



# POLICY ADVICE FOR MINISTER

## Rates Relief Information Paper

May 2020

***FINAL***



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# Introduction



# Introduction

## Aim of this paper

The NI Executive agreed to offer a three-month rates holiday for Northern Ireland non-domestic ratepayers (excluding public sector and utilities), covering the period April to June 2020. This pack has been produced in partnership with Department of Finance officials to inform the decision on targeting an extension of the current rates holiday beyond the initial three month period.

Key points to highlight:

- Importantly, **this pack does not make a recommendation in terms of the decision to be taken**, but can inform that decision.
- Rates is a revenue raising tool to fund public services, it is not an economic development tool and therefore any **rates relief has to be considered alongside the wide range of other interventions in place** both locally and nationally (See Annex 1).
- Given the speed at which this crisis has impacted the economy, **the level of real-time data available to make decisions is much more limited**, particularly across sectors, than would typically be the case for making decisions on this scale. This reflects the nature of the crisis more generally and the way in which decisions have to be taken in the current climate. Evidence is used where available alongside judgement.



# Introduction

## Principles in making an assessment

The following high level principles should apply when making a decision on providing further rates relief:

- **If government restrictions prohibit trade or prevent trading at a viable level, it is inappropriate that government should levy business rates on that business/ sector.** In addition to businesses that are required to close, if businesses are allowed to trade but restrictions remain in place (e.g. due to ongoing social distancing requirements) it could have a significant impact on sales in the longer term, thus justifying ongoing support.
- **Extending relief must be linked to the policy to lift restrictions** – if restrictions are lifted across some sectors (to allow viable trading), the argument for relief for those sectors is not as strong as for sectors where restrictions may remain quite severe.
- **Providing targeted support** – all parts of the economy have been impacted by this crisis, hence the broad nature of the initial rates relief package. However, some sectors have been impacted more significantly and given the wide range of calls on public funding, there is a rationale that any further relief should be more targeted.



# Introduction

## Economic context

### Unique in economic history

The current situation is quite unique in economic history. We have dealt with recessions, depressions, wars, financial crises and even pandemics before, but never before have the world's governments collectively told their respective populations to stay at home for a prolonged period of time and in doing so, shut down a significant proportion of global economic capacity.

As a consequence we do not have a policy playbook to follow, it is unprecedented.

### Linear vs exponential impact – a big unknown

Unsurprisingly the longer the economy is in shutdown, the greater the economic impact, but it is not known the extent to which this impact is linear (e.g. 1 month shutdown equals 2% reduction in GDP, 2 month shutdown equals 4% reduction etc.) or if the impact would be exponential (e.g. 1 month shutdown equals 2% reduction in GDP, 2 month shutdown equals 5% reduction etc.).

This is currently unknown but potential business cashflow issues may suggest a 'tipping point' and hence a tendency toward an exponential impact and hence a greater urgency to start the process of lifting restrictions.





# Introduction

## Public health vs Economic trade-off

There is typically a trade-off between prioritising public health and prioritising the economy, the greater the emphasis placed on one, the greater the impact on the other. To date the focus has been, quite correctly, on public health but **in the longer term the trade-off is more complex** and a number of factors have to be considered.

### *Lifting the restrictions too soon could have a negative economic impact*

If restrictions are lifted in an uncontrolled manner and the public do not continue to respect social distancing rules and other precautionary measures, it could result in a significant 'second' wave of infections and a further prolonged period of lock-down could be required (although Health Service capacity may be greater second time around).



# Introduction

## Public health vs Economic trade-off

### *Economic downturns also have significant associated health impacts*

An extended economic shutdown would cause a very severe recession/ depression which itself would result in negative physical and mental health outcomes for society. The Institute of Fiscal Studies (IFS) published a Briefing Note recently which summarised the findings of a wide range of detailed research to assess this impact<sup>1</sup>. The briefing note indicated that:

- Recessions have a significant and persistent negative effect on health and mortality;
- Janke et al.<sup>2</sup> estimate that a 1% fall in employment leads to a 2% increase in the prevalence of chronic illness. The employment impact from the COVID-19 pandemic is likely to be much more significant with a resultant larger negative impact on health outcomes.
- The groups likely to be most impacted are families with young children, pregnant mothers, and those from low-income backgrounds where physical and mental health issues are already more likely.

1. Banks J., Karjalainen H. and Propper C. (2020), 'Recessions and health: The long term health consequences of responses to coronavirus', IFS Briefing Note BN 281.
2. Janke, K., Lee, K., Propper, C., Shields, K. and Shields, M. (2020), 'Macroeconomic conditions and health in Britain: aggregation, dynamics and local area heterogeneity', Centre for Economic Policy Research (CEPR), Discussion Paper DP14507.





# Economic Impact



# Economic Impact

## Sectoral considerations

The level of data available to accurately quantify the scale of the impact across sectors in Northern Ireland is currently very limited. This is important because evidence is critical to ensuring support goes to where it is most needed.

The following evidence was used as a basis to identify the sectors most impacted:

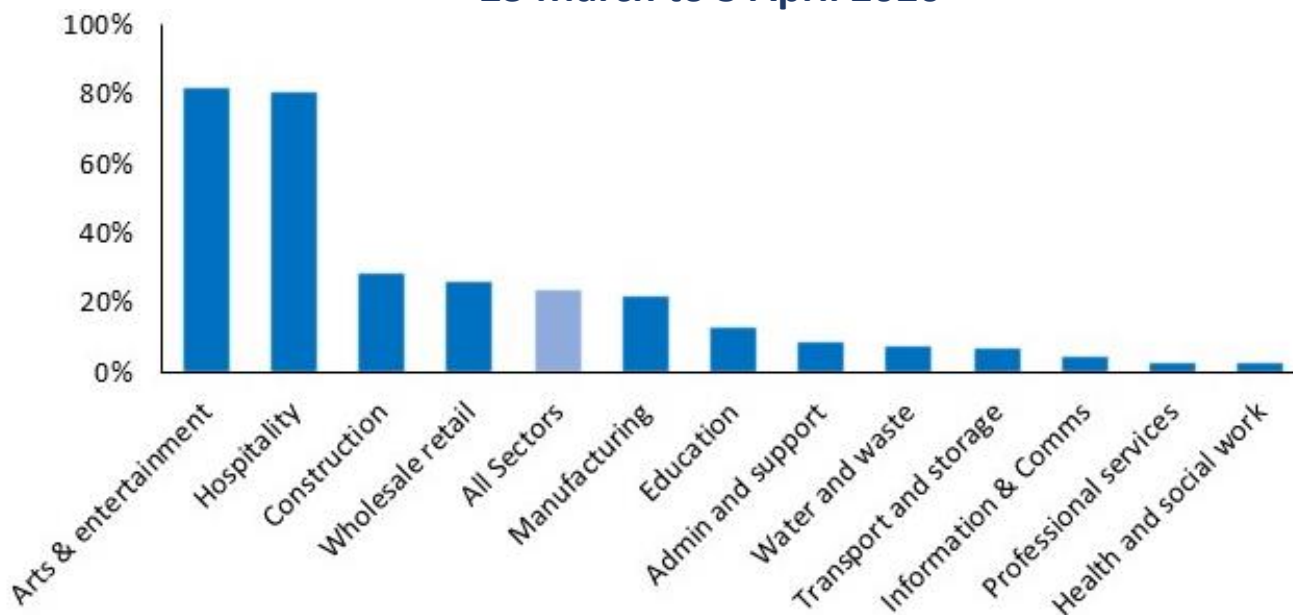
- **ONS Business Survey on impact of Coronavirus** – this is a UK wide survey (published 23 April 2020) but relates to the period 23<sup>rd</sup> March to 5<sup>th</sup> April. Regional analysis of the results would not be possible given sample sizes, but it is reasonable to assume that NI trends would be broadly similar to UK trends
- **Pandemic Unemployment Payments** administrative data from the Department of Employment Affairs and Social Protection in ROI – welfare payments as at 21<sup>st</sup> April 2020
- **International Labour Organisation (ILO) sectors at most risk** – the share of NI employment across broad sectors and risk rating.
- **Sectoral assessment Heat Map** – developed by NI Government based on a range of sources of information.



# Economic Impact

## UK story – Arts/ Entertainment and Hospitality lead the way

**Chart 1: Proportion of businesses Temporarily closed/ Paused trading, UK  
23 March to 5 April 2020**



- This relates to the start of the lockdown period and therefore could underestimate current levels of temporary closures/ paused trading.
- Arts/ Entertainment and Hospitality most significantly impacted, followed by Construction, Retail and Manufacturing.

Source: ONS, Business Impact of Coronavirus

Notes: Real Estate Services, Other Services and the Mining and Quarrying sector have been removed due to their low response rates, but their totals are included in 'all industries'.

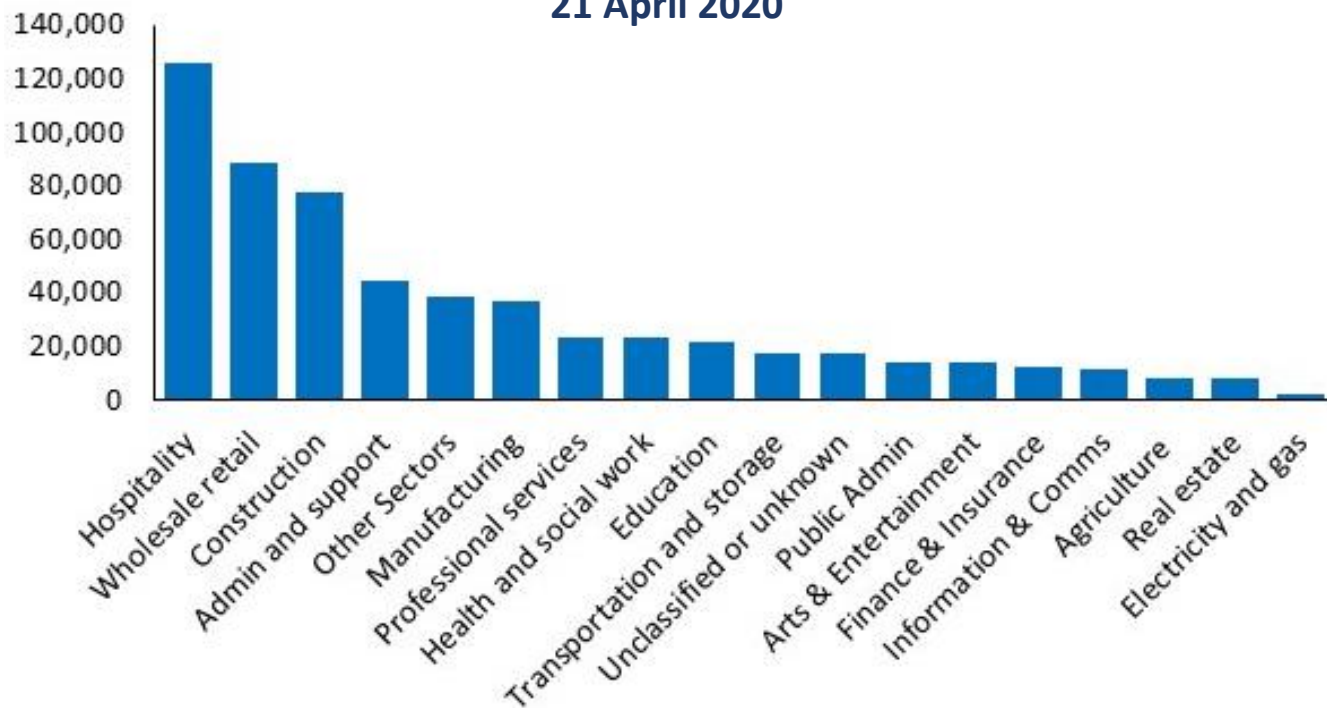


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# Economic Impact

## Rol story – Hospitality and Retail lead the way

Chart 2: Number of people in receipt of Pandemic Unemployment Payments, Rol  
21 April 2020

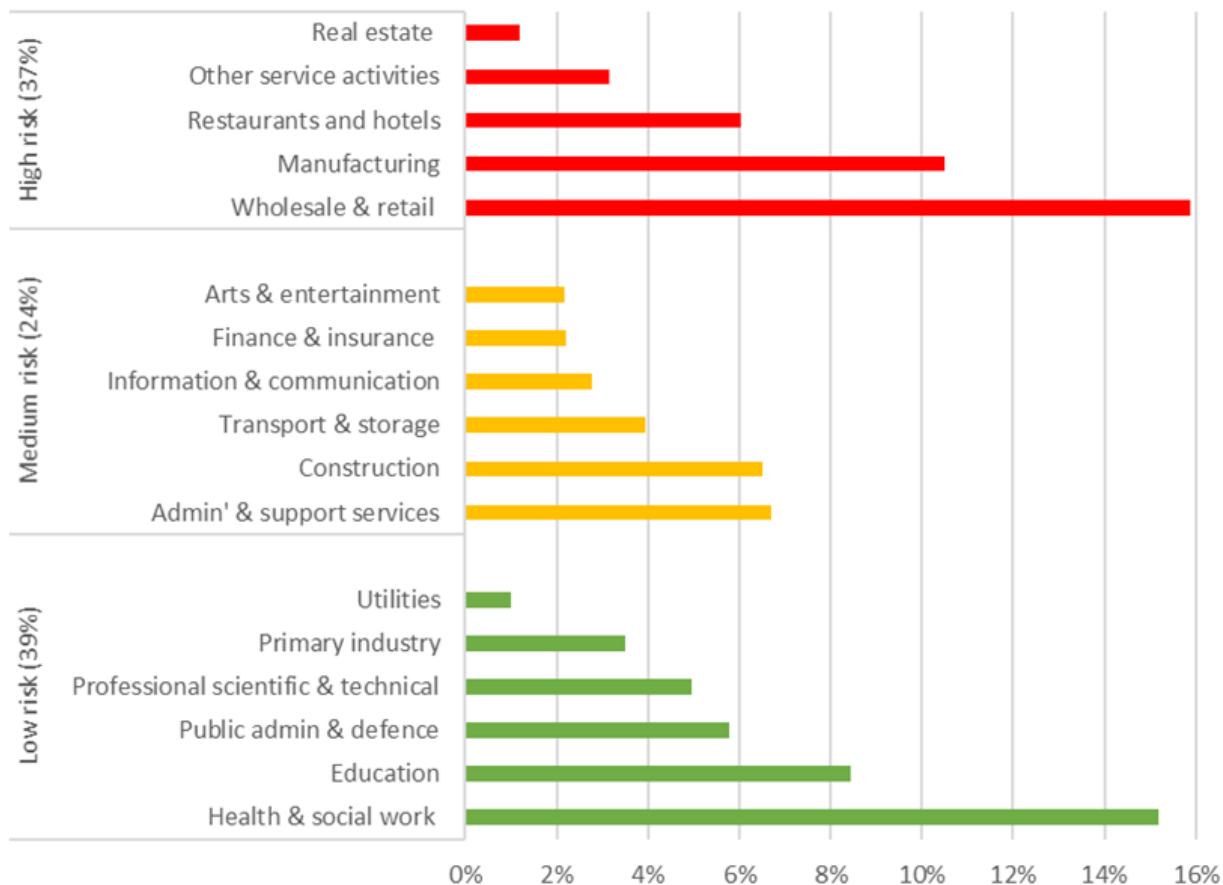


- Similar to the UK wide picture, Hospitality, Retail and Construction all significantly impacted.

# Economic Impact

## NI sector impact and scale of employment

Chart 3: NI share of employment by sector and ILO defined risk level, 2019



- Retail, manufacturing and hospitality are the largest employers in NI in sectors likely to be the most impacted by COVID-19 as per ILO risk definitions.

# Economic Impact

## NI story – wide ranging impact

Chart 4: NI sectoral Heat Map

Sector	Impacts to date	Supply Impacts / Mitigations	Demand Impacts / Mitigations
Aviation	Red	Red	Red
Tourism	Red	Yellow	Red
Maritime	Amber	Amber	Red
Machinery / Electronics	Red	Amber	Red
Automotive	Red	Red	Red
Hospitality (Accommodation & Food Service Activity)	Red	Red	Amber
Retail	Amber	Amber	Red
Life Sciences	Yellow	Amber	Yellow
Aerospace	Red	Red	Red
Construction	Red	Red	Amber
Health & Care	Amber	Red	Red
Prof & Bus. Services	Amber	Amber	Amber
Financial Services	Yellow	Yellow	Amber
Agri-food	Amber	Amber	Red

Sector	Impacts to date	Supply Impacts / Mitigations	Demand Impacts / Mitigations
Transport & Logistics	Amber	Yellow	Red
Public Services	Amber	Amber	Amber
Chemicals, Pharma, Plastics	Amber	Amber	Yellow
Education	Red	Yellow	Amber
Utility Networks (Gas, Electricity, Water etc.)	Yellow	Yellow	Amber
Real Estate Activities	Amber	Yellow	Red
Arts	Red	Yellow	Red
Sports and Live Events	Red	Amber	Red
Mining & Quarrying	Yellow	Grey	Grey
Agriculture, Forestry, Fishing	Yellow	Yellow	Amber

### Key:

#### Impacts to Date:

Yellow = No significant impact  
 Amber = Moderate impact  
 Red = Critical Impact  
 Grey = No data



#### Supply Impacts and Mitigations:

Yellow = No significant supply chain impacts to date  
 Amber = Some elements of business operations exposed  
 Red = Critical  
 Grey = No data

#### Demand Impacts and Mitigations:

Yellow = Demand resilient and/or can rise in crisis  
 Amber = Demand impacts limited to date  
 Red = Demand disrupted immediately and/or significantly  
 Grey = No data

Source: NI Government



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# Economic Impact

## Comments on the Heat map

The data from the UK and RoI are broadly consistent in terms of the sectors impacted.

The NI Heat Map is more nuanced and provides a basis against which consultations can be focused to inform decisions on the targeting of rates relief to the areas which are in greatest need.

This is evolving and as more detailed evidence emerges, additional sectors could be identified as a 'red' and similarly, the impact in other areas may recede. As a result, ongoing monitoring of impacts across the economy will be important.



# Economic Impact

## Labour market overview – the size of impacted sectors

Total employment, 2019 '000s	
Agriculture	30
Mining and quarrying	2
Manufacturing	96
Utilities	2
Water supply & waste	7
Construction	59
Wholesale and Retail	145
Transportation	36
Hospitality	55
Information & Comm's	25
Financial activities	20
Real estate	11
Professional & scientific	45
Administration services	61
Public Admin' & defence	53
Education	77
Health & social work	138
Arts and entertainment	20
Other services	29
<b>Total</b>	<b>912</b>

### Total employment across impacted sectors:

- Wholesale/ Retail 144k
- Manufacturing 95k
- Hospitality 55k
- Arts, Entertainment, Leisure 20k

### Other smaller sectors impacted:

- Childcare/ Nurseries
- Airports
- Real Estate



# Sector consultation summaries



# Sectoral responses to the lockdown

## Very significant numbers of staff on furlough

A small number of business organisations have undertaken surveys of their members which gives a useful insight into the actions of business managers as they respond to the lockdown. A full list of those organisations consulted is set out in Annex 2.

	NI Chamber of Commerce	Construction Employers Federation	Manufacturing NI	Hospitality Ulster <sup>1</sup>
% Staff furloughed	80% some or all staff 30% all staff	67% more than three-quarters of staff 17% all staff 84% of sites at least three-quarters closed. Expect this to fall to 21% in two weeks	72% more than half staff 60% more than three-quarters 25% completely closed	
Cash flow	73% have less than 3 months			Identified as 'at risk': <ul style="list-style-type: none"> <li>• 11% pubs</li> <li>• 18% hotels</li> <li>• 29% restaurants</li> </ul>

Note 1: Analysis conducted for Hospitality Ulster by BDO



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# Sector comments

## Hospitality

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• Sector is closed and close to zero revenue</li><li>• 11% pubs</li><li>• 18% hotels</li><li>• 29% restaurants</li></ul> <p>} Currently identified as 'at risk' of insolvency. This is increasing by the week. (Analysis completed for Hospitality Ulster by BDO)</p>
Demand side impacts	<ul style="list-style-type: none"><li>• Demand highly uncertain post-lockdown and will likely be restricted in the longer term to comply with social distancing requirements.</li><li>• Therefore hospitality businesses may be allowed to open but may not be at a viable level. Tend to be fixed cost businesses.</li><li>• Also depends on (air and sea) travel restrictions post-lockdown. Will visitors be required to go into quarantine?</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>• Alcohol – beer stock will need replaced (3 week cycle for brewery), spirits stocks exist, but most distillers are manufacturing hand sanitisers.</li></ul>
Staffing	<ul style="list-style-type: none"><li>• Significant challenges to keep working environment safe for staff</li><li>• Working with the HSE to identify safe practices for both staff and customers.</li></ul>



# Sector comments

## Leisure and Entertainment

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• Sector is closed – zero revenue and 95%+ staff furloughed</li><li>• “Small businesses in big premises” – on a sample 29 Leisure/ Entertainment properties, they had an average NAV of £139k.<ul style="list-style-type: none"><li>• Means many firms not eligible for the current £25k Grant – only 3 grants paid totalling £75k, compared to an annual rates bill of £2.1m</li><li>• Only 20% of properties NAV under £51k</li></ul></li><li>• Investment will be required in premises before re-opening. No grant or revenue to fund this expenditure.</li><li>• Some certainty required to allow for planning.</li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>• May be a significant period of time before the sector is allowed to open</li><li>• Initial re-opening phase may only allow 30% operating capacity (which in many cases is not viable)</li><li>• Confidence of customers is also uncertain – will they be confident in going to leisure/ entertainment facilities before a vaccine is found?</li><li>• Indicates longer term support required</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>• No significant issues. However, content providers for cinemas considering releasing films over streaming services.</li></ul>
Staffing	<ul style="list-style-type: none"><li>• Staff and customer safety will require investment (screens at tills. PPE)</li><li>• Staff may not be around when businesses re-open.</li></ul>





# Sector comments

## Manufacturing

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• 72% of firms have more than half their staff furloughed</li><li>• 60% of firms have more than three-quarters of their staff furloughed</li><li>• 25% completely closed</li><li>• Processes will take longer and therefore efficiency and productivity will fall.</li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>• Manufacturing is a very broad sector but significant majority have seen a large drop in demand which in some instances (e.g. Aerospace and Marine) will extend for a significant period beyond lockdown due to global demand issues.</li><li>• Mixed picture within Agri-Food – demand has held up for those directly servicing consumers/ supermarkets, but those supplying the food services sector have experienced a collapse in demand. Routes to market have become disrupted.</li><li>• Repurposing – approx. 12% indicated that they have repurposed to some extent or are working collaboratively to support the health sector in the current crisis.</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>• Manufacturing is a significant importer (as well as exporter), therefore supply chain issues are highly likely to arise for an extended period. Given the nature of the current crisis, countries went into lockdown at different times and therefore will also come out at different times.</li></ul>
Staffing	<ul style="list-style-type: none"><li>• Many manufacturers have invested heavily to redesign their facilities to take account of social distancing requirements and include staff hygiene and testing facilities.</li></ul>



# Sector comments

## Retail

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• Prior to COVID-19 the High St./ retail sector was facing significant challenges, in particular, from on-line competitors. Major retail names have gone into administration this year (Debenhams, Oasis, Warehouse, Laura Ashley)</li><li>• 69% of non-food retailers say their ability to trade has been significantly impacted.</li><li>• 72% of closed stores only have 1 – 4 months cash reserves.</li><li>• Property intensive industry therefore business rates is a major issue.</li><li>• Food sector is also facing significant challenges:<ul style="list-style-type: none"><li>• Food is a very low profit margin business (1.75% to 2.5%).</li><li>• Costs have increased – Global food prices up 8.1% in Feb, additional staff hired to replace those in self-isolation, to address social distancing requirements (restocking at night rather than during the day), more pickers and drivers. Also significant investment to protect both staff and customers.</li><li>• Footfall in large supermarkets is down as customers move online and increasingly use convenience stores.</li></ul></li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>• Non-food<ul style="list-style-type: none"><li>• will be dependent on consumer confidence levels when restrictions are lifted.</li><li>• social distancing requirements could restrict footfall and in turn viability (particularly on important shopping days).</li></ul></li><li>• Food – there may be a trend away from supermarkets towards smaller convenience stores in the lock down period.</li></ul>



# Sector comments

## Retail contd.

	Comments from consultation
Supply-side impacts	<ul style="list-style-type: none"><li>• Non-food – number of supply chain issues arising:<ul style="list-style-type: none"><li>• could take businesses 3 to 4 weeks before supply chain is operational again.</li><li>• goods are sourced globally so will also depend on the timing of restrictions being lifted in other countries.</li><li>• more prudent buying due to wider uncertainty impacts the economies of scale through ordering.</li></ul></li><li>• Both food and non-food<ul style="list-style-type: none"><li>• importing costs have increased because containers have to be returned empty (previously manufacturing exports would have filled those containers).</li></ul></li></ul>
Staffing	<ul style="list-style-type: none"><li>• More staff are required to deliver the same level of service/ output. Significant numbers of staff have been self-isolating and therefore additional staff have had to be recruited at additional cost.</li><li>• Protective clothing will be required.</li><li>• These arrangements will have to remain in place for the longer term (maybe 12-18 months).</li></ul>



# Sector comments

## Construction

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• 67% of firms have more than three-quarters of staff on furlough.</li><li>• 17% of firms have all staff on furlough.</li><li>• New ways of working post-lockdown will reduce productivity, take longer.</li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>• Existing work – strong desire for current jobs to be completed.</li><li>• New work (Public sector) – this has slowed but not stopped.</li><li>• New work (Private sector) – much greater uncertainty around future demand in respect of retail, office accommodation and residential development.</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>• No significant issues have been raised in respect of supply.</li></ul>
Staffing	<ul style="list-style-type: none"><li>• High levels of self-employed so incentivised to return to work.</li><li>• Maintaining social distancing requirements can be a challenge, but working to UK Health &amp; Safety guidelines.</li><li>• Considering longer working days/ weekend working to accommodate different shift patterns.</li></ul>



# Sector comments

## Childcare/ Nurseries

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>• Approx. 95% – 100% of staff in furlough</li><li>• Majority have indicated a 95% reduction income.</li><li>• Significant cashflow issues and reporting difficulties accessing the CBILS facility. Loan also raises issues as providers will need to increase fees to service loan.</li><li>• Day nurseries are exempt rates in Scotland and Wales.</li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>• Post-lockdown guidance may significantly reduce capacity. Current guidance requires businesses to operate at 25% capacity. Not viable to operate</li><li>• Parental behaviour may change post-lockdown and may not wish to use childcare facilities.</li><li>• Wider economic implications such as higher unemployment and increased home working could significantly reduce demand for child care services.</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>• No significant supply-side issues identified.</li></ul>
Staffing	<ul style="list-style-type: none"><li>• There will not be a need for a full staffing compliment in the immediate period post-lockdown.</li><li>• PPE requirements moving forward and mental health.</li></ul>



# Sector comments

## Maritime (Ports and Ferries)

	Comments from consultation
Impact on the sector	<ul style="list-style-type: none"><li>Ferry passenger traffic is down approx. 90%</li><li>Freight levels also significantly impacted, particularly linked to construction related exports</li><li>Level of furloughing has been quite low across the sector thus far.</li></ul>
Demand side impacts	<ul style="list-style-type: none"><li>Future passenger traffic uncertain and dependent on guidelines associated with the lifting of restrictions, however likely to be less impacted than air travel because it is easier to manage social distancing</li><li>Freight dependent on strength of export markets and the return to strength of the manufacturing sector</li></ul>
Supply-side impacts	<ul style="list-style-type: none"><li>No material impact to supply chains.</li></ul>
Staffing	<ul style="list-style-type: none"><li>Staff in general responding well, but typically only skeleton teams working on site, with others working from home.</li></ul>





# Extending business rates relief – Options



# Extending business rates relief

## Options for targeting

- The following high-level options have been identified in terms of extending business rates relief:
  1. Extend the current blanket exemption.
  2. Target support to higher impacted ratings groups – these are the groups easily identified through the rating system.
  3. Target those who received no prior NI Executive support – the groups who could not access the £10k and £25 grant schemes.
  4. Target those who have furloughed over 50% of their staff – use as a proxy for companies/ sectors in need of support.
  5. Target those sectors most impacted – as identified in this analysis.
  6. Use targeted grants – allocate the funding by way of grants rather than extend the rates holiday.
- More detail on each of these options is set out in Annex 3.



# Concluding comments



# Concluding comments

## Targeting support to those with greatest need

- In identifying those sectors in greatest need of support, the principle previously stated is important:  
*“If government restrictions prohibit trade or prevent trading at a viable level, it is inappropriate that government should levy business rates on that business/ sector.”*
- This currently applies to the significant majority of businesses across all sectors and therefore the current ‘blanket’ rates holiday is justified. In terms of moving forward, four important factors should be considered:
  1. Decisions should depend on the scale and pace of the lifting of restrictions;
  2. Businesses will take some time to return to trading, although this will vary across sectors – therefore a short grace period may be justified immediately after the lifting of restrictions;
  3. If the challenges post-lockdown are due primarily to the ongoing restrictions then rates relief is justified, but if challenges faced are due to a wider economic slowdown, then broader support may be needed;
  4. All businesses have been impacted, but in terms of prioritising support, it should go in the first instance to areas where the viability of the sector is a concern.



# Concluding comments

## Targeting support to those with greatest need

- Highest priority sectors – Hospitality; Leisure/ Entertainment/ Tourism; Airports; and Childcare
  - These sectors are in complete lockdown, it is likely that they will be the last sectors to see a lift in restrictions and those restrictions are likely to lift only slowly. As a result many may have to operate at a level which is not viable for an extended period of time.
- High priority sectors – Retail, Manufacturing, Construction and Transport
  - Retail – typically an issue of ‘big’ vs ‘small’ but this is not relevant in the current context. More an issue of ‘food’ vs ‘non-food’:
    - Food – important to recognise the challenges also faced by food retailers but have been allowed to continue trading.
    - Non-food – challenging environment pre-Covid, currently zero revenue for significant proportion of businesses. Need to consider the extent to which future restrictions impact on trade.

*[contd. overleaf]*



# Concluding comments

## Targeting support to those with greatest need

- High priority sectors – Retail, Manufacturing, Construction and Transport
  - Manufacturing – very broad sector and many sub-sectors are experiencing significant challenges:
    - Agri-Food – this is a mixed picture, with those companies serving the consumer/ retail market seeing demand hold up but those servicing the food service sector (restaurants, work canteens etc.) have seen demand collapse.
    - Supply chain issues given their global nature and significant investment requirement to redesign factories which could also result in less efficient/ productive processes.
    - Already in receipt of 70% discount through industrial de-rating.
  - Construction – significant uncertainty around level of private sector new business post-lockdown
  - Transport – fortunes likely to mirror the performance of the manufacturing and retail sectors (in terms of the demand for goods to be transported).





# Annex 1

## Other Coronavirus Support Packages



# Business Support Packages

A wide range on offer

Support	Jurisdiction	Operated by:
<u>Business Rates Holiday (exc. public sector and utilities).</u>	NI	Land & Property Services (LPS)
<u>£25,000 Grant for Retail, Hospitality, Tourism and Leisure Sector Ratepayers (NAV £15k - £51k)</u>	NI	Department for the Economy (DfE), Land & Property Services (LPS)
<u>£10,000 Small Business Support Grant Scheme (NAV £15k and below)</u>	NI	DfE and LPS
<u>Sports Hardship Fund</u>	NI	Sport NI
<u>Statutory Sick Pay Rebate</u>	UK	HMRC
<u>Self-Employment Income Support Scheme (SEISS)</u>	UK	HMRC
<u>Time to Pay Support for Businesses Paying Tax</u>	UK	HMRC
<u>Deferral of Self- Assessment Payment</u>	UK	HMRC
<u>Coronavirus Business Interruption Loan Scheme</u>	UK	British Business Bank
<u>Coronavirus Large Business Interruption Loan Scheme</u>	UK	British Business Bank
<u>Coronavirus Job Retention Scheme</u>	UK	HMRC
<u>VAT Deferral</u>	UK	HMRC
<u>Covid-19 Corporate Financing Facility</u>	UK	Bank of England



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# Annex 2

## List of organisations consulted



# List of organisations consulted

In alphabetical order:

- Belfast Chamber of Commerce
- Construction Employers Federation
- Early Years
- Hospitality Ulster
- Manufacturing NI
- NI Chamber of Commerce Council
- NI Hotel Federation
- NI Leisure & Entertainment Forum
- NI Retail Consortium
- Retail NI



# Annex 3

## Extending business rates relief – Options



# Overview of options

## Option 1 – Extend blanket exemption

### Description:

- Status Quo – the current exemption to all properties (excluding public sector and utilities) is extended for a further period. Probably 3 months to provide an opportunity for review but could be extended if deemed appropriate.

### Advantages

- Ease of implementation
- All groups in need will receive benefit

### Disadvantages

- Expensive
- High levels of deadweight (i.e. businesses that do not need support will still receive benefit) thereby reducing the level of funding available for those in greatest need.





# Overview of options

## Option 2 – Target support to higher impacted ratings groups

### Description:

The rating system is unable to identify specific sectors to target for support. However the system can identify groups which includes sectors significantly impacted. This option would exempt businesses identified as/ eligible for the following supports:

- Small Business Rates Relief
- Industrial De-rating
- £25k Coronavirus Grant
- Freight & Transport relief (Ports and Ferries)
- Shops and showrooms

### Advantages

- Relative ease of implementation
- Lower cost

### Disadvantages

- Highly impacted sectors would still be excluded (e.g. most hotels, larger retail units, licensed premises, sports/ leisure facilities, airports). Alternative support schemes would need to be put in place.
- Deadweight still exists.
- Further help for groups who have already benefitted from grants and no support for groups who fell outside the current grant schemes.
- 'Multiples' problem remains



# Overview of options

## Option 3 – Target those who received no prior NI Executive support

### Description:

To provide rates relief to those businesses who did not qualify for either the £10k Small Business Support Grant Scheme (NAV below £15k) or the £25k Coronavirus Grant Scheme for Retail, Hospitality, Tourism and Leisure (NAV £15k to £51k). This provide an exemption to the following properties:

- NAV greater than £51k; and
- NAV £15k to £51k who did not qualify for the £25k scheme.

### Advantages

- Relative ease of implementation
- Lower cost

### Disadvantages

- Excludes smaller businesses in all highly impacted sectors and creates major anomalies – large supermarkets would be exempt but small non-food retailers would be required to pay
- Deadweight still exists
- May result in significant levels of non-payment.





# Overview of options

## Option 4 – Target those who have furloughed over 50% of their staff

### Description:

Using the Government's Job Retentions Scheme as a proxy for identifying firms in need, those firms who have furloughed over 50% of their staff would be eligible for a further exemption.

### Advantages

- Would target those in greatest need
- Objective measure and easy to justify

### Disadvantages

- CJRS data held by HMRC and would also require linking with other databases. This raises data sharing issues and likely time consuming.
- Would create an administrative burden to link to the NI rating system



# Overview of options

## Option 5 – Target those sectors most impacted

### Description:

The economic analysis has identified sectors most impacted by the crisis. This option would target support at those sectors only.

### Advantages

- Would target those in greatest need
- Targeting based on evidence available.

### Disadvantages

- Difficult to implement given the challenge in identifying specific sectors through the rating system.



# Overview of options

## Option 6 – Use target grants

### Description:

Given the issues associated with targeting the most impacted sectors through the rating system, remove all exemptions and provide a grant support mechanism for those businesses.

### Advantages

- Would target those in greatest need;
- Flexibility to identify sectors.

### Disadvantages

- Putting in place another grant application process creates an additional administrative burden
- May face significant levels of non-payment if grants are not paid in time.



# END

