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**MEMORANDUM E (20) 71 (C)**

**FROM: DIANE DODDS MLA  
MINISTER FOR THE ECONOMY**

**DATE: 22 April 2020**

**TO: Executive Colleagues**

**FINAL EXECUTIVE PAPER - Pre-Covid baseline for the economy and key sectors**

Thank you for request to update on progress against the following two actions attributable to my Department:

2.1 - Monitor the impact on the economy and consider the measures / policy framework needed to revitalise the economy post COVID 19; and

2.2 - Provide financial support and make regulatory easements (within the Devolved sphere)

**Macroeconomic Impact of Covid-19**

The economic impact of Covid-19 is unprecedented in terms of its scale and speed. As the virus moves around the world, most countries have been impacted in a similar way with people lockdowns and industry shutdowns.

Prior to the outbreak economic growth for 2020 was expected to be relatively moderate for Northern Ireland and the UK as a whole. It is now apparent that Northern Ireland will face a huge, if not unprecedented, economic hit this calendar year, with all sectors of the local economy affected.

Our own initial assessment has estimated that as a result of coronavirus and the closure of non-essential businesses, overall output in Northern Ireland is potentially running at something around 25% below normal levels. That is not even a worst case scenario and the recent work of Office for Budget Responsibility implies that the UK output might be 35% below normal.

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The main response to the shutdown of many industries in Northern Ireland seen so far is evidence of widespread furloughing of workers by many firms. However, it is worth noting that we are not, as yet, seeing many examples of large scale redundancies by firms.

That said, in assessing all the available economic indicators and data, it is feared that the number of workers in Northern Ireland directly impacted by the shutdown could well go beyond 200,000, with widespread job losses too, potentially as many as 25,000 in the short term. That too may even rise further since the Department of Communities is reporting an unusual spike in Universal Credit claims – over 50,000 in the past month alone as I understand it,

This could also point to the inevitable increase in unemployment being disproportionately concentrated in certain categories. This could plausibly include the self-employed, those on temporary or on zero-hours contracts and those who have only been with their employers for a short time.

Finally, there are also major risks around the extent to which the current widespread furloughing of staff translates into a return to the workplace in any recovery phase, and the extent to which it might end up as a deferral of unemployment.

The exact timing of the recovery is still the greatest unknown at the present time. However, the earlier the outbreak resolves itself, the earlier the rebound which is likely to occur, due to the pent-up demand which is being restrained by social distancing measures brought in for public health reasons. An earlier resumption of normal business would mean less of an economic impact and an avoidance of long-term loss. Embedded below is a comprehensive macroeconomic and sectoral assessment by my officials.



Coronavirus and  
the NI Economy - Mr

**Northern Ireland Support Grants for businesses**

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The current Covid19 crisis is placing significant strain on businesses across Northern Ireland and on the 18 March a small business grant scheme was announced to provide £10,000 to help with fixed costs for small businesses across Northern Ireland. A higher rate of £25,000 was also to be available but in order to get support to the maximum number of businesses priority was initially given to the £10,000 scheme.

DfE officials, in conjunction with officials in Land & Property Services (LPS) and AccountNI, have been working to develop these schemes and have them operational as soon as practicable.

### **£10,000 Coronavirus Support Grant**

Operational arrangements for identifying and making payments to eligible companies were put in place within 9 days of the initial announcement.

Eligible businesses are those identified through the LPS rates database as being in receipt of Small Business Rate Relief. This identified a cohort of approximately 27,000 small businesses across Northern Ireland. Subsequently on 10 April 2020, with the agreement of the Finance Minister and endorsement of the Executive, the scheme was extended to include a further 2,500 small manufacturing businesses which were subject to industrial de-rating

While LPS held the banking details of some 7,000 of the eligible companies, and they were able to issue automatic payments to these companies, it was necessary to design an online application process to gather details of the remaining eligible businesses. It was important that LPS was able to validate the details against those that had already been paid.

It was decided to work with LPS's 7th valuation list from 2013. It was estimated that a small number of properties, around 300 at most, might be disadvantaged by this choice. However, if the 8th Valuation List (which went live on 1 April 2020) were to be used as the basis of eligibility there would have been over 1,000 small businesses which would be ruled out from this support.

### **Latest position**

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As of the 16<sup>th</sup> April there had been 17,972 applications to the scheme. Note, this number contains applications which were ineligible. A total of £156.2million has been paid out to 15,620 small businesses. It is important that we finalise the level of financial exposure on this scheme in order that unused funds can be made available for other much needed support schemes. To that end the scheme will close for application on the 20 May 2020.

### **£25,000 Coronavirus Support Grant**

Operationalisation of this scheme has proven to be complex due to the lack of a comprehensive database from which identification of the cohort of eligible businesses in the hospitality, tourism and retail sectors could readily be made. Comprehensive work has been undertaken by my officials, with the assistance of those in Land & Property Service, to construct a workable solution.

Businesses that will be eligible for the scheme are those with a rateable value of between £15,001 and £51,000 in the hospitality, retail and tourism sectors either in the 7<sup>th</sup> valuation list at 15 March 2020 or in the 8<sup>th</sup> list at 1 April 2020. It has been decided to also include those businesses within the leisure sector within the scheme in line with the £25,000 grants in England, Scotland and Wales. In total it is estimated that up to 4,800 businesses may be eligible to claim this grant.

### **Application & Payment Process**

It is proposed that eligible businesses will apply through a portal on the NI Business Info site where they will be able to add the relevant information to be eligible for payment. Based on an analysis of LPS data it is estimated that the number of businesses eligible for the scheme is 4,800. This equates to a total scheme cost of £120m, allowing for a 5% sensitivity margin, to account for uncertainty, this would leave the scheme with an estimated upper bound cost of circa £126million. This assumes that each eligible business will receive one grant per business.

In preparing the options analysis, the Department has been reliant on LPS data. This data was not collected for the purposes for which officials have had to use it and is subject to caveats regarding data quality. In developing the figures it has been

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necessary to make judgement calls with limited information and in the knowledge that within all of the categories there are going to be changes of use, incorrect codes etc.

The scheme is by application only using the online portal on Nibusinessinfo.co.uk, which will remain open for applications from 20 April 2020 to 20 May 2020. Payments will be made as soon as practicable but given the complexities of validation some of the more complex cases may take up to 15 days to process.

### **Latest Position**

The Northern Ireland Executive approved the £25k scheme as outlined in this report on the 10 April. The website will be open for applications from the 20 April and will remain open to the 20 May. Payments will be processed as quickly as possible but due to the complexity of the scheme and the need for manual verification this may take up to 15 working days.

### **Hardship Fund for micro-businesses**

It has to be recognised that the scale of the impact on businesses and the economy is such that it will not be possible to cover everything and everybody impacted by this crisis. However it is recognised that many micro-businesses are unable to access any of the national or regional schemes which have been put in place so far. While it will be difficult to define businesses in this category it has been agreed that consideration should be given to how best support might be provided in a targeted way. The Department has agreed to undertake further analysis and bring forward options for consideration. The Minister of Finance has announced that £40million could be made available for such an initiative.

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