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MEMORANDUM E (20) 70 (C)

**FROM: CONOR MURPHY, MLA
MINISTER OF FINANCE**

DATE: 22 APRIL 2020

TO: EXECUTIVE MINISTERS

FINAL EXECUTIVE PAPER: COVID-19 RESPONSE 20 APRIL 2020

1. At our meeting on 17 April I was asked to provide the following information to inform strategic discussion.
 - Allocation from CST
 - How much spent to date and on what
 - How much ring-fenced and for what
 - Propositions DOF aware of (DAERA, DFI, DFE etc.) and status of these propositions i.e. received/not received/working with officials
 - Detail on borrowing powers and latitude of shifting capital spend to revenue.
2. Some of this information has been provided in earlier Executive papers, however, it is included here for ease of reference.
3. At the meeting on 17 April DAERA was asked to provide details of support for the horticulture sector. This has been included at Annex B of this paper.

Additional Funding Provided by the Treasury for the COVID-19 Response

4. The Executive has been receiving Barnett consequential on funding provided to Whitehall departments for England only measures.

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5. In total the Executive has received Barnett consequentials of £1,192 million in relation to the COVID-19 response. This includes £52 million in respect of the announcement over the weekend of additional funding for local councils in England. Details of the English measure which gave rise to the consequential are set out in Table 1 below.
6. As you will be aware, Barnett consequentials are unhypothecated and it is for the Executive to determine how this funding should be used.

TABLE 1: BARNETT ADDITIONS

England Only Measures	£million
Budget20 LA hardship fund	16
Business support grants (total cost)	407
Business rates reliefs (total cost)	353
Charity support - National Lottery Community Fund	10
Charity support - direct grants (inc hospices)	12
Coronavirus Emergency Response fund	
Enhanced NHS discharge/suspension of means test	43
Local Authority COVID support package	52
Purchasing independent sector capacity	45
Shielding - food packages	7
Shielding - DHSC elements	10
DfT - Emergency Management Agreements	95
PPE procurement	3
DWP additional funding for operational resilience	5
Call centre for the National Shielding Centre	2
NHS Workforce	49
GP and Community Pharmacy Easter Bank Holiday Opening	2
Emergency Management Agreement for railway services (19-20)	19
Advance Ticket Refund	1
Voucher scheme to replace free school meals	7
Shielding - food packages	2
Councils	52
Total	1192

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7. It should be noted that a number of these are indicative figures which are based on the upper spending limit provided to Whitehall departments for England only measures. Therefore there is the potential for reductions late in the year if actual spend in England is not as anticipated.
8. In relation to the recent announcement of £1.6 billion for councils the Treasury has advised that it is expecting MHCLG to identify offsetting savings in the upcoming reprioritisation exercise for Whitehall departments. As Barnett also applies to reductions in the budgets of Whitehall departments there is the potential that this will reduce the funding available to the Executive.
9. The Treasury is currently considering how best to address this uncertainty in the Barnett numbers being notified to the Devolved Administrations. The three Devolved Administrations are, of course, making the point that reductions after funding has been committed are at best difficult and at worst unmanageable.
10. The Treasury has also advised that any overspends in 2019-20 may be netted off the Barnett we have received in respect of the COVID-19 response. The impact on the Executive's funding will not be known until we have provisional outturn details from departments in mid-May.

Allocations

11. At its meeting on the 7 April the Executive agreed or endorsed allocations totalling £933 million these are set out in Table 2 below.

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TABLE 2: ALLOCATIONS TO DEPARTMENTS – AS AT 7 APRIL 2020

Dept	COVID-19 Response	£million
DAERA	Fishery Support	1.5
DfC	Discretionary Support	5.0
	NIHE response to homelessness	3.3
	Community Support Scheme	2.0
	Shielding Package for Clinically High Risk	10.0
Total DfC		20.3
DE	Direct payment to families - free school meals	18.9
	Extension of Free School Meals to Youth	0.4
	Emergency Childcare Provisions	12.0
Total DE		31.3
DfE	Small Business Grant	270.0
	Hospitality, Tourism and Retail Sectors Grant	100.0
Total DfE		370.0
DoF	Business Rates Holiday (3 months)	99.0
DoH	Covid-19 Pressures	205.0
DoJ	Prison Service	1.9
	PSNI	4.0
Total DoJ		5.9
Centrally Held		
	Business Support	40.0
	Support for Vulnerable Members of Society	10.0
	PPE	150.0
Total		933.0

12. There are three items which are being held centrally pending further development of proposed support or in the case of PPE, confirmation of actual costs. More detail is provided on these later.

13. Where the amount allocated is not needed for the purpose for which it has been provided it should be returned to the Executive for reallocation.

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Underspends should not be used to extend current schemes beyond the scope originally agreed or used to fund new schemes.

Other Commitments from 8 April Executive Meeting

14. At this meeting the Executive also agreed that the allocation of the additional £101 million available at that time would be held for allocation at a later date.
15. An assurance was provided to the Minister for Justice that funding for the NI Temporary Resting Place would be prioritised from the next allocation of funding.
16. A commitment was also given to maintaining the sustainability of Translink and developing a package of transport related measures.
17. The Executive was also advised of intended collaboration between the Department of Finance and the Department of Agriculture, Environment and Rural Affairs to develop a financial scheme to target hardship in the agricultural sector.

Allocations and Commitments from 17 April Executive Meeting

18. By the Executive meeting on 17 April the level of funding available had increased from £101 million to £185 million.
19. At this meeting it was agreed that
 - £95 million be held for support for the transport sector;
 - £1.6 million will be provided to DoJ for temporary morgues;
 - £22 million will be used for support for charities, social enterprises and the wider third sector; and
 - that DoH will have first call on the £49 million provided in respect of NHS workforce costs.

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20. Following agreement of this paper, and the subsequent Barnett from the local council announcement on 18 April there is now £91.4 million available for allocation. This is summarised in Table 3 below.

TABLE 3: AVAILABLE FOR ALLOCATION

	£ million
Barnett Consequentials	1192.0
Allocations (7 April)	-933.0
Possible Transport Package	-95.0
DoJ allocation for Body Storage Facilities	-1.6
Charities	-22.0
NHS workforce costs	-49.0
Available for Allocation	91.4

Ring-fenced for Further Consideration

21. As set out above, there are now a number of areas where funding has been ring-fenced pending development of proposals or more certainty on costs. These are set out in Table 4 below.

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TABLE 4: RING-FENCED PENDING FURTHER CONSIDERATION

	£ million
PPE	150.0
Business Support	40.0
Support for Vulnerable Members of Society	10.0
Possible Transport Package	95.0
Support for Charities / 3rd sector	22.0
NHS workforce costs	49.0
Farming/Animal Welfare	-

22. While it was agreed that work would be done to develop a financial scheme to target hardship in the agricultural sector no funding was specifically identified for this.

Status of Propositions

Business Support

23. In relation to Business Support, DoF officials are discussing the proposed Hardship scheme with DfE. DfE had made a first estimate of £40-£60m based on their first estimates of the number of companies in the 1- 9 employee category. DoF does not have any estimate beyond this.

Transport

24. On Transport the Executive agreed a paper on support for airports at its meeting on 17 April. This included agreement to the provision of up to £2.003m (half the total cost) of temporary financial support to our local airports to ensure a continued air bridge with Great Britain. This amount does not include an amount of up to £450k towards the additional costs for the Loganair PSO. This is part of the overall airports package but the

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final costs are not yet known. There may also be a need for up to £750k to support a similar PSO intervention for the flight from Belfast City Airport to London.

25. In conjunction with DfT, a package of Temporary Time Limited Financial Support for Ferry Operators on Critical Irish Sea Routes has been developed.
26. The support is targeted at ferry companies operating on the 5 key GB to NI sea crossings and is to be for two months is estimated to cost between £10.6-£16.6m. For the package to proceed, Treasury and DfT have indicated that a maximum contribution from the Executive of 40% of the total costs is required. This equates to between £4.2 and £6.6 million. The Executive has agreed this by urgent procedure.
27. After funding the costs associated with support for airports and ferry operators the amount remaining for other transport measures is £86.4m.
28. For both airports and ferry operators more work is required on developing the intended approach at the end of this support period given demand could continue to be below pre-COVID-19 outbreak levels.
29. Work is ongoing with DfT to develop a support package for hauliers. There is currently no indication of potential costs but these are expected to be higher than the cost of the ferries and airports
30. DfI has identified a shortfall in income for Translink of around £10 million per month. With a total estimated pressure in 2020-21 of between £81 million and £105 million. This does not take account of the potential for Translink to access the Coronavirus Job Retention Scheme which should be considered.

Vulnerable People

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31. DfC continue to work on developing proposals for support for vulnerable people.

Agriculture

32. DAERA is currently developing proposals for the agriculture sector and will engage with DoF officials as this work progresses. As well as the more immediate potential support for farming/animal welfare reflected in the bids listed in Annex A, DAERA is also considering the need for a longer term intervention due to emerging market conditions caused by Covid 19. Thought will have to be given to the timing, duration, scope and cost of such an intervention, as well as State Aid considerations. This may include engagement with Defra and the Treasury as appropriate.

Charities/Social Enterprises/Wider 3rd Sector

33. It was agreed that the £22 million provided as a result of the support for charities in England would be used to support charities, social enterprises and the wider third sector here. As the £22 million additional funding received included some £6.5 million in respect of support for hospices therefore this sector should also be included in the Executive's response.
34. The DoF is working with relevant departments to develop proposals for support which will be brought back to the Executive for consideration and approval.
35. In developing proposals it is important to ensure that organisations are not double funded by government. For example, charities receiving grants from UK wide schemes should not also be funded from Executive support, similarly organisations able to access small business grants should not also received funding from this support package.

PPE

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36. £150 million has been set aside to cover the costs of PPE orders. This was intended to cover the wider public sector.
37. The Minister for Health has advised that that he has approved an order for PPE which is estimated to cost at least £138 million and is expected to cost more.
38. DOH is also exploring an order for 15 million FFP2 facemasks at an estimated cost of £80 million. The orders are based on modelling for health and social care. This results in an estimated cost of £218 million for DoH alone. Some £68 million higher than the £150 million set aside for PPE.
39. CPD are also co-ordinating on an order for the wider public sector at an estimated cost of up to £10 million. This will provide resilience for current stock levels and will help provide stocks for the second surge in the autumn.
40. DOJ has separately indicated that it is incurring PPE costs and is expecting an allocation from the £150 million.

Departmental Bids

41. I have provided a list of bids submitted by Departments (Annex A). This is based on the list provided in the 7 April Executive paper, with funded bids removed, and updated to reflect ongoing engagement between Supply teams and departments.
42. It should be noted that some departments have focused on the costs in the first quarter while other have reflected a longer timescale. Also, some of the bids include pressures which may be funded, in full or in part, from the centrally held funding e.g. PPE from £150 million or Translink for Transport funding.

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43. It is clear that the additional funding provided through the Barnett formula will never be sufficient to do everything we would aspire to do. However, it is also the case that there will be savings emerging in other areas of departments as work previously planned cannot progress.
44. Each department should take steps to reprioritise its own budget in order to fund any measures it considers essential to the COVID-19 response. Colleagues will be aware that additional flexibility has been provided to allow scope for budgets to be reassigned within departments.
45. If there are measures which the Executive deem essential, which cannot be funded from existing departmental budgets or the additional COVID-19 response funding, then it may be necessary to reprioritise across departmental boundaries.

Borrowing / Capital to Resource Switch

46. The Executive is able to access up to £200 million of borrowing in 2020-21, under the Reinvestment and Reform Initiative. However, borrowing may only be used to fund capital expenditure.
47. The Executive has existing borrowing of £2.5 billion. Both principal and interest payments are a cost to the Executive's Resource DEL, with principal repayments having first call on Regional Rates income. The estimated principal repayment in 2020-21 is some £121 million while the interest payment is some £48 million.
48. We have approached the Treasury about the possibility of a capital to resource switch. Treasury has recognised that a capital to resource switch may be an appropriate response this year given resource pressures and likely slippage in the capital programme. However, they have indicated they would need to consider in more detail including the resource pressures we are facing and whether a similar response is being taken in

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Whitehall departments. Therefore while they are willing to consider it is something the Chief Secretary to the Treasury will not wish to take decisions on until later in the year.

49. Given the level of outstanding debt and the costs associated with borrowing it is not considered appropriate to access this borrowing at this stage. Rather we should consider whether there is slippage in capital programmes which could be used to effect a capital to resource switch if necessary. Departments should also bring forward firm proposals so the Executive can consider whether funding in this way is appropriate.

Conclusion

50. It is hoped that seeing the Barnett consequentials and various Executive commitments in one paper, along with an update on proposals under development will help to inform the strategic discussion on the Executive's collegiate response to COVID-19.

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Dept	Measure	£million
DAERA	Farming/ Animal Welfare: Dairy	40.0
	Farming/ Animal Welfare: Poultry	15.0
	Farming/ Animal Welfare: Pigs	10.0
	Farming/ Animal Welfare: Beef	22.0
	Farming/ Animal Welfare: Sheep	4.0
	Farming/ Animal Welfare: Horticulture/ Eggs	14.0
	Total Farming/ Animal Welfare	105.0
	Rural Affairs	1.0
	Environment - Waste: Communications	0.3
	Environment - Waste: Statutory Obligations	0.1
	Environment - Waste: Fly Tipping	0.3
	Environment - Waste: Landfill, Operatives, Plant Hire, Storage	16.0
	Re-focus AFBI laboratories to run tests for Covid-19	1.3
Total DAERA		124.0
DfC	NIHE – Homelessness	3.7
	NIHE - Laptops	0.1
	NIHE: Private Rented Sector	11.1
	Housing Rights – Additional Staff & IT costs Q1	0.1
	UC Operations – Additional Staff Costs	3.5
	Sick Leave pay for Recruitment Agency staff	0.8
	Local Councils Compensatory Costs	33.0
	Discretionary Support Economic Shock Scheme	30.0
	Staff to Deliver Discretionary Support	0.5
	Community Support Scheme	14.0
	Culture Division - Resilience fund	4.0
	Sport	4.0
	Supporting People Programme	15.9
	Homeless Out of Hours Service	0.4
	Car Parking Essential Staff	0.9
	Funeral Loans	2.7
	Additional IT Equipment to deliver benefits service	0.6
	Delay in implementing NIHE Rental Increase	4.5
	Housing Association Grant - additional costs	4.7
	Support Package for Business Improvement Districts	1.0
	Benefit Delivery resilience Overtime Response	5
Total DfC		140.5

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Dept	Measure	£million
DfE	Industrial Derating Grant	30.0
	Contribution to CV19 Rapid Response Research & Innovation Funding Call	3.0
	FE Colleges IT: Laptops	1.0
	FE Colleges IT: Additional	0.1
	Continuing EMA Payments	1.2
	Extension of Youth Training TfS Contract	2.0
	TfS Weekly Fee and EMA (if closure)	6.6
	TfS Disability Support (if closure)	0.4
	Apprenticeships NI Support for Training Providers	4.0
	Student Hardship Fund	2.8
	Business Intervention Fund	20.0
	Medium-Long Term Economic Intervention	250.0
Total DfE		321.1
DE	Emergency Childcare Provision: April-June	5.1
	Emergency Childcare Provision: July-early August	7.7
	Emergency Childcare Provision: Admin and helplines for the 3 months Jul-Sept	0.1
	Council for the Curriculum, Examinations & Assessment	5.2
	FSM: Schools April - June - Additional Requirement	0.9
	FSM: Schools Sept-Oct	10.2
	FSM: Youth Services Sept-Oct	0.2
	EA	10.4
	Prevention of Insolvency: Preparatory Schools	2.3
	Prevention of Insolvency: Boarding Schools	1.8
	Loss of Canteen Income	4.2
	Income Support for Education Support Staff	14.0
	Pathway	0.7
Total DE		62.8
DoH	Emergency Registration of health professionals (final year students)*	14.8
	Emergency Registration of Social Workers	TBC
	Emergency Registration - Social Workers (final year students)	3.9
	Emergency Registration - Social Workers: Defer payment	0.1
	Training for "Relevant Social Workers"	TBC
	Indemnity scheme	TBC
	Mandatory vaccinations (with soft enforcement powers)	0.2
	Pharmacy: Immediate Costs to Increase service	6.0
	Pharmacy: Increased Drugs Costs	8.0
	Pharmacy: Easter Opening	1.0
	Pharmacy: Delivery to Vulnerable People	2.5
	Pharmacy: Business Continuity	1.5
	Pharmacy: Emergency Supply	1.0
	Workforce: Retirees back into service	4.4

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Dept	Measure	£million
	Workforce: Retirees to Community Pharmacy	3.0
	Workforce: Pre-Reg Students to Community Pharmacy	1.0
	Workforce: Support Staff to cover vacancies due to sickness/ self isolating	3.0
	Workforce: Temporary Deployment of Yr 3+4 Medical Students	7.0
	Workforce: Band 8+ Unsociable Hours Pay	0.3
	Workforce: HSC Staff working in Prisons	0.1
	Workforce: Increase in Travel/Subsistence	1.4
	Workforce: Childcare for HSC Staff	19.5
	Barnett consequentials	2.0
	Provision of social support to vulnerable people during self-isolation	TBC
	Primary Care	TBC
	Digital Health and Care NI team	0.7
	Patient Advice and Liaison Service	0.5
	Purchase of personal protective equipment (PPE)	218.0
	Car Parking Charges	2.0
	AFC Band 8 Plus O/T	31.9
	First and Second Year Students Supporting HSC Workforce	4.0
	HSC Workforce Appeal	1.5
	Agency Workers	TBC
	Access NI: Childcare Staff (Home Childcare Scheme)	0.0
	Access NI: Volunteering Scheme	0.1
	Specialist Support Staff to Advise CMO	0.2
	AHP Students	1.2
	POD for Causeway CV-19 Centre	0.5
	Emergency Dental Facilities	3.4
	Independent Sector Hospital Contracting	TBC
	Financial Support for Vol &Comm Sector	TBC
	Financial Support for Independent Sector	TBC
	Increase in Direct Payment Levels	TBC
	Financial Support to maintain general dentistry services	9.6
	Hospital Equipment	14.4
	Ventilators	TBC
	Changing Room Facilities	0.0
	Reconfiguration of Paediatric Services	TBC
	Nightingale Hospital	TBC
	Corporate Costs	TBC
Total DoH		368.5
Dfi		
	NIW: Pension Fund Deficit	5.0
	NIW: Income Lost	22.0
	Roads: Lost Income	3.0
	DVA: Lost Income Testing and Licensing Centres	30.7

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	Translink	114.0
Dept	Measure	£million
	Crumlin Road Gaol	0.3
	Rathlin Ferry	0.5
	Strangford Ferry	0.7
	Planning Applications	0.1
Total Dfl		176.3
DoJ	PSNI: Maintain Critical Services Resource	8.0
	PSNI: Maintain Critical Services - IT	2.0
	NIPS: maintain front line service	2.9
	NIPS: new sinks	0.0
	Mass Fatalities: body storage facility CAPITAL	4.0
	Mass Fatalities: body storage facility resource costs	0.7
	DoJ: Home working	0.3
	DoJ: Cleaning/Supplies	0.2
	DoJ: PPE Equipment	0.1
	DoJ: Overtime	1.6
	Legal Aid - interim payments scheme	0.8
	DoJ: Rent - unable to vacate due to COVID 19	0.1
	NICTS: Loss of Income	12.8
	FSNI: Loss of Income	0.1
	DoJ: Working from Home	0.1
Total DoJ		33.8
TEO	CV-19 Civil Contingencies Hub	2.0
	PR: Advertising	1.9
	PR: Event Management	0.1
	PR: Communications/Press/TV Support	0.0
Total TEO		4.0
PPS	Increased use of Counsel in Magistrates' Court	0.3
	Cleaning	0.0
	IT - Tablets	0.0
Total PPS		0.3
Total		1,231.2

Notes: Highlighted bids denote capital requirement
 * Bid reduced by £5.0m (Taking account of the general allocation to DoH)

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DAERA Part Input

The Department of Agriculture, Environment and Rural Affairs (DAERA) recognises the impact that the coronavirus is having on the ornamental sector during the busy growing and marketing season.

Due to the lockdown, many of their normal routes to markets are closed or significantly curtailed. The plants have a 'shelf life' in the nursery of 2-5 weeks, thereafter they are unfit for market. As the length of disruption is as yet undetermined, this creates uncertainty and impedes the producers' decision making. Sales are seasonal with approx. 60% of sales during March – June. (Total sales per annum total £24m). The main outlets for produce are direct sales, garden centres, multiple retailers, and local retailers in N Ireland and RoI.

One of the financial support packages available from UK Government (Small Business Grant Scheme) is predicated on the rateable value of the business premises. This has precluded certain sectors, including the ornamental horticulture sector, which benefit from business rates exemptions. Given this, and the unique nature of this problem (seasonal, perishable products), the measures are unlikely to be sufficient to support this sector.

DAERA officials are currently assessing the financial impact on the sector and the need for potential support measures as a matter of urgency.

The issue has been raised with the First and Deputy First Ministers who were asked if the opportunity to re-open businesses such as garden centres could be explored, whilst still observing the necessary social distancing requirements. That would provide nurseries with a route to market for their produce, however this approval is beyond the remit of DAERA and would require a change to legislation. A letter on this issue has also been sent to the Minister for Health for consideration.

Should this proposal gain support, DAERA officials would be happy to offer practical advice and support to help businesses operate safely and within the Government guidance on social distancing.

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