

Minister for
Treasury and Resources



19-21 Broad Street | St Helier
Jersey | JE2 4WE

Mr Richard Bell, Treasurer of the States
Mr Ian Burns, Director General – Customer and Local Services

By email

1 February 2021

Dear Richard, Ian,

Letter of Instruction

Thank you for your letter dated 28 January 2021 relating to the changes that Ministers have agreed to the Co-Funded Payroll Scheme (CFPS).

Having carefully considered the points raised in your letter, the economic advice we have received, the representations that have been made by the business community, and the recommendations of my ministerial colleagues, it is my judgement that the package of changes to the CFPS proposed by officers should be implemented.

As your letter makes clear there has been a clear deterioration in the economic climate and accordingly a need for further government intervention. As the economic advice we have seen outlines, many businesses are highly likely to be experiencing a severe reduction in revenues on account of the Winter Strategy Circuit Breaker. The loss of December trading is particularly challenging for a large proportion of these businesses as it provides higher revenues than are typical in the early months of the year. Likewise, businesses may by now have exhausted their other sources of liquidity, such as reserves, bank lending, or shareholder funds, due to the cumulative impact of lower revenues for much of 2020.

This economic advice has been complemented by compelling representations ministers have received from individual businesses and representative organisations including the Chamber of Commerce, Jersey Hospitality Association and Jersey Business. The strength of concerns raised by the business community represent a significant change since the earlier phases of the CFPS and are reflective of the increased pressure that businesses now find themselves under.

As previous advice on the Scheme made clear the risks concerning the Scheme's efficiency are asymmetric. Whilst there is inevitably some financial risk attached to the decision to increase the subsidies provided under the CFPS, the risks to the economy and the livelihoods of Islanders of failure to intervene cannot be quantified and may be far higher than any increase in financial inefficiency.

Previous business cases for the CFPS have illustrated the scale of potential economic benefits that could be achieved if the Scheme is able to achieve its objectives in full. Accordingly, the policy of ministers has been to optimise the support for businesses and jobs that are at risk and

can be sustained by increased support. This has consciously been the case even where efficiency will be diluted, as such a policy is likely to offer greater value overall and better meet the CPFS's objectives to maintain businesses, employment and livelihoods.

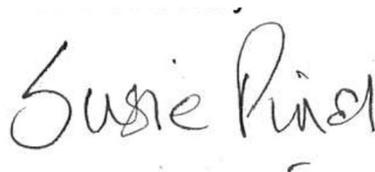
As your letter sets out, alongside the points that you have raised I must also take into the account the views of my Ministerial colleagues as the Island's elected leaders. I note that the Chief Minister and other Competent Authorities Ministers have approved these changes to the CFPS as have the other Ministers that are responsible for the Scheme. Your letter recognises that the judgement of Ministers is informed by a broader view of the economic and social merits of an intervention that you as officials are not permitted to accommodate in your own considerations.

I recognise that since the onset of the pandemic you have done everything you can to ensure businesses, employment and livelihoods are safeguarded and have been instrumental in enabling an unprecedented level of government support for the economy. I likewise thank your teams for their outstanding work in establishing and delivering this complex Scheme and the Government's other business support initiatives. Nevertheless, I also recognise the challenge for you to be able to provide sufficient evidence as to the efficacy of these specific measures given the reasons you cite and the need to deliver support and liquidity to the economy urgently.

I am therefore formally instructing you to implement the changes to the CFPS that were agreed by Ministers on 20 January 2021.

In line with the usual process I will copy this letter to the Comptroller and Auditor General.

Yours sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive, flowing style.

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