

Office of the Chief Executive

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Senator L Farnham
Minister for Economic Development, Tourism, Sport & Culture
Government of Jersey
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By e-mail to l.farnham@gov.je

14th December 2020

Dear *Minister*,

Events & Attractions Scheme ("Scheme")

I understand that various approaches have been made to you seeking financial support for businesses operating within the events and visitor attractions industry. Collectively, we have found this a difficult group to clearly identify versus the clear categorisation of 'Registered Tourism Accommodation' sector in order to define the separate 'Visitor Accommodation Support Scheme' approved by the Chief Minister. This lack of definition has made it particularly difficult to assess the validity of any intervention, its economic benefit and the net value to taxpayers in making such a scheme available.

The over-arching objective of such a Scheme is to support businesses that are intrinsic to Jersey's events industry and the most popular activities or attractions that support Jersey's tourism offer. We share a recognition that several businesses have seen their trade forcibly limited by prevailing public health measures and for this purpose, most notably the restrictions on size of gatherings.

Personal life events, such as weddings and landmark birthday celebrations, coupled with the annual calendar of charity dinners, trade dinners etc generate demand for venue bookings and associated services such as audio-visual equipment and professional outdoor catering. Other demand for event services arise from servicing Jersey's sporting calendar at Jersey Reds, Jersey marathon and Superleague Triathlon, all of these seeing huge disruption and / or cancellation in 2020. These events require intense planning, organisation, equipment and staffing, with staff costs being substantively supported through the Co-funded Payroll Scheme implemented earlier in the pandemic and evolved several times since.

Separately, the combined effect of reduced visitor numbers and prevailing public health measures have restricted trade at a number of the island's visitor attractions, for example Jersey Zoo and Jersey War Tunnels. A number of these attractions fulfil the dual purpose of supporting tourism and domestic need through education and leisure activities. In the context of this Scheme you should also note the £1.1m support extended to Jersey Heritage, operator of multiple sites, in respect of lost gate receipts arising from COVID-19 impact in 2020.

My officers have worked extensively with colleagues to define a Scheme along these lines and have concluded the following key principles are necessary to achieve the best possible overall intervention:

1. That the Scheme should support substantial businesses clearly identifiable as visitor attractions, for example, Jersey Zoo;
2. That these should be ticketed and / or paid entry attractions that can clearly demonstrate loss of business from the application of restrictive public health measures by Government;
3. That Government supports those businesses carrying substantial fixed costs of premises and equipment that directly contributes to the hosting of visitors and / or staging of events;
4. That all businesses seeking support from the Scheme should be able to demonstrate financial materiality in terms of being Registered for Goods & Services Tax ("GST") and having turnover greater than £300,000 per annum;
5. That the Scheme – and any prospective applicants - must recognise the first call expectation on shareholders and commercial bankers and beyond this to the breadth of support already offered through Co-funded Payroll Scheme and the (to date, lightly used) Business Disruption Loan Guarantee Scheme. Consequently, this Scheme should be considered a call of last resort rather than first resort.

In the Economic Indicators Report published on 11th November 2020, existing economic support measures were valued at:

- Co-funded Payroll Scheme
 - Phase 1 – £2m
 - Phase 2 – £78.6m for claims in April to August 2020 inclusive
 - Phase 3 - £5.2m for the 1st month of operation (September 2020)
- Business Disruption Loan Guarantee Scheme - £3.3m

Feedback from the business community has positively highlighted the value of the Co-funded Payroll Scheme in preserving employment and supporting livelihoods during this difficult period. The co-funded Payroll Scheme supports self-employed individuals, just as it supports those in employment, and it is important that we have equity in our economic support arrangements with no fear of favour between these categories.

On 26th November 2020, Statistics Jersey published experimental statistics to estimate quarterly GVA in the non-financial sectors. This estimated a drop of 36% in GVA across all non-financial sectors against the same period in 2019 and the most significant impact an 86% drop for the category of hotels, restaurants and bars. There is no sector specific breakdown within Statistics Jersey data to specifically identify the sectors intended for inclusion in this Scheme, however, a general proxy might be to 'Other business activities' where a drop of 31% was reported Q2 2020 vs Q2 2019. An identical 31% drop was evidenced under 'Transport, Communication & Storage' and some businesses that would be expected to claim under the Scheme also identify with Standard Industry Classification ("SIC") codes that reside in this category e.g. audio-visual production businesses.

The enemy of economic recovery will be larger, sector-critical businesses hitting a cross-over point into non-viability. It is recognised that a number of businesses that anticipate receiving support from the Scheme will provide a ripple effect of benefits in the recovery phase as they consume services of other small businesses e.g. in the staging of events. Maintaining the 'vital organs' supports this future convening and buying power of more commoditised goods and services that are more readily stood-up or stood-down in times of economic expansion and contraction.

Some businesses have, however, struggled to cope with the burden of fixed costs essential to their survival and / or recovery whilst forcibly restricted in their normal trade. Businesses will typically economise on variable costs during periods of financial stress and look closely at their ability to generate cash through sale (and possible lease-back) of assets or to raise working capital against the asset base. Nevertheless, the cost of financing and maintaining assets critical to the business - premises, plant, machinery, other equipment etc – together with associated costs critical to ongoing survival – utilities, insurance, statutory training etc – significantly pressures working capital in the absence of normal pattern of trade. This grant scheme builds on and complements the substantial package of support that government has already announced to support businesses and employees.

Together with Council of Ministers you have considered the business case relating to the Scheme. In earlier discussion with the Council of Ministers officers presented a range of risks inherent within the Scheme and noted it was unlikely these could be fully mitigated. I have discussed the matter further with Treasury & Exchequer officers with particular emphasis on my responsibilities as an Accountable Officer.

As you know, it is my personal responsibility as Accountable Officer to ensure that the Department's use of resources is appropriate and is consistent with the requirements as set out in the Public Finances Manual. As with the Visitor Accommodation Support Scheme there are some uncertainties around the value for money of this proposal although, in the case of this Scheme specifically, it is not possible to construct a business case to clearly demonstrate that this funding represents value for money to the standards expected by the Public Finances Manual, specifically that funds are used economically, efficiently and effectively.

There are particular value for money risks around the extent to which funding will go to businesses who do not need it, either because they are otherwise able to adapt their business, seek support of shareholders and / or bankers or because they have sufficient access to the range of other support schemes available. In addition, there will be businesses who access the scheme but the funding they receive does not ultimately prevent the closure of the business.

Some of these efficacy risks are inherent in any economic policy intervention and are a characteristic of other measures taken by the Government as part of its economic response to Covid-19 such as the Co-Funded Payroll Scheme and the Visitor Accommodation Support Scheme. However, the economic case for those interventions was more robust. In the absence of concrete data surrounding this Scheme, it is more difficult to establish the counterfactual scenario and demonstrate that value for money can be achieved. Given the urgency of the potential need, insufficient time is available to conduct further research that might allow for a more compelling case to be made.

There are also risks around the full feasibility of this scheme, given the operational difficulties in trying to administer efficiently and effectively a new scheme during a pandemic and the pace which is needed to support businesses. In the case of this scheme, feasibility risks are exacerbated by the need for intervention by a 3rd party organisation, Jersey Business, to evaluate business viability and bring forward an objective recommendation of support.

The Principal Accountable Officer has also reviewed the Scheme and holds personal reservations around need, scheme coverage and economic rationality; he has shared this feedback with Treasury & Exchequer officials.

Therefore, because of the nature of these risks I will require your written instruction in order to proceed. As I have set out, there are wider economic and social reasons that you are free to consider in making your assessment, which I am unable to do so in mine. I remind you that an instruction cannot be made that would cause the Head of Expenditure for which I am responsible to become overspent in contravention of Article 15(1) of the Public Finances (Jersey) Law 2019. Accordingly, given that I do not have sufficient budget available to implement the Scheme, any instruction you may choose to issue would be subject to the approval of additional funding by the Chief Minister and the Minister for External Relations as the other budget-holders within Officer of the Chief Executive. Once I have received your letter in response, I will take the necessary steps to request this re-allocation of funding.

In line with the usual process for ministerial instruction, I am copying this letter to the Principal Accountable Officer and the Treasurer of the States. Should you decide to proceed, I anticipate our exchange of correspondence being shared with the Comptroller and Auditor General as early as practicable.

Yours sincerely



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cc: Charlie Parker, Principal Accountable Officer
Richard Bell, Treasurer of the States

by e-mail
by e-mail