

High Street Scheme (HSS) -Small and Micro Business Impact Test (SAMBIT)

Introduction

As part of the Department for the Economy's (DfE) Economic Action Plan the NI Executive agreed to provide £145m of ring fenced funding to deliver a High Street Scheme to provide an economic stimulus to local businesses in Northern Ireland.

Aims of the scheme

The Scheme is aimed at increasing consumer confidence and boosting demand in businesses across struggling towns, city centres and the tourism and hospitality sector in Northern Ireland. The main aims of the Scheme are as follows:

- To inject up to £140 million into the NI economy leading to an improved level of consumer confidence and increased levels of public spending.
- To provide a stimulus to enable members of the public to return to local street businesses that have lost revenue through the various periods of lockdown in 2020-21 to purchase goods and services.
- To inject funding to the local business community that assist in the overall recovery plan for the NI economy.
- To protect jobs in the local business sectors.

Benefits Of the scheme

The purpose of the High Street Scheme is to provide an economic stimulus to boost local businesses and protect local jobs by injecting £140m into the local economy. This is being provided by way of the issue of a pre-paid card to adults in Northern Ireland to purchase goods and services from local businesses. It is expected that there will be an observed additional expenditure from successful applicants spending more than the value of the card in many cases whilst the ripple effects from purchases will deliver even greater economic benefits and make a significant step to kick-starting our economy.

Eligible Criteria – applicants

In order to be eligible for the scheme the following conditions must be met:

- A person must be living in in Northern Ireland at the point of application.
- A person must be 18 years of age on or before the closing date for applications.

Eligible Criteria – Small and Micro Businesses (SaMB). There are no qualifying criteria for businesses, including small and micro businesses as the intervention provides money to the adult population of Northern Ireland rather than directly to SaMB. However, to enable spend from the HSS to be used in their establishments SaMB will need to have card readers to process payments using the pre-paid card. First transaction will be through the use of a supplied PIN with further transactions through the normal contactless service.

The pre-paid card cannot be used for online purchases, gambling or for certain financial and legal services. The full range of restrictions will be listed on the Department's website.

- The customer inserts the card into the Chip and PIN reader or uses the contactless facility (PIN must be used for the first transaction)
- The card has a balance of £100 and the balance decreases with each transaction made. There is no limit on the number of transactions so long as there is available balance remaining.
- The card cannot be accepted for online shopping, gambling, or certain legal and financial services.
- The card cannot be used to withdraw cash from an ATM or for 'cashback'.
- The maximum transaction on the card is £100 including any tips and gratuities. If the merchant wants to they can accept the card as a part payment towards a purchase exceeding the £100 limit (or whatever balance is remaining on the card at time of purchase).

Scheme Duration

The online portal for applications will open on 27 September 2021 and close on 25 October 2021. The first Spend Local pre-paid cards will issue week commencing 4 October 2021 with a five week distribution roll out. The scheme will officially close on 30 November 2021 when all cards will be deactivated and no more spend on the card can occur.

Preliminary Assessment

1. *Does the regulation apply to small businesses or affect the business environment in which they operate?*

While the regulations associated with the scheme do not apply to SaMB, the measures being adopted should have an overall positive affect on the business environment in which SaMB operate. In the SAMBIT there is an initial presumption that any costs arising may fall disproportionately on small businesses. However, the cost should be marginal/negligible, other than a 2/3% cost from Mastercard which retailers will be aware of.

2. What are the characteristics of small businesses likely to be affected?

The majority of SaMB are able to partake in the scheme. It is possible that some SaMB will be unable to participate if they offer excluded services such as financial and legal services prohibited (see Annex A). These may take a range of legal personalities and could be dispersed through Northern Ireland.

The launch of the scheme will be accompanied by a publicity campaign and local businesses will be encouraged to take part by advertising 'we accept spend local cards here' with a range of advertising available for download. Furthermore engagement has taken place with local business representative groups and chambers of commerce to encourage all small businesses to proactive role in encouraging the public to spend the card at their business.

Consideration of alternative approaches

3. Examining whether alternative approaches (including, but not limited to, exemptions, simplified inspections and less frequent reporting) are appropriate for small and micro businesses:

- As the HSS was being developed a number of options were discussed and representative bodies of small and micro business were consulted such as Federation of Small Business and numerous local Chambers of Commerce.
- The HSS will utilise a pre-paid card MasterCard; it is used in the same way as a debit card.
- This delivery option was picked as it is the method which imposes the least burden on merchants. The card is accepted in the same way as debit or credit card and the merchant is reimbursed using the same methods and many SaMB will have adopted card payment methods during the pandemic as contactless payments were recommended for public health reasons.
- Other methods which were considered included the use of vouchers but these were rejected due to the extra costs and labour involved by a merchant in order to get reimbursed.

4. Examining whether small and micro businesses (those with fewer than 50 employees) can be given a complete or partial exemption from new rules, and whether alternative approaches are appropriate:

- Since the beginning of the Covid pandemic, the use of cash has been reduced and the use of contactless payments has been encouraged, resulting in an increase in the amount of businesses which accept card payments.
- It is expected that the majority of small and micro business will have the ability to accept card payments. If not there, it is a relatively straight forward and cheap process to obtain the technology including 3G card readers.

- Therefore, there is no need for small and micro businesses to be given a complete or partial exemption from the new rules, or consider whether alternative approaches are appropriate. HSS will have a positive impact on businesses as opposed to adding further rules on them and by utilising the existing technology that most merchants will have in place.
- Further, any possible exemption such as using vouchers would increase costs and administrative burden.

5. *Examining whether a lighter regulatory regime would be appropriate for small and microbusinesses.*

- There is no regulatory regime being proposed.

Scoping

- As the HSS was being developed a number of options were discussed and representative bodies of small and micro business were consulted such as Federation of Small Business and numerous local Chambers of Commerce. It was not considered necessary to conduct a scoping exercise although the range of questions normally used at this stage have been considered by the project team.

6. *How serious is the problem the proposal seeks to address in relation to smaller businesses?*

- The pandemic has had a severe and significant effect on local businesses, and many citizens have turned to online shopping during lockdown periods.
- The NI Executive has considered this to be a serious problem, and has allocated £145m for the HSS to aid recovery to stimulate the public returning to local businesses.

7. *What changes will smaller businesses have to make to the way their business operates?*

- Some may have to adopt card reading technology if they do not already have this to take payments from the pre-paid cards.

8. *Is there likely to be a greater impact on the operations and performance of smaller business than others (It is normal for the impact of measures to bear more heavily on small businesses because they do not enjoy the economies of scale of larger businesses)?*

- There is a possibility that increased trade / footfall may mean that larger enterprises can deploy additional staff at peak periods, and that SaMB may not be able to do. However, the benefit of increased sales should outweigh any costs arising, if any.

9. *What are the likely approximate costs and benefits of the proposal for small business?*

Costs

- The HSS will not place any mandatory one-off or annual costs on SaMB.
- Costs are likely to be marginal/negligible for SaMB. Those that do not currently use card payment systems may decide to invest in card readers in order to benefit from the HSS. It is suggested that the incentive to do so for SaMB who have not already adopted card readers may be negligible, as these business would not have any guarantee that people may choose their establishment to use their card.
- Coupled with the short window for use of the pre-paid card, the HSS may be unlikely to incentivise those businesses, who do not currently use a card system/reader, to do so.
- The launch of the scheme will be accompanied by a publicity campaign and local businesses will be encourage to take part by advertising 'we accept spend local cards here' with a range of advertising available for download. Furthermore engagement has taken place with local business representative groups and chambers of commerce to encourage all small businesses to proactive role in encouraging the public to spend the card at their business.

Benefits

- It is expected that the scheme will lead to SaMB having an increase in turnover by injecting £140 million financial package to stimulate spend in the local economy.
- The autumn launch date has been chosen to offset the expected lull in spend which is scheduled to occur for SaMB once the initial pent up demand created by lockdown decreases and prior to the Christmas rush.
- Since the pandemic started, public spending habits have changed and the HSS aims to reverse the trend of shopping online and encourage the public to support local businesses, many of which in Northern Ireland are SaMB, to ensure that they can continue to trade.
- The financial benefit for SaMB is likely to be positive.
- However, as the HSS is not prescriptive on where the public can spend their cards, there is the possibility that spend will correlate with normal trends. To mitigate this, DfE is launching a campaign urging the public to spend in their local businesses, including SaMB.

10. *Will exempting (either fully or partially) smaller businesses from the policy materially affect the potential benefits from the policy?*

- Yes. The majority of businesses in NI are SMEs, many of which would be SaMB. This will dilute the effectiveness of the policy aims and likely not improve the trading

fortunes of SaMB. In fact, exempting would be in contrast to the policy intention of stimulating demand for these businesses.

11. Are there alternative approaches for smaller businesses, which would not materially affect the potential benefits from the policy?

- As indicated above, there are no cost affective alternatives to the Spend Local card approach, as alternatives such as a voucher scheme for those merchants who do not have card facilities, would be likely to disproportionately increase both the overall administrative cost of the scheme and as well as the cost to SaMB (who would bear the administrative burden of recouping the monies linked to a voucher scheme).

The DfE advertising campaign to urge the card recipients to spend on local business should encourage footfall to SaMB.

Impact Test

12. Is there is likely to be a greater impact on the operations and performance of small and micro business than others?

- No.

Conclusion

- As there is likely to be no adverse impact on SaMB, the recommendation is to proceed to Regulatory Impact Assessment stage without further analysis.

Approved by: Paul Grocott, Project SRO
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ANNEX A – Exclusions

International Organization for Standardization Merchant Category Codes (ISO 18245:2003) will be used to block transactions from spend outside the policy intent of the scheme such as gambling, online, certain financial and legal services.

Excluded Merchant Category Codes

MCC Code	MCC Description
1111	TEST DESC
4784	Toll and Bridge Fees
4815	VisaPhone
4829	Money Orders / Wire Transfer
5262	NEW MAIL ORDER
5542	Automated Fuel Dispensers
5815	Digital Goods - Audiovisual Media Including Books, Movies, and Music
5816	Digital Goods - Games
5817	Digital Goods - Software Applications(Excluding Games)
5818	Digital Goods - Multi-Category
5960	Direct Marketing- Insurance Service
5961	Mail Order Houses Including Catalog Order Stores, Book/Record
5962	Direct Marketing / Travel Related Arrangements Services
5963	Door-to-Door Sales
5964	Direct Marketing / Catalog Merchant
5965	Direct Marketing / Catalog and Catalog and Retail Merchant
5966	Direct Marketing- Outbound Telemarketing Direct Marketing- Outbound Telemarketing M
5967	Direct Marketing / Inbound Teleservices Merchant
5968	Direct Marketing / Continuity/Subscription Merchant
5969	Direct Marketing / Not Elsewhere Classified
6010	Financial Institutions / Manual Cash Disbursements
6011	Financial Institutions / Automated Cash Disbursements
6012	Financial Institutions / Merchandise and Services
6015	NON FIN INST STAMPS
6050	QUASI CASH MEMBER FINANCIAL INSTITUTION
6051	Non-Fin Institutions / Foreign Currency, Money Orders, Travels Cheques
6211	Security Brokers/Dealers
6300	Insurance Sales, Underwriting, and Premiums
6381	Insurance Premiums, (no longer valid for first presentment work)
6399	Insurance, Not Elsewhere Classified (no longer valid for first
6513	REAL ESTATE AGENTS AND MANAGERS - RENTALS
6529	REMOTE STORED VALUE LOAD MEMBER FINANCIAL INSTITUTION

6530	REMOTE STORED VALUE LOAD MERCHANT
6531	PAYMENT SERVICE PROVIDER PAYMENT TRANSFER FOR A PURCHASE
6532	PAYMENT SERVICE PROVIDER MEMBER FINANCIAL INSTITUTION PAYMENT TRANSACTION
6533	PAYMENT SERVICE PROVIDER MERCHANT PAYMENT TRANSACTION
6534	MONEY TRANSFER MEMBER FINANCIAL INSTITUTION
6535	VALUE PURCHASE MEMBER FINANCIAL INSTITUTION
6536	MONEYSSEND INTRACOUNTRY
6537	MONEYSSEND INTERCOUNTRY
6538	MONEYSSEND FUNDING TRANSACTION
6539	FUNDING TRANSACTION EXCLUDING MONEYSSEND
6540	POI Funding Transactions (Excluding MasterCard MoneySend)
7012	Timeshares
7273	Dating and Escort Services
7276	Tax Preparation Service
7321	Consumer Credit Reporting Agencies
7800	Government Owned Lotteries
7801	Internet Gambling
7802	Government-Licensed Horse/Dog Racing
7995	Betting (including Lottery Tickets, Casino Gaming Chips, Off-track
8651	Political Organizations
8931	Accounting, Auditing, and Bookkeeping Services
9063	VERS III
9211	Court Costs, including Alimony and Child Support
9222	Fines
9223	Bail and Bond Payments
9311	Tax Payments
9399	Government Services (Not Elsewhere Classified)
9402	Postal Services / Government Only
9405	Intra / Government Transactions
9411	GOVERNMENT LOAN PAYMENTS
9700	Automated Referral Service (For Visa Only)
y	VISA CREDENTIAL SERVER (FOR VISA USE ONLY)
9950	Intra / Company Purchases (For Visa Only)