

## VISITOR ACCOMMODATION SUPPORT SCHEME

### Introduction

The outbreak of Covid-19 resulted in Government taking measures to support public health that impacted the ability of businesses to operate at their normal capacity. Various schemes and deferrals have been introduced to mitigate the impact of government imposed restrictive measures, including the Co-funded Payroll Scheme and the Business Disruption Loan Guarantee Scheme. The visitor accommodation sector has been particularly impacted and has participated in both schemes. Significant demand for visitor accommodation is not expected to return to normal in the short to medium term. At the same time, it is important to ensure that Jersey maintains a range of quality and diverse visitor accommodation to preserve the foundations of Jersey's ongoing business and leisure offering through this challenging time.

### Principles of the Scheme

It is vital that Jersey enters the new economic environment post-Covid-19 with a visitor accommodation offering which remains attractive to business and leisure visitors as a key foundation of the Island's visitor economy. As a result, the Visitor Accommodation Support Scheme (the Scheme) is focused on preserving the quality and diversity of bed-stock rather than directly subsidising business lines which are outside of the scope of the scheme, such as restaurants, bars and spas. The scheme is therefore structured as a room subsidy and its objectives are to:

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

There are also wider benefits of preserving visitor accommodation, not only to provide beds to visitors, but also to provide facilities to islanders such as spaces for events.

### Support provided by the Scheme

The scheme will provide support of up to 80% of designated fixed costs paid on a monthly basis in arrears. The scheme will cover the period of October 2020 to March 2022, inclusive and will open to applicants on 23 November 2020.

The monthly subsidy payable is indicated in the following table:

Room subsidy	Standard accommodation	4 or 5 star hotel
Amount per room/unit per night	£10	£12.50
Minimum monthly subsidy	£3000	£3000
Maximum monthly subsidy	80% of fixed costs	80% of fixed costs

The subsidy will be available regardless of whether the room is occupied or not. Designated fixed costs will include the following items, where they are apportioned and charged to the business on a basis consistent with previous periods where they are relevant:

- Rent payable on business premises where the landlord is not a party connected to the business\*
- Interest on mortgage payments; repayments of capital are not covered by the Scheme
- Rent/leasing of equipment where the lessor is not a party connected to the business\*
- Maintenance of fixed and leased assets essential to the operation of the business
- Utilities (gas, heating, electric, water, fuel, non-guest phones, internet etc.)
- Parish rates
- Software licences
- Insurance
- Essential subscriptions
- Licences (liquor, TV, tourism etc.)
- Audit/accounting fees
- Refuse collection
- Uniforms
- Statutory staff training
- Pest control
- Group costs, where they are apportioned and charged to the business, if they are a cost to the head office company and they are apportioned and charged in that month to operating businesses on a basis consistent with previous periods.

\*parties connected to the business include parties connected by common shareholders, directors or common ultimate beneficial owners, a company in the same group of companies and persons who are directors or owners of the business

**Salaries and other costs associated with the payment of staff are not included.**

### **Business Eligibility for the Scheme**

To qualify for this scheme a business must be a Registered Tourist Accommodation Provider, meaning they are registered for the purpose of the Tourism (Jersey) Law 1948 as at 1 October 2020. Scheme Qualifying Criteria Applicants must show a 30% detriment comparing the total turnover in the last 12 months of operation (up to and including the month of claim) to the total 2019 turnover. Additional Conditions

The following conditions apply:

- Applications to the scheme will be made monthly, in monthly arrears, with subsequent applications providing a revalidation of the qualifying criteria
- The monthly benefit under the scheme is capped at 80% of the fixed costs actually incurred in the month applied for

- Signed accounts for the financial period ending in 2019 and 2020 (when available) must be provided on request
- The subsidy is available regardless of whether the room is occupied
- Applicants must make legally binding declarations as part of the application process to access the Scheme.
  - For corporate applicants an extract of a minute of a board meeting of the company evidencing that the company has considered and agreed to the rules of Scheme and has duly delegated authority to a director or other individual to make the declarations required under the Scheme on behalf of the company will be required.
  - For non-incorporated businesses a personal declaration by the registered business owner that they have considered the rules of the Scheme, agreeing to procure that the business will comply with the rules of the Scheme will be required. The business owner will make the additional declarations required under the rules of Scheme.
  - Failure to comply with the rules of the Scheme will result in all monies paid under the Scheme becoming immediately repayable and any further access to the Scheme will be denied.
- Applicants must declare that they and their shareholders (where relevant) have considered all alternative options available and the subsidy is considered necessary to secure the continuity of the business
- Applicants must declare that they meet the prevailing conditions of the Co-Funded Payroll scheme (where it is benefiting), and has paid all relevant taxes and social security contributions due to the States up to date (allowing for deferrals where permitted)
- No dividends can be paid for a financial year within which a business participates in the scheme
- The business must declare that it has reviewed and appropriately reduced director salaries (or owner's remuneration where relevant) in the context of applying for a taxpayer funded subsidy and must not increase director salaries or owner's remuneration during the life of the scheme
- All funds paid under the Scheme to be repayable if the business closes or sells the property used as trading premises within 3 years of the business' last payment under the scheme
- All funds paid under the Scheme must be listed as a contingent liability in the accounts of the applicant business
- The applicant business must declare that it is a going concern and not in immediate danger of insolvency, winding up or ceasing to trade on a permanent basis
- The applicant business agrees to be audited to verify eligibility and compliance with the rules of Scheme, and to open its financial data to government auditors for that purpose
- Beneficiaries under the scheme and amounts paid will be made public
- The subsidy is not payable where the business is profitable for a month claimed for under the scheme, on an apportioned basis.<sup>1</sup> The scheme is designed to support businesses to survive (up to and including break-even) but should not underwrite profit
- If an Applicant is the subject of any enforcement action in respect of non-compliance with public health rules or regulations (whether by a government agency, a court, police action or otherwise) then the Applicant will no longer be eligible to receive any payment under the Scheme and will be required to repay all sums paid under it without further demand.

**Additional Q & A Guidance**

**Qu:** Should applications be made at group or individual registered provider level?

**A:** Where a registered accommodation provider is part of a larger group each registered provider should submit a claim; detriment will be assessed at individual business level not at group level. **Qu:** Should all income, including income from bars and restaurants be included in the detriment test? **A:** All income to the registered accommodation business applying should be included in the detriment calculation, including restaurant and bar takings where relevant.

**Qu:** Should all fixed costs, including those associated with restaurants and bars be included?

**A:** All fixed costs for the registered accommodation business applying should be included in the fixed cost calculation, including restaurant and bar costs where relevant.

**Qu:** What about group head office fixed costs charged to the business?

**A:** Fixed costs (as included in the Designated Fixed Cost list) apportioned and charged by a head office company to the business where they are a cash cost to the head office company in that month and they are apportioned and charged in the month of claim on a basis consistent with previous periods, will be covered by the Scheme. 1 For example, if the business claims a £100 subsidy, and makes £25 in profit, £25 would be repayable. If the business makes £0 profit, £0 is repayable.

**Qu:** Does the Accommodation need to be open?

**A:** Accommodation can be open or closed and still apply.

**Qu:** What is included in fixed costs?

**A:** See list above; apportionment of costs already paid is not permitted. Focus is on asset related fixed costs - personnel costs should not be included.

(questions and answers continue overleaf)

**Qu:** Explanation of detriment: Applicants must show a 30% detriment comparing the total turnover in the last 12 months of operation (up to and including the month of claim) to the total 2019 turnover.

- Turnover is the total operating income including income from trading and any other sources of income that the business may have.
- This includes (and is not limited to): the sale of products and services, commission receipts, business rental income, business bank interest or other business investment income, and payments received from business disruption insurance. Accruals accounting must be used for turnover calculations
- Before the deduction of any allowable expenses

Detriment is calculated by comparing 2019 turnover to the turnover of the business in the last 12 months up to and including the month claimed for.

For example, if turnover in 2019 was £100,000 and turnover in the last 12 months up to and including the month of claim is £40,000 then 60% detriment has been suffered; the detriment test is met.

If turnover for the last 12 months up to and including the month of claim was £60,000 then 40% detriment has been suffered; the detriment test is not met.

Calculation of amount payable if detriment test is met:-

If 3\* hotel has 50 rooms and the detriment test is met then amount payable for October (31 days) is:-

$50 \text{ (rooms)} \times \text{£}10 \text{ (subsidy for 3*)} = \text{£}500 \times 31 \text{ (days in October)} = \text{£}15,500$

If fixed costs for the month of October are £10,000 then the 80% cap operates to mean that; £8,000 is payable

If fixed costs for the month of October are £20,000 the 80% cap of fixed costs is not reached as 80% of £20,000 is £16,000; the full subsidy of £15,500 is payable.

If a 4\* or 5\* hotel has 100 rooms and the detriment test is met then the amount payable for October (31 days) is:-

$100 \text{ (rooms)} \times \text{£}12.50 \text{ (subsidy for 4\&5*)} = \text{£}1,250 \times 31 \text{ (days in October)} = \text{£}38,750$  The 80% cap on fixed costs also applies.

**Qu:** Over what period will the scheme operate?

**A:** The Scheme will open on 23 November for applications in relation to October 2020 fixed costs and will cover costs incurred up to March 2022. The scheme will close to applicants on 31 March 2022.

Claim month	Claim window
October 2020	23rd November 12pm – 31st December 2020 5pm
November 2020	1 st December 9am-31st December 2020 5pm
December 2020	4 th January 9am– 29th January 2021 5pm
January 2021	1 st February 9am– 26 th February 2021 5pm
February 2021	1 st March 9am– 31st March 2021 5pm
March 2021	1 st April 9am-30th April 2021 5pm
April 2021	1 <sup>st</sup> May 9am – 31 <sup>st</sup> May 2021 5pm
May 2021	1 <sup>st</sup> June 9am – 30 <sup>th</sup> June 2021 5pm
June 2021	1 <sup>st</sup> July 9am – 31 <sup>st</sup> July 2021 5pm
July 2021	1 <sup>st</sup> August 9am – 31 <sup>st</sup> August 2021 5pm
August 2021	1 <sup>st</sup> September 9am – 30 <sup>th</sup> September 2021 5pm
September 2021	1 <sup>st</sup> October 9am – 31 <sup>st</sup> October 2021 5pm
October 2021	1 November 9am – 30 November 2021 5pm
November 2021	1 December 9am – 31 December 2021 5pm
December 2021	1 January 9am – 31 January 2022 5pm
January 2022	1 February – 28 February 2022 5pm
February 2022	1 March – 31 March 2022 5pm
March 2022	1 April – 30 April 2022 5pm

**Qu:** Will applicants be asked to state detriment on the application form?

**A:** Detriment should be calculated and declared on the application form

**Qu:** Will the fixed costs be calculated on a cash or accruals basis?

**A:** An accruals basis; costs previously incurred can be apportioned and charged on a consistent basis with previous accounting periods

**Qu:** What if management accounts are normally only done on a quarterly basis or fixed costs are not clearly understood?

**A:** In a period of trading crisis the expectation is that applicants should understand and be able to detail the fixed costs being paid on a cash basis in each month. If subsequent management accounts reveal any discrepancies this needs to be accounted for in the next claim

**Qu:** Are all subsidies included in the profit/loss calculation in respect of potentially paying back profit?

**A:** Yes; the scheme is designed to support businesses to survive (up to and including break-even) but should not underwrite profit