

19-21 Broad Street | St Helier
Jersey | JE2 3RR

Deputy Susie Pinel
Minister for Treasury and Resources
19-21 Broad Street
St Helier
Jersey
JE2 3RR

28 January 2021

Dear Minister,

Requirement for written instruction: Co-Funded Payroll Scheme

On 22 December changes to the Co-Funded Payroll Scheme Phase 3+ were introduced to respond to the introduction of the Winter Strategy Circuit Breaker, which required the closure of several business sectors including bars, restaurants, indoor sports facilities, non-essential retail, hairdressers and beauty service providers.

The revised Scheme increased the maximum subsidy payable to 90% of £2,000 (a payment of £1,800) and changed the basis for calculating subsidies to the percentage fall income plus 20% thereby providing a higher level of subsidy to businesses suffering a moderate detriment as a result of the Circuit Breaker.

When the changes to the CFPS were agreed in December it was anticipated that at least some of the sectors that had been required to close would be able to re-open in mid-January and that all sectors could conceivably resume trading within the month. It has subsequently become necessary to extend the Circuit Breaker and consequently no sectors are currently expected to re-open in January, which will have a significant impact on the businesses affected and potentially their wider supply chain.

In light of the deterioration in the economic climate, officials recognise that there is a strong policy rationale for increasing the level support for the economy. The economic advice that we have all seen outlined three key factors that may mean businesses, employment and livelihoods will be impacted without additional support. These can be summarised as follows:

- The Winter Strategy Circuit Breaker is highly likely to lead to severely reduced revenues for the sectors impacted
- The loss of December trading is significant as it provides higher revenues than early Q1 for many of the businesses affected
- Businesses' other sources of liquidity may now have been largely exhausted as a result of a sustained period of reduced revenues

These concerns have similarly been raised in representations made by some members of the business community and relevant trade associations.

Ministers have requested that officials develop options to respond to the potentially increased need for additional subsidies. An increase in the level of support provided to businesses through the CFPS is considered to be the most effective policy response available if Ministers are satisfied that there is a need to increase support. It acts to support households and aggregate demand as well as businesses and thereby provides the most economically advantageous response.

A package of changes to the CPFS has been proposed by officers, which provides a substantial increase in the subsidies provided to businesses. This package is judged to a suitable way to increase support if Ministers are minded to do so. It includes the extension of the Scheme until April for all eligible sectors and the following changes in respect of businesses required to close under the Winter Strategy Circuit Breaker:

- Increase in the maximum monthly wage subsidy from 90% of £2,000 to 90% of £2,500
- Increase in subsidy methodology from detriment plus 20% to detriment plus 30%
- Ability to claim a subsidy for higher paid employees earning between £4,610 and £8,840 consistent with self-employed workers
- Additional flexibility for businesses usually closed for all or part of Winter

As you know, the officials responsible for the implementation of any changes to the CFPS have obligations under the Public Finances (Jersey) Law 2019. In accordance with your policy for allocations from the Reserve, the Treasurer of the States must make a recommendation as to whether funding should be allocated from the Reserve in support of a specific funding request. The Treasurer is required by statute to ensure the proper stewardship and administration of the public finances. The Accountable Officer for the CFPS has a personal responsibility to ensure that funding for the Scheme is spent in way that is consistent with the requirements set out in the Public Finance Manual including an obligation that resources are used economically, efficiently, and effectively.

While we accept the potential need for further government intervention, there are challenges surrounding the counterfactual scenario. In November and December 2020, Officials recommended changes to the CFPS in light of the requirement to materially increase public health measures. It was recognised that the likely impact on the economy would justify an increase in support for the businesses most acutely affected. The effect of current change in the public health context, though significant, is less stark as the CFPS is already able to provide a substantial level of support.

Ministers have also decided to instruct officers in the Office of the Chief Executive to implement a Fixed Cost Support Scheme (FCSS). This Scheme will be available to the businesses that have been most affected by the Winter Strategy Circuit Breaker. The level of financial support provided will be similar in scale to the package of CFPS changes that officers have proposed and all of the businesses in scope of an enhanced CFPS will be able to benefit from FCSS. While economic advice has noted that businesses may require both schemes, there remains a residual risk that the increased support being provided in aggregate exceeds the amount necessary to sustain businesses, employment and livelihoods.

Given this context, it has not been possible, in the short amount time available, to develop a business case that clearly demonstrates additional support would represent value for money to the standards expected of officials under the Public Finances (Jersey) Law 2019 and Public Finance Manual. Given the urgency of the potential need, there is insufficient time available to conduct further research that might allow for a more compelling case to be made.

In light of these risks we require your written instruction in order to proceed. We consider it entirely appropriate for you to make a judgement to proceed given the clear economic risks that continue to be presented by Covid-19, which you may consider outweigh those we have raised in this letter. It is important to note that the Competent Authorities Ministers have approved the changes to the CFPS and its extension until April 2021, and that in your role you are required to take into account of the views of the Island's elected leaders alongside those of officials. We also recognise that you and other ministers are able to take a broader view of the economic and social merits of intervention that officials are not entitled to in their roles.

In line with the usual process for ministerial instructions, the Principal Accountable Officer has been notified and this letter will be copied to the Comptroller and Auditor General.

Yours sincerely



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