



States Greffe: Scrutiny

Senator Lyndon Farnham  
Minister for Economic Development, Tourism, Sport and Culture  
By email

18th March 2021

Dear Minister

**Economic and International Affairs Scrutiny Panel**

**Review into Covid-19, Support for Small Businesses, Interim Response**

As you are aware, the Economic and International Affairs Scrutiny Panel has undertaken a review on support for businesses following the Covid-19 pandemic. In December 2020, the Panel presented its [report](#) on the Government's response to Covid-19 and received a number of concerns from various businesses regarding the support that had been made available. Since that report was published, the support packages have been updated and expanded in some areas. The main purpose of this review was to ensure the schemes are effective and fit for purpose.

The Panel is aware of the rapidly moving environment in which small businesses find themselves due to the pandemic and it is for that reason we have decided to write to you swiftly with our initial findings, rather than present a Report. The Panel did not consider it appropriate to undertake a lengthy review process for this particular topic and agreed from the outset that the review would be nimble in its approach. To that end, rather than hold a Public Hearing with you, we have set out our initial findings and follow up questions in this letter which are informed by the public submissions we received.

The Panel will monitor this situation closely and will continue to undertake Scrutiny as required. Should it be necessary, the Panel will request further calls for evidence and will publish updates to its work either in the form of a report (interim or otherwise), media release, public hearing or a letter.

In terms of our evidence gathering process, we targeted certain sectors including representatives of the small business community and asked a number of questions about the following schemes.

- Co-Funded Payroll Scheme
- Business Disruption Loan Guarantee Scheme
- Visitor Accommodation Scheme
- Events and Attraction scheme
- Grant Support Scheme
- Deferral of GST and Employer Social Security Contributions

The Panel received approximately 30 submissions, with most respondents confirming that they were happy that their feedback was published to the [States Assembly website](#). Most of those who responded were grateful for the opportunity to voice their opinions.

The Panel has also posted a number of quotes from respondents which can be accessed [here](#).

The following section provides an overview of the submissions received which specifically relate to each scheme.

### **Visitor Attractions and Events Scheme**

*The scheme will support events and attractions providers who have experienced financial hardship as a result of the ongoing COVID-19 pandemic, and enable them to continue trading in 2021. It will meet up to 80% of fixed business costs incurred between October 2020 and April 2021.*

Within the submissions, it was stated that those working exclusively within the events industry have been effectively closed since March 2020 and would remain unable to return to reasonable levels of work (and income) until social distancing restrictions are lifted. Unlike the hospitality sector, events businesses raised concerns that they cannot simply 'open up our doors' when permitted and be expected to instantly trade again as they place heavy reliance on planning and advance bookings.

The feedback from respondents was that the Visitor Attractions and Events Scheme criteria was too high with some making reference to the minimum turnover of £300,000 and GST registration. According to one submission, these high criteria has resulted in more than 90% of the events industry not qualifying for the Scheme.<sup>1</sup>

One submission did not feel the year-on-year comparison worked for the events industry and felt it would be a truer reflection if income was assessed on a monthly basis due to the tendency of events being seasonal rather than annual and steady. It was further mentioned that making a month on month comparison with 2019 or the previous year was not necessarily a true reflection of earnings lost due to restrictions.

Another area drawing criticism was the length of time it has taken for the scheme to be approved. One small business owner wrote of a meeting he attended on 29th July 2020 with various events business owners, representatives of Government, and representatives of Jersey Business. The purpose of the meeting was to discuss the financial support required for the event industry. He stated although the meeting was positive and it was agreed there was a need for a financial package, it was not until October 2020 that the events industry was made aware the allocation of funds had been approved. However, the scheme was not released until 3 months later on 5th January 2021, 6 months after the initial meeting.

### **Fixed Costs Support Scheme**

*The Fixed Costs Support Scheme is a Government scheme which makes a financial contribution towards a business' fixed costs where they have been impacted by COVID-19 related public health measures, including 2 metre physical distancing.*

The majority of concerns stemmed from the scheme being capped at £3,000 for tenants or sublets. Some expressed that this was insufficient to pay the rent and cover additional overheads. In addition, the scheme was implemented to run from 1st January 2021 to 30th April 2021 which

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<sup>1</sup> Some of the restrictions to this scheme have now been eased

did not cover the month of December which is known for being a particularly busy period for the hospitality industry.

### **Co Funding Payroll Scheme**

*The Scheme, which subsidises payroll and earnings, was established as one part of the Government's wider emergency support package for thousands of Islanders and businesses during the coronavirus pandemic. This was designed to support household income of Islanders, preserve employment levels wherever possible and reduce the cashflow burden on businesses during the restrictive measures.*

The main concerns about this scheme were its inflexibility to review any year on year changes to the overall business. One business owner explained that the rules were unfair as they were based on 2019 figures without checking the individual circumstances of each business. One respondent stated that the scheme was flawed in that it looked at turnover as opposed to net profit giving the example of their own business which had grown in size since 2019 and increased the number of staff, however, they were only eligible to claim for the 2019 turnover. Another respondent felt the thresholds were not realistic to the Jersey cost of living and whilst salary was covered, all other outgoings were overlooked.

As previously mentioned, quotes from various stakeholders who responded to the Panel's request for submissions can be found [here](#).

### **Social Security Deferrals**

Respondents who commented on the deferral of GST and employer social security contributions did not believe this contributed to providing a solution. Some stated it was an accumulation of even more debt that would need to be paid back at some stage whilst another stated Social Security should be used for times of crisis like the pandemic. Overall, the deferral of Social Security did not seem to offer any solution to the problem and for most small business owners, the debt was still increasing.

One submission suggested Government should speak to the banks as although there were some allowances to have mortgage payments frozen, interest was still having to be paid on the loan.

### **Business Disruption Loan Guarantee Scheme**

The Panel wrote to Jersey Business specifically regarding the Business Disruption Loan Guarantee Scheme (BDLGS) as it had been made aware that some small business owners had been unable to qualify. The BDLGS recognised that businesses may be constrained in their ability to generate new working capital through commercial bank loans, due to an uncertain business outlook. The scheme provides a guarantee from the Government for 80% of the borrowing, thereby reducing some of the risk exposure that banks would otherwise assess directly against the borrower and in turn, was expected to improve credit availability. The BDLGS was a loan scheme from the banks with 80% guarantee from States of Jersey.<sup>2</sup>

The Panel was informed that whilst Jersey Business had given input to Government and assisted with the relevant communications, all scheme structural decisions including relevant terms and

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<sup>2</sup> Written Submission – Jersey Business

conditions were made by the Council of Ministers following the recommendations of Government officers.

Jersey Business stated within their submission they had provided different levels of advice and maintained ongoing support with a number of clients and 266 enquiries had been referred to them, most via the Gov application portal.

One of the questions put to Jersey Business was what they seen as the main themes causing exclusion from claiming on the scheme. Jersey Business gave a few examples namely:

- Initially there were several sectors excluded from the scheme which caused some discontent for applicants from these sectors but also impacted on the number of early applications
- Some clients may have had a negative opinion of banks willingness to lend and as such this might have resulted in clients not proceeding with the loan scheme
- The scheme was too similar to BAU, meaning the banks did most of their lending under BAU and therefore excluding clients from applying via the BDLGS. This was the banking markets working as they should do.

The Panel was also informed there was no formal appeals process in place, however, appeals were made to the banks via the Jersey Business Team and generally dealt with by their Head of Advisory dealing with the Bank Heads of Corporate. Most appeals were successfully overturned however the number was not disclosed.

Jersey Business suggested a soft loan product with greater flexibility for delayed repayment terms and no interest payable in year one plus Government servicing BDLGS loan interest (for a limited period). This would have been more attractive to businesses needing funding but reluctant to take on debt given uncertain nature of future revenue during the pandemic.<sup>3</sup>

## **Conclusion**

The Panel is of the opinion that, based on these submissions, there has been and still is confusion and discontent regarding some of the schemes. We would like to draw your attention to the following areas, which we have found to be of particular concern, together with suggestions and requests for further information: -

1. The events industry relies heavily on planning and advance bookings and would not be able to trade instantly once restrictions were lifted. In addition, whilst some hospitality businesses could trade with social distancing restrictions in place, this was not possible for events. The events industry did not believe they were included within the initial payment scheme plan and whilst they were the first to close, they were one of the last to receive compensation. What are your views on this and do you have plans in place to include small businesses in all areas of decision making when developing any future schemes?

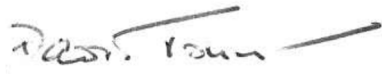
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<sup>3</sup> Written Submission – Jersey Business

2. Some event planners raised concerns about the disparity in the Visitor Attractions and Events Scheme compared with other schemes regarding the eligibility criteria. For example, a 20% fall in turnover to be eligible for the Fixed Costs Support Scheme as opposed to 30% fall in turnover for Visitor Attractions and Events Scheme. Please could you comment on this and provide us with details of the eligibility criteria and why there is a disparity?
3. Comparing monthly assessments of earnings with the previous year was not considered a fair reflection of lost revenue caused by the pandemic. Whilst the Panel understands comparisons have to be made with something, the Fixed Costs Support Scheme did not look at any individual change of circumstance or changes in the business size from the previous year. What are your thoughts on this, and do you envisage there to be any changes with future schemes?
4. Application for the Visitor Attractions and Events Scheme was not available until 6 months after an initial meeting took place with events business owners and representatives of Government of Jersey (GoJ). Why was there such a prolonged delay?
5. The Fixed Costs Support Scheme was capped at £3000 for tenants or sublets which most found inadequate to cover basic overheads. Was there a reason why this was capped and if so, could you provide us with the details?
6. Some business owners felt whilst there was support for employees, there was limited or no support for employers. Could you provide details of what assistance, if any, is available directly for employers?
7. Most found the deferral of Social Security payments as just another accumulation of debt which would have to be paid eventually. Will an affordable payback scheme be implemented to help those deferring social security payments as opposed to payment in full on a particular date? Are there any plans in place to recoup the deferral of Social Security payments?
8. Overall, most respondents felt that the Government response to assist was too slow. Some explained that they were able to obtain more information on Facebook and other social media groups. One area of improvement suggested by respondents was the development of a central portal to enable each of the schemes to be accessed in the same way. Respondents cited that this would be more beneficial and user-friendly, rather than having to access each scheme individually with different processes. Did you consider one central portal to access the schemes?

As previously mentioned, we find ourselves in a rapidly changing situation and the Panel would respectfully ask if you could provide a formal written response to this letter no later than 26th March 2021. In keeping with standard practice, the Panel will publish our exchange of correspondence on the States Assembly website.

Yours sincerely



Deputy David Johnson  
Chair  
Economic and International Affairs Scrutiny Panel