

Supporting those affected by COVID-19

Since emerging in China in December 2019, COVID-19 has spread widely, with a significant number of cases reported worldwide, including an increasing number in the UK.

The impact of the outbreak of COVID-19 on the UK economy is highly uncertain, and while the effect could prove significant, it is expected to be temporary.

As an open economy, the UK will be affected because of the wider impacts the outbreak is having on the global economy. In a domestic outbreak, there could also be direct economic impacts in the UK driven by health-related factors, including how many people are infected and the persistence of any outbreak. Disruption could include temporary absences from work and interruptions to global supply chains, both of which would constrain the UK's productive capacity for a temporary period. In addition, the economy could be affected by demand-side impacts through a reduction in consumer spending, and lower business investment and exports. The government's Action Plan on Coronavirus sets out the potential scale of these effects in the event of a severe outbreak.

The government recognises that people will be concerned about the impact COVID-19 could have on their lives, and some businesses will be concerned about reduced demand, potential disruptions to supply chains and export markets, and to their workforce during this temporary period. Therefore, the Budget announces a three-point plan to provide support for:

- public services
- individuals
- businesses

The plan includes a range of timely, targeted and temporary measures to deliver support when and where it is needed, at a total cost of £12 billion. The wider Budget policy decisions set out in Table 2.1 represent £18 billion of additional government spending, which will provide support to the economy. Together, the government is taking £30 billion of policy action in 2020-21, equivalent to approximately 1.3% of GDP.

In addition to the measures set out here, the government will continue to monitor the situation and stands ready to provide further support, should it be needed. Support will be available for as long as it is needed, based on the latest scientific evidence. HM Treasury will continue to work closely with the Bank of England to coordinate the response of the UK authorities to ensure it is as effective as possible.

The government is working closely with the devolved administrations on this issue and it stands ready to provide further support. Where measures do not apply UK-wide, the devolved administrations will receive a share of any additional funding for support in devolved areas through the Barnett Formula. As set out in the Statement of Funding Policy the devolved administrations can also access the Reserve where they are unable to manage any disproportionate costs from their own resources.

The government welcomes the statement by UK Finance on behalf of the sector which announced that banks, building societies and credit card providers are ready and able to offer support to consumers, including offering or increasing an overdraft or allowing repayment relief for loan or mortgage repayments. Banks and other providers of SME finance will also provide support for businesses that are facing cash flow disruption and stand ready to help when needed.

Tackling COVID-19 is a global challenge. To complement its domestic response, the UK is leading the way to ensure a swift and effective global response, including by working closely with all our international partners and supporting the most vulnerable countries to deal with the impacts of the virus, including cooperating closely with counterparts in the G7 and G20.

The Chancellor will continue to co-operate closely with his counterparts in the G7 and G20. G20 Finance Ministers last week committed to monitoring the evolution of COVID-19 including its impact on markets and economic conditions, and highlighted their readiness to take further actions to aid in the response to the virus, support the economy and maintain the resilience of the financial system.

Support for public services

Public safety is the government's top priority in its response to COVID-19. The government will ensure that public services receive the funding they need to respond to the outbreak as the situation develops. This includes continuing to ensure our health services have the resources they need to respond.

COVID-19 response fund – HM Treasury is creating an emergency response fund, set aside to ensure the National Health Service (NHS) and other public services have the resources they need to tackle the impacts of COVID-19. Initially set at £5 billion, it will fund pressures in the NHS, support local authorities to manage pressures on social care and support vulnerable people, and help deal with pressures on other public services. The size of the fund will be reviewed as the situation develops, to ensure all necessary resources are made available.

Funding for research and development – The government is providing the National Institute for Health Research with £30 million of new funding to enable further rapid research into the disease. Research is essential in order to understand COVID-19, and it will inform how the NHS frontline service approach tackling the virus. The funding could also allow rapid screening of potential therapeutics and support clinical trials to inform treatment and improve patient outcomes.

Funding for diagnostic testing – The government will increase the capacity and capability of diagnostic testing and surveillance facilitated by Public Health England to support the NHS, by providing an additional £10 million of new funding to DHSC.

Support for individuals

The Budget announces measures to support people who are unable to work because of COVID-19.

Eligibility for Statutory Sick Pay (SSP) – The Prime Minister has already announced that the forthcoming COVID-19 Bill will temporarily allow SSP to be paid from the first day of sickness absence, rather than the fourth day, for people who have COVID-19 or have to self-isolate, in accordance with government guidelines. The Budget sets out a further package to widen the scope of SSP and make it more accessible. The government will temporarily extend SSP to cover:

- individuals who are unable to work because they have been advised to self-isolate
- people caring for those within the same household who display COVID-19 symptoms and have been told to self-isolate

Medical Evidence for SSP – The government has already issued guidance to employers, advising them to use their discretion not to require a GP fit note for COVID-19 related absences. This Budget announces that the government and the NHS will bring forward a temporary alternative to the fit note in the coming weeks which can be used for the duration of the COVID-19 outbreak. This system will enable people who are advised to self-isolate to obtain a notification via NHS111 which they can use as evidence for absence from work, where necessary. This notification would meet employers' need for evidence, whilst taking pressure away from General Practices.

Support for those ineligible for SSP – The government recognises that self-employed people and employees below the Lower Earnings Limit are not entitled to SSP. The best system of financial support for these people is the welfare system and, in particular, 'new style' Employment and Support Allowance and Universal Credit. The government is committed to supporting these groups, and the Budget announces further support by making it quicker and easier to receive benefits:

- 'New style' Employment and Support Allowance will be payable for people directly affected by COVID-19 or self-isolating according to

government advice for from the first day of sickness, rather than the eighth day

- people will be able to claim Universal Credit and access advance payments where they are directly affected by COVID-19 (or self-isolating), without the current requirement to attend a jobcentre
- for the duration of the outbreak, the requirements of the minimum income floor in Universal Credit will be temporarily relaxed for those directly affected by COVID-19 or self-isolating according to government advice for duration of the outbreak, ensuring self-employed claimants will be compensated for losses in income

Hardship Fund – The government will provide Local Authorities in England with £500 million of new grant funding to support economically vulnerable people and households in their local area. The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.

Support for businesses

Some businesses may experience increased costs or disruptions to their cash flow as a result of COVID-19. The Budget announces a set of measures to provide support to businesses during this temporary period by either reducing their costs or bridging cashflow problems arising from the outbreak, and to protect people's jobs.

Statutory Sick Pay – The government will support small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP by refunding eligible SSP costs. The eligibility criteria for the scheme are as follows:

- this refund will be limited to two weeks per employee
- employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020
- employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19
- employers should maintain records of staff absences, but should not require employees to provide a GP fit note
- the eligible period for the scheme will commence from the day on which the regulations extending SSP to self-isolators come into force
- while existing systems are not designed to facilitate such employer refunds for SSP, the government will work with employers over the coming months to set up a repayment mechanism for employers as soon as possible

Business Rates Reliefs – The government has already announced the Business Rates retail discount will be increased to 50% in 2020-21. To support small businesses affected by COVID-19 the government is increasing it further to 100% for 2020-21. The relief will also be expanded to the leisure and hospitality sectors. These temporary measures, taken together with existing Small Business Rates Relief, mean that around 900,000 properties, or 45% of all properties in England, will receive 100% business rates relief in 2020-21. The government has also already announced the introduction of a £1,000 Business Rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To support pubs

in response to COVID-19 the discount will be increased to £5,000. Local authorities will be fully compensated for these Business Rates measures.

Small business grant funding – The government recognises that many small businesses pay little or no business rates because of Small Business Rate Relief (SBRR). To support those businesses, the government will provide £2.2 billion of funding for Local authorities in England. This will provide £3,000 to around 700,000 business currently eligible for SBRR or Rural Rate Relief, to help meet their ongoing business costs. For a property with a rateable value of £12,000, this is one quarter of their rateable value, or comparable to 3 months of rent. Most properties that are eligible for SBRR will have a lower rateable value, and so this will represent an even greater proportion of their annual rent.

Time to Pay – The government will ensure that businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs. Her Majesty's Revenue and Customs (HMRC) has set up a dedicated COVID-19 helpline to help those in need, and they may be able to agree a bespoke Time to Pay arrangement. Time to Pay was successfully used in response to flooding and the financial crisis, giving businesses a time-limited deferral period on HMRC liabilities owed and a pre-agreed time period to pay these back. These tailored arrangements will give a business the time it needs to pay HMRC to support their recovery while operating through any temporary financial challenges that occur. To ensure ongoing support, HMRC have made a further 2,000 experienced call handlers available to support firms when needed. HMRC will also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to COVID-19.

Coronavirus Business Interruption Loan Scheme – The government will launch a new, temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to support businesses to access bank lending and overdrafts. The government will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £1.2 million in value. This new guarantee will

initially support up to £1 billion of lending on top of current support offered through the British Business Bank.