



Visitor Accommodation Support Scheme – End of Scheme Review

DECEMBER 2022

1. Summary

1. 61 businesses were reached by the Visitor Accommodation Support Scheme with a total of 577 claims being made for support.
2. £8.9 million was paid out to businesses in a period of depressed demand, helping to support the economy. However, up to £1.6 million is estimated to be due to be repaid to the Government of Jersey, subject to further information supplied by claimants.
3. The Visitor Accommodation Support Scheme provided quick help supporting businesses that appears to have enabled a quick recovery, which may have otherwise not been possible.
4. Whilst bed numbers have been in decline and this trend has continued, the support is likely to have held up the visitor accommodation levels on the island.
5. It is difficult to assess the “counterfactual” i.e. what would have happened to these businesses without the support from the Government, however, it is clear that businesses revenues were hit significantly due to depressed demand.

2. About the Scheme

The Visitor Accommodation Support Scheme (VASS) provided financial support to businesses in the accommodation sector, which were affected heavily by Covid-19 restrictions, between October 2020 and April 2021. This was extended to cover up to March 2022. The amount of support businesses received depended on a rate for the room with bounds set as follows:

Room Subsidy	Standard Accommodation	4- or 5-Star Hotel
Amount per room/unit per night	£10	£12.50
Minimum monthly subsidy	£3,000	£3,000
Maximum monthly subsidy	80% of fixed costs	80% of fixed costs

Businesses had to be a registered Tourist Accommodation Provider as at 1 October 2020 to receive financial support.

Businesses were originally eligible for the first version of the scheme if they could evidence a 50% detriment to turnover in the month of claim in comparison to the monthly average turnover in 2019. This eligibility criteria changed to be a 30% detriment comparing total turnover in last 12 months to total 2019 turnover.

3. Objectives of the Scheme

The objectives of the scheme as set out in the business case were to:

1. Ensure that Jersey maintains quality and diverse bed-stock in Registered Tourist Accommodation Providers for the 2021 tourism season and beyond.
2. Limit the failure of Registered Tourist Accommodation Providers as a result of the impact of Covid-19 restrictions that would require significant, and potentially prohibitive, capital investment for the premises to be reopened by a new operator.

4. Economic Situation – Rationale for Intervention

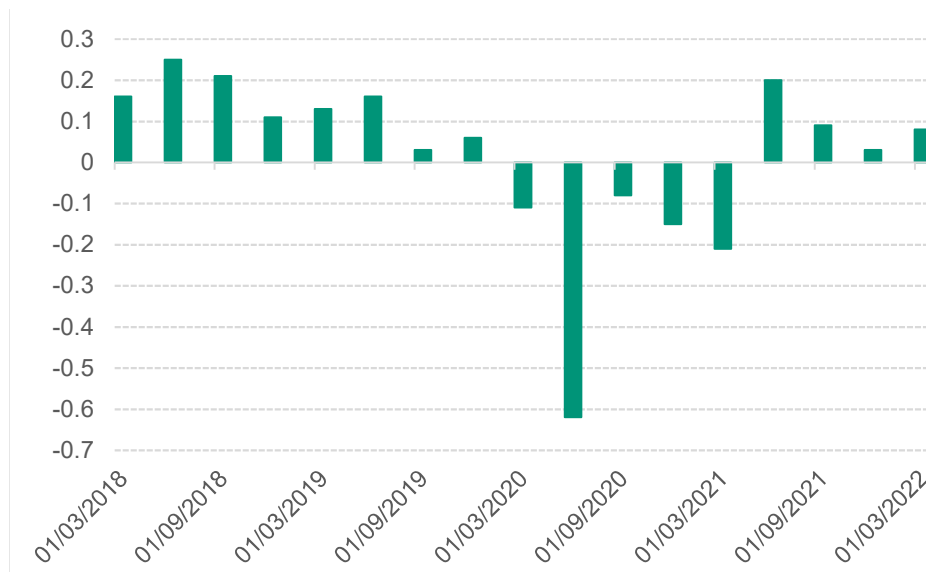
The Covid-19 pandemic and mitigating actions by the Government and individuals caused a significant economic downturn. In 2020, GVA fell by 8.7% which was the largest fall since comparable records began in Jersey. Likewise, the number of individuals who were actively seeking work grew to 2,300 in May 2020 and didn't fall back to 2019 levels until late 2021.

Many businesses in the Island were affected by the government restrictions. Travel restrictions and fear of travelling led to a large fall in tourism numbers in 2020 and 2021 with number of passenger arrivals falling dramatically from 1.2m in 2019 to 250k in 2020. Whilst there was some recovery to 405k in 2021, this was still significantly lower than 2019.

This reduction in tourism and introduction of public health restrictions led to lower turnover for many businesses and for some of these, their fixed costs remained relatively constant. Many businesses have long-term commercial leases meaning that they were still obligated to pay rent whilst their turnover was depressed. Further, those businesses who chose to operate when it was legally possible had reduced demand whilst other costs remaining relatively fixed. For example, for some hotels, electricity and heating costs were still necessary for their whole premises despite reduced demand due to various reasons out of their control such as spacing rules and lack of visitors due to quarantine requirements.

It is likely that this led to some businesses struggling financially and made it difficult for them to continue trading. Statistics from the Business Tendency Survey shows that businesses have given a negative score for profitability since 2020 suggesting a continual worsening of profitability over the period. In December 2021, only 12% of businesses surveyed said their profitability had improved over the past quarter compared to 39% who said their profitability had worsened. Likewise, more businesses reported a decrease in business activity compared to the previous quarter throughout 2020 and at the start of 2021. This started to change in mid-2021 with more businesses reporting an increase, however, this was predominately due to it being compared to the low previous quarter. This can be seen in Figure 1. The scheme likely boosted confidence of businesses that they had certainty over the period. This may have influenced businesses to continue trading.

Figure 1 – Business Tendency Survey Scores for Business Activity Indicator, Comparing Current Situation to Three Months Previous

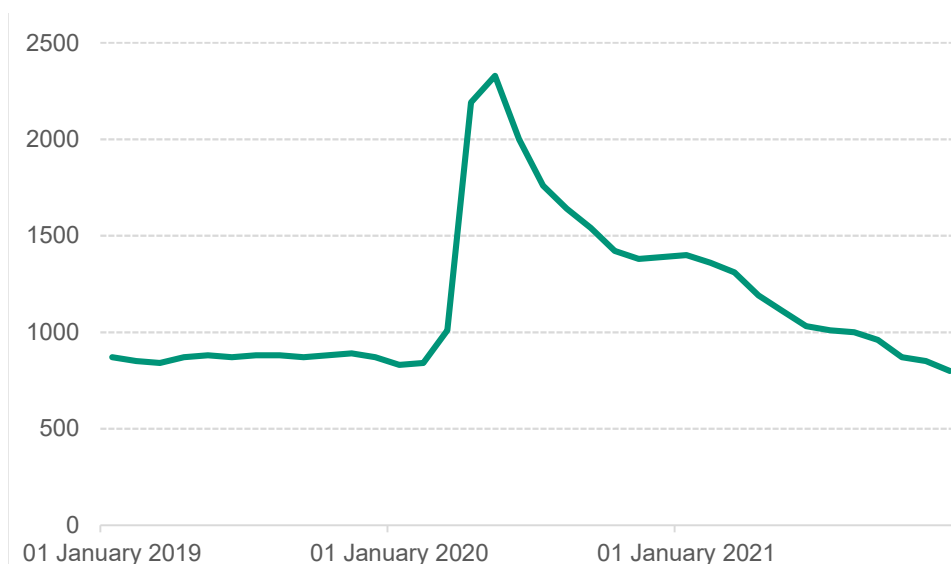


Source: Statistics Jersey

5. Economic Recovery – Bounce Back from the Pandemic

Despite the impacts still being felt particularly on profitability as reported by the Business Tendency Survey, there are signs that Jersey's economy appears to be recovering from the pandemic, which was a key aim of the Visitor Accommodation Support Scheme. The number of individuals who are Actively Seeking Work is at a record low since comparable figures began and much lower than at the height of the pandemic as can be seen in Figure 2. Recruitment can be a long process and the number of jobs in the labour market suggests that businesses have retained and been able to hire staff quickly. This may have been enabled by the scheme which allowed them to have enough reserves and cashflow to feel confident to hire. The number of jobs in the 'hotels, restaurants and bars' sector is lower than it was in 2019, however, there was still a substantial increase between 2020 and 2021 suggesting a recovery.

Figure 2 – Total Registered as Actively Seeking Work (Seasonally Adjusted)



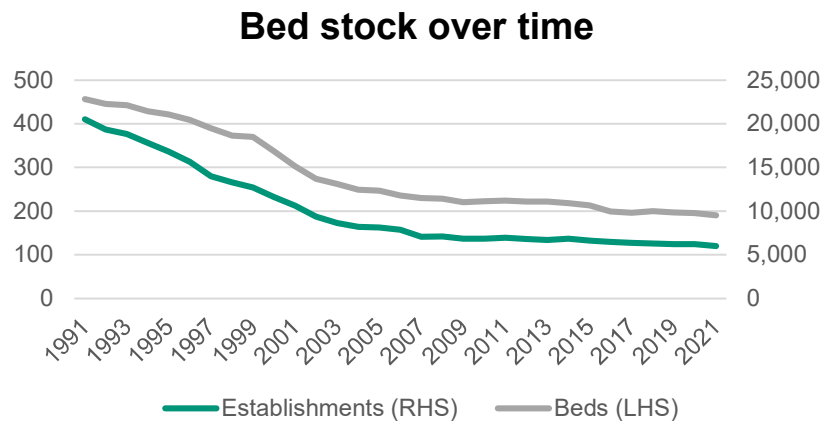
Source: Statistics Jersey

Likewise, other indicators seem generally positive such as the Business Tendency Survey future business indicator which showed in March 2022 that 25% of businesses reported an increase in business activity compared to the previous quarter. Whilst only 17% reported experiencing a decline. It's possible that, without the scheme, some businesses would have struggled to survive and had to reduce operations or been unable to bounce back as quickly. Finally, improving tourism numbers since 2020 should help to increase the turnover of businesses as hotels benefit from more overseas visitors.

6. Reviewing Success of Individual Objectives

Whilst the economic recovery and stability of economic infrastructure was the overarching objective of the scheme, there were specific objectives for the VASS. The first of the objectives was to:

Ensure that Jersey maintains quality and diverse bed-stock in Registered Tourist Accommodation Providers for the 2021 tourism season and beyond.



Bed stock has reduced between 1991 and 2021, although the pace at which this is happening has slowed in recent years. Prior to the onset of the pandemic, the number of beds was 9,855 in 2019. In 2021, Jersey maintained an overall bed stock of 9,522 across different accommodation types (e.g. hotels, guest houses, self-catering and hostels). As of September 2022, the number of beds has largely remained at the same level with 9,531 beds. However, planned closures or new establishments may affect the total number of beds available on island in future years. Increasing the bed stock remains a strategic objective for the industry.

Limit the failure of Registered Tourist Accommodation Providers as a result of the impact of Covid-19 restrictions that would require significant, and potentially prohibitive, capital investment for the premises to be reopened by a new operator.

Visitor numbers were depressed in 2020 and 2021 and forecasts expect them to be depressed for the immediate future. This has inevitably created financial strain on hotels which rely on tourists.

Anecdotal evidence suggests that there were no large number of business failures during the past two years and that most hotels continue to operate.

7. Assessing the Counterfactual

It is difficult to assess how many of the businesses supported needed financial aid and what the optimal level would have been, due to lack of counterfactual i.e. what would have happened without the support. It is likely that some of the funding provided by the scheme was directed towards businesses who already had strong financial resilience or would have survived without the economic support. For example, businesses with large amounts of cash reserves or less tourism focussed would have been better able to withstand the impacts from the public health restrictions.

The support also may have prevented some reduction in inefficiencies including businesses leaving the market. Economic downturns can improve productivity and efficiency as businesses have to cut costs to remain profitable and those who are not productive, can leave the market, which in turn frees up labour for other businesses. This is sometimes known as 'Schumpeterian Creative Destruction'. Some efficiency improvements may have been hampered by the payments, however, this effect is likely to be small as the VASS provided support for 80% of costs for businesses continuing to operate and therefore there remained an incentive to reduce costs.

8. Targeting of the Scheme

Further, it may have been possible to improve the targeting of the support through greater interrogation of accounts or through different detriment tests, however, this would have had the trade-off of likely being slower, having larger administration costs and potentially being less efficient.

9. Audit of the Scheme

The Comptroller and Auditor General reviewed the robustness of the processes and control for the design and the implementation of VASS as part of the overall report, 'Government support to businesses during the COVID-19 pandemic – other schemes'¹ in November 2021.

10. Conclusion

Overall, the available evidence suggests the objectives have been met, as economic infrastructure has largely been sustained. It is difficult to precisely assess the value for money of the scheme and whether a similar result could have been achieved with less financial support. It appears there have been some falls in bed stock over the course of 2020 and 2021, however, these are consistent with existing trends and would likely have been larger without the scheme. Some of the objectives may have been achieved without the VASS or the specific level of financial support, however, there would have been trade-offs for businesses and it's likely that the VASS contributed to the achievement of its objectives.

¹ Government support to businesses during the COVID-19 pandemic – other schemes' [Jersey Audit Office](#) November 2021