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| <b>Title:</b><br>The High Street Scheme (HSS)<br><br>The High Street (Coronavirus, Financial Assistance) Scheme Regulations (Northern Ireland) 2021 | <b>Regulatory Impact Assessment (RIA)</b>  |
|   | <b>Date:</b> 16 September 2021   |
| <b>Lead department or agency:</b><br>Department for the Economy (DfE)   | <b>Type of measure:</b> Secondary Legislation                                      |
| <b>Other departments or agencies:</b><br>The Executive Office (TEO) (primary powers)  | <b>Stage:</b> Final  |
|   | <b>Source of intervention:</b> Domestic NI   |
| <b>Other departments or agencies:</b><br>The Executive Office (TEO) (primary powers)  | <b>Contact details:</b> Brenda Burke   |
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## Summary Intervention and Options

|  |   |
|--|---|
| <b>What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)</b><br>Since the pandemic started, research has shown that the spending habits of the public have changed. The closure of non-essential retail outlets and hospitality venues necessitated a shift towards online retail for many consumers. Online sales accounted for 28% of total retail spending in 2020, rising from just 19% in the previous year <sup>1</sup> . The pandemic and this increase in online shopping has had a detrimental impact on high street businesses and if allowed to continue will lead to the loss of jobs and significant detriment to the local Northern Ireland economy. Government intervention is required to protect businesses, jobs and the regional economy.                              |   |
| <b>What are the policy objectives and the intended effects? (7 lines maximum)</b><br>The key policy objective is to introduce a significant financial stimulus, at the appropriate time, to the Northern Ireland economy to boost Northern Ireland's economic recovery, in a manner that provides economic support to 'bricks and mortar' businesses throughout Northern Ireland. The intended effect is to increase footfall for local businesses and encourage citizens to shop and spend locally thus encouraging economic recovery in Northern Ireland and contributing to the long term viability of Northern Ireland's local businesses and high streets.  |   |
| <b>What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)</b><br><br>1. Do Nothing.<br>2. Implement a one off, time bound, high street scheme where all qualifying adults are issued with a £100 pre-paid credit card to spend in local businesses.<br>The Northern Ireland Executive has recognised and mandated the need for a substantial economic stimulus to aid Northern Ireland's economic recovery. The exceptional economic circumstances which exist due to the pandemic mean decisive action is required. Issuing a pre-paid card to all qualifying adults will encourage people to return to local businesses, providing an economic boost for those businesses and the overall Northern Ireland economy. |   |
| <b>Will the policy be reviewed?</b> It will be reviewed  | <b>If applicable, set review date:</b> September 2022 |

| Cost of Preferred (or more likely) Option                        |   |   |   |   |
|--|---|---|---|---|
| Total outlay cost for business<br>£m                             | Total net cost to business per<br>year £m                           |   | One off cost for implementation<br>by Regulator £m                  |   |
| n/a  | n/a   |   | £145  |   |
| <b>Does Implementation go beyond minimum EU requirements?</b>    |   |   | YES <input type="checkbox"/>  | NO <input checked="" type="checkbox"/>                              |
| <b>Is this measure likely to impact on trade and investment?</b> |   |   | YES <input checked="" type="checkbox"/>                             | NO <input type="checkbox"/>   |
| Are any of these organisations<br>in scope?                      | <b>Micro</b>  | <b>Small</b>  | <b>Medium</b>   | <b>Large</b>  |
|  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by: Gordon Lyons Date: 20 September 2021

<sup>1</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/ni-high-street-scheme-retail-economics.pdf>

**ECONOMIC ASSESSMENT (Option 1)**

| Costs (£m)    | Total Transitional (Policy) |       | Average Annual (recurring)<br>(excl. transitional) (constant price) | Total Cost<br>(Present Value) |
|---------------|-----------------------------|-------|---|-------------------------------|
|               | (constant price)            | Years |   |                               |
| Low           | Optional                    |       | Optional  | Optional                      |
| High          | Optional                    |       | Optional  | Optional                      |
| Best Estimate | £0                          |       | £0  | £0                            |

**Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 lines  
 No change from current situation – no monetised costs. Trend of shopping moving from physical premises to online retailers has accelerated due to the impact of the Pandemic and its resulting social distancing measures. Doing nothing will not reverse this trend.

**Other key non-monetised costs by ‘main affected groups’** Maximum 5 lines  
 Continued loss of footfall and lack of confidence due to the Pandemic/local health restrictions – this will continue in the absence of a stimulus to get people back onto the High Street and result in a long term detriment to local businesses.

| Benefits (£m) | Total Transitional (Policy) |       | Average Annual (recurring)<br>(excl. transitional) (constant price) | Total Benefit<br>(Present Value) |
|---------------|-----------------------------|-------|---|----------------------------------|
|               | (constant price)            | Years |   |                                  |
| Low           | Optional                    |       | Optional  | Optional                         |
| High          | Optional                    |       | Optional  | Optional                         |
| Best Estimate | £0                          |       | £0  | £0                               |

**Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines  
 No change from current situation – no monetised benefits.

**Other key non-monetised benefits by ‘main affected groups’** Maximum 5 lines  
 No change from current situation – no non-monetised benefits.

**Key Assumptions, Sensitivities, Risks** Maximum 5 lines  
 Status quo will remain the same, no change to current situation. The risk of doing nothing is that the lack of stimulus will mean the increase in use of online shopping will not be reversed and local businesses will lose custom and struggle to recover. Potential risk of a PR failure given the well-publicised nature of the Scheme.

**BUSINESS ASSESSMENT (Option 1)**

|   |             |        |  |  |
|---|-------------|--------|--|--|
| <b>Direct Impact on business (Equivalent Annual) £m</b> |             |        |  |  |
| Costs:£0  | Benefits:£0 | Net:£0 |  |  |

**Cross Border Issues (Option 1)**

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines  
 Jersey & Malta have both introduced similar schemes in the last year. The ‘do nothing’ option would maintain parity between NI and the other UK regions/EU Member States.

**ECONOMIC ASSESSMENT (Option 2)**

| Costs (£m)    | Total Transitional (Policy) |       | Average Annual (recurring)<br>(excl. transitional) (constant price) | Total Cost<br>(Present Value) |
|---------------|-----------------------------|-------|---|-------------------------------|
|               | (constant price)            | Years |   |                               |
| Low           | Optional                    |       | Optional  | £145mn Optional               |
| High          | Optional                    |       | Optional  | £160mn Optional               |
| Best Estimate |                             |       |   | £145mn                        |

**Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 lines  
 A small number of businesses who do not have a card machine available may opt to procure a machine. Increased card transactions will also have a small but significant impact. Staff training costs to ensure they are all aware of the Scheme/card validity. Potential increased salary costs – new staff/extra hours to meet expected increased demand. Vast majority of the Scheme’s costs are borne by the Department – £140mn of the total scheme budget of £145mn is intended for the funding of the pre-paid cards with the remainder for administration purposes.

**Other key non-monetised costs by ‘main affected groups’** Maximum 5 lines  
 Expected increased footfall will require some businesses to observe and regulate customer numbers to ensure social distancing requirements are met. Time to ensure staff are fully trained and aware of the Scheme. From the Department’s POV, resource/time to design/develop and operate the Scheme is significant. Environmental costs in that there will be production of between 1.4mn to 1.5mn plastic cards.

| Benefits (£m) | Total Transitional (Policy) |       | Average Annual (recurring)<br>(excl. transitional) (constant price) | Total Benefit<br>(Present Value) |
|---------------|-----------------------------|-------|---|----------------------------------|
|               | (constant price)            | Years |   |                                  |
| Low           | Optional                    |       | Optional  | £140mn Optional                  |
| High          | Optional                    |       | Optional  | £150mn Optional                  |
| Best Estimate |                             |       |   | £140mn                           |

**Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines  
 The main benefit of the Scheme is the injection of £140mn directly to High Street businesses. The Scheme will likely have a stimulating effect, increasing demand in the traditionally lean period before the Christmas period. It is anticipated that there will be additional expenditure as citizens spend more on purchases than the card balance in many cases. This will have a direct + indirect impact and cause a multiplier effect across the NI Economy. It is conservatively estimated that under current assumptions this will have an additional economic impact of £45mn but this figure is subject to those assumptions and further review.

**Other key non-monetised benefits by ‘main affected groups’** Maximum 5 lines  
 By encouraging citizens to return to the High Street, there will be an increase of confidence to get out and shop local. This will help reverse the accelerated trend to online shopping which the Pandemic has quickened. An easy to use system for both retailers/citizens will help restore/maintain confidence in the Department/Government to deliver on its promises.

**Key Assumptions, Sensitivities, Risks** Maximum 5 lines  
 Current DfE assumptions are there will be a 95% uptake in the pre-paid cards with 2% of total activated card balances will remain unspent. Recent advice from NISRA indicates 1.5mn citizens could be in scope and if all applied this would require £150mn of card balance funding alone. Under current assumptions, 1.5mn applicants applying is still affordable in terms of funding card balances – with just under £140mn of budget required. There is a risk of overspend on the administration side – initial budget of £5mn has been exceeded and for the purposes of this exercise we have estimated a 100% increase in these costs.

**BUSINESS ASSESSMENT (Option )**

| Direct Impact on business (Equivalent Annual) £m |               |          |  |
|--|---------------|----------|--|
| Costs:<£1  | Benefits:£140 | Net:£140 |  |

**Cross Border Issues (Option )**

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines  
 No leakage beyond NI as cards can be restricted to be spent to NI postcodes only. Jersey operated a very similar scheme, the results of which have been analysed and considered in current DfE assumptions. Note the Jersey scheme elected to send the pre-laid cards to citizens and not operate on an application basis.

## Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

### **Inserting text for this section:**

**Text can be pasted from other documents as appropriate.**

#### **Problem under consideration;**

Following the lockdown and restrictions imposed during the Covid pandemic a number of local business suffered economic downturn and there has a rise in the level of online shopping. There is, therefore, significant concern about local business fragility. Research carried out behalf of the Department for the Economy by Retail Economics<sup>2</sup> highlighted that recent data from the ONS revealed that 4% of wholesale and retail business have completely depleted all cash in their business, rising to 10% for accommodation and food service activities businesses in the UK. More than a quarter (27%) of all wholesale and retail businesses said they would run out of cash reserves within the next three months, rising to almost half (47%) for accommodation and food service activities. As of 18 April 2021, 11% of wholesale and retail businesses surveyed said that they were not confident that they will survive the next three months, rising to 13% for accommodation and food service activities businesses. While these figures are at a UK level, it is understood the problems faced by NI businesses are the same.

#### **Rationale for intervention;**

While government policy regarding lockdowns and travel restrictions were necessary from a public health perspective to deal with the Covid 19 pandemic, restrictions have contributed to the increase in online purchases to the detriment of local businesses. The survival of many retail and hospitality businesses will depend on how quickly consumer spending ramps up, following the easing of restrictions. The rationale for government intervention is that an early and effective stimulus is required to provide an economic boost, to secure the future of local businesses and local jobs.

#### **Policy objective;**

The key policy objective is to introduce a significant financial stimulus to the Northern Ireland economy to boost Northern Ireland's economic recovery, in a manner that provides economic support to 'bricks and mortar' businesses throughout Northern Ireland.

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<sup>2</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/ni-high-street-scheme-retail-economics.pdf>

## **Description of options considered (including do nothing), with reference to the evidence base to support the option selection;**

### **Option 1 – Do Nothing**

While the 'Do nothing' option would maintain the status quo, have no costs associated with it and require no new legislation to be introduced, this option provides no benefits to the local economy and does not in any way address the identified problem. There would be no stimulation of spending in local businesses and therefore the identified risks to local businesses would not be addressed. By doing nothing the Executive and the Department would fail to deliver on a significant policy commitment.

### **Option 2 (Preferred Option) – Introduce a high street support 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. This in turn will provide a multiplier effect from people spending more than the value of the card and 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 Northern Ireland at the point of application.
- A person must be 18 years of age on or before the closing date for applications.
- A person must not be in prison.

There are no qualifying criteria for businesses, including small and micro businesses as the intervention provides money to the adult population of Northern Ireland. However, to enable spend from the HSS to be used in their establishments businesses 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 is 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.

## Monetised and non-monetised costs and benefits of each option (including administrative burden);

£145mn was allocated for the overall funding of the cards and the delivery of the Scheme. £140mn was to be used to load the pre-paid cards each with £100 of funding whilst £5mn was attributed to the expect administration costs in operating the Scheme.

The initial funding of £140mn for the loading of the pre-paid cards was intended to provide cards for 1,400,000 applicants. However as the Scheme has progressed, NISRA updated the project team that we should revise our potential eligible population estimate to 1.5mn due to potential underestimation in the data. Therefore if all 1.5mn applied to the Scheme and were successful, total funding required to load each card with £100 would total £150,000,000.

Under the Department's current assumptions of 95% application rate and 2% of total activated card balances remaining unspent, the funding envelope of £140mn would still be sufficient to ensure each applicant received a £100 pre-paid card if all 1.5mn citizens applied. Project funding required to provide £100 pre-paid cards for all 1.5mn citizens potentially eligible are illustrated below in table A.

A Ministerial Direction is in place to fund any overspend from existing funds allocated to Covid-19 recovery programmes.

**Table A – Total Project Funding Requirements for pre-paid card balances**

| Estimated Cost        | No unspent balances | 2% unspent balances |
|-----------------------|---------------------|---------------------|
| Based on 95% uptake   | £142,500,000        | £139,650,000        |
| Based on 97.5% uptake | £146,250,000        | £143,325,000        |
| Based on 100% uptake  | £150,000,000        | £147,000,000        |

While there are costs associated with developing, operating and delivering the Scheme, they are proportionate in the context of the £140 million scheme at £10million (7%). Initially £5m of the total scheme budget of £145mn was allocated to these aspects. However in the course of the Scheme's progression, the £5mn budgeted has been exceeded. Current projected costs stand at approximately £6mn and are expected to exceed this figure. For the purposes of this assessment we have assumed a 100% increase of these costs with total required funding of £10mn being required. A current breakdown of these costs are shown in table B below.

**Table B – Breakdown of current scheme administration costs**

| Item   | Current total projected costs |
|--|-------------------------------|
| Card development/production/delivery         | £2,425,000                    |
| Development of citizen application portal    | £200,000                      |
| PR/advertising/marketing costs               | £1,000,000                    |
| Additional business/citizen helpdesk support | £1,010,000                    |
| Project management and procurement support   | £260,000                      |
| Salaries/Cost to date                        | £999,000                      |
| Other Government                             | £80,000                       |
| <b>Total</b>                                 | <b>£5,974,000</b>             |

There are expected to be small but significant costs on the NI business community. A small number of businesses who do not have a card machine available may opt to procure a machine while increased card transactions will also have a small but significant impact. Staff training costs could be incurred to ensure staff are aware of the Scheme/card validity. It is projected that these costs will be vastly outweighed by the injection of £140mn to our hard-pressed High Street businesses.

Non-monetised costs are considerable in developing and operating the Scheme from both a business and departmental perspective. In some cases where expected increases in footfall will occur – fuelled by the issuing of the pre-paid cards, businesses will have to observe and regulate customer numbers to ensure social distancing requirements are met. This will require staff to be fully trained and aware of the Scheme. This also applies to the staff serving customers using the pre-paid cards.

From the Department's POV, resource/time to design/develop and operate the Scheme is highly significant. It is anticipated that with the production of 1.4mn cards will incur some environmental costs.

The main benefit of the Scheme is the injection of £140mn in much-needed funding to our High Street businesses. It is anticipated that this will help those businesses through the traditional lean period ahead of Christmas and help to counteract the ending of the UK Government's Coronavirus Job Retention Scheme. There is expected to be an observable additional spend on top of the £140mn as citizens elect to purchase more than the value of the cards balance. Furthermore this injection will create a ripple effect, stimulating indirect and induced demand beyond the initial expenditure (multiplier effect).

## Output

The overall Type 1 multiplier effect (i.e. Direct + Indirect effects) has been estimated at 1.36 under current DfE assumptions (95% uptake, 2% of unspent balances). This figure can be used to calculate subsequent Output or Gross Economic Activity including multiplier effects which would illustrate both the 'direct' effect i.e. immediate output effect caused directly by the change in final demand (e.g. an additional £1 in output) and the subsequent 'indirect' effect caused by the consequent changes in intermediate demand (for example the additional supply chain impacts of producing an extra £1 of output). As a result this figure will be higher than the total value of pre-paid cards issued due to the inclusion of 'indirect effects'. It is estimated the gross economic impact of the Scheme (including the direct and indirect multiplier effects) is £189m vs. the £140m cost.

For illustrative purposes, the Department has also attempted to model any potential induced effects. If there is an increase in final use for a particular industry output, we can assume that there will be an increase in the output of that industry, as producers react to meet the increased use; this is the direct effect. As these producers increase their output, there will also be an increase in use on their suppliers and so on down the supply chain; this is the indirect effect. As a result of the direct and indirect effects the level of household income throughout the economy will increase as a result of increased employment. A proportion of this increased income will be re-spent on final products, this is the induced effect.<sup>3</sup>

Modelling any induced impact from this Scheme is problematic for the following reasons: The first is that NISRA do not produce Type 2 Multipliers for NI and the next best alternative would be applying Scotland's Type 2 Multipliers. NI multipliers are based on the structure and performance of the NI economy through the NI SUTs. Whereas, the Scottish multipliers are reflective of the characteristics and performance of the Scottish economy. There are concerns about the goodness of fit in applying the Scottish Type 2 multipliers to this analysis: When modelling the GVA impact (a separate approach to the Output approach referenced above) officials came across two examples of instances where NI Type 1 Multiplier was greater in size than the Scottish Type 2 Multiplier. Intuitively as the Type 2 multiplier includes any induced impact in addition to the direct + indirect impacts contained within the Type 1 multiplier, Type 2 cannot be lower than Type 1. This is an example of issues occurring as a result of mixing different multiplier types at different geographies. There are also doubts around the magnitude of any potential induced impact due to the short-term nature of the Scheme. The NISRA Type I Multipliers are from 2016 while the Scottish Type II Multipliers are from 2017, they are reflective of a time when there was more optimism in the economy and also potentially different supply chains in

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<sup>3</sup> [Supply, Use and Input-Output Tables - gov.scot \(www.gov.scot\)](http://gov.scot)

existence at that time. Therefore it is to be noted any estimated multiplier effect uses these 2016/17 multipliers and could potentially overestimate any actual multiplier effect.

Officials have calculated a total overall multiplier effect of 1.51 - i.e. for every £1 of card expenditure there will be further expenditure of 51 pence via indirect and induced effects. It is estimated the gross economic impact of the scheme (including induced multiplier effects) is £211m vs. the £140m cost.

## GVA

It is important to note the GVA approach differs from the Output approach. Most notably in estimating the Net Economic Impact officials have adjusted Scheme expenditure to GVA via the ABI's GVA/turnover ratio. It is also to be noted the GVA multipliers differ from the Output multipliers.

Modelling has indicated that any net economic impact (adjusting for GVA and Direct & Indirect multiplier effects) could be in the range of £29mn to £64mn. Preliminary analysis has indicated that under current DfE assumptions (95% uptake, 2% of unspent balances and 20% of card expenditure attributable to deadweight etc.), there could be an additional economic impact of around £47mn (GVA adjusted). Including any potential induced impact (based on Scottish Type 2 Multipliers) in the model will adjust the range to: £32mn to £70mn (adjusting for GVA) while under the aforementioned current assumptions this is estimated to realise an additional economic impact of around £52mn. It should be noted that although the scheme uptake can be adjusted from (95 to 100%) as well as the proportion of activated balances remaining unspent (0 to 2%), the real 'driver' in the range provided is the estimated proportion of card expenditure that could be attributed to deadweight. The range's presented above are 'de facto' illustrative of adjustments from 0% to 50% of total card expenditure attributable to deadweight etc. (along with minor adjustments to the other aforementioned assumptions).

Results from the NI consumer panel survey<sup>4</sup> indicated that "there is a very strong desire to support local independent businesses, with a net balance of 63% of consumers who said that they would use their voucher to do this" whilst only 31% of responses indicated they would use their cards to purchase goods and services they already intended to buy. The Department's current assumption of 20% is informed by these results and adjusting the deadweight proportion to 30% (to reflect the above rate of responses that indicated they would use the cards on goods and services that they were already intending to purchase) would adjust the additional economic impact to £41mn (excluding any induced impact) and £45mn (inclusive of any induced impact) respectively (NB both figures are adjusted for GVA).

**Table C – Summary of projected Output Impact**

| Scenario                     | Total Spend  | Type 1 Multiplier<br>(Direct + Indirect) | Type 2 Multiplier<br>(Direct, Indirect + Induced) |
|------------------------------|--------------|--|---|
| 95% uptake, 98% card balance | £139,650,000 | £189,930,898                             | £211,549,230                                      |
| Difference                   | -            | £50,141,247                              | £71,759,580                                       |
| Multiplier Effect            |              | 1.36                                     | 1.51  |

**Table D – Summary of projected GVA Impact**

| Scenario                             | Total Spend  | Net Additional Impact<br>(adjusting for DW %) | NEI<br>(adjusted for GVA) | Type 1 Multiplier<br>(Direct + Indirect) | Type 2 Multiplier<br>(Direct, Indirect + Induced) |
|--------------------------------------|--------------|---|---------------------------|--|---|
| 95% uptake, 98% card balance, 20% DW | £139,650,000 | £111,831,720                                  | £35,757,393               | £47,670,016                              | £52,457,169                                       |
| Difference                           | -            | -£27,818,280                                  | -                         | £11,912,623                              | £4,787,153  |

<sup>4</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/ni-high-street-scheme-retail-economics.pdf>

|                   |  |  |  |      |      |
|-------------------|--|--|--|------|------|
| Multiplier Effect |  |  |  | 1.33 | 1.47 |
|-------------------|--|--|--|------|------|

**Note this economic impact analysis has not been finalised and is subject to a review.**

Non-monetised benefits of the Scheme are significant. The Scheme will help stimulate spend on the High Street by encouraging citizens to return to the High Street, it is anticipated that there will be an increase of consumer confidence to get out and shop local. This will help reverse the accelerated trend to online shopping which the Pandemic has accelerated. Successful encouragement of citizens to spend local will help businesses right across NI benefit of the Scheme and the increasing confidence of citizens to physically shop. Furthermore from the department's POV, an easy to use & successful system for both retailers/citizens will help restore/maintain confidence in the Department/Government to deliver on its promises.

**Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);**

The Northern Ireland Executive has recognised and mandated the need for a substantial economic stimulus to aid Northern Ireland's economic recovery. Issuing a pre-paid credit card to all qualifying adults will encourage people to return to local businesses, providing an economic boost for those businesses and the overall Northern Ireland economy.

In deciding on this policy option the Department commissioned research, completed by Retail Economic, whose analysis was used to determine the most appropriate time to introduce the scheme in order to maximise its benefit to the local economy. In making assumptions about the uptake of the initiative and its impacts, a similar initiative that was introduced in Jersey, was taken into account. Further modelling has been undertaken when considering the data process flow.

Throughout the policy development engagement has taken place with a number of groups representing small businesses such as the Federation of Small Businesses and local Chambers of Commerce. The policy team also consulted with representatives of Disability awareness groups when developing policy.

DfE does not have the primary powers to make the Scheme as it requires payments outside of the Departmental Ambit. Therefore, the Financial Assistance (Northern Ireland) Act 2009 ("the Act") has been identified as the most appropriate legal vehicle to allow the Department to deliver the HSS. The Act requires the First Minister and deputy First Minister, acting jointly, to determine that there are exceptional circumstances, that it is desirable to provide financial assistance to mitigate those circumstances, and that a scheme can deliver this mitigation. They made this determination and designation on 4 August 2021.

It is envisaged that the HSS will boost the Northern Ireland economic recovery by injecting a £140 million financial package to stimulate spend in the local businesses. The stimulus will enable members of the public to purchase goods and services from local businesses that have lost revenue through the various periods of lockdown in 2020-21 by December 2021. This injection funding to the business community that will lead to an increase (through a multiplier effect) in the overall economy by December 2021.

The autumn launch date has been chosen to offset the expected lull in spend which is scheduled to occur once the initial pent up demand decreases and prior to the Christmas rush.

**EU Implications**

The Department for Economy will publish information in relation to the HSS to demonstrate compliance with the subsidy control chapter of the UK-EU Trade and Cooperation Agreement (TCA). This transparency notice will confirm the Department is providing a subsidy to economic actors, as defined in TCA Article 363, that the scheme falls within the scope of Article 364(3) and meets all of the subsidy principles set out in Article 366, which are now binding under domestic law by virtue of section 29 of the European Union (Future Relationship) Act 2020. As the scheme is within the scope of Article 364(3) (Subsidies that are granted on a temporary basis to respond to a national or global economic emergency),

Article 367 (prohibited subsidies and subsidies subject to controls) does not apply. Finally, the department confirms it will ensure compliance with Article 368 (Use of subsidies) and will meet its transparency commitments as detailed in Article 369.

- **Risks and assumptions;**

*Risks*

There are a number of risks and delivery obstacles that will need to be managed in order to progress a scheme on this scale. These will be managed within the risk register in line with the scheme's governance arrangements:

- DfE will inform the Executive that the scheme will be phased in order to ensure that the public health risk in operating the scheme is mitigated as best possible.
- Implementation of the scheme will be enabled through an amendment to the Financial Assistance Act (Northern Ireland) 2009. There is a risk that any regulatory delay will further impact the delivery timeline.
- There is a risk of displacement, i.e. citizens could choose to use their pre-paid card or voucher to pay for goods or services that they would have purchased anyway.
- There may also be a timing effect in that people bring forward purchases they would have made later in the year and the whole year total spend remains largely unchanged.
- The scheme carries a risk of fraud and theft of pre-paid cards or vouchers a trusted supplier will be needed in order to ensure that appropriate mitigation steps are put in place to address this risk, through appropriate verification steps and phased distribution.
- There will be significant public interest in the proposed scheme from both citizens and retailers requiring a comprehensive process of stakeholder engagement and marketing of the scheme

*Assumptions*

- It is expected that there will be an observed additional expenditure from citizens spending more than the value of the card in many cases and that the ripple effects from purchases will deliver even greater economic benefits and make a significant step to kick-starting our economy.
- It is anticipated that at least 95% of eligible citizens will apply for and use the pre-paid card.
- The messaging campaign associated with the HSS will be effective and help maximise the uptake and the use of HSS in local businesses.

**Direct costs and benefits to business;**

*Cost to business*

There are no direct costs associated with this scheme for those businesses which have the ability to accept card payments. In a very small number of cases, businesses may opt to procure of a card reader to ensure they can participate in the Scheme. Increased card transactions will also have a small but significant impact. Staff training costs could be incurred to ensure staff are aware of the Scheme/card validity.

## *Benefits to Business*

The injection of £140mn of funding to the High Street vastly outweighs any project costs to our local business community – indeed the response to the Scheme has been enthusiastic from this sector.

Although it may be difficult to accurately measure the exact size of this benefit, there is expected to be additional expenditure from consumers as a result of the Scheme inducing increased consumer confidence to return to the High Street.

An increase in footfall is also likely to benefit other establishments in proximity to those where pre-paid cards or vouchers are being used.

The launch of the scheme coincides with the end of the furlough scheme and it is envisaged by increasing demand in local businesses, HSS will help to safeguard jobs.

## *Other Benefits*

There will be a small benefit to NI citizens aged 18+, each of whom will be eligible to apply to receive a pre-paid card or voucher.

The principal benefit of the proposed scheme is to inject up to £140 million into the NI economy. The scheme will therefore lead to an improved level of consumer confidence and increased levels of public spending when it is safe to do so.

The HSS will help reverse the trend of shopping online and encourage the public to support local businesses, to ensure that local businesses continue to trade.