, by catalyzing the market for short term corporate funding.

How much money will this be?
- The guarantees on offer to support the facility are without limit. Purchases will be funded by the issuance of additional central bank reserves. The Monetary Policy Committee welcomes the new Facility. The Committee will continue to decide on the overall amount of asset purchases that are financed by central bank reserves. It will therefore take the size of the CCFF into account when it takes its decisions on the target stock of government and corporate bonds financed by reserves.
- As of 27th April, £16 billion of funding to businesses (in the form of commercial paper) has been provided by the CCFF.

What support have you considered support for large firms that are not investment grade?
- This is important question and one a number of companies have contacted us about.
- CLBILS supports loans of up to £50 million to firms of any size, and that includes large sub-investment grade firms.
- We are conscious that for some firms, a £50 million loan may be insufficient given their finance needs. Throughout this crisis we have constantly looked at the evidence and adjusted our offer, and we are considering what could be done for companies in this situation.
- Even if a firm does not have a public investment grade rating, we have created a mechanism to use internal bank ratings to impute a rating and allow those firms to access the scheme.

Why do you not have the same conditions on companies accessing the CCFF as you do on CLBILS, such as for dividend payments?
- The CCFF is only open to the most creditworthy firms, those which were investment grade as of 1 March 2020. Given the historically low default risk from these set of firms; the short maturity of lending from the CCFF – a maximum of 12 months as opposed to up to 3 years on CLBILS; and the need for rapid provision of short-term liquidity to this part of the market, HM Treasury and the Bank of England chose not to impose stringent conditions for CCFF financing. As you would expect, we are keeping this position under review.
- For firms seeking to borrow through the scheme beyond their published limits, HM Treasury and the Bank of England will undertake further risk assessments and detailed discussions with said firm, including discussions around conditions for that lending, before making a decision on whether to approve.

Why are you giving so much money to big companies, many of which aren't UK domiciled?
- All firms which receive a CCFF loan must make a material contribution to the UK economy. Analysis shows that the 123 firms that are approved for CCFF issuance contribute approximately 1.20 million jobs in the UK (~4% of UK employment).

Why didn't you put these conditions (announced 19 May) in place at the beginning?
- The scheme was launched to provide finance for corporates which were in financial good health before the Covid crisis began, and to provide liquidity in the investment grade debt market. As we move further away from the initial shock, it is right that we keep our policies under review, and we are making these changes to help make sure government support is being directed effectively.

Why aren't these conditions in place for all new CCFF borrowing?
- As a point of fairness, we are treating all companies equally. Just because firms apply later to the scheme, does not mean that they should be treated differently. Of course, we expect firms to behave responsibly whilst they are receiving government support.

Are these conditions legally binding?
- No. These are commitments that companies are making to the government, and by extension the UK taxpayer, and we fully expect they will respect this commitment. We reserve the right to make their commitments public should we deem it necessary.

- We think it is very unlikely that any companies will break their commitments. If they were to do so this would clearly have an impact on their reputation and the government may factor this into any future requests for support.

Company [X] has complained they can't access the scheme. What are you doing about this?

- We are not amending the eligibility criteria for the scheme. For firms which have a material UK presence, but are not investment grade the Government is offering other forms of support, such as the CLBILs or Jobs Retention Schemes.

CORONAVIRUS JOB RETENTION SCHEME

- Workers across the UK are eligible to be "furloughed" by their employer, and paid a **grant that covers 80% of their monthly wage, up to a maximum of £2,500 per month** – above the median income. The government will also cover the business' Employer National Insurance contributions and auto-enrolment pension contributions.
- The scheme is available for **any employee paid via PAYE** across the UK – that's **over 29 million people**.
- Originally launched in March, the **furlough scheme has been extended until the end of April 2021**, in order to give maximum certainty for businesses and employees.
- The government will continue to cover the cost **of 80 per cent of the wages of furloughed employees for hours not worked** – employers will only be asked to cover NICs and pension contributions.
- **Furloughed employees must have been on their employers' PAYE payroll on or before 31 October 2020** and HMRC must have received an RTI submission notifying payment in respect of that employee on or before the 31 October 2020.
- Businesses will have **flexibility to use the scheme for employees for any amount of time** and shift pattern, including furloughing them full-time.

Job Support Scheme Open/Closed

- The JSS has been postponed, in response to the extension of the CJRS. We continue to keep all policies under review, to ensure we are providing the right support at the right time to businesses and individuals.

Job Retention Bonus

- The government will not pay the Job Retention Bonus in February but will instead redeploy a retention incentive at the right time.

How to access

- Employers can claim grants online for furloughed employees from HMRC at: https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme.
- Further information on specific eligibility for employees is available at: https://www.gov.uk/guidance/check-if-you-could-be-covered-by-the-coronavirus-job-retention-scheme.
- Pay calculation guidance is available at: https://www.gov.uk/guidance/work-out-80-of-your-employees-wages-to-claim-through-the-coronavirus-job-retention-scheme.
- HMRC can also be contacted directly on 0800 024 1222.

Progress so far

- **9.9 million people** have been furloughed **–** worth **over £46.4 billion to over 1.2 million businesses.**
- At its peak, **779,500 jobs were furloughed in Scotland, 400,800 in Wales** and **249,600 in Northern Ireland**.

Third party support

- 'The Chancellor has shown real leadership. We're glad he has listened to unions and taken vital steps to support working families. Employers can now be confident they'll be able to pay their wage bills. They must urgently reassure staff that their jobs are safe'. **Frances O'Grady, General Secretary, TUC.**
- 'The CJRS has been a vital support to firms, and particularly those that have had to cease or pause trading. The importance of the scheme for the accommodation and food industry (which accounts for over 1.7 million workers) could not be clearer, whether they've continued to trade or had to pause'. **Trade Union Congress, 24 April 2020.**
- 'The Chancellor has already shown a willingness to do whatever it takes and act at speed during unprecedented times. Rolling out the job retention scheme will make a huge difference to tens of thousands of firms and millions of people, protecting jobs and living standards throughout the UK. Ensuring support gets to where it's needed most – fast – is of the utmost importance. We'll continue working closely across government departments as thoughts turn to restarting and reviving our economy'. **Rain Newton-Smith, Chief Economist, CBI.**
- 'We have very much welcomed the ground-breaking job retention scheme that has to date saved millions of jobs'. **Federation of Small Business.**
- 'Today's government announcement will be a great relief for millions of people worrying about how they will pay rent, keep the lights on, keep food in the fridge, and avoid losing their home'. **Shelter.**
- 'Cash payments to companies to make sure they can keep staff on their books will minimise both current and future damage to communities and to our economy. While Government and the Bank of England have been clear they want to support companies and have put a package of measures in place, businesses are already facing difficult decisions affecting their workforces. Companies facing temporary substantial falls in revenue should be offered direct salary support to make sure

they do not need to make any workforce reductions. This will provide vital protection for jobs and enable businesses to quickly restore normal operations at an appropriate time'. **ADS Group.**

- 'The government's unprecedented action to protect workers is extremely welcome. The measures announced today will protect millions of low-income families worried about making ends meet during this crisis'. **Citizens Advice.**
- 'The Chancellor's announcement is a major and extraordinary intervention. He has clearly taken on board the scale of the crisis, and the imminent need that businesses, their staff and the self-employed face. We applaud him'. **London Chambers of Commerce and Industry.**
- 'You cannot fault the Chancellor's efforts. The scale of the package today would have been unthinkable even a week ago. The wage subsidies are the most eye catching -- he has essentially written a blank check in an attempt to support employment. It's no silver bullet -- jobs will still be lost and the economy will experience a recession in the first half -- but along with all the other support announced, it increases the chance of a rebound once the pandemic has passed'. **Dan Hanson, Senior Economist, Bloomberg.**
- 'This is the package of measures that trade unions like Unite have been pressing for as the most effective way to stave off mass hardship and the conditions for a depression. We recognise that these are huge decisions for any government, and especially for a Conservative government, but they have listened to the calls for action and have acted appropriately. Rishi Sunak's wage support measures are a historic first for this country, but are bold and very much necessary…This will definitely be some relief amid all the fear in households across the UK this evening. Never before has the country faced a crisis of this nature. People who were only days ago in secure work are now worried sick about putting food on the table in light of the coronavirus pandemic'. **Len McCluskey, Unite.**
- 'The Chancellor has given businesses desperately needed breathing room at this critical moment. The deferral of VAT payments keeps money in the pockets of businesses so that they can pay their people and suppliers, and the commitment to cover wages of those unable to work will allow firms to retain many jobs if they are forced to reduce their operations. The government now needs to go foot-to-floor to ensure that details of the job retention scheme and loan guarantees reach firms on the ground as soon as possible. Given that this situation continues to evolve, ministers must also keep the door open to additional measures to support business cash flow'. **British Chambers of Commerce.**
- 'We're not natural bedfellows with a Conservative Chancellor, but in a time of unprecedented national crisis it's important we work together for the good of workers and the economy. This package of support will help. Securing jobs through government underwriting of wages is hugely welcome, and that's what we've been calling for action on. We will be pushing hard for all those employers that can afford it, to pay an extra 20% to secure the incomes of their employees. This gives business and workers enhanced security and will help us recover in the long term'. **GMB.**
- 'These unprecedented times call for unprecedented measures, and that is what the Chancellor has committed to today – with a £4.2 billion retention pay scheme to keep firms' wage bills down and family incomes up. This will help stem the rise in unemployment, but it will not prevent it. So, the £7 billion increase in the generosity of the safety net, including for those losing their jobs and renters is also very welcome. While this scheme will take time to put in place, employers have now had the commitment from the Chancellor that wages will be paid and should do their bit by holding off laying off staff. Help is on its way, and it is everyone's interests to keep workers paid, and on the payroll. It is welcome to see the government using the Resolution Foundation's proposed Statutory Retention Pay scheme to underwrite workers' wages. The priority now is to get up-and-running as soon as possible, while exploring other ways of supporting the self-employed who remain very exposed to falls in their incomes'. **Resolution Foundation.**

International Comparisons

The CJRS continues to be one of the most generous schemes in the world:

- So far, the CJRS has seen 1.2 million employers apply to help to pay the wages of 9.9 million furloughed jobs and the latest data shows the UK's unemployment rate is lower than Italy, France, Japan and the US.
- We have consistently guaranteed a higher rate of people's wages than Canada (75%) and Spain (70%). In Italy it is 80% but with a lower cap, so compared to the CJRS it is equivalent to around 60% of average wages. In Germany, support is 60% - only increasing to 70% after 3 months, and 80% after 6 months, for workers whose wages have been reduced by more than 50%. (This is 7% higher for parents (i.e. 67%-87%))
- We have fewer employer and employee eligibility criteria and therefore cover a wider range of business and employees than New Zealand (40% revenue drop threshold), Austria (employees must have lost at least 20% of working hours to be eligible) and Ireland, which only supports employees with a salary between €151.50 and €1462 per week.
- A lot of other countries have mandatory employer contributions (e.g. Denmark, France, the Netherlands, Norway, Sweden).
- Initial take up of the UK's scheme was comparatively large; at the end of May, 31% of the pre-pandemic labour force was covered by the CJRS, compared to an OECD average of 25%.

You said you would do a review in January. Why are you announcing this now without giving stakeholders the opportunity to contribute – this just shows you have no clear strategy?

- We have engaged and listened to a range of stakeholders throughout this year as we have developed our policy response to the pandemic.

- Given the developments in the vaccine, this is the right time to confirm our plans for the rest of the winter so that businesses have the certainty to plan accordingly.
- We will continue to work with stakeholders.

How much will this extension cost?
- As previously stated, we are not putting a figure on this. The scheme is available for anyone who needs it and costs will be determined by take-up.

Extending furlough is adding to the cost of the scheme – will you raise taxes in the Budget to start paying for this?
- The current high levels of uncertainty mean now is not the right time to set out a detailed medium-term fiscal strategy.
- However, over time, and once the economic recovery is secured, the government is fully committed to taking the necessary steps to ensure borrowing and debt are on a sustainable path.
- The government will set out further details of a medium-term fiscal strategy, alongside a framework to support its delivery, once the current level of uncertainty recedes.

You could have been targeting furlough to specific industries – why haven't you done that?
- The economic impact of the health restrictions remain widespread across large parts of the economy. It is therefore right that we make support available for all businesses that need it."
- There are other schemes (including CBILS) that can provide support to specific firms.
- Where a business feels that redundancy is the only option, this must still follow the rules which include giving a notice period and consulting staff before a final decision is reached.

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

- The Government said **we would do whatever it takes to protect people's jobs and incomes** – and we meant it. We know many self-employed people are deeply anxious about the support available for them.
- That is why the Chancellor has announced a new **Self-Employment Income Support Scheme** – helping many of our country's self-employed workers adversely affected by Covid-19.
- Through this scheme, **the Government will pay self-employed people a grant worth 80 per cent of their average monthly trading profits** over the last three years**, up to £2,500 a month** – that's unlike almost any other country and makes our scheme **one of the most generous in the world**.
- The grant will be paid out in a **single instalment covering 3 months** (March, April and May) and is capped at £7,500 altogether. The value of the grant is based on a **3-year average of trading/partnership trading profits**, from the tax years 2016-17 to 2018-19.
- The scheme will only be open for those with **average trading profits up to £50,000, who make the majority of their income from self-employment,** and, to minimise fraud, who are already in self-employment, and who have a tax return for 2018-19.
- This means around **95% of individuals** who are mainly self-employed could benefit from this scheme **– around 3.4 million individuals –** making our scheme **one of the most generous in the world**.
- Following the first grant, we **extended the scheme by a further three months**, meaning individuals will be able to claim for a **second grant** worth **70 per cent** of average monthly trading profits, **capped at a single instalment of £6,570.**
- We then extended the scheme again until April 2021. The government is now providing a **third SEISS grant, covering 80 per cent of average trading profits between November and January 2021**, capped at £7,500 in total. **We will also introduce a fourth grant**, to cover February to April, in due course.

*For self-employed people, we have also **deferred income tax self-assessment payments** for July until the end of January 2021, and we have **suspended the minimum income floor for twelve months**, meaning self-employed people can now access Universal Credit at a rate that is equivalent to Statutory Sick Pay for employees.*

How to access

- Applications for the third grant are open until 29 January. Details on the fourth grant will be available shortly.
- Individuals can now use an online tool to determine if they could be eligible: https://www.gov.uk/guidance/how-different-circumstances-affect-the-self-employment-income-support-scheme.
- Pay calculation guidance is available at: https://www.gov.uk/guidance/how-hmrc-works-out-total-income-and-trading-profits-for-the-self-employment-income-support-scheme#3years.
- Further information is available at: https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme.

Progress so far

- **1st grant: 2.7 million claims**, to a total value of £7.8 billion.
- **2nd grant: 2.4 million claims**, to a total value of £5.9 billion.
- **3rd grant (so far): 1.7 million claims**, to a total value of £4.8 billion.
- **Individuals in Scotland** have made **157,000 claims**, **110,000 claims made in Wales**, and **78,000 claims in Northern Ireland**.

Why it is problematic to support certain 'Excluded' groups in the ways campaign groups want:

- **These schemes were designed to reduce fraud.** The biggest priority was to get money to people as quickly as possible in a way that safeguarded as much as possible against fraud and abuse. This meant designing a system where people could apply in a straightforward way, HMRC could then match data they provide automatically with information already provided in order to verify claims, and grants could subsequently be calculated and paid.

- **For operational and fraud reasons, it was not possible to include all groups.** The Government looked carefully at whether we could find a way to support groups such as the newly self-employed and those who pay themselves through dividends. However, bringing in these populations would have required a complex, manual-based system to check claims; and a much higher level of fraud risk – with high levels of difficulty involved in checking that information submitted was correct.

- **That is why we have put in place a wide £280 billion package of support.** We recognise that some of the rules, criteria and conditions that were vital to ensuring that these schemes worked for the vast majority mean that some people did not qualify for these schemes. That is why we introduced a package of support including a temporary £8 billion increase to welfare, mortgage holidays, help with council tax payments, business loans, grants, a business rates holiday, and tax cuts and deferrals.

Those who became self-employed in 2019/20…

- We have not used 19/20 tax returns as at the time of the launch of CJRS and SEISS, we did not have complete **19/20 tax returns** for the self-employed population (they are not due until the end of January 2021).
- There was therefore **no reliable basis to verify a newly self-employed person's income**, without exposing the taxpayer to a high risk of fraud from organised crime groups and fraudsters. It would not be right for the government to expose the tax system to these risks.
- The **most reliable and up-to-date record of self-employed income is therefore from the 18/19 tax returns**, which demonstrate a verifiable history and footprint with HMRC.
- HMRC estimate that there are around 600,000 newly self-employed individuals, based on previous years. However, not all of these individuals would be eligible for SEISS.

Those who earn less than 50% of their income from self-employment…

- The self-employed are very diverse and have a wide mix of turnover and profits – with monthly and annual variations even in normal times. They often have substantial alternative forms of income too. **SEISS is targeted at those who are most reliant on their self-employment income** – it is not for those who might have small amounts of self-employed income in addition to employment.
- **1.5 million of the 5 million people who file self-employed tax returns are *not* majority self-employed**. In fact, the average income these people receive from self-employment is between £1,800 and £3,500 per year. **The majority of their income therefore comes from other sources.** For instance, 300,000 individuals from this group have income from employment (meaning they be eligible for CJRS); 420,000 had no profits or made a loss (so won't be eligible for SEISS in any case); and around 60 per cent have income through pensions (which are not targeted through SEISS). Accordingly, **around 95 per cent of those with more than half their income from self-employment in 2018/19 are eligible for SEISS grants.**
- During the design of the schemes, **industry groups and organisations were all supportive of a much higher threshold of 60 per cent** (so in effect, a much *less generous* threshold) than the one that we ultimately used, which was a majority of 50 per cent of income from self-employment.

Those who earn over £50,000 in self-employed profits…

- **Those who had more than £50,000 from self-employment profits in 2018-19 had a mean average total income of over £200,000**, and a median average of £100,000. There will be some who miss out on support whose earnings are just over the £50,000 threshold. However, the government has to draw the line somewhere – tapering support would be complex and would jeopardise the swiftness with which the scheme was delivered.

Those who don't meet the 50% rule because they became self-employed partway through the tax year…

- Adjusting profits for people who started trading part of the way through a year would require HMRC to collect and verify additional information – such as checking why an individual's profits may have been less in earlier years. This would be an entirely different, complex scheme to design that **would not sufficiently guard against mass fraud and abuse**.

Company owner managers or directors who pay themselves via dividends…

- Income from dividends is a return on investment in the company, rather than wages. Under current reporting mechanisms, **it is not possible for HMRC to distinguish between dividends derived from an individual's own company, and dividends from other sources or other forms of corporate activity**.
- All existing support schemes use information HMRC already holds. **Targeting additional support would require owner-managers to make a claim and submit information that HMRC could not efficiently or consistently verify** to ensure payments were made to eligible customers, for eligible activity. This would expose the taxpayer and taxpayers' money to considerable fraud risk.
- There is **no scheme anywhere in the world** which is able to support directors who pay themselves through dividends, and thereby identify the distinction between dividends derived from an individual's own company, and dividends from other sources – such as equities, pensions or other investments.

Third party support

- 'For the self-employed, Coronavirus is not only a health crisis, but also a pressing income crisis. It is therefore very welcome that the Government has managed to get this new scheme in place ahead of schedule, and that a section of the freelance community can now get the help they need early. We are delighted that the government has heeded much of IPSE's advice by setting up the Self-Employment Income Support Scheme, which extends a much-needed lifeline to those self-employed people who are eligible for it'. **Derek Cribb, IPSE.**
- 'I would encourage all those who think they are eligible to use the online checker if they've not done so yet, and to apply on the date allocated. We are particularly pleased to see the scheme opening earlier than scheduled, with a simple fast-track application and a promise for speedy payment. Getting the system designed and built ahead of schedule is impressive. Just

like the Job Retention Scheme portal we hope it will cope with the high expected demand. I would like to pay tribute to the staff of HMRC for the behind the scenes work to get this scheme off the ground'. **Mike Cherry, FSB.**

- 'The self-employed account for 40% of the construction workforce so the Government's decision to bring forward the payment to the end May will be very welcome news for the many independent tradespeople who operate in construction. The Government's support package to date has been targeted at businesses so the self-employed will be welcoming this cash boost at a time when they need it most'. **Brian Berry, Federation of Master Builders.**
- 'With so many of the self-employed facing a collapse in their earnings the Chancellor is right to act. This is a welcome step forward'. **Frances O'Grady, General Secretary, TUC.**
- 'The equally important self-employment income support scheme – has proven to many of the self-employed that they have not been forgotten. We are delighted that the scheme seems to be running ahead of schedule – a great achievement. This support package from the Government will give much-needed support to vast numbers of self-employed workers'. **Mike Cherry, FSB.**
- 'Construction workers across the country will now be taking a collective sigh of relief knowing they will now be protected in the same way that employees will be if they lose work due to COVID-19. I am delighted that the Chancellor has heeded our calls to be generous with his offer to the self-employed, who make up almost 40% of those working in the construction industry'. **Federation of Master Builders.**
- 'Many self-employed people across the UK will be hugely relieved tonight. These new measures will provide essential support to those facing significant uncertainty and loss of income. Given the complexity of the task, it's understandable this will take time to deliver. Fast clarity on how and when money will reach their bank accounts will help individuals to plan. The self-employed make an immense contribution to our society and across many industries. They will play a critical role in the UK's recovery once we overcome the worst of the virus'. **CBI.**
- 'Millions of self-employed workers will sleep easier tonight. Food, rent, utilities aren't cheaper if you're self-employed and for many work has dried up, so it's right and welcome that support will now be put in place. When this is all over we will need to ask how many workers classed as 'self-employed' genuinely fall into that category – the explosion of fake self-employment has undoubtedly made this much more difficult. The next step for the Government is to take action where businesses are not providing essential services but refuse to do the responsible thing and use Government support to close their doors – or provide adequate protections to keep their workers safe'. **GMB.**

Can I receive more than one grant?

- Yes. You don't need to have applied for the first grant in order to apply for the second grant if you are eligible for the second.

Why has the value of the grant reduced, both proportion of earnings and capped amount?

- As we begin to re-open the economy and as the economy begins to ramp up, the furlough scheme is evolving, it is right that the SEISS will also change to ensure fairness between the two schemes.
- *[if asked on numbers specifically:]* The 70% grant is aligned to the grant provided to employers through the CJRS in September, [the mid-point of the tapering]. The reduction in the cap to £6,570 from £7,500 is equivalent to the reduction from 80% to 70% of average monthly profits.

Why is it fair that employees will still get 80% of their salary, whereas the self-employed will get 70%?

- The SEISS is one of the most generous self-employed support schemes in the world.
- It is different from the CJRS. The CJRS is designed to prevent employers making staff redundant and partially replaces the regular income employees would have received. The SEISS provides full support to the self-employed who have been adversely affected by COVID-19, regardless of how much their business has been impacted, and individuals who receive the grant can continue to work.
- *[if asked on numbers specifically:]* The 70% grant is aligned to the grant provided to employers through the CJRS in September, [the mid-point of the tapering]. The reduction in the cap to £6,570 from £7,500 is equivalent to the reduction from 80% to 70% of average monthly profits.

How does the UK scheme compare to those in other countries?

- The UK has one of the most generous self-employed COVID-19 support schemes in the world.
- The SEISS now offers support covering a longer period of time than similar schemes in countries such as in Denmark (4 months) and Germany (3 months).
- The grant payments are more generous than in countries such as France (€1,500 (£1,310) per month) or Canada (CA$2,000 (£1,160) every 4 weeks).

HARDSHIP FUND

- The Government understands that it is critical that additional financial support is provided to affected people and their families at this difficult time.
- That is why we are **giving local councils in England an additional £500 million** to support the most vulnerable people in society **meet their council tax payments** over the coming year.
- We have requested that local authorities use the funding to provide all recipients of working age local council tax support (LCTS) a **further reduction in their annual council tax bill of £150.**
- This funding is in **addition to the £3.4 billion** which local authorities already spend on LCTS schemes each year, **benefitting around 3.8 million people.**

How to access

- Eligibility criteria differs between local authority schemes, but most schemes are aligned to other existing benefits, such as Universal Credit.

Progress so far

- The Hardship Fund grant has been distributed among local authorities in England, so we expect bills to be reduced as soon as possible.

Third party support

- 'We are pleased that councils will now be able to provide much-needed support to many households on the lowest incomes by quickly reducing or removing the need for them to pay council tax'. **Local Government Association.**

- 'The Chancellor is right when he says that coronavirus represents an unprecedented challenge for the UK, and to introduce measures to strengthen the safety net for the most vulnerable people. We welcome the extra financial support announced, particularly the £500m hardship fund for local councils, which can play a key role in anchoring us all from poverty'. **Trussell Trust.**

- 'We are pleased the Chancellor has announced funding for councils to help working people suffering hardship as a result of the coronavirus. The District Councils' Network had a significant say in the design of the fund and we are delighted to see this announced today. It is a time to focus on working quickly to solve problems, which is what district councils do best. We are perfectly placed in the local community to deliver the support where it is needed most, creatively helping hard working families in whatever way they need. To make this investment really count it will be important for it to be channelled directly to district councils, and with full flexibilities and no ring fences so that we can rapidly respond to the range of issues this will throw up across our communities. There will be challenging weeks ahead for communities across the country. As ever, councils stand ready to deliver the vital services for families and businesses'. **District Council's Network.**

What about vulnerable people who don't pay council tax or don't qualify for LCTS?

- Eligibility for LCTS is set by Local Authorities, but it is generally based on income thresholds that mean recipients are among the most economically vulnerable
- To support those on low incomes through the outbreak we have made significant changes to the operation of statutory sick pay, universal credit, employment and support allowance to ensure that people have quicker and more generous access to support.

MORTGAGE HOLIDAYS

- For those in difficulty due to coronavirus, we have introduced a **three-month mortgage holiday** – so that people will not have to pay a penny towards their mortgage while they get back on their feet.
- We have also **extended the mortgage holiday to Buy to Let landlords** struggling because of tenants being unable to meet their rental repayments.
- The Coronavirus Act also **prevents landlords from attempting to evict tenants** for at least a three-month period – this **applies to both private and social renters**.
- On Friday 22 May, we extended the scheme so homeowners are able to extend their mortgage payment holiday for **a further three months, or start making reduced payments.**

How to access

- Lenders across the industry have agreed to introduce a simpler notification process for customers to apply – they should get in touch with their lender at the earliest opportunity to discuss if this is a suitable option for them.
- The FCA has also issued guidance which ensures that all regulated mortgage lenders should offer customers a 3-month mortgage holiday for those who are financially struggling due to Covid-19 – this is available at: https://www.fca.org.uk/firms/mortgages-coronavirus-guidance-firms.

Progress so far

- **Over 2 million mortgage payment holidays** have been granted – equivalent to one in six UK mortgages.

Third party support

- 'This follows help in the Budget and since, that was aimed squarely at small businesses such as a cut in the jobs tax, cover for small employers that cannot pay their employees, business rates holidays, cash grants, mortgage holidays, rent protections, and interest-free, fee-free loans. We hope the raft of support will keep as many small businesses as possible afloat'. **Mike Cherry, Chairman, FSB.**

What about those struggling to pay their rent?

- Where tenants struggle with their payments, they must contact their landlord and seek other assistance (for example through welfare payments). At the end of this period, landlords and tenants will be expected to work together to establish an affordable repayment plan, considering tenants' individual circumstances.

What support is available to renters if the current situation lasts longer than 6 months?

- The new provision is only intended to be for a limited period after which the position will revert to the previous legislative provisions. Initially the period will be up to 30 September 2020. The legislation includes a power to extend the period, should the circumstances change.

What about commercial tenants who cannot pay their rent?

- Commercial tenants who cannot pay their rent because of coronavirus will also be protected from eviction. These measures, included in the emergency Coronavirus Act, will mean that no business will be forced out of their premises in the next 3 months for not paying rent.

SUPPORT FOR CONSUMERS

- On 9 April, the FCA announced a **series of measures intended to provide emergency support** to consumers who are facing temporary cash flow problems.
- We are providing consumers with **0% interest on the first £500 of an arranged overdraft for three months** – consumers without arranged overdrafts may request this facility.
- We will allow consumers either a **3-month payment holiday** or to make nominal payments towards credit cards, store cards, catalogue credit and certain personal loan agreements.

How to access

- Customers should contact their lender if they are experiencing short-term cash flow problems.
- Further information is available at: https://www.fca.org.uk/consumers/coronavirus-information-personal-loans-credit-cards-overdrafts.

Progress

- Over **1.8 million payment holidays** on consumer credit products have been granted.

ROUGH SLEEPERS

- We are determined to help those who are most vulnerable during this crisis.
- That is why we have committed an **additional £3.2 million for local authorities to tackle rough sleepers**, ensuring that we minimise the risk to those unable to self-isolate.
- This is on top of the **£492 million already committed to address homelessness** and rough sleeping in 2020/21, and the £3.2 billion support for councils during Covid-19.

How to access

- Local authorities in England will be able to claim back funding in arrears based on the number of rough sleepers recorded at the last annual snapshot.
- This funding can be used to accommodate any rough sleeper or person at imminent risk of sleeping rough who is unable to self-isolate. It can be used to reimburse costs that have been incurred accommodating rough sleepers. It can be spent on the net cost of accommodation, or any other services required to allow a rough sleeper to self-isolate for the required period.

Progress so far

- As of 1 May 2020, **over 90% (more than 5,400) of those on the streets at the beginning of the crisis and known to local authorities have been offered safe accommodation.**

Third party support

- 'We understand how critical it is for people to be able to self-isolate, and how incredibly difficult this would be for anyone sleeping rough. So this emergency funding for councils to make extra accommodation available is extremely helpful and welcome. It is the right thing to do when people sleeping rough already face very serious health risks and trauma'. **Shelter.**

- 'Council staff continue to work day-and-night to support national efforts to minimise the spread of the coronavirus and protect and support communities, including our most vulnerable. We are pleased that the Government has announced that councils will receive emergency funding to support rough sleepers to self-isolate, as part of a wider package of support, and we look forward to working with the Government on the detail to ensure councils costs are fully covered. Public health, housing and social care teams will continue to work together to identify local solutions for rough sleepers most at risk, but homelessness services remain under huge pressure as a result of rising demand driven by a historic shortage of social housing'. **Local Government Association.**

UTILITY BILLS

- The Government has agreed measures with the energy industry to help people and businesses.
- Suppliers have **frozen energy disconnections** for those on regular credit meters.
- For those with prepaid meters who are unable to top up due to self-isolation, **suppliers may offer postal delivery of top-up credit or automated addition to accounts.**
- Energy firms are also offering **forbearance to vulnerable customers** on a voluntary basis.
- We have also agreed measures with the **UK's major telecommunications** providers to support vulnerable consumers.
- Ofwat is working with the water industry to **support households struggling to pay water bills**.

How to access

- Consumers are encouraged to contact their providers as soon as possible.

Progress so far

- Various energy suppliers have taken steps to help their customers financially and practically through this period. Examples include (but not limited to):
    - 36,000 of British Gas's most vulnerable customers have received over £6 million (the equivalent of three months' usage) on pre-loaded prepayment meter cards (including medically vulnerable and other PPM customers) and 14,000 customers struggling with their payment plans have been helped with deferred payments or extra help (4 week deferral). British Gas has also redeployed staff and resources to support food banks.
    - OVO energy has set up a Coronavirus Hardship Scheme and allocated £50 million worth of measures to existing OVO customers that have been financially impacted by the Covid-19 outbreak. Customers most in need of financial support can contact OVO customer services directly to either top-up credit or agree to temporary payment reductions to monthly payments. Successful applicants will have support available for up to three months.

DEBT SUPPORT

- We know that some people are struggling with their finances during this difficult time, which is why **we want to make sure people can access the help and support they need** to manage their debts and get their finances back on track.
- That is why **an extra £37.8 million support package will be available to debt advice providers this year** (20-21) so they can continue **to provide essential services** to help more people who are struggling with their finances due to coronavirus.
- This extra funding comes **on top of the unprecedented package we have put in place** to support individuals, businesses and the economy through the coronavirus outbreak.

SUPPORT FOR PUBLIC SERVICES

PUBLIC SECTOR PAY

- **Our public sector workers have ensured that our essential public services continue to be delivered to those who need it, even during these challenging and uncertain times – and <u>we pay tribute to them</u>.**
- **But we should also recognise that in the <u>private sector</u>, wages are being cut, hours are being cut, workers are losing their jobs, and those on furlough have seen considerable pay cuts and uncertainty. In the six months to September, the private sector has seen a pay cut of nearly 1 per cent compared to this time last year. By contrast, public sector earnings have increased by almost 4 per cent, according to ONS figures.**
- **This comes <u>on top of</u> the existing situation where those in the public sector enjoy higher pay and better pensions than the private sector.**
- **That is why, in order to <u>protect jobs and ensure fairness</u>, we cannot justify an across the board pay increase for all public sector workers. Instead, we are targeting our resources towards those who need it most.**

To ensure fairness between the private and public sectors, we are taking <u>three steps</u>:

(1) **Taking account of the Pay Review Body's future advice, we will provide a pay rise to over 1 million people working in the NHS**, including doctors and nurses, given the uniquely challenging impact of coronavirus. This amounts to around 25 per cent of the total public sector.

(2) **For everybody else, there will be a temporary pause on pay rises.** This includes the civil service, armed forces, police, teachers, prisons, national crime agency and the judiciary. Pay progression awards, performance pay, overtime and pay rises from promotion will also continue, estimated to be worth over 1 per cent of pay.

(3) **We will protect those who most need it.** 2.1 million public sector workers (those who earn less than median UK earnings of £24,000) will receive an increase of at least £250, or 1 per cent. That equates to 38 per cent of the public sector workforce.

<u>TAKEN TOGETHER, THE MAJORITY OF PUBLIC SECTOR WORKERS WILL SEE AN INCREASE IN PAY NEXT YEAR</u>

Public sector compensation is already higher than that in the private sector…

- **Based on <u>pay</u>, public sector workers do better than private sector workers.** ONS figures suggest a 7 per cent pay premium in 2019 (including pensions and controlling for characteristics) which has risen over the past few years from 5 per cent in 2017, and has likely risen further in 2020. IFS figures estimate that those in the public sector receive more than 9 per cent more per hour than those in the private sector.

    - Additionally, published figures show the median salary in the public sector in 2020 was £1,770 higher than in the private sector.
    - This is most acute at lower grades where the average hourly wage in the public sector is 20 per cent *more* than in the private sector (£13.62 vs. £11.24). Assuming a 35-hour working week, this suggests average public sector earnings of £24,900, compared to £20,500 in the private sector.

- **Public sector <u>pensions</u> are also more generous than those in the private sector.** Most people in the public sector enjoy Defined Benefit schemes, where the benefits are known and not subject to risk – and where employers (the taxpayer) contribute around 20 per cent of earnings to the pension. On the other hand, most people in the private sector have Defined Contribution schemes, where the benefits are more uncertain and dependent on investment performance – and where the private employer contributes around half the level of the public sector. **This means a typical teacher or police officer with a 30-year-career will retire with a pension worth £21,000-£22,000 whereas a comparable private sector employee would get just £10,000.**

- **Last year the public sector received an <u>inflation-busting pay rise</u> – the third year in a row of significant real terms increases for many of these workforces.** In August, we announced real terms pay increases of between 2-3 per cent for around 900,000 public sector workers across seven workforces – around 20 per cent of the total public sector workforce. For the majority, this is the third inflation-busting pay rise in a row, following the lifting of the 1 per cent cap at the end of 2017-18.

Coronavirus has stretched this gap between the private and public sectors further…

- **Pay levels in the private sector has reduced.** In the six months to September, the private sector has seen a pay cut of nearly 1 per cent compared to this time last year. By contrast, public sector earnings have increased by almost 4 per cent, according to ONS figures.

- **Employment in the private sector has been hit hard by the pandemic.** Since March, the number of people in employment in the UK fell by 782,000. But over a similar period of time, public sector employment *increased*.

- **Hours worked by those in the private sector also fell.** Hours worked in the private sector were 18 per cent down in Q2 (the largest drop since 1971), with significant impacts on people's pay – and even into Q3, they remain below pre-covid levels. By contrast, major areas of the public sector saw an increase in hours worked.

- **Furlough was used by more people in the private sector than public sector.** Just under one-third of private sector employees have been furloughed at some point, earning 80 per cent of their usual pay. However, HMRC estimates that the public sector accounted for just 1 per cent of furlough claims.

We are protecting the lowest paid in society by accepting the recommendations of the Low Pay Commission and increasing the National Living Wage…

- We are accepting in full the recommendations of the Low Pay Commission to **increase the National Living Wage by 2.2 per cent to £8.91**, to extend this rate to those aged 23 or over, and to increase the National Minimum Wage as well. These increases will benefit around 2 million people – a full-time worker on the NLW will see their **pay rise by £345 next year**, an effective increase of over £4,000 since the policy was introduced in 2016.

Helpful examples

- **Teachers. The median classroom teacher salary is £37,832 – compared with a UK median salary of £24,897, making teachers in the top 30 per cent of earners in the UK**. The average starting salary for a classroom teacher is £25,714. Additionally, around one-fifth of all qualified teachers receive progression pay each year, based on their performance: on average, these equate to £2,630, which is 7 per cent of the overall salary of classroom teachers. Teachers also benefit from generous pensions, with employers contributing around 16 per cent of salary into a pension. A teacher with typical earnings in a 30-year career will retire with a pension worth £21,000 – compared to a typical private sector employee receiving less than £10,000. The Government remains committed to our manifesto pledge to raise teacher's starting salaries to £30,000. There are no issues recruiting teachers: we have recently seen a 32% surge in post graduate teacher trainee applications compared to last year, 15% more teacher trainees will start this year compared to last and UCAS figures also show strongly growing applications.

- **Police. The median police constable salary outside London earns £40,900 – compared with a national median salary of £24,897, making police constables in the top 25 per cent of earners in the UK**. The average starting salary for a police constable is between £21,402 and £24,780. Additionally, around 40 per cent of all police receive automatic annual incremental pay of at least 2 per cent of salary – worth around £800. Police also benefit from generous pensions, with employers contributing around 23 per cent of salary into a pension. A typical police officer with typical earnings into a 30-year career will retire with a pension worth £22,000 – compared to a typical private sector employee receiving less than £10,000.

- **Nurses. The median salary for an NHS nurse is £33,325, compared with a national median salary of £24,897, making nurses in the top 40 per cent of earners in the UK**. The average starting salary for a newly qualified nurse is £24,907, which has increased 12 per cent since 2018 thanks to our 3-year Agenda for Change deal which is in its final year this year. Over the 3 years, nurses below the top of their pay band have been receiving increases of at least 9 per cent, while those already at the top of their band are receiving an increase of 6.5 per cent.

Don't forget…

- **Following the 2008 financial crisis, Labour Chancellor Alistair Darling announced plans to freeze public sector pay for two years.** In 2009, he announced a cap on rises of 1 per cent, to come into effect from 2011. Then-Chief Secretary Liam Byrne said 'If we want to … protect frontline services, we have to make tough but realistic decisions on pay' (*The Guardian*, 6 October 2009, link; *Independent*, 9 December 2009, link).

WELFARE

- **The government's approach throughout this pandemic has been to support all families – particularly those on low incomes – through a range of measures, including the furlough scheme, catch up funding for schools, a £500 million Hardship Fund and a £7 billion increase to the welfare safety net.**
- **And the evidence shows that our measures so far throughout the pandemic have reduced the impact of the crisis on the incomes of working households the most. But our priority always remains to keep people in work – as the evidence shows that work is the best way out of poverty.**
- **That is why the Spending Review funds our £30 billion Plan for Jobs and other measures to support those on low incomes to keep more of what they earn and address the root causes of disadvantage.**
- **Future decisions on welfare and tax are typically made at Budgets. The temporary uplift in UC runs to next Spring and we do not need to make a decision about this now. However, as is typical at this time of year, we have confirmed we will uprate benefits by inflation and pensions by 2.5 per cent for next year.**
- **We have also confirmed that we will maintain this year's £1 billion cash increase to Local Housing Allowance into next year rather than reverting back to pre-crisis levels, benefitting over 1.5 million households over £600 each. We are also providing new funding of £670 million to support the more than 4 million vulnerable families pay their council tax bills (worth around £150 each).**

On Wednesday 25 November, the Secretary of State for Work and Pensions announced the results of the uprating review, which sets the level of benefits for next year.

- **Universal Credit and Working Tax Credits will be increased by the rate of inflation, 0.5 per cent.** Benefits are reviewed annually to assess their value in relation to inflation – which this year is 0.5 per cent CPI. This is a completely separate approach from the temporary £20 per week increase to the UC standard allowance and WTC basic element which we introduced in March for 12 months – specifically for those who have seen their incomes fall as a result of the crisis.

- **The temporary £20 increase expires automatically at the end of March 2021, if no action is taken.** As we have done throughout this crisis, we will continue to assess how best to support the economy, which is why we will look at the economic and health context in the new year. But to illustrate, extending the £20 increase by a further 12 months would cost over £6 billion per year – that's equivalent to adding 1p on the basic rate of income tax and 5p on fuel duty. And as it stands, **spending on working-age welfare this year is – at over £100 billion – already set to be at its highest level on record, both in real terms and as a % of national income.** We will address this at the forthcoming Budget on 3 March.

- **Local Housing Allowance rates will be frozen in cash terms at their current level**. At the start of the pandemic, we uplifted LHA rates to the 30th percentile for 2020-21 – meaning over 1.5 million households have benefitted from an additional £600 per year on average. We are keeping LHA at the same cash level in 2021-22, instead of cutting this back to pre-covid rates, which were significantly less generous.

- **The State Pension will increase by 2.5 per cent.** The government is taking a different approach to the state pension than working age benefits, especially as pensioners cannot easily supplement their incomes. Due to the pandemic, average earnings have fallen this year, which would normally mean a freeze to the state pension. However, the government has introduced a Bill to ensure we are able to increase the State Pension and Pension Credit rates for 2021-22 – even if there is no growth in earnings. We are therefore uprating the State Pension by 2.5 per cent, benefitting over 12 million pensioners. Similarly, the Standard Minimum Guarantee in Pension Credit will increase in 2021-22 by the weekly cash increase in the full rate of the basic State Pension. Pension Credit benefits over 1.5 million lower income pensioners.

This government has supported those on the lowest incomes throughout this crisis…

- **Evidence shows that the government has supported the poorest through this crisis.** HM Treasury distributional analysis has revealed that our responses have reduced the impact of the crisis on income losses faced by working households by up to two-thirds – with the poorest working households protected the most.

- This is due to a range of measures worth over £8 billion, including:

    - **Temporary £20 per week increase to UC and Working Tax Credits**, worth over £1,000 per year;
    - **Extending the furlough scheme until the end of April** at 80 per cent of people's wages;
    - **Two further grants for the self-employed**, building on the two grants we have already made available;
    - **An increase to the LHA to the 30th percentile** of market rates;
    - A **£500 million Hardship Fund** to support more than 3 million people with their council tax bills;
    - £350 million for a **National Tutoring Programme** to help disadvantaged pupils catch up lost learning
    - **Free School Meal vouchers** during school closures for over 1.4 million students from the lowest income families;

- ○ **£2.4 billion Pupil Premium**, which provides additional funding to schools to improve disadvantaged pupils;
- ○ The **Troubled Families programme**, which has successfully supported over 400,000 families;
- ○ The **National School Breakfast Programme**, which provides a free, healthy breakfast for disadvantaged pupils in 1,700 schools;
- The **Winter Support Package** represents a long-term plan to help tackle poor health, hunger and education and include a £170 million Covid Winter Grant Scheme to support children, families and the most vulnerable over winter and £16 million additional funding for food distribution charities.

The Spending Review goes even further with a range of additional measures…

- **Supporting the wages of the lowest earners:**

  - ○ From April 2021, workers on the **National Living Wage** will receive a 2.2 per cent increase to £8.91 per hour – worth over £345 a year for a full-time worker.
  - ○ The government is also **extending the NLW to those aged 23 or over** (currently 25+).
  - ○ **Young people and apprentices will also likely see above inflation increases** in the National Minimum Wage rates on 1 April 2021.
  - ○ Taken together, these pay rises will likely **benefit around 2 million workers.**
  - ○ W**e will protect the lowest paid**, with 2.1 million public sector workers earning less than £24,000 receiving a minimum £250 increase. We will continue to provide for **pay rises for over 1 million NHS workers.**

- **Help with the cost of living:**

  - ○ The SR provides an **extra £670 million next year to local authorities to help support the more than 4 million households that are least able to afford council tax payments.**
  - ○ The government will establish a £220 million **Holiday Activities and Food Programme** to provide enriching activities and a healthy meal for disadvantaged children in the Easter, Summer and Christmas holidays in 2021. This provides funding up to the end of 2021-22 and supports the government's commitment to establish a Flexible Childcare Fund to increase the availability of affordable flexible childcare.
  - ○ An increase in **Healthy Start payments** from £3.10 to £4.25 a week from April 2021.

- **Supporting people with housing costs and those at risk of homelessness and rough sleeping:**

  - ○ Our **£12.2 billion Affordable Homes Programme**, the largest affordable housing investment for a decade, will deliver up to 180,000 affordable homes for ownership and rent.
  - ○ The government will fund **£140 million of Discretionary Housing Payments in 2021-22.** to support those who are most in need on Housing Benefit and the Housing Element of Universal Credit to stay in their homes.
  - ○ **SR20 also provides £254 million of additional funding for homelessness and rough sleeping**, including £103 million announced earlier this year for accommodation and substance misuse. This takes total resource funding in 2021-22 to £676 million, a 60 per cent cash increase compared to SR19.

- **Addressing the root causes of disadvantage:**

  - ○ To recognise the challenge faced by schools as a result of Covid-19, the government is providing **£1 billion in 'catch-up' funding** for schools. This includes a National Tutoring Programme targeted at pupils from disadvantaged backgrounds.
  - ○ SR20 provides **£44 million for early years education**, to increase the hourly rate paid to childcare providers for the government's free hours offers.
  - ○ SR20 provides **£165 million of funding for the Troubled Families programme,** which has successfully supported over 400,000 families through a key worker, whole family approach.
  - ○ The **Reducing Parental Conflict** program is being continued, with £11 million allocated to help councils across England to integrate services that address parental conflict into their local provision for families.

- **Under this government poverty and inequality have been reducing:**

  - ○ Since 2010 (according to poverty statistics published in March 2020 and covering 2018/19) there are, pre housing costs:
  - ▪ 200,000 fewer people in absolute poverty
  - ▪ 100,000 fewer pensioners in absolute poverty
  - ▪ 100,000 fewer children in absolute poverty
  - ▪ Compared to 2010, there are 786,000 fewer children living in workless households, and 1.2 million fewer workless households
  - ▪ Under this Government the number of children growing up in a home where no adult works has fallen to record lows
  - ▪ Income inequality was lower going into the Covid-19 crisis than in 2010
  - ▪ The Resolution Foundation estimates income inequality is likely to have fallen in the first two months of 20-21
  - ▪ The key stage 4 attainment gap between disadvantaged pupils and other pupils is 9.1 per cent lower than in 2011

The focus now is rightly on <u>creating</u>, <u>supporting</u> and <u>protecting</u> as many jobs as possible…

- **Creating hundreds of thousands of new jobs for young people through a new £2 billion <u>Kickstart Scheme</u>, to give young people the best possible chance of getting a job.** The scheme will directly pay businesses to create new, decent and high-quality jobs for any 16-24 year old at risk of long-term unemployment. Funding available for each job will cover 100 per cent of the National Minimum Wage for 25 hours a week, for six months in total, plus an admin fee – for a grant of around £6,500 per placement. There will be no cap on the number of places available, and our £2 billion will initially fund hundreds of thousands of new placements.

- **Providing further support for people to get the skills and training they need:**

    - We are providing further support to employers to offer apprenticeships by making £2.5 billion funding available and delivering new improvements.
    - On top of the £400 million that the government provided at SR19 for 16-19 year olds in FE, we are providing £291 million to ensure that funding can rise in line with demographic growth, and to maintain the targeted policy measures introduced at Spending Round 2019.
    - We are also making available £375 million from the National Skills Fund, which will provide over £138 million to fund in-demand technical courses for adults equivalent to A level and expand the boot camp training model, in addition to £127 million to extend the Plan for Jobs measures, including funding for traineeships, sector-based work academy placements, and the National Careers Service.

- **<u>We are building on the Plan for Jobs commitment to increase capacity in Job Centre Plus and double the number of work coaches</u> to get people back on their feet and into work.** We will deliver on the commitment to double the number of Work Coaches through Job Centre Plus to 27,000 and provide additional investments into contracted provision to ensure DWP can support people to find a job.

- We will also **<u>offer a guaranteed foundation of support to all 18-24 year olds on Universal Credit in the Intensive Work Search regime with a new Youth Offer</u>**, which includes: a 13-week Youth Employment Programme to help claimants into suitable opportunities or provision including work, apprenticeships, work experience, education or a traineeship; Youth Hubs, co-delivered by DWP and local partners to give young people up to 6 months of tailored support to address any wider skills gaps; and the introduction of youth employability coaches for those with complex needs.

- A new 3-year, **<u>£2.9 billion Restart</u>** programme to provide intensive and tailored support to over 1 million unemployed people and help them find work. The programme builds on what we know works by incentivising providers to help as many people as possible into sustained work, while learning lessons from previous programmes and ensuring people receive the right level of support.

Devolution

- The Scotland Act 2016 devolved direct responsibility for over £3.4 billion of disability, carer's and other benefits, and the **Scottish Government already has flexibilities in deciding how to pay elements of Universal Credit**, as well as the power to top up reserved benefits and create new benefits in non-reserved areas.

- The **Scottish Government also has significant tax powers**, which they can use to pay for increases to the generosity of their own devolved benefits or to administer their own top-up reserved benefits.

- The **Scottish Government have already put in place a Carer's Allowance Supplement**, and plan to implement another top-up – the 'Scottish Child Payment' from February 2021. This will pay families with a child under 6 who are in receipt of means-tested benefit an additional £10 a week, from Feb 2021.

CHARITIES

- Our brilliant **charities are playing a crucial role** in the national effort to fight coronavirus, backed up by an army of volunteers to support those who are most in need.
- That is why we will do everything we can to help the sector during this difficult time, with an unprecedented **£750 million of extra funding**.
- Government **departments will directly allocate £360 million** to charities providing key services during the crisis – **including up to £200 million for hospices** – while **£370 million will support small and medium-sized charities** – including through a grant to the National Lottery Community Fund.
- The Government has pledged to **match whatever the public decides to donate to the BBC Big Night In** fundraising campaign with the same amount to further support charities. £20m of this match-funding will go to the National Emergencies Trust appeal, and the rest will be split between Comic Relief and Children in Need.
- **This package will benefit tens of thousands of charities**, ensuring they can continue to reach people who need help, support our communities and take pressure of the NHS.

How to access

- £360 million will be allocated by the Government directly to charities in England providing essential services and supporting vulnerable people. Up to £200 million will be allocated to hospices across the next quarter, and £76 million has been allocated for victims of domestic and sexual abuse and vulnerable children. Further allocations will follow in due course.
- £310 million will be allocated in England through the National Lottery Community Fund. The application process will be open to charities in the coming weeks. Further guidance is available online at: https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector.
- The Barnett breakdown of the £370 million fund for small charities will mean £30 million for Scotland, £20 million for Wales, and £10 million for Northern Ireland.

Third party support

- 'The Charities Aid Foundation knows only too well that charities on the front line are facing incredible demands for their services just as income is squeezed. This set of measures from the Treasury will offer important and welcome support for civil society at this very difficult time for us all'. **Sir John Low, Chief Executive, Charities Aid Foundation.**

- 'Hospice UK is delighted that the Government is providing up to £200 million of funding per quarter to hospices to help support the NHS and respond to the Covid-19 emergency. Hospices are on the frontline of providing care and support to almost a quarter of a million vulnerable people every year at the end of their lives. This unprecedented funding recognises the vital role that hospices play in supporting the NHS in its fight against Covid-19, and means hospices across the country can keep providing beds, specialist clinical care and staffing to relieve pressure on the NHS at this critical moment'. **Tracey Bleakley, Hospice UK.**

- 'I am delighted to hear today's announcement from the Chancellor giving the outline of funding for charities, which I hope will be the lifeline that we need. We've been engaging constructively with the Government on this funding, which could not come at a more critical time. It should enable us to continue providing vital support during this crisis, standing together with our brave NHS colleagues to fight this terrible disease. We're looking forward to receiving further details over the coming days of how the funding will be rolled out'. **Martin Houghton-Brown, Chief Executive, St John Ambulance's.**

- 'The Chancellor's rescue package for frontline charities providing key services is absolutely vital, but it's not the whole answer. It has to be the start and not the end of the government's efforts to protect the sector from collapse. As well as supporting some of those worst affected by the crisis right now, charities of all shapes and sizes play a crucial role in supporting millions of people with diverse needs, and will be critical in supporting the country's recovery from coronavirus too. People won't stop needing help, and we need a charity sector that can survive this crisis and thrive. The financial help offered to businesses has been broad, and it's important the government quickly replicates this approach for charities now too'. **Shelter.**

- 'I was delighted to hear the chancellor speak so passionately about the role we play. Overjoyed that he didn't just acknowledge the work in response to COVID19 but the importance of charitable activities for struggles being fought irrespective of this pandemic'. **Caron Bradshaw, CEO, Charity Finance Group.**

Will you step in if a large charity is going bust?

- This package provides substantial support for the charity sector. Charities also have access to cross-cutting support already announced including the Coronavirus Job Retention Scheme which enables them to furlough staff with the government paying 80% of wages, and VAT deferral.

This isn't enough money – stakeholders have been asking for billions?

- This is a substantial package of targeted support for providing key services and supporting vulnerable people during the Covid-19 crisis. Charities also have access to wider government support schemes like the CJRS.

Why can't furloughed charity employees volunteer for their own employer?

- The purpose of the Coronavirus Job Retention Scheme is to support people who would otherwise have been made redundant. To prevent fraudulent claims, we made clear that individuals cannot work or volunteer for their organisation. DCMS is working with other government departments and the sector to identify areas where volunteers can contribute to the Covid-19 response.

What support is there for charities which are not eligible for this fund?

- This is a substantial package of targeted support for providing key services and supporting vulnerable people during the Covid-19 crisis. In addition, all charities can defer their VAT bills and pay no business rates for their shops next year. Charities are eligible for the Job Retention Scheme, CBILS, CLBILS and the Bounce Back Loans Scheme. Registered charities are now exempt from the requirement on these loan schemes that 50 per cent of the applicant's income must be derived from its Trading Activity.

DEVOLVED ADMINISTRATIONS

- To give the devolved administrations certainty to plan and deliver their coronavirus response, the UK Government guaranteed they would receive at **least £16.8 billion in additional resource funding this year** on top of their Spring Budget 20 funding.
- This means **at least £8.6 billion of additional funding for the Scottish Government**, **£5.2 billion for the Welsh Government**, and **£3 billion for the Northern Ireland Executive**.
- Any changes to the devolved administrations funding are normally confirmed towards the end of the financial year (at Supplementary Estimates), but this unprecedented upfront guarantee means they have the certainty to spend this funding now, on priorities such as the NHS and business support.
- **It is for the devolved administrations to decide how to use this funding** across their devolved responsibilities irrespective of how the UK Government provides support in England. The devolved administrations can access their funding from the Treasury as needed throughout the year.
- SR20 is providing the DAs with £4.7 billion through the Barnett formula in 21-22:
  - SG is receiving £2.4 billion (£1.1 billion core and £1.3 billion Covid)
  - WG is receiving £1.3 billion (£560 million core and £770 million Covid)
  - NIE is receiving £900 million (£380 million core and £540 million Covid)