

# Economic Statement July 2020 - Summary

On 8<sup>th</sup> July Rishi Sunak delivered an economic statement outlining how the government planned to respond to COVID-19. This summary contains all the key information for how the Budget announcements will affect students.

## Context

The Statement focused on employment and was branded as a 'plan for jobs'. Large parts of the policy content of the Statement were measures to help people return to work from furlough and try to reduce unemployment, particularly for young people. There were also significant measures introduced to protect industries that had been most affected by COVID-19, including the hospitality industry, but not many of these were extended to the education sector.

## Education leavers

The Chancellor announced a new Kickstart Scheme in Great Britain aimed at helping to get young people into employment. It involves a £2 billion fund to create hundreds of thousands of 6-month work placements aimed at those aged 16-24 who are on Universal Credit and are deemed to be at risk of long-term unemployment. Funding available for each job will cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions and employer minimum automatic enrolment contributions.

There was also an announcement of £101 million for the 2020-21 academic year to give all 18-19 year olds in England the opportunity to study targeted "high value" Level 2 and 3 courses when there are not employment opportunities available to them.

The government have also promised to provide an additional £111 million this year for traineeships in England, to fund work placements and training for 16-24 year olds. The aim will be for this funding to triple participation in traineeships.

## Analysis

All measures to help young people into employment are to be welcomed, but it is clear that these proposals do not go far enough. The Kickstart scheme will not solve long term unemployment amongst this age range even if it will help in the short term. Funding to allow education leavers to continue into further education or to retrain is very positive, and something that we have long called for, but it should be extended to education leavers at all ages.

## Apprenticeships

The statement announced the government will introduce a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1st August 2020 to 31st January 2021.

## Analysis

This funding will not be enough to safeguard apprenticeship places. Instead the government need to the government needs to pay the

wages of apprentices whilst they are on day release. The measures will also do little to improve conditions for current apprentices who need wages that are adequate for cost of living and a national bus discount scheme so they can afford to get to work. There is more information about measures that would help to support apprentices in the [National Society of Apprentices COVID-19 report](#).

## Further Education funding

Following on from the further education (FE) funding announced in the Budget earlier this year the government have confirmed they will bring forward £200 million to 2020-21 to support colleges to carry out urgent and essential maintenance projects. This forms part of their ambition to bring the facilities of colleges everywhere in England up to a good level.

### Analysis

This funding is minimal and targeted only towards college estates. It will not cover the huge losses of income that colleges have had to endure during the current pandemic that will have an undeniable impact on the learning that students receive next year.

## Students' Unions

There were some policies introduced during the statement that should help students' unions financially. From 15 July 2020 to 12 January 2021, the reduced (5%) rate of VAT will apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises across the UK. Further guidance on the scope of this relief will be published by HMRC in the coming days.

The government will introduce a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021. Employees must earn above the Lower Earnings Limit (£520 per month) on average between the end of the Coronavirus Job Retention Scheme and the end of January 2021. Payments will be made from February 2021.

Further detail about the scheme will be announced by the end of July.

### Analysis

The VAT reduction is likely to help increase income from some SU bars but HMRC are still yet to clarify whether catering sold to students by SUs on behalf of their parent institution can be VAT exempt.

## Devolved administrations

Whilst many of these decisions will not directly impact those living in the Scotland, Wales and Northern Ireland the additional funding will be funnelled through to the devolved administrations through the Barnett formula. In total this will mean a block grant increase by 2020-21 of –

- £800 million for the Scottish Government
- £500 million for the Welsh Government
- £300 million for North Ireland's Executive

## More information

If you need any further information or support on any of these areas, please get in touch at [policy@nus.org.uk](mailto:policy@nus.org.uk)