

Submission

From: Paul Grocott

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I&S

4 October 2020

To: 1. Special Adviser
2. Minister

COVID-19 – SETTING THE PARAMETERS FOR GOVERNMENT INTERVENTIONS, INCLUDING LOCAL LOCKDOWNS

Issue: The Executive is expected to discuss further support for businesses impacted by Covid-19 restrictions.

Timing: Desk immediate. These issues are expected to be discussed at Monday's Executive.

Executive Referral: Expected to be discussed at Monday's Executive

PfG Implications: Not applicable

Presentational Issues: Expected media and stakeholder scrutiny of financial support for business impacted by Covid restrictions.

Freedom of Information: Withheld under Section 35, Formulation of Government Policy.

Financial Implications: No immediate financial decisions within this submission.

Legislative Implications: None

Statutory Equality Implications: No Section 75 issues

Recommendation: That you:

- 1) agree to the first principles for the economic policy response;
- 2) present the case to the Executive for UKG taking more action;
- 3) note the options for local lockdown support;
- 4) note the progress of a Recovery Action Plan;
- 5) advise Private Office whether a further discussion on newly self-employed is required; and
- 6) agree to wider calls for grant support being managed in accordance with the 'first principles'

and assessed within the Department's Recovery Action Plan work programme.

Detail

1. This note sets out the first principles for the Executive's economic policy response to the Covid-19 pandemic. The rising number of Covid cases, the Executive's approach to localised restrictions and high levels of demand for business support create a clear need for these principles to be agreed.
2. It is expected that these issues will be discussed at Monday's Executive meeting. Further advice will follow when more detail on the content of the meeting is known.

Context and first principles

3. Northern Ireland has experienced a higher than average rise in Covid cases and, as a result, the Executive agreed to take action to impose local lockdown in various parts of Northern Ireland. It is likely that this approach will develop into a pattern of rolling and repeating lockdowns over the next six months.
4. Within this context there are a suite of first principles which can frame the Executive's economic policy response:
 - a) The Executive will have to respond to events as they emerge, but there simply isn't enough funding to support every business and protect every job.
 - b) The finite amount of Executive resources must be utilised in the most effective manner.
 - c) Trying to keep the pre-pandemic economy alive will not bring about economic recovery; the Northern Ireland economy is going to have to make some difficult adjustments.
 - d) There remains a role for UK Government to step-in and address UK-wide impacts.
5. There are four live issues where these principles can help shape Executive decision making:
 - i). Identifying gaps in UKG level support;
 - ii). Support for businesses in areas within targeted restrictions;
 - iii). Taking steps now to rebuild a stronger economy; and
 - iv). Calls from businesses for grant support.

Gaps in UKG support

6. Whilst there is an extensive suite of UK Government support measures it is also clear there are UK-wide impacts that are not currently being addressed. There are a number of high value added sectors, such as the aerospace sector, that are

severely affected by the crisis. Further analysis is being completed to identify additional gaps in vulnerable but viable sectors. It is recommended that the Executive raises this issue with UKG ministers and put on record the need for sectoral specific support packages.

Local Lockdown Support

7. The Executive has agreed to introduce a range of additional restrictions in the Derry City and Strabane District Council area, and FMdFM's announcement of the restrictions included a commitment for a support package. It is entirely possible that further localised lockdowns will be required across Northern Ireland, and repeated in areas at a later stage.
8. These restrictions will have a huge impact on businesses in those areas – many of which were struggling even before new restrictions were announced – and those affected have been calling for extra financial support alongside existing programs, like the Coronavirus Job Retention Scheme. As a result the Executive is planning a support package, the details of which will be announced as soon as possible.

Lockdown Support in GB

9. In England, the Local Restrictions Support Grant (LRSG) supports businesses that were open as usual, providing services in person to customers from their business premises, but which were then required to close for at least 3 weeks due to local lockdown restrictions imposed by government. It is for businesses that pay business rates on their premises. Local councils may at their discretion also provide funding for businesses that don't pay business rates.
10. The Government of Wales has announced a Rapid Reaction (Local Lockdown) Fund, worth up to £60 million which will be open to traders in the areas of Wales facing lockdown and will be administered by locked-down local authorities. It includes grants of £1,500 available to retail, leisure and hospitality businesses with a rateable value of £12,001–£51,000 that have seen a "material impact" due to local restrictions. Also grants of £1,000 will be available to small businesses, with a rateable value of £12,000 or less. Funds will also be available to support affected businesses not registered to pay business rates. Those firms can receive discretionary grants of £1,500.

Options for the Executive

11. The Department of Finance is currently assessing options for the Executive. Given the increasingly localised nature of the response, local councils could play an important role in supporting businesses within their jurisdiction as is the case in the rest of the UK.
12. Further support interventions are not without risks and difficult decisions:

- Significant amounts of funding has already been allocated to the supporting response interventions. While these have undoubtedly been effective the fact remains that it has been impossible make a determination of the overall value for money proposition of the schemes to date, nor has it been possible to mitigate against the significant risk of fraud and error that are inherent in the design of schemes of this nature. It will be necessary to ensure that future funding decisions are taken, in so far as possible, on the basis of costs, benefits and risks.
- The Executive must consider and ensure that parity is set with the rest of the UK and that our local businesses are not disadvantaged.
- It must be recognised that it will be impossible to fill all the gaps,

Rebuilding A Stronger Economy

13. It is essential that the Executive takes steps now to rebuild a stronger economy. The Department has already published a framework for rebuilding a more competitive, inclusive and greener economy; and work has begun to identify, develop and implement interventions to further this recovery agenda
14. A Recovery Action Plan is now being developed to set out the specific interventions that will be delivered by the Department and its ALBs. This will be taken forward in the context of the Executive's Recovery Framework, ensuring a cohesive approach across the whole of government to the delivery of departmental strategic objectives. It will also be developed in partnership with the Tourism Recovery Action Plan.
15. At the heart of this process is the principle that a step change in our policy response is required, as continuing to attempt to maintain the pre-pandemic economy in "cold storage" will make it increasingly difficult to achieve economic recovery.

Other options for those falling outside current grant support

16. Previous advice has provided options for grant support schemes. Within these options, support for the newly registered self-employed is a viable option. Further detail on this scheme is re-attached at Annex A. A further discussion with officials would be welcome on this issue.
17. There is a large volume of demand for grant support for other areas of the economy. While the economic hardship felt by these areas of the economy is genuine, the reality that the economy will need to adjust to the new normal means some businesses and sectors will not get support over and above what has been delivered.

18. It is recommended that the approach to handling requests for further grant support is:

- i). the Executive approaching these schemes with the first principles set out in this note; and
- ii). the Department assessing these requests as part of the wider package of interventions within the Recovery Action Plan work programme.

Recommendations

19. It is recommended that you:

- 1) agree to the first principles for the economic policy response;
- 2) present the case to the Executive for UKG taking more action;
- 3) note the options for local lockdown support;
- 4) note the progress of a Recovery Action Plan;
- 5) advise Private Office whether a further discussion on newly self-employed is required; and
- 6) agree that wider calls for grant support will be managed in accordance with the 'first principles' and assessed within the Department's Recovery Action Plan work programme.

PAUL GROCOTT
Economic Policy Group

NEWLY REGISTERED SELF-EMPLOYED SCHEME

1. This Annex summarises the options for a scheme to support the newly registered self-employed.
2. These individuals are not eligible for SEISS as they did not trade in the tax year 2018- 2019, and were only eligible for the existing NI micro-business hardship fund if they have employees. An option for support for this group is to introduce a bespoke scheme for the newly self-employed, along the lines of the Scottish or Welsh schemes. The Scottish and Welsh schemes are both Council-led. Options for administering a scheme in Northern Ireland could include Local Councils, Invest NI or the Department for the Communities.
3. A fund of around £6million would be required if NI Introduced a scheme like Scotland and £7.5million if NI introduced a scheme like Wales (see table below for more details on costings). If NI decided to provide a grant equal to the average NI first SEISS, the total cost would be around £8.4million. If the grant was adjusted to reflect the two SEISS payments made to other self-employed, the total cost could be nearer £16million.

Option				
1.1 Provide a support package for the newly self-employed who have been excluded from SEISS				
<p>Approximately 3,000 newly registered self-employed based on available data – the actual figure could be confirmed by HMRC.</p> <p>Options are set out below.</p>				
Assume 3,000 eligible	Option 1 - Based Payment on Scottish Scheme - £2,000	Option 2 - Based Payment on Welsh Scheme - £2,500	Option 3 - Based Payment on average SEISS grant 1- £2,800	Option 4 - Based Payment on average SEISS grant 1 & 2 - £5,250 (£2,800+£2,450)
Estimated Cost	£6,000,000	£7,500,000	£8,400,000	£15,750,000