

**BOX NOTE 12/08** **NR** - FOR ACTION - SSP Rebate - CX Advice

**PS Comments:**

Chancellor,

This sub provides some advice on the future of the Statutory Sick Pay (SSP) Rebate. Currently the scheme runs until the end of September 2021 (with no public end date) and officials need your steers on the closure/ extension of the scheme. The issues surrounding whether to extend the scheme are fairly finely balanced.

You have previously indicated you want to close the scheme by the end of September (which is also DWP SoS's steer) – **do you want to do this?** If yes, officials say it would be good to get a readout as soon as possible (ideally in the first half of next week) as this will enable HMRC to lay the relevant regulations – timings are relatively tight on the HMRC side, so any delay could jeopardise an end September closure date.

**SpAd Comments:**

In parallel

**CX Comments:**

From: NR  
Team: WSR  
SCS: Chris Drane  
Date: 12/08/21



HM Treasury

**Submission: Statutory Sick Pay Rebate Scheme Closure**

**For decision**

**Issue:** Advice on options for closing or extending the Statutory Sick Pay Rebate Scheme (SSPRS)

**Timing:** If you want to close the scheme at the end of September as previously suggested, HMRC will need to lay regulations at the beginning of September. A quick decision will help to ensure this compressed timetable is met.

**Recommendation**

1. We recommend closing the scheme in the autumn. DWP's modelling does not suggest the scheme will see significant usage if extended beyond the end of September and that the real-world impact of ending it will be limited. This makes the exact date of the scheme's closure a finely balanced presentational issue. Extending the scheme for a month beyond the previous suggestion of end September could help to soften the handling risks with the end of September cliff-edge of schemes closing and would mitigate the risk of misalignment with self-isolation policy ahead of the September Covid-19 wider review point for. The longer the scheme is extended, the greater the risk it becomes a permanent, repercussive feature of the landscape: closing the scheme at the end of September mitigates this. **Do you still want to close the scheme at the end of September?**
2. Given that SSP rebate claims are made retrospectively, HMRC have advised that it is crucial to have a period in which employers can make backdated claims. The current regulations stipulate a one-year claim window. Given that the CJRS final claims window is two weeks from the date of closure with a legacy system for exceptional cases, and most SSPRS claims are made within a month, we think that a full year is unlikely to be needed. We therefore recommend enabling backdated claims until 31 December 2021. We also recommend retaining the provisions in the regulations for record keeping and handling overpayments, as well as retaining a window for correcting overstated claims during the backdated claims period. **Do you agree?**
3. If you want to close the scheme at the end of September, we recommend that Government announces this in a low-key way through changes to guidance to employers and targeted bulk emails to interested stakeholders, as soon as possible following a decision. If you want to keep the scheme open until October, we recommend delaying a public statement on this until on or after the September review point, in order to avoid misalignment with commitments on self-isolation. **Do you agree?**

**Annexes:**

**Annex A: DHSC's Estimated Volumes of Individuals Asked to Isolate Based on Limited, Cautious and Rapid Social Mixing Scenarios (England only).**

## Background

1. The Statutory Sick Pay Rebate Scheme (SSPRS) was announced in March 2020. At SB21, you extended the scheme by 6 months, until the end of September. This end date was not made public other than through being assumed in the OBR costings. The public line in the SB21 document was that the temporary scheme was intended to support employers whilst levels of sickness absence are high and, as with other business support schemes, the Government will set out steps for closing the scheme in due course. You have since provided a steer that you are not interested in a permanent rebate and are not minded to extend the temporary rebate any further. This advice seeks confirmation of this decision due to the need to prepare and lay regulations for closure or extension of the scheme imminently.
2. Under the rebate, employers with fewer than 250 employees, and a payroll scheme that started on or before 28 February 2020, can reclaim up to 2 weeks of Covid-related SSP. This includes positive Covid-19 cases and those who have been asked to self-isolate by NHS Test and Trace. Take-up has continued to be low, with £72m AME and around £7m DEL spent by the end of July, representing 173k claims submitted for 531k employees. This represents c. 10% of eligible employees whom DWP estimate have taken Covid-19 related sick leave.
3. The SSPRS was established using secondary legislation under the powers conferred in the Coronavirus Act 2020. The legal basis for the scheme will expire automatically when the Act expires in March 2022.

## Options

4. You now need to decide whether to extend the rebate beyond the end of September (as there is currently no AME approval for it beyond this date). There are broadly four options:
  - a. **The Government could close the scheme at the end of September.** This option would require a SI to be laid early September. If you decide to close the scheme, HMRC would be able to turn the scheme back on within 4 weeks up until March 2022 (when the CVA sunsets) in a downside scenario where restrictions are reintroduced and employers face a disproportionate SSP burden.
  - b. **The Government could extend the scheme for one month until the end of October to cover the period up to your planned Autumn Budget.** This would provide a limited bridging measure ahead of setting out your wider plans for the recovery at the Budget. It would also enable you to delay making final decisions on the scheme's future until you have more up-to-date information on the likely Covid picture going into the winter. Such an extension would have a very low AME cost, likely c. £2m. It would require a SI to be laid in early October in order to close the scheme for the end of October.
  - c. **The Government could extend the scheme in its current form, then close it on 25 March 2022 when the Coronavirus Act sunsets.** This would be the simplest option for deliverability as HMRC would not need to lay a SI. This would have an AME cost of up to £10m depending on isolation prevalence and a DEL cost of c. £740k from the end of September 2021 to 25 March 2022.

- d. **The Government could revitalise the rebate by: i) resetting the two weeks restriction from September 30<sup>th</sup> 2021, ii) changing the eligibility criteria so that SMEs with a payroll scheme which started on or before 30 September 2021 can claim (instead of 28 February 2020) and iii) committing to continue the rebate until March 2022.** This option would require a SI by early September and is likely to cost slightly more than the third option (in the very low £ms).
5. The scheme has always been intended to support SMEs facing disproportionate costs from having a large number of their employees off sick. The number of people self-isolating over the coming months is highly uncertain and subject to the course of the virus (see Annex A for DHSC's estimates). Further information on this will be available in September on the back of the latest SPI-M modelling.
6. However, in most scenarios, self-isolations will decrease, and DHSC estimate that anywhere between 90,000 and 830,000 employees within the SSP-eligible SME population will be asked to self-isolate from the end of September 2021 – 25 March 2022, including the assumption that self-isolation requirements will be eased on 16 August 2021. Assuming take-up remains at 10%, DWP estimate that a 6-month extension would only support 8,000 - 74,000 isolations in SMEs, factoring in isolation compliance, costing up to £10m. We therefore don't think the scheme practically will make a significant difference in supporting businesses during the period.
7. **Interactions with the end of CJRS:** HMRC think it is unlikely that significant numbers of employers have been using CJRS solely to cover self-isolation related absence costs, given the complexity of claiming CJRS, and the fact that (for eligible employers) SSPR is much simpler to access and has no employer contribution. That said, there will have been some employees that were furloughed for wider business reasons, and who remained on furlough during a period of self-isolation. However, as the numbers using CJRS continue to fall (6% of eligible employments were furloughed at the end of June), the likelihood that the scheme is being widely used in this way decreases, and, as such, we don't think the ending of CJRS would significantly affect the levels of take-up of SSPR during any extension period.
8. Nonetheless, there would be some presentational advantages in extending the scheme beyond September. Firstly, it could represent a low-cost concession in the context of the exit from CJRS and SEISS at the end of September. Self-isolation requirements are likely to continue for Covid-positive individuals and unvaccinated contacts, and DWP are intending to continue to disapply the three unpaid waiting days for Covid-related SSP until March 2022. Businesses could argue that this means Government are continuing to place unfunded burdens on businesses in excess of normal SSP policy and that a rebate therefore remains justified. Extending would mitigate the specific handling risk this presents.
9. Secondly, self-isolation remains our last significant NPI for managing the virus. The low take-up of this scheme suggests its real-world impact in supporting businesses with self-isolating employees is limited. Nevertheless, announcing its removal in early September may cut across wider messaging about the importance that Covid-positive individuals and unvaccinated contacts continue to self-isolate. Government has publicly committed to reviewing plans for managing the virus through autumn and winter in September, informed by updated SPI-M

modelling. To close this scheme in September we would need to lay the SI in advance of the conclusion of this review. This could exacerbate the risk of misalignment with wider messaging on self-isolation.

10. One option would be to extend the rebate for a further month (at £2m) to bridge the path until Autumn Budget, beyond the end of CJRS and SEISS, and pushing the final decision beyond the September review of wider Covid response policy. Even a one month extension would give employers more notice of the scheme ending – as it stands, the necessary short notice for a September closing date may be criticised by external stakeholders in the business community and make parliamentary handling of the SI more challenging.
11. However, the longer the rebate continues, the more pressure for a permanent SSP rebate will be exacerbated, which you have ruled out. There has been significant pressure from stakeholders (especially the TUC, CBI and FSB) for a permanent SSP Rebate to be introduced. DWP are also opposed to reintroducing a permanent rebate, having consulted on this in 2019, as there is little evidence that it would lead to better employer engagement with ill-health. DWP are still pushing to publish a consultation on long-term SSP reform this Autumn, ahead of the Employment Bill being introduced next year. Business groups are highly likely to call for a permanent rebate as part of this. It will be much more difficult to rebuff such calls if the temporary rebate is still going – closing it in September would enable clear water between the scheme's closure and any announcements on future SSP policy.
12. DWP officials have tested whether DWP SoS would be interested in an extension for the reasons set out above. However, she has confirmed her previous steer that that the scheme should close at the end of September. Any extension would therefore require persuading DWP SoS to change her mind, given DWP is responsible for SSP policy.
13. We recommend closing the scheme in the autumn. DWP's modelling does not suggest the scheme will see significant usage if extended beyond the end of September and that the real-world impact of ending it will be limited. This makes the exact date of the scheme's closure a finely balanced presentational issue. Extending the scheme for a month beyond the previous suggestion of end September could help to soften the handling risks with the end of September cliff-edge of schemes closing and would mitigate the risk of misalignment with self-isolation policy ahead of the September Covid-19 wider review point for. The longer the scheme is extended, the greater the risk it becomes a permanent, repercussive feature of the landscape: closing the scheme at the end of September mitigates this. **Do you still want to close the scheme at the end of September?**

#### **Deadline for outstanding claims and other operational issues**

14. The current regulations stipulate that employers have one year to make a claim from an individual self-isolating. Maintaining a claim period beyond the closure of the scheme, to give employers time to file all eligible claims, is needed for the ordinary functioning of the scheme. If the scheme is closed without such a claims window, employers would need to file all claims by 30 September, meaning it may not be possible for employers who pay SSP in the final weeks of September to claim it back, so we strongly recommend maintaining a claim period beyond the closure of the scheme. Given that the CJRS final claims window is two weeks from the date

of closure with a legacy system for exceptional cases, and most SSPRS claims are made within a month, we think that a full year is unlikely to be needed: we think enabling backdated claims until 31 December 2021 should be sufficient. **Do you agree to allowing backdated claims until 31 December 2021?**

15. We also recommend retaining the provisions in the regulations for record keeping and handling overpayments, as well as retaining a window for correcting overstated claims during the backdated claims period. **Do you agree?**

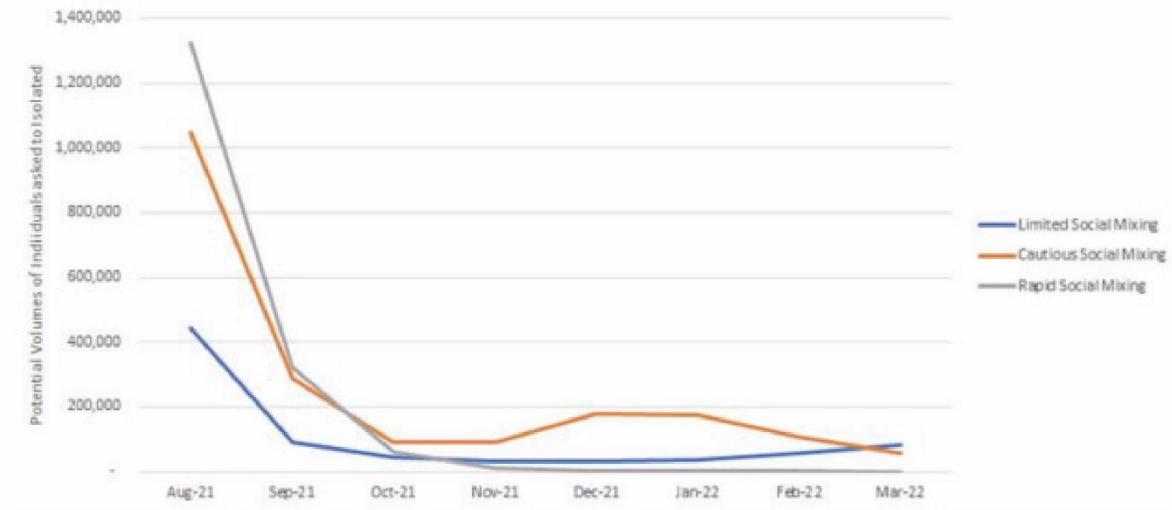
### **Handling**

16. If you want to keep the scheme open until 25 March 2022, our preferred option would be to keep the extension low-key by not making a formal announcement as we have not yet said when the scheme will close publicly. Government would then announce through guidance in December/January that the scheme will close.

17. If you want to close the scheme at the end of September, we recommend that Government announces this in a low-key way through changes to guidance to employers and targeted bulk emails to interested stakeholders, as soon as possible following a decision. If you want to keep the scheme open until October, we recommend we recommend delaying a public statement on this until on this until on or after the September review point, in order to avoid misalignment with commitments on self-isolation. **Do you agree?**

18. **Equalities:** As this policy affects businesses and not individuals, there are no significant equalities impacts.

## **Annex A: DHSC's Estimated Volumes of Individuals Asked to Isolate Based on Limited, Cautious and Rapid Social Mixing Scenarios (England only).**



The precise shape and timing of the peaks are very uncertain. All assumptions have the potential to change significantly and regularly. These scenarios have been created to aid longer term planning. They are not a prediction about what will happen, rather illustrations of many possible scenarios which may or may not happen.