

# STATES OF JERSEY



## JERSEY GAS: INCLUSION IN PAYROLL CO-FUNDING SCHEME

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Lodged au Greffe on 20th April 2020  
by Deputy G.P. Southern of St. Helier

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STATES GREFFE

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to request the Minister for Economic Development, Tourism, Sport and Culture to include Jersey Gas on the list of employers able to participate in the payroll co-funding scheme *or to provide similar financial assistance.*

DEPUTY G.P. SOUTHERN OF ST. HELIER

## **REPORT**

It has been said often in recent weeks, that these are unusual times. So, firstly, I thank Members in advance for their forbearance in the shortness of lodging time for this proposition.

Whilst the Government has done much already, to react to the widespread economic consequences of Covid-19, and I applaud it for doing so, it is apparent that some workers and businesses are falling through the cracks. I believe that Jersey Gas is one such business.

### **The Jersey Gas situation**

Jersey Gas has a total of 46 staff.

I understand from the Group Managing Director of the Islands Energy Group (Parent Company to Jersey Gas) that –

- Jersey Gas has seen reduction in sales of 45% since the Covid-19 lockdown.
- Their business has been particularly affected because of their customer base. They provide an energy service to around 70% of the Island's hospitality sector. Almost all the main hotels and leisure facilities use their service. Hospitality is one of the biggest economic casualties of Covid-19.
- Almost all staff are no more than 20% utilised at this point in time.
- As a consequence, salaries have been reduced by 20% for all staff, including directors.
- The vast majority of Jersey Gas employees are skilled, experienced gas engineers. They cannot lay off staff and hope to re-recruit at the end of the pandemic. Skilled staff are not readily available in Jersey.
- Jersey Gas cannot just switch off part of its network because of the significant reduction in sales. They still need the same production facility and network to supply 50% of their customer sales or 100% of their sales.
- Jersey Gas has an asset-heavy cost-base, meaning the majority of their costs are fixed costs.

### **The Payroll Scheme**

The underlying rationale of the Payroll scheme is that it is better to have people in work rather than risking them being made redundant, which would be more expensive to the public purse, and put additional pressure on Income Support (and Customer and Local Services) at a time when they are already busy. In addition, it would be difficult for some companies to resume normal business when we start to come out of *lockdown* if some of their key staff are no longer available for work. This would be the case for Jersey Gas, which relies on a trained workforce with specialist technical knowledge of the industry.

As things stand, Utilities are not considered eligible for the payroll scheme.

I understand from correspondence with Jersey Gas Management and workers' representatives that an approach had been made to Economy, Growth and Housing to include Jersey Gas into the payroll scheme.

A response to their request was sent from the Group Director of Financial Services and Digital Economy on 5th April and noted that: *a similar exclusion exists in the Isle of Man and Guernsey as matters stand.*

However, things move quickly in the global response to Covid-19. Guernsey has since agreed to include Guernsey Gas in its scheme, and the Isle of Man is considering doing the same.

The request is still being made, here in Jersey, that Jersey Gas be considered eligible for Phase 2 of the payroll scheme, thereby enabling them to safeguard a critical service as well as the jobs of their highly skilled staff in these difficult times.

I have worded the request in this proposition carefully in order to allow flexibility in the governmental response needed to assist Jersey Gas. It is likely that the simplest and most straightforward way to secure these jobs is to include them in Phase 2 of the scheme. However, I also note that on 18th March it was announced that there would be:

[A Jersey Recovery Fund](#) to support larger businesses who are delivering a wider public good or essential strategic purpose, with up to £50 million of funds available. It may, therefore, be possible that there is another package which will be mutually acceptable to Ministers and Jersey Gas that varies from the aforementioned scheme.

For ease of reference, I have included supporting information as an **Appendix**.

### **Financial and manpower implications**

The maximum amount of funding required to access Phase 2 of the scheme, if all 46 employees were considered eligible, would be £73,600 a month.

This is based on the fact that the maximum subsidy available is 80% of the lower of each qualifying worker's –

- rate of pay for the relevant period
- £2,000 a month.

This means a maximum cash payment of £1,600 is available per qualifying worker per month.

**Background information**

A Ministerial Decision was signed by the Assistant Minister for Treasury and Resources, Senator I.J. Gorst, on 1st April 2020. This was to cover the periods between 20th March and 31st March 2020.

The Government Co-Funded Payroll Scheme: Phase 1 was introduced to assist employers and employees whose businesses have suffered significant detriment as a result of the Covid-19 global pandemic (“Covid-19”) and the circumstances brought about by Covid-19. The key aims and incentives of the scheme are –

- To maintain employment in selected industries that are severely affected by the public health restrictions introduced in March to manage the outbreak of Covid-19.
- To maintain, as far as possible, existing employment relationships so that businesses are able to retain trained staff. As far as possible, employees should be kept in employment that is as similar as practicable to the situation they were in pre-Covid-19.
- Along with other economic support measures being taken by the Government, to allow the business or self-employed individual a greater chance to remain solvent during Covid-19. This should also allow for businesses to resume normal business activity where appropriate, as soon as possible post-Covid-19, once restrictions are eased.
- Ultimately, the scheme hopes to assist in the recovery of the economy post-Covid-19 by ensuring that businesses and employment income can restart quickly once restrictions are eased.

For pay periods including 20th March to 31st March 2020, these businesses can claim –

1. For the period 20th March to 31st March, a business in a Phase 1 qualifying sector can apply for support of £200 per week for a worker who has worked during the relevant period and has been paid either –
  - at least £320 per week; or
  - at least £1,390 per calendar month.

This applies for pay periods including 20th March to 31st March.

For workers earning lower weekly or monthly amounts a payment of 60% of 39% of the usual monthly wage (around 23% or roughly one quarter) will be made. This largely equates to 60% of the relevant wage for the proportion of the month that was affected by restrictions (39%).

This scheme will come into effect for those in employment as at Friday 20th March 2020, with the first payment due at the beginning of April.

## Phase 2 of the Payroll Scheme

On 26th March 2020, the Government announced Phase 2 of the Government Co-Funded Payroll Scheme which will co-fund 80% of the wages of Jersey employees across a wide range of sectors, up to a maximum payment of £1,600 a month. The scheme is confirmed for April to June 2020. It will then be subject to review and can be continued if the situation persists.

On 9th April 2020, the Government announced final details on the scope and operation of Phase 2 of the Co-funded Payroll Scheme. This expanded the scheme to a wider range of sectors listed below, and has finally determined that a “material detriment” declaration will be required for a business to make an application.

**“Material detriment” will be determined by a loss of turnover over the relevant period of at least 30% compared with a previous comparable trading period.**

Phase 2 of the co-funded payroll scheme is available to a wider range of industries. The following industries are included and excluded from Phase 2 of the scheme.

**It is noted that on 9th April 2020, the test of significant detriment was changed to material detriment. If a business believes that it suffered 30% loss in turnover (for the relevant period) but not 50% loss in detriment, an application is invited.**

At the time of writing, further work was ongoing on Phase 2. On 17th April, a [statement](#) was released by the Minister for Economic Development, Tourism, Sport and Culture, Senator L.J. Farnham, which read –

*“The guidance for the biggest scheme the government is launching for businesses in Jersey – Phase 2 of the Government Co-funded Payroll Scheme – was due to be announced today.*

*However, the importance of ensuring that the scheme is the best it can be for island businesses, and following feedback from stakeholders, Government needs a few more days to finalise the detailed information and guidance that employers and self-employed people will need.*

*This information will now be published early next week.*

*The Minister for Economic Development, Tourism, Sport and Culture, Senator Lyndon Farnham, said: “I understand that many business owners and employees expected clarity on the next phase of payroll support scheme today.*

*However, my fellow Ministers and I are keen to ensure that we get all the necessary detail absolutely right, as this will be the biggest injection of financial support ever made into the Island’s economy.”.*

## Excluded Industries

A list of excluded industries can be read [here](#), which includes the utilities and Jersey Gas.