

**TO:** Economic Recovery Group  
**FROM:** City Policy  
**SUBJECT:** Summer Statement July 2020  
**DATE:** 9 July 2020

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## 1.0 Introduction

- 1.1 On Wednesday 8 July 2020, the Chancellor of the Exchequer, Rishi Sunak MP, delivered a Summer Statement to the House of Commons. The statement was anticipated as a “fiscal event” but saw the Chancellor deliver a policy paper “A Plan for Jobs”.
- 1.2 The Chancellor had previously delivered a Spring Budget in March 2020 (the briefing for which can be accessed [here](#)). The Budget has been supplemented with further announcements of funding support packages in light of COVID-19, including the introduction of the Coronavirus Job Retention Scheme (furlough), direct support for households, business support, and public service spending. According to the Government, the total direct fiscal funding support packages prior to the Summer Statement was £158.7bn. The Government has termed this support as the first stage of its COVID-19 economic response, focused on protection.
- 1.3 The announcement was termed the second phase of the COVID-19 economic response, focusing on jobs. Overall, the Chancellor announced a substantial level of investment in the Statement, mainly aimed at job creation and protection. However, there was notable lack of detail and omissions for some struggling sectors (such as retail and aviation) and public funding.
- 1.4 The Chancellor confirmed the Autumn Budget and Comprehensive Spending Review - the third phase of the COVID-19 economic response - which he stated will focus on longer term recovery and rebuilding the economy, and will “deal with the challenges facing our public finances”. It is thought a National Infrastructure Strategy will be published alongside the Budget.
- 1.5 The economic impact of COVID-19 continues to widen, with the World Bank predicting the deepest global recession since WWII. The Bank of England predicts that the UK economy could be facing its largest fall in annual output in over 300 years and that the unemployment rate could peak at 10%, with large scale redundancies as the Job Retention Scheme comes to an end. Initial Office of National Statistics estimates suggest the UK’s Gross Domestic Product fell by 25% between February and April. The Government’s measures (alongside the Bank of England’s monetary support) will help to mitigate some of the impact but the scale of the financial crisis remains large.
- 1.6 This briefing provides a headline summary of key announcements in relation to key policy areas, and any specific considerations for Manchester. Many of the

announcements presently lack detail, with further announcements are expected over the coming weeks.

- 1.7 The full Government announcement can be found here:  
<https://www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020>

## **2.0 Announcements**

- 2.1 The Government announced four areas of policy decisions within A Plan for Jobs, totalling up to £30bn worth of fiscal support: Jobs Retention Bonus Scheme; Supporting Jobs; Protecting Jobs; and Creating Jobs. Each of these areas are examined below, with details given where known, alongside considerations for Manchester.

## **3.0 Job Retention Bonus Scheme**

- 3.1 As the Job Retention Scheme comes to an end in October, the Government announced new incentives for employers to bring furloughed staff back with the announcement of the Jobs Retention Bonus Scheme:
- Employers who ensure furloughed employees are brought back into continuous employment until January 2021 will be eligible to receive a £1,000 bonus per employee
  - £9 billion investment would be required if employers brought back every employee that they had furloughed
  - Employees must be paid at least £520 on average, in each month from November 2020 to January 2021
  - Bonus payments to employers would begin from February 2021
  - Further detail on the scheme are expected by the end of July 2020
- 3.2 As at the end of May, 62,000 Manchester residents were furloughed, with furlough most common in the foundational services, including accommodation, food service and retail. Whilst the bonus scheme may encourage some businesses to bring employers back into employment alongside further reopening measures, it relies on businesses having enough customer demand, the ability to operate under social distancing and the cash flow to wait until the bonus. As such, whilst this announcement may help mitigate some of the impacts, the city is still likely to see an increase in unemployment at the end of furlough.

## **4.0 Supporting Jobs**

- 4.1 The Chancellor's announcements for supporting jobs fell into three main areas - support for young people (Kickstart Scheme, apprenticeships and trainee), support for the unemployed and support for the education sector.
- 4.2 Kickstart Scheme - the headline announcement for young people, the Government will introduce a £2bn scheme designed to support young people aged 16 - 24 who are at risk of long term unemployment into newly created paid employment opportunities. The scheme will begin in August 2020, with the first 'Kickstarters' in jobs from autumn. The Government will directly pay employers young people's wages for six months, plus an amount to cover overheads. For a 24 year old, the grant will amount to approximately £6,500. The funding is conditional on jobs being offered that are additional to existing jobs. Eligible young people must be in receipt of Universal Credit, and 'Kickstarters' must be employed for a minimum of 25 hours per week and paid at least the National Minimum Wage rate. Employers need to provide 'Kickstarters' with training and support to find a permanent job. Government has said there is no cap on the number of places available.
- 4.3 Support for apprentices and trainees - two schemes were announced to incentivise employers to recruit new apprentices and trainees, especially young people:
- The Government will pay businesses £2,000 per new apprentice aged under 25, and £1,500 per apprentice aged over 25, from 1 August 2020 to 31 January 2021. This incentive is in addition to the existing £1,000 payment the Government already provides for new 16-18 year-old apprentices, and those aged under 25 with an Education, Health and Care Plan.
  - An additional £111m this year in a traineeships fund for high quality work placements and training for 16-24 year olds in England. Employers who provide trainees with work experience will be funded £1,000 per trainee. The Government predicts that this funding could triple participation in traineeships, and stated a commitment to improve provision and expand eligibility for traineeships to those with Level 3 qualifications and below.
- 4.4 Support for education sector - three policy decisions were announced to provide the sector with the capacity to support people into employment or stay in education and training:
- £101m for the 2020/21 academic year to create more places on Level 2 and 3 courses to support 18-19 year olds leaving school or college to find work in high-demand sectors, like engineering, construction and social care
  - An additional £32m in new funding for the National Careers Service to provide personalised advice on training and work to 269,000 more people in England over the next two years
  - An additional £17m to triple the number of sector-based work academy placements in England to provide vocational training and guaranteed interviews for more people, tailored to gaining skills needed for employment opportunities in their local area

- 4.5 Support for the unemployed - a number of policies to support unemployed people back into work were announced:
- £895m to double the number of work coaches in Jobcentre Plus across the UK before the end of the financial year (N.B. if it not clear if this is entirely new funding)
  - £150m funding increase for the Flexible Support Fund to increase the capacity of the Rapid Response Service and provide local support to claimants by removing barriers to work (e.g. travel expenses for interviews)
  - Up to £95m this year to expand the scope of the Work and Health Programme to introduce additional voluntary support for those on welfare that have been unemployed for more than 3 months. The Government have stated that this expansion will have no impact on the existing provision for those with illnesses or disabilities so presumes a large increase in new claimants.
  - £40m funding for the private sector to create an online job finding support service for those who have been unemployed for less than three months
  - A stated expanded 18-24 year old youth offer at DWP but no funding figure or further detail given

4.6 The main focus of these measures all act to try and minimise the number of young people who will become unemployed after leaving education and training. This is a key priority for Manchester as the cohort has been the greatest impact to date according to claimant count (98% increase between March and May 2020). The Kickstart scheme (similar to the 2009 Future Jobs Fund but with less funding) has the potential to provide an intermediate employment solution for young people; however, the Universal Credit criteria is likely to be a barrier for 16 - 18 year olds accessing the scheme. Apprenticeship starts in Manchester are down 51% year on year, with this figure rising to 74% decline for 16-18 year olds; support for apprenticeships and Level 2-3 qualifications may help to mitigate this. However, both the Kickstart scheme and the apprenticeship and trainee support relies on businesses being in a position where they can create new job roles.

4.7 Whilst the support for young people is welcome, there is a gap in the announcements for those who are already long term employed and the over 50s, who are at high risk of becoming unemployed and will struggle to re-enter the labour market. This has the potential to reinforce existing inequalities in Manchester. There is also a gap in specific support for graduates; with 10,000 graduates due to enter the city's labour market in 2020, lack of support may lead to graduates taking non-graduate jobs, reducing the opportunities for residents further from the labour market.

## 5.0 **Protecting Jobs**

- 5.1 The protecting jobs policy decisions focused on the hospitality and tourism sectors:
- Eat Out to Help Out - a new scheme entitling every diner (including children) to a 50% discount of up to £10 per head on food and non-alcoholic drinks at

any participating food establishment between Monday and Wednesdays during August 2020. Businesses need to sign up to the scheme via a website (will open on 13 July) and will then be fully reimbursed for the 50% discount within five days. This is the first time a Government-backed discount has been trialed in the UK.

- Temporary VAT cuts on food, non-alcoholic drinks, accommodation and attractions - reduction from 20% to 5% from 15 July 2020 to 12 January 2021. Further guidance will be published by HMRC in the coming days but the Government predicts this will act as a £4bn stimulus.

5.2 Hospitality and tourism have among the highest level of furloughed workers both in Manchester and the UK; these policies aim to increase both footfall and business confidence, especially over the traditional summer holiday period, to allow more employees to return to work. Both sectors also employ a large number of young people, in line with other policies announced. 'Eat Out to Help Out' relies on businesses having the cash flow to offer the discount and reclaim the funding, and to sign up to the scheme digitally, which may exclude a number of smaller food retailers. The success of both policies relies on consumers having the disposable income to spend and feeling safe enough to do so.

5.3 Whilst the hospitality and tourism sectors have been hard hit by COVID-19, there was a noticeable absence of policy decisions for other sectors that are likely to see large job losses as the furlough scheme ends, such as retail, aviation and the events industry.

## 6.0 Creating Jobs

6.1 The majority of announcements for creating jobs had already been announced by the Prime Minister on 30 June as part of his 'Build, Build, Build' £5bn infrastructure package. However, *they are included below in italics* as slightly more detail was made available at the Statement. The announcements fell into three main areas: housing, green recovery, and accelerating investment (typically additional funding for already previously announced programmes).

6.2 Housing - housing related announcement included:

- Green Homes Grant - £2 billion scheme to provide homeowners and landlords with at least two thirds of the amount they spend, up to £5,000 per household, to make their homes more energy efficient. For those on the lowest incomes, the scheme will fully fund energy efficiency measures of up to £10,000 per household. The Government are aiming to upgrade over 600,000 homes across England and believe the scheme could support over 100,000 green jobs. No detail is yet available on how the funding scheme will work or whether there is an aligned training and skills offer.

- Temporary Stamp Duty Land Tax cut - temporary increase in the nil rate band from £125,000 to £500,000 from 8 July 2020 until 31 March 2021 to encourage house sales, especially first time buyers. In reality, the largest impact of this will be felt in London and the South East as there are limited transitions above £500,000 elsewhere in the country.
- Social Housing Decarbonisation Fund – £50 million demonstrator project in 2020/21 to decarbonise social housing, with an implication that further funding could be available at a later date.
- Affordable Homes Programme – confirmation of the £12.2bn 5 year programme announced at Budget in March to support up to 180,000 new affordable homes for ownership and rent in England, with the majority of homes built by 2025/26, and the rest by 2028/29. It will include a 1,500 unit pilot of First Homes, where homes are sold at a discount of 30% to get local residents on the housing ladder, with prioritisation for Armed Forces and key workers.
- Short-Term Home Building Fund extension – additional £450m in development finance to small and medium sized housebuilders that are unable to access private finance to build approximately 7,200 new homes. A proportion of this fund will be reserved for firms using Modern Methods of Construction.
- Brownfield Housing Fund – £400m between seven Mayoral Combined Authorities, including Greater Manchester. 90% will be allocated immediately on a per capita basis, with the remaining 10% to be allocated through a competitive process.
- Planning reform – new legislation is to be introduced this summer to make it easier to “build better homes in the places people want to live”. A policy paper setting out the plans for reform will be launched later this month.

### 6.3 Green recovery - sustainable-related funding announcements included:

- Public Sector Decarbonisation Scheme – £1bn of grants to public sector bodies (including schools and hospitals) to fund energy efficiency and low carbon heat upgrades.
- Green Jobs Challenge Fund – up to £40m for public authorities and environmental charities to create and protect 5,000 jobs in England. The jobs will involve improving the natural environment (including planting trees, restoring habitats and clearing waterways) and creating green space for people and wildlife.
- Direct Air Capture – £100m of new funding for researching and developing carbon capture innovation
- Automotive Transformation Fund – £10m of the £1bn of funding that was announced last year to be made available immediately to scale up the manufacturing of the latest R&D batteries, motors, electronics and fuel cells innovation, with a particular emphasis on electric vehicles.
- Courts sustainability – £40m to reduce energy and water usage in the courts and tribunals estate.

6.3 Accelerating investment - all of the announcements had previously been mooted. Beyond shovel ready and transport, the focus was on the public sector estate, especially health:

- Local infrastructure projects – £900m for shovel-ready projects in England in 2020/21 and 2021/22 to drive local growth and jobs. Funding will be provided to Mayoral Combined Authorities and Local Enterprise Partnerships.
- Local road maintenance – additional £100m to deliver 29 local road maintenance upgrades across England in 2020/21. This is in addition to the previously announced £1.5bn funding in 2020/21 on improving local highway infrastructure.
- Unblocking Manchester's railways – £10m designed and development funding to improve the reliability and capacity of the Manchester rail network.
- Towns Fund capital acceleration – £96m of accelerated investment this year for town centres and high streets.
- World-class laboratories – £300m investment in 2020/21 to boost equipment and infrastructure across universities and institutes across the UK.
- Health Infrastructure Plan – a further £200m to accelerate a number of the 40 new hospital building projects across England. North Manchester General Hospital was included in the previous HIP announcement in 2019.
- NHS maintenance and A&E capacity – £1.05bn during 2020/21 for NHS critical maintenance and A&E capacity.
- Modernising the NHS mental health estate – up to £250m in 2020/21 to replace mental health dormitories with single bedrooms across 25 mental health providers in England.
- Further Education estate funding – £200m of the £1.5bn commitment for FE capital funding made at Budget in March will be brought forward to 2020/21 to support colleges to carry out maintenance projects.
- School estate funding – additional £560m for schools to improve their buildings and estates in 2020/21. This is in addition to £1.4 bn announced for school maintenance earlier this year.
- School rebuilding programme – £1bn to fund the first 50 projects of a new ten year school rebuilding programme. These projects will be confirmed in the autumn, with construction starting on site in September 2021. Further detail on future waves will be confirmed at the CSR later this year.
- Court modernisation – £102m to modernise the court estate, including £10m for local regeneration projects outside London and the South East to support employment and economic growth.
- Prison and probation estate funding – £143m to improve the prison and probation estate.

6.4 Other creating job announcements included:

- Construction Talent Retention Scheme – scheme to match workers at risk of redundancy to construction opportunities across the UK.

- Office for Talent – scheme aiming to attract, retain and develop research and science talent; this will be based in No.10, with delivery teams across government departments.

6.5 Given the majority of these announcements had been made previously by the Prime Minister, the lack of detail is disappointing. Initial statements suggest that funding for the majority will either be made available to Combined Authorities (such as the shovel ready projects) or will be via competitive funds. Green infrastructure announcements align well with Manchester's zero carbon initiatives but are not as ambitious as many hoped for and will require an aligned skills programme to allow those who most need the created jobs to access them. Manchester is well placed to capitalise on the R&D / universities announcements.

## **7.0 Conclusion**

7.1 The Statement announced a substantial level of investment, mainly aimed at job creation and protection, and with a focus on young people. Whilst this is welcome, there is a lack of detail on proposals, limited announcements to support over 50s and long term unemployed, and little support for struggling sectors other than hospitality and tourism. Public funding was also a key omission, with further detail now hoped for in the Autumn Budget.