

**From: Minister for Economy**

**Date: 29 June 2020**

**To: Executive colleagues**

**FINAL EXECUTIVE PAPER: COVID-19 – OPTIONS PAPER – ECONOMIC  
POLICY RESPONSE AND INTERVENTIONS**

1. The impacts of the Covid-19 crisis continue to be felt across the Northern Ireland economy with early indications that the impact will be significantly worse than the Global Financial Crisis in 2008/9. While predicting the scale of the economic damage with any degree of confidence at this point is impossible, the latest assessment indicates overall output within the Northern Ireland economy at 25% to 30% below normal. The OBR is estimating an even worse scenario with UK output 35% below normal. In April the UK economy shrank by 20.4% which is the largest monthly contraction on record.
2. The national schemes put in place, including the Coronavirus Job Retention scheme (CJRS) which is currently covering 80% of salaries of some 211,000 employees in Northern Ireland and the Self Employed Income Support Scheme (SEISS) being claimed by 69,000 self-employed here, have been critical in maintaining the local economy. Northern Ireland businesses are also able to avail of a range of other UK-wide support measures including Bounce Back Loans and Coronavirus Business Interruption Loan Scheme (CBILS).
3. In addition to the national support schemes the Executive has sought through its Covid-19 funding package to mitigate the impacts on our citizens and our economy. The range of local support measures for businesses have included rates holidays for non-domestic properties, Covid-19 Childcare Support Scheme, Sports Hardship Fund and Artist's Emergency Fund as well as a Charities Fund.
4. From this the Executive allocated £410million for economic measures to support the three grant support schemes, which in the main mirrored schemes being rolled out across the rest of the UK. To date, through the Business Support Grant Schemes, we have been able to provide a £10,000 Grant to over 22,800 businesses and a £25,000 Grant to over 2,900 businesses in the retail, hospitality, tourism and leisure sectors representing collectively around £300million in support. In addition, the Mirco-Business Hardship Fund will provide support to some 4,000 businesses.

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5. The sheer scale and impact of the crisis on the economy is such that there simply isn't sufficient funding, locally or nationally, to support every business and every individual to a level that I am sure we would all wish. As Economy Minister I am acutely aware that not all businesses and individuals have been able to avail of support from the three grant schemes. To give a sense of the scale of funding involved, there are 127,000 registered businesses in Northern Ireland and to date we have provided support to around 30,000 i.e. 97,000 have not availed of support and support of £5k to each of these would equate to almost £500million. In addition there are 120,000 self-employed individuals in Northern Ireland. We understand that some 69,000 have availed of SEISS funding. Therefore some 50,000 have not as far as we are aware received support. Providing even £2k per individual would require an additional £100million. I am aware from the barrage of correspondence, and lobbying from individuals, industry and sector representatives, Ministers, MLAs and MPs that significant numbers of businesses and self-employed individuals experiencing significant financial hardship and who have been unable to access funding support. I am also aware that supporting the economy is not the sole preserve of the Economy Department and that there are other areas and sectors currently facing financial challenges for example aviation, haulage, transport, community and others and where other Ministers may be considering interventions and support.
6. The three support schemes have been effective in delivering the Executive's objective of providing support rapidly to businesses during the crisis. The schemes were introduced very quickly and of necessity had to rely on available information databases to determine who would be eligible for support. This included utilising the existing property rating database as an identifier of businesses, a task which it was not designed for. The limitations of the schemes were highlighted to the Executive at the time of approval and it is simply impossible to be sure the schemes were always reaching those businesses most in need. What is clear is there remain gaps in coverage across sectors and businesses.
7. All three schemes are now closed and support will have been provided to over 30,000 local business. A consequence of relying on these databases has been that it was impossible to be precise as to how many applicants might i) be eligible and ii) would apply to the schemes. Therefore as a consequence of erring on the side of caution the level of applications has not reached anticipated levels and at this point in time it is anticipated that the schemes, collectively will be underutilised to the extent of circa £65million.
- |         |  |
|---------|--|
| LPP/LAP |  |
| LPP/LAP |  |
| LPP/LAP | The Department will require financial cover from the centre to cover any costs associated with the final outcome of the matters. |
- Therefore the final underspend cannot be confirmed at this point.

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8. Despite combined efforts across the Executive, in April 2020 we have seen unemployment almost double to 56,200 and have in the last ten days seen redundancy announcements at to large local employees affecting 1,300 people. All indications are that this number will increase in the coming months as we move towards reduction and eventual closure of the CJSR.
9. At this point in time the Executive is rightly focusing on the next stage in managing this crisis and seeking to relax restrictions and reopen the economy. Businesses are developing and adopting innovative practices to prepare for reopening. The key economic priority for the Executive will now be to move forward with economic recovery while, keeping the health, wellbeing and safety of people at the centre of the approach to doing so.
10. As Economy Minister I have been looking at a range of options aimed at reopening and restarting the economy. As part of the my Department's internal June monitoring process easements identified from planned interventions in the first 3 months of the year have been refocused on a range of new measures, across a number of areas, aimed at supporting the opening and restart of our economy. It is important that economic policies place a strong focus on the medium to longer-term challenges that the economy will face in adapting to the post-pandemic landscape, particularly if demand does not recover when government stimuli are phased out.
11. Supporting businesses through the response phase of this pandemic has been critical, but future policy interventions should be redirected to supporting businesses to adapt to the 'new normal' with a focus on exceeding and not just returning to their pre-crisis performance.

### Options Paper

12. I tasked officials with drawing up an options paper (**Annex A**) which would set out proposals for utilising the projected underspend from the three support schemes to support the economy. Cognisant of the demands from across business as well as Executive Ministers and fellow MLAs the paper sets out proposals, with estimated costs, for utilising the funds for:
  - i. Introducing new support schemes targeted at those who have not had any support through the existing schemes; and
  - ii. Interventions to support for businesses/ individuals as we move from the response to the recovery phase of this crisis.
13. The attached paper sets out a range of options reflecting the cost of continuing to provide financial support for those individuals and businesses in the economy who have and are undoubtedly facing financial difficulties and who have to date

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not been able to avail of support through the existing support schemes. The options set out cover various extensions of the three existing schemes as well as establishing new schemes to support businesses with multiple properties, manufacturing businesses, self-employed and sole traders. Estimated costs are included for each of the options

14. I would highlight that there has been significant interest and petitioning in relation to both the £25,000 and £10,000 business support grant schemes in relation to multiple payments to business that have more than one premises. When approving these grants schemes the Executive endorsed restricting payments under the schemes to one payment per business. The comparable schemes in England, Scotland and Wales make payments on a per premises basis meaning that businesses in these jurisdictions are eligible to receive payments under the scheme up to relevant State Aid limits. Thus the NI position represents a policy variation from those in operation in other UK jurisdictions. Should the Executive decide to amend the schemes to make payments for multiple premises it would cost an estimated £52m across the two scheme. It is within this context I am asking executive colleagues to confirm whether there is agreement to make these payments or alternatively there would be a preference to pursue an alternative allocation of funds.
15. At this point in time my Department is turning attention to the next stage in managing this crisis including how to reopen and restart the economy. It is imperative to move forward with economic recovery, while keeping the health, wellbeing and safety of people at the centre of the approach, if we are not to permanently damage the financial wellbeing of individuals and businesses.
16. The recovery options reflect the wider economic reality that we are facing a deep and prolonged economic downturn. There is a need to develop a plan to respond to this reality, and take action to rebuild a more competitive, inclusive and greener economy in the short and medium term. This will require a step change in our policy response, as continuing to attempt to maintain the pre-pandemic economy in "cold storage" will make it increasingly difficult to achieve economic recovery.
17. The recovery options set out in the paper are indicative of the areas where additional investment will be needed to support the economy over the next 6-12 months. Included are proposals which have are being considered as part of the internal June monitoring process in my Departments but for which there is insufficient existing budget to support. These include a Safe Working Solutions Grant, a Skills Growth Fund to support development of the skills base and reskilling to new opportunities, Tourism NI Marketing and Advertising, Invest NI Research, Development & Innovation Grant Support and expansion of Invest NI's trade development, FDI and growing NI connections.

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18. Whilst these initial options include some of the areas where funding could be provided to promote economic recovery, it is recognised that these are limited and do not sufficiently represent the full range of recovery activity required across the wider Northern Ireland economy

### **Conclusion**

19. As Economy Minister my focus is now on supporting the reopening and restarting of the economy and would seek endorsement for the allocation of the unutilised funding of circa £65million (final figure to be determined following appeals and outcome of any potential legal action).
20. The funding provided for the three support schemes was ring-fenced at the centre and as such the decision on where to reallocate the under spend is a matter for the Executive as a whole. The attached paper for the Executive sets out the rationale for reinvesting this funding in measures aimed at restarting the economy. However, in recognition of the significant concern from the Executive in assisting those unsupported through existing measures, the paper also sets out a range of costed options for further grant interventions.
21. The Executive is asked to confirm that the potential under spend of circa £65million from the three economic support schemes should be reinvested in measures to support the economy over the next nine months and determine whether the funds should be focused on measures:
- i. to support the opening and restarting of the economy;
  - ii. amending the £10,000 and £25,000 schemes to make multiple payments to businesses with multiple premises; or
  - iii. on further financial support packages aimed at businesses and individuals facing financial hardship and who have not been able to avail of any of the local support packages to date.
22. If the Executive decides to approve funding for option iii it should determine which measure(s) the funding should be focused on.

**Diane Dodds MLA**  
**Minister for the Economy**

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## **COVID-19 ECONOMY POLICY RESPONSE AND INTERVENTIONS**

### **Introduction**

The purpose of this paper is to review the existing support interventions that the Executive has put in place to mitigate against the worst effects of the Covid-19 crisis on Northern Ireland businesses. In the context of the funding made available by the Executive, and the ongoing hardship experienced by sectors across the Northern Ireland economy, the paper sets out a number of options for the Executive to consider the provision of further support for businesses through the response phase of this crisis.

The options set out in this paper represent only some of the support and interventions that will be required in order to assist in opening up and rebuilding the economy in the next 6-12 months. The economy has started to open up and as an Executive we will continue to provide guidance and support to businesses to operate safely in this new environment. Other departments will have a role to play in supporting and assisting aspects of the economic fabric within their areas of responsibility. Last week the Department announced the publication of 'Rebuilding a stronger economy', marking out the first steps on that journey. The longer term strategic objectives will be set out in a new Executive Economic Strategy (guided by the Economic Advisory Group and others), which will be cross cutting in nature, reflecting policy objectives and interventions across all Executive Departments.

### **The challenge for our economy**

It is worth reflecting on the scale of the task ahead. As the time has moved on, and there have been a recent relaxation of the number of Coronavirus Regulations, in line with expert scientific and medical advice, more businesses have been able to adopt innovative practices and prepare for their reopening. The key economic priority for the Executive now will be to move forward in economic recovery while, keeping the health, wellbeing and safety of people at the centre of the approach to doing so.

Early indications suggest that the economic impact will be significantly worse than the Global Financial Crisis. Predicting the scale of the economic damage at this point is impossible to do with any confidence, but the early signs suggest significant adverse economic impacts. Evidence from China, which has implemented suppression policies, suggests that both the service and manufacturing sectors entered a deep contraction in February, far more severe than that seen during the global financial crisis. While there has been some recovery in recent weeks, activity appears to be well down on last year. The latest leading economic indicators for the Eurozone paint a similarly bleak picture for manufacturing and unprecedented falls in the service sector

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Mitigation and preservation measures have been critical to limit the collapse in economic activity. Measures such as the Coronavirus Job Retention Scheme and Bounce Back Loan at a national level and the business support grant schemes and rates holiday locally have been aimed at keeping workers attached to companies, keeping companies afloat, and preventing supply chains from disintegrating. Employment retention schemes, whereby the state pays employee wages, are designed to achieve the first, while grants, loans and tax breaks for companies can sustain them through the collapse in demand.

Recovery is likely to require credible commitments to sustain the economic support well beyond the end of the health emergency. Businesses that are confident of a strong recovery will be both more likely to avail themselves of financial lifelines today and more able to pay down debts tomorrow, creating a virtuous cycle.

### **Existing Grant Schemes**

The Covid-19 pandemic has been unprecedented and has had a significant impact on the Northern Ireland economy and local businesses, employees and their families. While Covid-19 is first and foremost a health crisis, the economic implications have been profound and far reaching. In the first weeks of lockdown, the key economic policy challenge was business survival in an environment where many industries experienced sudden demand and supply side shocks and significant labour access restrictions.

In recognition of the implications of the Covid-19 pandemic on businesses and individuals, the immediate priority has been to provide support and assistance to those businesses impacted by the pandemic, within the funding envelope available. In response to the crisis, on 18 March 2020, the Northern Ireland Executive announced a package of measures to try to mitigate against the worst effects of Covid-19 which included two new business support grant schemes, developed broadly in line with the schemes announced by the UK Government.

The £10,000 Small Business Support Grant Scheme was launched on 26th March 2020. The one-off grant was available to eligible businesses that are in receipt of Small Business Rate Relief (SBRR) and have a Total Net Annual Value (NAV) of £15,000 or less. This was subsequently extended to include small manufacturing companies in receipt of Industrial rate relief (IRR) and with a Total NAV of £15,000 or less. On the 20 April 2020, the £25,000 Business Grant Scheme was launched. This was made available to eligible businesses that have a Total Net Annual Value (NAV) of between £15,001 and £51,000 within the retail, hospitality, tourism and leisure sectors, subject to some exclusions.

The schemes closed on 20 May 2020 and, have to date, issued over 22,000 payments through the £10,000 Grant Scheme representing over £220million in support, and

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issued over 2,800 payments through the £25,000 scheme representing around £70million in support.

The Micro-Business Hardship Fund was launched on 20 May 2020 and closes on 12 June 2020. It is designed to help Northern Ireland based micro-businesses and social enterprises unable to access other regional and national Covid-19 support measures. The Business Support Grant Schemes and Micro-Business Hardship Fund collectively enabled around a third of all businesses in Northern Ireland to access support.

### **Other NI Support**

The Grant Schemes sit alongside a suite of additional local support. The Minister of Finance has introduced measures to support businesses including an initial three month rates holiday for all businesses. This has since been extended to four months for all business rate payers and to twelve months for some specific sectors including hospitality, tourism, leisure, retail, childcare and for airports.

There has also been a reduction in the Regional Rate for all businesses equating to a significant 18% reduction on the 2019/20 rate; and an extension of the Small Business Rate Relief scheme for the current financial year, providing valuable assistance to almost 27,000 ratepayers. These measures are in addition to £237million in reliefs and exemptions from rates that the Executive already provides each year. Other NI support includes the Covid-19 Childcare Support Scheme, Sports Hardship Fund and Artist's Emergency Fund, Covid-19 Charities Fund.

### **UK-wide support**

Northern Ireland businesses are able to avail of a range of UK-wide support measures which were introduced to support businesses, employers and the self-employed during the current health and economic crisis. These support measures set out to protect jobs and incomes, make cash available to businesses through loans, grants and guarantees, provide cash flow support for businesses through the tax and VAT system and ensure that those who do find themselves out of work or work for themselves do not face hardship. This support includes the Coronavirus Job Retention Scheme, Bounce Back Loan, Coronavirus Business Interruption Loan Scheme and Self-Employment Income Support Scheme.

### **Options for further Covid-19 business support.**

The Executive allocated a budget of £270m for the £10k scheme, £100m for the £25k scheme and £40m for the Microbusiness hardship fund. Based on current estimates it is likely that all three schemes will underspend against the initial allocation. The £10k

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scheme is estimated to spend £242m, the £25k scheme £73m and the microbusiness hardship fund £30m, giving a provisional underspend at this stage of circa £65million. It is important to note that the department is dealing with a number of appeals against decisions taken and has been served with two legal pre-action protocol letters seeking Judicial Reviews on aspects of the schemes. The Department will require financial cover from the centre to cover any costs associated with the final outcome of the matters. Therefore the final underspend cannot be confirmed at this point.

Similar shortfalls have been seen in the equivalent grant schemes in England, Wales and Scotland and may in part be due to larger chains of shops reaching the state aid limit of €800k.

The various schemes have not yet been subject to independent evaluation so it is not possible to assess how effective they have been against the objectives to help ease liquidity pressures protect jobs, prevent business closures and promote economic recovery across the hospitality, tourism and retail sectors.

On the basis of the significant volume of correspondence received by DFE and DoF it is clear that there are entitlement gaps in all three schemes which has left some businesses unable to avail of support. There are a number of reasons for this, however the main factor is the design limitation of using a property rating database as an identifier of businesses.

The potential underspend does however present an opportunity to consider the most effective means of providing support in those areas that have been unable to access it thus far. There are a number of options which could be considered for utilising underspend and examples of these are considered in detail in the following table.

The options in the table below are presented as **response** and **recovery** options. Response options reflect the need to continue to provide support for the immediate needs of businesses as the economy begins to open up. These options relate to various extensions of the three existing schemes to include businesses with multiple properties, manufacturing businesses and the self-employed as well as examples of other areas which have been highlighted by various groups and lobbyists as requiring support.

The recovery options reflect the wider economic reality that we are facing a deep and prolonged economic downturn. There is a need to develop a plan to respond to this reality, and take action to rebuild a more competitive, inclusive and greener economy in the short and medium term. This will require a step change in our economic policy response, as simply trying to keep the pre-pandemic economy alive will not bring about economic recovery. It is important that economic policy places a strong focus on the longer-term challenges that the economy will face in adapting to the post-pandemic landscape, particularly if demand does not recover when the government stimulus

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runs out. Thus, supporting businesses through the pandemic is critical, but future policy interventions should be directed to supporting businesses to adapt to a new normal for doing business with a focus on exceeding and not just returning to their pre-crisis performance.

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### OPTIONS MOVING FORWARD

#### RESPONSE OPTIONS

##### **1. Support for businesses with multiple properties (extension to existing schemes)**

Both the £10k and £25k Covid-19 Business Support Grant Scheme made grant payments to businesses on the basis of one payment per business as opposed to one payment per premises. The issue of how to treat businesses with more than one eligible premise was considered within the context of the funding allocated to the schemes and the need to ensure that all eligible businesses got at least one grant payment. The policy paper of 10 April 2020 reflected a range of options for handling multiple premises. These ranged from the assumption of applying a consistent approach to the Northern Ireland £10,000 scheme - i.e. a maximum of one grant for business which is how the £25,000 scheme was then being run in Scotland and Wales; to the approach in England where businesses with multiple premises are eligible for multiple grants up to the Temporary Framework State Aid limit (£800k per single business in the UK).

The Executive accepted the recommendation to limit the scheme initially to one grant per business and took account of the uncertainty regarding the potential scale of the scheme. Wales and Scotland have changed their treatment of multiples since. Wales initially moved to two grants per business and then to the state aid limit, Scotland moved to a 75% grant to businesses for all subsequent grants after the first paid.

An analysis of businesses which have had applications to the scheme approved and which appear to have multiple premises within the eligible Total NAV range under both schemes would suggest that 376 additional premises occupied by 210 businesses would be classed as eligible under the £25k scheme and an additional circa 4200 businesses would be eligible under the £10k. A decision could be made to make multiple payments under only one of the schemes, however this could be interpreted as developing an inconsistent policy position across the schemes, both of which were designed to meet the same policy objective.

Option	Pros	Cons	Extra Cost
1.1 Keep the current eligibility as one grant per eligible business for the £10k and £25k schemes	This is the approach agreed by the Executive and consistent with the rationale to extend the available funding as widely as possible.	It is estimated that there are 4,200 multiple properties in the £10k scheme. In the £25k scheme there are estimated to be 376 additional premises occupied by 210 businesses would be classed as multiples. There is significant pressure from these businesses to extend the scheme.	£0

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Option	Pros	Cons	Extra Cost
1.2 Maximum of two grants (up to £50,000) per eligible business in the £25k scheme.	This would provide support for an additional 84 businesses.	This would break with the original policy intention agreed by the Executive and would mean continuing to administer a scheme which is known to have a number of inherent risks such as the inability to assess value for money and difficulty in assessing hardship. There is also an inherent risk in repurposing a property database in order to identify businesses. Opening up the £25k scheme to multiple properties would lead to calls to also apply the same policy to the £10k scheme.	£5.5m
1.3 Extension to the £25k scheme to include multiple payment to businesses open ended up to the temporary State Aid framework limit (limiting grants after the first grant, to 75% of the value as per Scotland.)	This would extend support at a reduced rate to all of the businesses with multiple properties and align with the approach in the rest of the UK.	It is likely that all 210 businesses would still feel disadvantaged when compared to businesses in England and Wales.  All of the considerations in option 1.2 would also apply to this option. This would also prove extremely difficult to administer for the £10k scheme given the limitations of using the property database.	£7.5m
1.4 Extension to the £25k and £10k scheme to include multiple payment to businesses open ended up to the temporary State Aid framework limit. (as per England and Wales)	All 210 businesses with multiple properties in the £15-51k range would receive grants for a total of 376 properties.  Approximately 4200 businesses would receive payment under the £10k scheme	All of the considerations in option 1.2 would also apply to this option. This would also prove extremely difficult to administer for the £10k scheme given the limitations of using the property database.	£10m (£25k)  £42m (£10k)

### 2. Support for the manufacturing sector (extension to existing schemes).

Manufacturing has not been included in the £25k scheme to date, however the fact that 85 businesses in premises classed as 'manufactories' were eligible for payment is indicative of the limitations of using NAV and rating classification in the £25k scheme. This issue of classification of businesses has been the subject of a significant number of queries and complaints in relation to the operation of the scheme.

The Manufacturing sector is currently under severe stress. Despite the widespread use of the Government's Job Retention Scheme, around three out of five are currently "anticipating redundancies", and more than half of firms are anticipating having to shed up to one third of their workforce. There is pressure to provide support, for example by reopening the £25k scheme for manufacturing businesses. However the limitations

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in the operation of the scheme indicate that it may be more effective to target resource through Invest NI.

There are an estimated 4,400 manufacturing businesses in Northern Ireland. Around 2,500 of these were eligible for the £10k Business Support Grant. Around 2,800 (64%) of NI manufacturing businesses employ between 1-9 employees and would therefore be potentially eligible for the Micro-business hardship fund. Manufacturing businesses with more than 9 employees are not eligible for the Micro-business Hardship Fund although some of these may have been eligible for the £10k grant. This suggests that at least 65% of all manufacturing businesses are covered by existing schemes as long as the criteria is met.

If the Micro-business Hardship Fund was extended to include Small Businesses (up to 50 employees) an additional 700 businesses would potentially be covered. This would mean that 80% of manufacturing businesses would be covered by existing schemes. Those falling outside the existing schemes would include the smallest manufacturing businesses i.e., those with no employees, which is around 15% of the total and the medium and large businesses (around 6% of the total). It could be argued that medium and large businesses are more likely to hold reserves and also have greater potential to access finance. In addition, the level of grants required to offer meaningful support would need to be significant.

Option	Pros	Cons	Extra Cost
2.1 Extend the £25k scheme to all manufacturing premises that fall within the £15 -51k Total NAV range	This would mirror the extension that was applied to the £10k scheme which was extended to include Industrially derated businesses.	This option would still rely on the LPS property database which we already know has reliability issues as an identifier for businesses. In addition it would still exclude a significant number of manufacturers with premises valued in excess of the Total NAV range. Many of these businesses would be eligible for the Micro-Business Hardship Fund if they meet the criteria Extending the £25k scheme to manufacturing businesses only could be considered inequitable.	£25m
2.2 Extend option 2.1 to include those manufacturing businesses with premises with a Total NAV beyond £15k (for the £10k) and £51k (for the £25k) but which would be brought within the eligible rating	This would bring more support to those manufacturing businesses that currently fall outside the two schemes.	This option would still rely on the LPS property database which we already know has reliability issues as an identifier for businesses. In addition it would still exclude a significant number of manufacturers with premises valued in excess of the Total NAV range.  It is much more difficult to assess the number of businesses that this would benefit and indeed given the scale of	£12m

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Option	Pros	Cons	Extra Cost
range when industrial derating exemption is applied.		<p>some of the operations of larger businesses a £25k grant would not be a proportionate support response. Many of these businesses would be eligible for the Micro-Business Hardship Fund if they meet the criteria</p> <p>Extending the £25k scheme to manufacturing businesses only could be considered inequitable</p>	

### 3. Example options of areas to be covered through a scheme similar to the Micro-business hardship Fund

One of the main criticisms of the micro-business hardship fund is that it does not include the smallest businesses, i.e. those with no employees. The options below consider are examples and costs associated with covering different areas with a schemes similar to the Hardship Fund including, self-employed sole traders & partnerships with no employees and Limited Companies with only one employee. The option of a hardship Fund for small businesses (10-50 employees) has also been considered.

One subset of the self-employed that has appeared to fall through the gap is the newly registered self-employed. Because of the rules introduced by HMT, these individuals are not eligible for SEISS and will only be eligible for the micro-business hardship fund if they have employees. An option to introduce a bespoke scheme for the newly self-employed, along the lines of the Scottish scheme is also considered below.

There has been significant publicity and lobbying for additional support for social enterprises. Some have accessed the grant schemes and others may be able to avail of support through DfC's Charities Fund. However until the completion of the Charities Fund scheme it will not be possible to quantify the numbers who remain unsupported.

Option	Pros	Cons	Extra Cost
3.1 Extend Hardship Fund to Include Self-Employed businesses with no employees. Provide a £5,000 grant to eligible businesses	<p>There are circa 93,000 self-employed businesses in NI (75% of all businesses). Only 16,500 of these (around 18%) have 1-9 employees and are potentially eligible for the Microbusiness hardship fund.</p> <p>The business support scheme grants only helps businesses who have premises. The majority of self-employed sole traders do not operate from business premises and will not have been eligible for the £10k or £25k grant. There are circa 70,000-76,000 self-employed sole traders/partnerships that</p>	<p>Around 80% of Self-employed are eligible for SEISS. Around 60% of the Self-employed have received SEISS to date. This is a taxable grant to paid to the self-employed sole traders or partnerships which have suffered a loss of income. SEISS was initially capped for 3 months but was extended on 29 May 2020 for a further 3 months. Self-employed could also be eligible for other measures, such as income tax and VAT deferrals, support for renters and access to three-month mortgage holidays. In</p>	<p>£100 million - £200 million</p> <p>Opening a scheme to all self-employed would be costly. Even if only 25% of those not eligible for the Microbusiness Hardship Scheme were eligible, the cost of extending the scheme would be in the region of £100 million – this assumes a £5,000 grant per business</p>

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Option	Pros	Cons	Extra Cost
	<p>are not eligible for any of the three DfE grant schemes.</p> <p>SEISS does not take into account fixed costs faced by self-employed businesses.</p> <p>Around 20% of the self-employed are not eligible for SEISS, for example, newly registered self-employed (around 3,000), those earning above £50,000 (around 3,500) and those whose earnings from self-employment are less than 50% of total earnings (gig workers etc.)</p> <p>Those who have been trading at a loss will not qualify for SEISS.</p> <p>As SEISS is calculated on the basis of a 3 year average, those self-employed who have moved from a loss to a profit position will lose out, for example, new business start-ups.</p>	<p>addition, they may also be able to access support through the Coronavirus Business Interruption Loan Scheme (CBILS) or the Bounce Back Loan Scheme.</p> <p>The minimum income floor in universal Credit has been removed ensuring the self-employed now have the same access to Universal credit as those in employment.</p> <p>Self-employed people on universal credit will be able to access the equivalent of statutory sick pay.</p> <p>Problem is many self-employed will not qualify for Universal credit because of other household income.</p> <p>Self-employed individuals are able to claim SEISS and continue working, start a new trade or take on other employment. With social distancing rules being eased, many self-employed workers will also be able to return to work.</p> <p>A scheme for the self-employed would be costly and also difficult if not impossible to administer without HMRC involvement.</p>	
<p>3.2 Introduce a Scheme targeted at newly registered Self-Employed. Provide a one-off grant of £2,000 to cover 3 months or £4,000 to cover 6 months.</p>	<p>There are an estimated 3,000 newly registered self-employed, i.e. registered after April 2019.</p> <p>Newly registered self-employed are not eligible for SEISS. It is unlikely that many of these businesses will be eligible for the 3 DfE Grant schemes.</p> <p>Newly registered self-employed will find it difficult to access loan schemes.</p> <p>Other jurisdictions have set up support schemes for those that do not qualify for the SEISS, for example the Coronavirus Discretionary Grant Fund in England and Scotland established a £34 million scheme for the newly registered self-employed.</p> <p>The fund, administered by Local Councils, provides a £2,000 grant to individuals who became self-employed on or after 6 April 2019 it is not known whether this will be extended to reflect the extension of SEISS</p> <p>A NI scheme (based on the Scottish Scheme) would be a light touch scheme which could be fairly easy to administer – If agreed, it is recommended that such a scheme be administered by District Councils.</p>	<p>May raise expectations to provide support to other self-employed who are not eligible for SEISS or who have received no/very little grant because net profits were zero or low – for example start-up businesses</p> <p>Self-employed individuals are able to claim SEISS and continue working, start a new trade or take on other employment. With social distancing rules being eased, many self-employed workers will also be able to return to work.</p>	<p>£6m-£12m</p> <p>The estimated cost based on a one-off grant of £2,000 per business would be £6m/£7m. Providing a higher level of support to align with the extension of SEISS by a further 3 months would mean a total cost of £12m-£14m.</p>

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Option	Pros	Cons	Extra Cost
3.3 Extend Hardship Fund to include Companies where sole employee is the company owner	<p>There are circa 24,000 registered limited Companies in NI. Around 11,500 of these (48%) are companies that only employ the business owner. Around 25% of correspondence received by DfE to date has been from company directors/owners who say they have not been eligible for other support. Company directors are employees for PAYE purposes and not self-employed. They are not eligible for SEISS. Company directors can in theory furlough themselves. However, unlike the self-employed eligible for SEISS, they cannot continue to work. In addition, even those who do furlough themselves the furloughed wage is likely to be low as it does not take dividends into account.</p> <p>As companies are registered for PAYE and/or VAT, extending the Hardship Fund to them would be fairly easy to administer</p>	<p>Company directors are eligible for the Coronavirus Job Retention Scheme, i.e. they can furlough themselves but the company would need to cease trading. In addition, company directors could also be eligible for other measures, such as VAT deferrals, support for renters and access to three-month mortgage holidays. In addition, they may also be able to access support through the Coronavirus Business Interruption Loan Scheme (CBILS) or the Bounce Back Loan Scheme.</p>	<p>£15m-£30m</p> <p>As with the Self-employed, the cost would vary according to uptake. If 25% of company directors were eligible for a £5,000 grant the cost would be in the region of £15m.</p>
3.4 Extend Hardship Fund to cover all businesses that do not have employees (i.e. 3.1 & 3.3_	See Above	See above	£115m-£230m
3.5 Extend Hardship Fund to Small Businesses	<p>There are circa 6,500 businesses in NI with 10-50 Employees, While some of these businesses will have been eligible for the £10k/£25k grants, many businesses will not – these include many small manufacturing businesses with a rateable value of above £15k and small hotels. Manufacturing: 64% of all NI manufacturing businesses have 1-9 employees and are therefore potentially eligible for the Micro-business hardship Fund. Extending the Hardship Fund to cover small businesses would open up support to a further 700 businesses (around 15%). This would mean that the hardship Scheme would cover 80% of all manufacturing businesses in NI. Processes are already in place for administering the Micro-business hardship Fund and subject to Invest NI involvement and ongoing cooperation from HMRC, an extension to the scheme could be fairly straightforward to administer</p>	Depending on levels of grants, could be costly	<p>£25m-£40m</p> <p>Assuming 25% of small businesses are eligible a £15k grant would cost around £25m – A £25k grant would cost around £40m</p>

There are a wide range of bespoke schemes that could be considered by the Executive. Options 3.6 and 3.7 are two examples in relation to support which could be provided to the tourism sector.

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Option	Pros	Cons	Extra Cost
3.6 Support for Coach Tourism/self-employed owner/drivers.	<p>Helping to keep coach operators solvent until trading can begin again mitigates the risk to the overall travel and tourism industry.</p> <p>Whilst positive economic packages have been released for business affected by Covid-19 unfortunately, the conditions attached to these grant packages prohibit the majority of coach operators accessing these. Circa 85% of the industry have not been able to access either the £10K or £25k as they do not have a direct rates account and pay for serviced offices and operating centres. In addition the grants of £10,000 or £25,000, do not provide the level of support required when there are operators with finance and insurance payments of £100,000 per month, £35,000 per month and many more between £5000 and £20,000 per month.</p> <p>A number of companies have applied for the Hardship Fund but this is also restrictive as it does not allow applications for over 9 employees and there must be at least one person through PAYE which eliminates many owner drivers with one vehicle - this has precluded some 35% of operators from applying.</p>	<p>As with all interventions, there is a risk that if Recovery does not begin to crystallise as quickly; or to the scale anticipated; some operators despite intervention will not survive – it will not be possible to continue to meet the needs of the Operators for an indefinite period.</p>	Circa £5m
3.7 Hardship payment to B&B operators -	<p>(including number of businesses covered, fact they are not eligible for other support etc) Not covered by other interventions – can't quantify number</p> <p>The scheme has been approved by Ministers with administrative support from local authorities to provide a one-off £3k capped grant to those bed and breakfast businesses operating without a business bank account (those operating with a business bank accs have been accommodated via other funds). Go-live for applications intention is Monday 15th June.</p>	<p>May not be sufficient to secure survival and can only be paid as a short term measure – not financially feasible in the longer term</p>	Circa £2 million

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## **RECOVERY OPTIONS**

It is now inevitable that we are facing a deep and prolonged economic downturn. We need to develop a plan to respond to this reality, and take action to rebuild a more competitive, inclusive and greener economy in the short and medium term. This will require a step change in our economic policy response, as simply trying to keep the pre-pandemic economy alive will not bring about economic recovery.

The challenges we face are unprecedented and rebuilding our economy will only be possible through decisive interventions that deliver:

- higher paying jobs;
- a highly skilled and agile workforce;
- a more regionally balanced economy; and
- reductions in carbon emissions.

We are only in the foothills of the recovery phase. It will not be possible to shelter the Northern Ireland economy from the significant economic shock of Covid 19, however significant and carefully targeted interventions will be required in the coming months, and years, if we are to protect our economy and people, and work to build a more competitive, inclusive and greener economy.

Outlined below are some examples of interventions which could be taken forward over the coming months as we begin the journey to rebuild, renew and reskill our economy. These interventions would form the foundations of a longer term recovery plan, which will be brought to the Executive for consideration in due course. For the purposes of this paper, the focus is on the 2020-21 resource funding requirements. However, the successful delivery of a recovery strategy will require a significant level of investment beyond the current financial year and in capital funding.

### **4. Support for skills**

The impact on Covid-19 on the labour market is likely to have long term and significant consequences which necessitate the acceleration of many of our intended interventions developed as part of our skills strategy.

There are a disproportionate number of people with low or no skills in our society who will be impacted more acutely as a consequence of Covid-19. Individuals in this group were already vulnerable to the changing dynamics of the labour market, as evidenced by the Northern Ireland Skills Barometer. Progress in outcomes from education must continue to improve, but there is an additional, urgent need to invest in lifelong learning if we are to prevent existing inequalities from deepening. Covid-19 will also likely see an increase in the numbers of students who wish to remain in Northern Ireland to undertake a degree and consideration is needed to accommodate their retention.

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The following proposals, which would require a total funding of **£25.6m in 2020-21**, could be deployed to support out labour market:

Option	Description	Extra Cost
4.1 Establish a ring fenced skills growth fund to support the development of the skills base and reskilling to new opportunities.	Initiatives would be developed in partnership with sectors, addressing their specific requirements and assisting repositioning post Covid-19.	£10m
4.2 Work in partnership with City deals/ growth deals to deliver a suite of programmes at a local level.	This work will include - improving digital skills, innovation and economic inclusion	£2m
4.3 Additional support and postgraduate opportunities for those graduating summer 2020.	Provide a 26 week course to improve employability skills, including leadership and management	£2m
4.4 A business improvement techniques and skills Growth programme.	Provide direct support to companies who are experiencing issues with reduced demand for products and services	£3m
4.5 Provide an accreditation service	Providing an accreditation service for those individuals who have developed skills while working and have been made redundant	£1m
4.6 Support and advice for young people not in education, employment or training (NEET).	There is a significant risk of an increase in those individuals in this category given the disruption to advice and support normally received at school	£2m
4.7 Grow undergraduate student numbers	5% growth in undergraduate student numbers over three years.	£1.6m/£4m/£6.2m
4.8 Skills to improve innovation	Skills to improve innovation and work in collaboration with industry	£1m
4.9 Support for apprentices and their employers	Supporting apprentices and their employers, ensuring that jobs can be retained as far as practicable	£4m

### 5. Support for the Business Base

A Vulnerable but Viable project team was established within the Department for the Economy to construct a package of interventions which will help NI businesses through the recovery phase (3 – 18 months). This work generated a large number of proposals at various stages of development, and it has been possible to support the highest priority and most developed of these proposals through the in-year monitoring process.

Below are examples of additional proposals generated through this process (and subsequent to it) which could be quickly developed within this financial year to help the NI businesses base and wider economy respond to the economic shock of covid-19 and adapt to the new trading environment under the NI Protocol.

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There will always be more we could do, and affordability has been a major constraint in considering options to help with economic recovery. There are a number of proposals in addition to those list below which could be quickly developed by the Department for the Economy should additional funding become available. For example, the Jobs Fund was a response to the last recession, with some £27m of assistance drawn down by local companies through the Selective Financial Assistance measure. Consideration could be given to whether a similar intervention would be appropriate to response to the current economic crisis.

It should also be noted that the Tourism Recovery Working Group is currently working with the tourism and hospitality industry to identify potential 'asks', i.e. support which the industry consider will be needed to help businesses as we emerge from the COVID crisis. As the scale of the challenges facing the industry become clearer, it can be anticipated that additional requests will be brought forward by the industry/TNI to enable strategic measures. The Tourism Recovery Steering Group will have a key role to play in assessing any asks.

Tourism Ireland has also indicated that it plans to submit significant bids to DfE and DTTAS for increased marketing monies. The request for DfE could be in the region of £10 to £12 million.

Taking into account the work undertaken to date, and previous experience of responding to an economic crisis, it is estimated that a there is a requirement for at least an additional **£30m RDEL in 2020-21**. These interventions are multi-year, and the funding for 2021-22 and 2022-23 will also be required.

Option	Description	Extra Cost
5.1 Tourism NI Marketing and Advertising (Building on the research, Insights and market intelligence programme support provided to the tourism sector through June Monitoring)	This proposal involves a targeted and informed consumer advertising programme to promote Northern Ireland as a tourism destination across the Island of Ireland. This will position Northern Ireland to better compete with it biggest competitor, the Republic of Ireland, for a greater share of Island of Ireland tourism revenues particularly at a time when there will be a greater reliance on that 'local' market.. £5.5m is for this financial year, it is estimated that further expenditure of £4.0m and £3.5m would be required in 2021-22 and 2022-23 respectively.	£5.5m
5.2 Invest NI Research, Development and Innovation Grant Support	An innovative economy will be critical to the recovery from the economic shock due to the Covid-19 crisis. This proposal will offers NI businesses innovation vouchers, financial assistance and grants for research and development which will encourage more NI companies to grow competitively by increasing their research, development, process and technical innovation activities. Invest NI support for Innovation historically delivers strong rates of return on investment.	£3.0m

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Option	Description	Extra Cost
	Investment in innovation will be more challenging for companies to undertake due to Covid-19 impacts. It is estimated that this intervention would also require £5.0m in 2021-22.	
5.3 Invest NI expansion of Invest NI trade development, FDI and growing NI connections.	With many global economies in lockdown or early stage lifting of restrictions, Northern Ireland businesses will have radically reduced access to customers and markets. International travel will be restricted for some time to come, impacting of the ability to sell particularly high value, complex products and services. Northern Ireland businesses also have to deal with uncertainty surrounding the future of trading arrangement with the EU and implementation of the Ireland/Northern Ireland Protocol. It is likely therefore that in recovery mode NI companies will have to focus much more on near shore markets of GB, Ireland and mainland Europe. This proposal will supplement existing Invest NI in market resources in GB and European markets to support Northern Ireland businesses recover from the economic consequences of GB and export markets. It is estimated that this intervention would also require £5.0m in 2021-22.	£1.1m
5.4 NI FAST Start Competition	Innovate UK have just closed their £40m Fast Start Covid response competition this offered £50k R&D grants (100% funding paid up-front) for projected that could demonstrate both realistic and significant benefits for society (including communities, families and individuals) or an industry that has been severely impacted and/or permanently disrupted by the Covid-19 pandemic. This kind of funding is extremely useful for early stage pre-revenue technology companies. 18 Northern Ireland companies won funding with a win rate exceeding the UK average in this competition (12.4% compared to 9% overall). A Northern Ireland call of a similar nature would help with the survival of tech start-ups and boost Covid-19 response.	£5m

### 6. Support for Connectivity

The COVID19 pandemic has had an immediate and unprecedented impact on the global aviation industry. Both airlines and airports across the world have been very severely impacted. We are all aware of the impact on our own air connectivity, both domestically and internationally. Hence, following the announcement on Friday 1 May 2020, I am delighted that the lifeline passenger flights from the City of Derry Airport (CODA) and Belfast City Airport (BCA) to London have been supported. It is also important to highlight the tremendous work that has been done by Belfast International Airport (BIA) to maintain our vital freight links with the world over this COVID period. Clearly, being on an island which is geographically remote and not having the same rail and road options as the GB mainland means that, for Northern Ireland, maintaining

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domestic air connectivity is critical. It allows businesses and people to transport themselves, visitors, customers and products nationally and internationally, which helps facilitate exports, international investment and inward tourism.

Civil aviation is a reserved matter for the UK Department of Transport (DfT). Hence I speak regularly with both DfT and other Devolved Administration Ministers on air connectivity issues. I have established a Tourism Recovery Steering Group to lead on the recovery of the NI Tourism Industry in response to COVID-19. I have also requested, to both HMT and DfT, that the UK Government should suspend Air Passenger Duty (APD) for at least six months. It is my view that APD is an unfair tax that should be addressed at a national level, as it has a particularly detrimental impact on Northern Ireland passengers, due to our physical remoteness to mainland GB.

Option	Description	Extra Cost
6.1 Marketing of air and sea access to domestic GB market and potentially European destinations by Tourism Ireland.	<p>This would;</p> <ul style="list-style-type: none"><li>• Remobilise operations and encourage recovery of previous commercially viable routes.</li><li>• Deliver to GB market key messages that NI is open for business and tourism, clarifying that 14 day international quarantine conditions are not applicable to NI/GB travel.</li><li>• Stimulate passenger numbers from GB to encourage inbound tourism and business investment from the domestic market.</li><li>• Enhance regional connectivity with GB mainland, increasing number of destinations from which inbound tourism and business investment can be encouraged.</li><li>• Potentially develop marketing into key European destinations, based on potential for inbound tourism and FDI.</li></ul> <p>There is likely to be mixture of destination and co-operative (50/50 cost share), as determined by Tourism Ireland, a requirement for 50/50 match-funding from transport operator (monetary or 'in-kind') for co-operative marketing, urgent delivery required for marketing programmes to re-establish position in GB domestic market for summer 2020 and then through to March 2021 (start of summer 2021 booking season).</p>	£2m

### Economic Recovery – Green Energy

The UK has legislated to deliver 'net zero carbon' by 2050. The general mood of the citizen is not whether 'climate change' is an issue but rather 'how' are we going to deal with it?

Energy is responsible for more than 60% of the carbon emissions across the power, heat and transport, and the forthcoming Energy Strategy will set out pathways to decarbonise these sectors. DfE is working with a wide range of partners in central

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government, local government, the energy industry and beyond to review the 161 responses to the call for evidence, gather further evidence and produce robust policy options.

Our success in renewable electricity has demonstrated the difference we can make in a relatively short period of time. Northern Ireland is the leading region for renewable electricity with 46.8% of electricity generated in the 12 months to the end of March 2020 being from wind and solar. There is a significant opportunity to build on this and provide significant opportunity for local economic growth based on the green economy.

Tackling climate change provides a significant economic opportunity for Northern Ireland. Establishing the 'decarbonisation pathway' will provide significant opportunities for business both to deliver the carbon reduction opportunities locally and to export proven solutions.

In developing the Energy Strategy, the Department is seeing significant opportunities to support innovation and grow a substantial green economy. For example:

- Funding for **hydrogen** is at the centre of the recent EU recovery plan, and Northern Ireland could position itself as an international leader using its natural wind resource to power electrolysis to produce hydrogen and oxygen. The hydrogen has significant potential for use in transport and heating solutions, as well as for power when levels of renewables are lower. The oxygen is potentially very valuable to NI Water for use in its waste water treatment plants and also for hospital and medical use.
- Wrightbus has valuable hydrogen fuel cell IP and their buses are a natural customer for the green hydrogen produced through electrolysis. Wrightbus is promoting the concept of the '**hydrogen hub**' near its plant in Ballymena, both for the production of hydrogen and the clustering of businesses in the hydrogen supply chain. Similarly, the concept of '**power to X**' can be trialled in the Belfast and other locations across Northern Ireland, to test the production of hydrogen and oxygen and the development of markets for the product.
- Northern Ireland could benefit from rapid growth in **manufacturing jobs in clean technologies** such as electrolysis, control algorithms and traditional vehicle and engine manufacturing using low carbon fuels. This in turn becomes a significant export opportunity.
- Growing our existing renewables base within electricity, and expanding into heat and power, will provide growth opportunities for **new and emerging renewable technologies** such as battery storage, hydro and marine renewables, floating offshore wind, biogas production and geothermal energy. Carbon capture may also present further opportunities.
- There are also significant **digital growth opportunities** as the energy sector becomes increasingly 'smart' and based around the availability and use of

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consumer and network data. The rollout of new smart technologies can therefore act as new growth opportunity for our existing strengths in the ICT sector in areas such as data analytics.

Green growth is a global opportunity and we should seek to build on the existing strengths of the Northern Ireland skills base and develop new skills where needed. These opportunities are, by their very nature, highly innovative and therefore need to be piloted and tested. Government will seek to identify existing innovative energy projects that could proceed urgently with financial assistance, whilst also bringing forward ideas from within the private sector on potential future projects that could be supported to both decarbonise energy and drive green economic growth.

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