



In-depth Briefings

UK Government Winter Economy Plan

September 2020

Overview

On 24th September in a statement to the House of Commons, the Chancellor Rishi Sunak unveiled the [Winter Economy Plan](#) in place of the Autumn Budget. The emergency plan is in response to a re-tightening of restrictions across the UK due to a rapid surge in Coronavirus cases and the associated economic risks, especially with the Job Retention Scheme concluding at the end of October.

The Chancellor stated that the primary goal of the plan is to support people's jobs, with sources of economic growth adapting to the new normal over the winter period.

In a previous statement on 8th July, the Chancellor delivered an emergency [Summer Budget](#) in response to the then current and future effects of the COVID-19 pandemic on the UK economy. This did *not* include an extension to the Job Retention Scheme but instead, a Job Retention Bonus, the Kickstart Employment Scheme and VAT cuts



to hospitality and tourism sectors. However, other measures announced were not all applicable to Wales and the Welsh Government criticised the UK Government on the lack of funding for public services in Wales.

Winter Economy Plan funding announcements

Jobs Support Scheme

This aims to support the wages of people in work, giving businesses the option of keeping people in jobs and on shorter hours rather than handing out redundancies.

This will be based on three principles:

1. Supporting viable jobs: Employees must work a third of their normal hours and be paid as normal by their employer. The UK Government will then increase these wages, covering the remaining two thirds of those lost by the employee and will be capped at £697.92 per month.
2. Targeting support to those who need it the most, particularly SMEs and only large corporations who have seen a decline in revenue by at least a third.
3. Extending the Self Employed Grant on similar conditions to the new Jobs Support Scheme.

This scheme will be available across the UK and also to businesses that have not previously used the furlough scheme.

It will run for 6 months from November and businesses can still claim the Job Retentions Bonus in addition to this scheme.

Supporting businesses with cash flow



- Pay as you grow: Loans can be extended from 6 to 10 years, nearly halving the average monthly repayment. This won't see credit ratings affected.
- The UK Government will extend the four temporary loan schemes, to 30th November 2020 for new applications:
 - Bounce Back Loan Scheme (BLS)
 - Coronavirus Business Interruption Scheme (CBIS)
 - Coronavirus Large Business Interruption Scheme (CLBIS)
 - Future Fund
- The UK Government will extend the guarantee of the CBIS for up to ten years.
- More time and flexibility over deferred tax bills: Businesses will be able to spread VAT bills over 11 smaller repayments over the financial year 2021-2022, rather than paying in full at the end of March 2021 and will pay no interest. Businesses will need to opt in, but all are eligible. HMRC will put in place an opt-in process in early 2021.
- Enhanced Time to Pay for Self-Assessment taxpayers: The government will give the self-employed and other taxpayers more time to pay taxes due in January 2021, building on the Self-Assessment deferral provided in July 2020.
- Hospitality and tourism: Cancelling the planned VAT increase and keeping it at the lower rate of 5% until March 31st 2021.

Response

Jobs Support Scheme

Whilst there is much in this statement that many MPs support, some have cited other priority areas not mentioned.



The Jobs Support Scheme does not incentivise training and skills, unlike the equivalent German 'Kurzarbeit (short-working)' scheme, and there was considerable pressure from opposition MPs for it to do so.

In his response, the Chancellor refers to previous measures that address this in the [Plan for jobs](#) from the Summer Budget.

Given that employees will have to pay a substantial part of wages than before, it is aimed only at those businesses and posts that are viewed by the Treasury as viable. Therefore, there are concerns that some workers will slip through the gap and unemployment will still increase. The government is keen that those in what it describes as unsustainable jobs are spurred to think about their next move, and the Chancellor stated that it would not be possible to save every job or business.

Welfare

This announcement fails to provide any detail around social security and Universal Credit. When asked by Stephen Crabbs MP whether the suspension of the minimum income floor will be extended beyond November, the Chancellor stated that the UK Government will adjust and tailor support to match the needs of the moment.

There were no further announcements on financial support for the clinically vulnerable and no increase to Statutory Sick Pay as had been speculated in some publications beforehand.

Support for public services

At the start of the pandemic, the Chancellor pledged to give the NHS and public services the support needed to respond to coronavirus. Today's announcement only provided details on funding that has been approved by the Treasury to date (£68.7 billion, including £24.3 billion since the Summer Budget).



In addition to funding certain health services on a UK-wide basis, the Chancellor also reiterated the £12.7 billion in additional funding for devolved administrations (£4 billion for the Welsh Government) on top of their 2020 Budget funding announced earlier this year.