

Background information – HM Treasury Business Support 22 Oct 2020 & LG Futures updates from June and April 2020

HM Treasury

Plan for Jobs: Chancellor increases financial support for businesses and workers

The government today announced it will significantly increase the generosity and reach of its winter support schemes to ensure livelihoods and jobs across the UK continue to be protected in the difficult months to come, supporting jobs and helping to contain the virus.

Published 22 October 2020

From:

[HM Treasury](#)



- open businesses which are experiencing considerable difficulty will be given extra help to keep staff on as government significantly increases contribution to wage costs under the Job Support Scheme, and business contributions drop to 5%
- business grants are expanded to cover businesses in particularly affected sectors in high-alert level areas, helping them stay afloat and protecting jobs
- grants for the self-employed doubled to 40% of previous earnings

In recognition of the challenging times ahead, the Chancellor said he would be increasing support through the existing Job Support and self-employed schemes, and expanding business grants to support companies in high-alert level areas.

This builds on agreements reached with Local Authorities moving to Alert Level very high, with extra support for businesses, jobs and the economic recovery.

Chancellor of the Exchequer Rishi Sunak said:

I've always said that we must be ready to adapt our financial support as the situation evolves, and that is what we are doing today. These changes mean that our support will reach many more people and protect many more jobs.

I know that the introduction of further restrictions has left many people worried for themselves, their families and communities. I hope the government's stepped-up support can be part of the country pulling together in the coming months.

Job Support Scheme (JSS)

Recognising the pressure businesses in some sectors and areas are facing, today's announcement lightens the burden of keeping on staff.

When originally announced, the JSS – which will come into effect on 1 November – saw employers paying a third of their employees' wages for hours not worked, and required employers to be working 33% of their normal hours.

Today's announcement reduces the employer contribution to those unworked hours to just 5%, and reduces the minimum hours requirements to 20%, so those working just one day a week will be eligible. That means that if someone was being paid £587 for their unworked hours, the government would be contributing £543 and their employer only £44.

Employers will continue to receive the £1,000 Job Retention Bonus. The Job Support Scheme Closed for businesses legally required to close remains unchanged.

Self-employed grant

Today's announcement increases the amount of profits covered by the two forthcoming self-employed grants from 20 per cent to 40 per cent, meaning the maximum grant will increase from £1,875 to £3,750.

This is a potential further £3.1 billion of support to the self-employed through November to January alone, with a further grant to follow covering February to April.

Business Grants

The Chancellor has also announced approved additional funding to support cash grants of up to £2,100 per month primarily for businesses in the hospitality, accommodation and leisure sector who may be adversely impacted by the restrictions in high-alert level areas. These grants will be available retrospectively for areas who have already been subject to restrictions, and come on top of higher levels of additional business support for Local Authorities moving into Tier 3 which, if scaled up across the country, would be worth more than £1 billion.

These grants could benefit around 150,000 businesses in England, including hotels, restaurants, B&Bs and many more who aren't legally required to close but have been adversely affected by local restrictions nonetheless.

Further information

Job Support Scheme - Open

- The JSS starts to operate from 1 November and covers all Nations of the UK. For every hour not worked, the employee will be paid up to two-thirds of their usual salary.
- The government will provide up to 61.67% of wages for hours not worked, up to £1541.75 per month (more than doubling the maximum payment of £697.92 under the previous rules). The cap is set above median earnings for employees in August at a reference salary of £3,125 per month.
- Example: a typical full-time employee in the hospitality industry is paid an average of £1,100 per month. Under the Jobs Support Scheme for open businesses, they will still take home at least £807 a month. All the employer needs to pay is a total of £283 a month or just £70 a week; the government will pay the rest.
- Employers using the scheme will also be able to claim the Job Retention Bonus (JRB) for each employee that meets the eligibility criteria of the JRB. This is worth £1,000 per employee. Taking JSS-Open and JRB together, an employer could receive over 95% of the total wage costs of their employees if they are retained until February.
- For more information see the [Job Support Scheme Open Factsheet](#) (PDF, 104KB, 5 pages).

Self Employed

- The government will provide two taxable SEISS grants to support those experiencing reduced demand due to COVID-19 but are continuing to trade, or temporarily cannot trade.
- It will be available to anyone who was previously eligible for the SEISS grant one and grant two, and meets the eligibility criteria.
- Grants will be paid in two lump sum instalments each covering 3 months. The first grant will cover a three-month period from the start of November 2020 until the end of January 2021. The government will pay a taxable grant which is calculated based on 40% of three months' average trading profits, paid out in a single instalment and capped at £3,750.
- The second grant will cover a three-month period from the start of February until the end of April 2021. The government will review the level of the second grant and set this in due course.
- For more information, [see the HMRC website](#)

Business Grants

- We are providing additional funding to allow Local Authorities (LAs) to support businesses in high-alert level areas which are not legally closed, but which are severely impacted by the restrictions on socialising. The funding LAs will receive will be based on the number of hospitality, hotel, B&B, and leisure businesses in their area.
- LAs will receive a funding amount that will be the equivalent of:
- For properties with a rateable value of £15,000 or under, grants of £934 per month.
- For properties with a rateable value over £15,000 and below £51,000, grants of £1,400 per month.
- For properties with a rateable value of exactly £51,000 and over, grants of £2,100 per month.
- This is equivalent to 70% of the grant amounts given to legally closed businesses (worth up to £3,000/month).

- Local Authorities will also receive a 5% top up amount to these implied grant amounts to cover other businesses that might be affected by the local restrictions, but which do not neatly fit into these categories.
 - It will be up to Local Authorities to determine which businesses are eligible for grant funding in their local areas, and what precise funding to allocate to each business – the above levels are an approximate guide.
 - Businesses in Very High alert level areas will qualify for greater support whether closed (up to £3,000/month) or open. In the latter case support is being provided through business support packages provided to Local Authorities as they move into the alert level. The government is working with local leaders to ensure the Alert Level very high packages are fair and transparent.
 - For more information see the [Business Grants Factsheet](#) (PDF, 124KB, 1 page).
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LG Futures Email Alert: Summer Economic Update

The Chancellor of the Exchequer, Rishi Sunak, today provided a summer economic update in response to the coronavirus pandemic, which the Chancellor called a 'Plan for Jobs'. A full copy of the plan has been published by HM treasury today

The Office of Budget Responsibility did not provide an 'Economic and fiscal outlook', unlike at the Budget and Spring Statement. However, they will be providing a Fiscal sustainability report on 14 July. The Chancellor therefore outlined the economic and fiscal context to his announcement today and he highlighted:

- The Office for National Statistics (ONS) estimates that Gross Domestic Product (GDP) in April was around 25% below the level recorded in February;
- Over 9m jobs have been furloughed through the Coronavirus Job Retention Scheme – more than a quarter of the UK workforce;
- Universal Credit claims have also been elevated, with 3.4m individual declarations made from 1 March to 23 June; and
- Real time data shows the number of paid employees falling by 612,000 over April and May.

The Chancellor also confirmed that he would introduce a Budget and a Spending Review in the autumn.

The main announcements outlined are as follows:

Job Retention Bonus

- A [Job Retention Bonus](#) which is intended to reward and incentivise employers who keep on their furloughed employees. The government will introduce a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021. This is estimated at a maximum cost of £9.4bn.

Supporting Jobs

- A [Kickstart Scheme](#) to stimulate the creation of 6-month work placements for those aged 16-24. Funding made available for each job will cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions and employer minimum automatic enrolment contributions. This is estimated at a cost of £2.1bn but is dependent on the levels of take up.

- A mixture of measures, estimated at costing up to £1.6bn, and intended to boost [worksearch, skills and apprenticeships](#) including:
 - Payments for employers who hire new apprentices: the government will introduce a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1st August 2020 to 31st January 2021;
 - Traineeships for young people: the government is providing an additional £111m this year for traineeships in England for 16-24 year olds;
 - Enhanced work search support: the government will provide £895m to double the number of work coaches in Jobcentre Plus; and
 - Flexible Support Fund: the government will increase the funding for the Flexible Support Fund by £150m in Great Britain.

Protecting Jobs

- A [Targeted temporary reduction of VAT to 5%](#). The government announced that it will reduce the rate of VAT to 5% for hospitality, accommodation and attractions from 15 July 2020 to 12 January 2021, with the HMRC publishing further details in the next few days. This is estimated at a cost up to £4.1bn.
- The government also announced an [Eat Out to Help Out scheme](#). This will entitle every diner to a 50% discount of up to £10 per head on their meal, at any participating restaurant, café, pub or other eligible food service establishment and will be valid Monday to Wednesday throughout August. This is estimated at a cost up to £0.5bn.

Creating Jobs

- **Public sector and social housing decarbonisation. To help halve greenhouse gas emissions from the public sector by 2032, the government will invest £1bn over the next year in a [Public Sector Decarbonisation Scheme](#) which will offer grants to public sector bodies, including schools and hospitals, to fund both energy efficiency and low carbon heat upgrades.**
- **The government also announced a [Social Housing Decarbonisation Fund](#) to help social landlords improve the least energy-efficient social rented homes, starting with a £50m demonstrator project in 2020/21 to decarbonise social housing. The government estimates this could cost a potential £1.1bn.**
- [Green Homes Grant](#): The government will introduce a £2bn Green Homes Grant, providing at least £2 for every £1 homeowners and landlords spend to make their homes more energy efficient, up to £5,000 per household. For those on the lowest incomes, the scheme will fully fund energy efficiency measures of up to £10,000 per household. The government estimates this could cost up to £2bn, but this is dependent on take up.
- [Stamp Duty Land Tax \(SDLT\)](#): **The government will temporarily increase the Nil Rate Band of Residential SDLT, in England and Northern Ireland, from £125,000 to £500,000 from 8 July 2020 until 31 March 2021, those properties over £500,000 will also benefit but with a sliding scale of SDLT. The government estimates this could potentially cost up to £3.8bn.**
- The Chancellor also provided further confirmation of a variety of measures announced by the Prime Minister on 30 June. This includes a previously announced infrastructure package of up to £5.6bn.

LG Futures COVID-19 Email Alert: Week Beginning 13 APRIL

Since the most recent of our email alerts on COVID-19 funding issues on 9 April the government has not made any significant announcements on funding for local government. However, they have provided clarification and advice on a number of issues.

1. The government has published a version four, of guidance on the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund. This is available [here](#).
2. MHCLG has circulated a technical FAQs for local government on the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund. This is available on a restricted basis through the LGA [here](#). The FAQs clarify:
 - The Grant funding should not form part of the collection fund;
 - The government is managing the real-time issue of reconciliation between the Grant funding provided to local authorities and awards to businesses. Local authorities are advised to contact their regional Single Point of Contact to discuss; and
 - The business rates relief schemes are designed differently to the grants regime, and the government's assessment is that this is not a State aid. Therefore, the assessment of State aid eligibility for Grant aid does not need to consider the value of business rates reliefs.
3. The deadline for NNDR1 Delta submissions has been extended to the end of today, 14 April 2020.
4. MHCLG have advised local authorities that the NNDR3 pro-forma for 2019/20 will not be issued by MHCLG until Friday 1 May – with a formal return date of 31 July.
5. On 8 April the government announced £750m of funding support for frontline charities across the UK – including hospices and those supporting domestic abuse victims. This will include:
 - £360m directly allocated by government departments to charities providing key services and supporting vulnerable people during the crisis;
 - £370m for small and medium-sized charities, including through a grant to the National Lottery Community Fund for those in England, to support those organisations at the heart of local communities including those delivering food, essential medicines and providing financial advice; and
 - A contribution of at least £20m to the National Emergencies Trust appeal.
6. On Monday 13 April HM Treasury confirmed that more than £14bn from the Coronavirus emergency response fund will go towards public services, including £1.6bn to local government. All of this funding had already been announced in previous announcements.