

Deputy Chief Minister |
Minister for Economic Development,
Tourism, Sport and Culture



Deputy David Johnson
Chair
Economic and International Affairs Scrutiny Panel
By email

31st March 2021

Dear Deputy Johnson

Review into Covid-19 Support for small businesses

Thank you for your letter of 18th March regarding the financial support measures that have been implemented during the pandemic to support small businesses. As the Panel notes, we have found ourselves in a rapidly changing situation since March 2020 but we recognised the urgent need for financial support in order to support livelihoods and protect islanders' jobs.

Ministers and officers have systematically provided an extensive programme of business support in the past 13 months, with the first measures being announced on 12th March 2020, just two days after Jersey's first case was confirmed on 10th March 2020. A fuller package was announced on 18th March 2020 and we have continued to respond to changing circumstances throughout the pandemic.

The level of business support provided by Government is unprecedented in its scale, range and pace of delivery. It has been particularly challenging for officers to deliver at this speed whilst still observing the legal requirements the States Assembly has placed upon them under the Public Finances (Jersey) Law 2019. As you can appreciate, while providing appropriate support for businesses, there has also been an imperative to ensure due diligence in the use of taxpayers' funds.

The small team of officers working on these projects have sought to follow a logical and unemotive approach in the assessment of need and design of subsequent support measures; their advice has to be objective and in line with their legal obligations. Even in circumstances where officers agree with the need for intervention, they are required to comment on the potential shortcomings and risks. Formal Ministerial Instruction has been required in order to deliver support schemes where it was felt that there was an overriding need.

Core support for business has been available throughout the pandemic from the Co-Funded Payroll Scheme and the Business Disruption Loan Guarantee Scheme. Other forms of support have been added as the pandemic continued and unfortunately these take time to

develop and secure approvals for. Officers have worked extensively out of hours and over weekends to deliver these support measures and respond to huge numbers of enquiries.

A bespoke scheme was developed for the combined visitor attraction and events sectors called the Visitor Attractions and Events Scheme (VAES). This scheme was launched shortly after the Visitor Accommodation Support Scheme (VASS). The delay in implementation was due to the limited resourcing, including staff, available within the Government to develop and implement schemes in parallel. A higher priority was afforded to VASS given the more strategic nature of that sector. Many of those visitor accommodation businesses host events activity, provide the accommodation to inbound attendees at island attractions and events and have a much higher level of fixed costs requiring support.

Events businesses fed back the same points highlighted in your letter about the entry criteria for VAES. The scheme was relaunched on 15th March with a reduced turnover requirement From £00,000 to £150,000, removal of the GST requirement, detriment requirement reduced from 50% to 30% and inclusion of a wider range of businesses.

I have engaged with business representatives at all levels and have done so throughout the pandemic. I have also encouraged businesses to engage with the team at Jersey Business to provide feedback and benefit from their free advisory services.

The Government of Jersey website provided comprehensive information on scheme availability at all times and was supported through telephone and email contact channels. The Jersey Hospitality Association and Chamber of Commerce have also assisted in disseminating information to businesses and providing advice. I am aware of the 'Small Business Support re COVID-19 Jersey' Facebook group and commend the facilitator, Beverley Le Cuirot, for this initiative, which supplemented Government information channels and provided a means for businesses to communicate with each other on a range of practical matters.

In response to your specific points:

1. I have been acutely aware of the specific challenges that faced events businesses, which, unfortunately, were severely impacted by the nature of the virus and the health measures that had to be put in place to protect islanders. Events businesses have been able to access all the general support packages, such as the co-funded payroll support scheme, since its introduction and throughout the pandemic we have reviewed and evolved the support available. This will continue for all sizes and sectors of business.
2. The detriment criteria was set recognising feedback from businesses, which were reporting very high levels of detriment and in some cases non-existent business levels. The detriment requirement was reduced from 50% to 30% for the second phase of the scheme in response to feedback. A diverse range of businesses were eligible to claim under the Visitor Attraction and Events Scheme (VAES) and could claim a maximum of £40,000 a month. As set out in the letter of the Acting Director General, it was more difficult to quantify the financial position of such a broad range of businesses. This compared to the more tightly targeted VASS scheme, for which it was possible to have more precise definitions and for which financial information had been collected in

advance from the accommodation sector ahead of VASS implementation.

3. The financial comparison was for the full trading period of 2019 set against the 12 months up to the month of claim. This seemed a reasonable comparison to assess the detriment suffered on a progressive basis and, at the time of the scheme opening, would have included poor trade over the pandemic period from February 2020 to October 2020 with this extending out in each subsequent month of claim. A number of businesses have applied to VAES after a slow start, including some after the revision to VAES 2, and this does not seem an issue in their applications.
4. At the time of original discussion with business in summer 2020, it was generally expected that we had navigated the first wave of the pandemic and were rapidly removing restrictions on business. The primary focus at that time was around completing the Safe Exit Strategy and making revisions to the Co-funded Payroll Scheme. The Business Disruption Loan Guarantee Scheme was also in place at that time and provided a means of businesses securing working capital support. The delay in providing a bespoke scheme was primarily due to resourcing and to due diligence requirements.
5. The Fixed Costs Support Scheme provides a generous level of support to businesses affected by closure or restrictions in the second wave of the pandemic. This was never intended to cover overheads in their entirety, and it is not feasible for any government to underwrite private sector business in this way. The Fixed Costs Support Scheme was designed to share the burden of fixed costs with businesses. The cap recognised that this was a very broad-based scheme offering rapid financial support, and it did not require applicant businesses to provide any advanced underwriting or proof of need. Being accessible to a wider range and therefore larger number of businesses, it was not feasible to require the level of pre-audit requested for other more targeted schemes.
6. Employers have been supported through the most extensive businesses support package ever delivered by the Government of Jersey. Specifically this includes:
 - a. Salaried employees, including directors, eligible to claim under Co-Funded Payroll Scheme;
 - b. Self-employed individuals able to claim under the Co-Funded Payroll Scheme;
 - c. The Co-Funded Payroll Scheme supported the continued trading of many employers throughout the pandemic and mitigated large-scale redundancies that would almost certainly have choked business recovery;
 - d. The Business Disruption Loan Guarantee Scheme was implemented to provide vital access to working capital;
 - e. GST and Social Security contributions were deferred so assisting company cashflow;
 - f. Additional funding was released to Jersey Business in order to assist business owners with practical legal and financial advisory support; and
 - g. Various other schemes have supported fixed costs of employers that helps to preserve economic capacity and support continuity and recovery.
7. Ministerial colleagues in Treasury and Social Security support pragmatic and affordable repayment mechanisms for accumulated GST and Social Security contribution deferrals.

These are being discussed individually where necessary with the businesses involved.

8. The first phase of Government financial support for businesses was announced before the start of the March lockdown and has been reviewed and updated throughout the pandemic since then. The aim was to provide broad-ranging support for the widest range of businesses possible as quickly as possible. While the creation of a new portal was not impossible, this may have further delayed implementation of certain schemes and further complicated the application process for others. This was an untried situation for all involved and it appears that businesses have become familiar with the application process and this has become easier over time.

To conclude, I can advise the Panel that the support for all businesses going forward remains under review so that we can ensure the island's businesses are in a good position for economic recovery and that islanders are able to retain employment, a factor which we know is vital for both financial and health-related wellbeing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lyndon Farnham', with a horizontal line drawn through it.

Senator Lyndon Farnham
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