

Briefing for Cabinet and COBR(M) 22/09/2020

Summary

Cabinet and COBR(M) will discuss and approve a fresh package of national restrictions discussed by Covid S on 21 September. These will have a significant economic impact. We must avoid at all costs returning to national economic restrictions that will devastate sectors that are already extremely vulnerable.

Speaking points

- The data is concerning and **it is right that we are considering further restrictions**. We should see these in the context of what we have already announced – tightening the requirement on people to self-isolate when they test positive or are told to do so by Track & Trace; tightening social restrictions; and imposing both social and economic restrictions across high-prevalence areas of the country. This is in line with what other European countries are doing.
- It's worth remembering **we don't yet know the impact of the rule of six, tougher powers, nor the measures in North and Midlands**. What we do know from JBC is that **transmission is being driven in social settings**. So we should target further interventions in this area and double down on non-compliance.
- We are **reaching the limits of what we can do economically**. The virus and interventions enacted in March have had a devastating economic impact. GDP is now 11.7% below its February level and the government's official forecaster expects unemployment to peak at 4.1 million people. Falls in

GDP of this magnitude are unprecedented, reversing 18 years of economic growth in just two months.

- **We need to be extremely careful in how we frame and design a national circuit breaker. We must strike right balance between wanting a credible deterrent and protecting the sectors that are already extremely vulnerable.**

The sectors that would be worst-impacted are far more vulnerable than earlier this year – as at the end of July, c. 800k workers in the hospitality, accommodation and leisure sectors were on full-time furlough and a further 350 k were on part-time furlough. In April, the level of GDP fell by 20% – suggesting each week of lockdown adds 5 percentage points to the fall across the month.

Economic support – key defensives

Support to date

- The Government has supported people, businesses and our public services with unprecedented support, totaling over £190bn already.
- The Coronavirus Job Retention Scheme (CJRS), which has supported the incomes of more than 9.6m furloughed jobs in the UK, with a total of £35.4 billion claimed, as of midnight 16 August.
- The Self-Employed Income Support Scheme (SEISS), which has provided 2.6 million people with support totaling £7.6 billion through the first grant, which closed on 13 July.
- As well as loan guarantee schemes for business, business rates relief which runs until the end of the financial year, tax deferrals and locally administered business grants.
- Then, in the Summer Economic Update in July we introduced the Job Retention Bonus, to encourage firms to keep on furloughed workers, the Kickstart Scheme providing funding to employers to create job placements

for 16 to 24 year old, and Eat Out to Help Out scheme to support restaurants.

Local Lockdown Grants

- Businesses required to close due to nationally-imposed NPIs will receive grant payments of up to £1,500 for each three weeks they are closed.
- In order to qualify for a grant, businesses must be reliant on offering in-person services, and be fully closed (apart from takeaway/ online services)
- Grants of £1,000 will be given to businesses with a rateable value of below £51,000, and grants of £1,500 given to businesses with a rateable value of £51,000 or above.
- This is the same amount of support that was provided to closed businesses in the Aberdeen local lockdown.
- The support will also be renewed for every three weeks a business is closed.
- Up to £1,500 for every three weeks a business is closed is a generous support package to help businesses through temporary disruption.

Self Isolation Payments

- Central government will fully fund incentive payments to eligible applicants, as well as the administration of the scheme. This programme will be funded from DEL. The total expenditure will depend on incidence of Covid-19 over the coming months.
- The Treasury provided an upfront £12.7bn funding guarantee in July so that you have the certainty to implement your own response to Covid-19 this year.
- The Barnett formula will be applied in the usual way to the funding for this scheme and the resulting Barnett consequential will contribute towards the Treasury's funding guarantee.

- The Treasury is working to provide an assessment against the guarantee as we approach the mid-point of the year.
- However, financial incentives alone will not improve the performance of the Test and Trace programme: in return for this investment, DHSC need to ramp up both enforcement activity to monitor compliance and improve the wider system, focusing on finding more cases and minimising the drop off between positive tests, people completing contact tracing and the number of contacts reached.
- This should include reviewing if the centralised call centre approach is working ahead of extending the contract for this.

Future of Furlough

- The Coronavirus Job Retention Scheme will have been open for eight months from start to finish – with the government helping to pay the wages of over 9.6 million jobs so far.
- But we've been clear that that we can't sustain this situation indefinitely and must now focus on providing fresh work opportunities for those in need across the UK.
- We will continue to support businesses bringing back staff through the £1,000 job retention bonus, while our Plan for Jobs will drive our economic recovery by creating new roles for young people and new incentives for training and apprenticeships.
- The government will continue to engage with businesses and representative groups with the aim of ensuring that support provided is right for these sectors and for the economy as a whole.
- We have announced other measures to support firms in particular sectors, including targeted action to support jobs in the hospitality and tourism sector
- We are also funding the Construction Talent Retention Scheme, which will help facilitate the retention and redeployment of construction workers, by

matching those at risk of redundancy with job opportunities across the UK.

Barnett Consequentials

- In July we guaranteed that the DAs will jointly receive at least an additional £12.7bn this year on top of their Spring Budget settlements. This comprises at least £6.5bn for the SG, £4.0bn for the WG, £2.2bn for NIE.
- Providing this upfront guarantee means that a) DAs have the funding certainty to deliver their response to Covid-19 without waiting for UKG announcements and b) we don't need to calculate Barnett consequentials on specific schemes until later in the year once the costs of UKG schemes become clearer.

Background

- The Prime Minister will announce the following package, as agreed by Covid S:
 1. A clear message to the public that winter will be difficult and a warning that the Government will need to introduce a short and sharp national lockdown (circuit breaker) if infections continue to grow.
 2. A return to guidance asking people to work from home where they can.
 3. [A codification of local interventions into tiers] – to be discussed at Covid Ops tonight.
 4. The extension of legal obligations and fines to hospitality in relation to Covid-secure guidelines.
 5. A requirement in law for all hospitality to be table-service only.

6. A restriction on hospitality between the hours of 10pm and 5am (excepting delivery).
7. Instructions to university students to stay in their university towns.
8. Limiting exceptions to the rule of six, including by removing indoor adult team sport and wedding receptions, stating clearly in the guidance that formal societies such as choirs shouldn't go ahead and reducing the number of people at life-cycle events and weddings to 15; and
9. [a cancellation of the planned return of business events and socially distanced crowds in stadia from 1 October and a pause on pilot events] – potentially to be discussed at Covid Ops tonight.

- **Circuit-breaker:**

- a. It is not sustainable to pursue continuous or repeating short national lockdowns given the likelihood that the virus is here to stay and uncertainty over whether we will get a vaccine, its timeframe and its comprehensiveness. Given this uncertainty, we need at all costs to avoid returning to national economic restrictions.
- b. Although the exact impact of a circuit breaker would depend on the type of restrictions imposed, analysis on the monthly effects of the previous lockdown serve as a reasonable proxy and suggest that lockdown-style restrictions will concentrate their impacts on firms already in distress. As shown in the attached table, hospitality saw the greatest fall in GVA in April, followed by domestic employers, arts, entertainment & recreation and construction. Large numbers were furloughed in wholesale & retail, hospitality and manufacturing.
 - making firm failures and redundancies much more likely. The sectors most likely to be impacted by a 'circuit breaker' are also high employment sectors with vulnerable work forces – e.g. pre-Covid,

the hospitality sector made up 2.5m jobs and someone working in the hospitality sector is more likely to be young, low skilled, BAME and/or female.

- c. The international evidence suggests it is very difficult to implement a short time-limited lockdown in practice. In Australia, for example, the lockdown of metropolitan Melbourne is expected to last twice as long as initially planned (12 weeks in total) due to insufficient contact tracing (half of all local cases were from unknown sources) and low levels of compliance/fatigue with measures later. Due to data lags it is quite likely that deaths would still be rising as any short two week lockdown was due to end meaning we would need to justify releasing while deaths were still rising.
- d. This is why most major advanced economies, such as Germany, France, Italy and Japan, are taking a different approach, which is more epidemiologically effective and less economically and socially damaging. These countries are limiting national economic restrictions and focusing on more targeted measures to minimise the short, medium and long-term economic and social damage. This strategy provides more certainty to people and businesses and more hope.