

Visitor Attractions and Events End of Scheme Review

July 2022

Summary

- 18 businesses were reached by the Visitor Attractions and Events Scheme
- This funded almost £1.2m of eligible costs within relevant sector businesses during a period of significantly reduced demand for their services
- 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 the support provided has helped to sustain visitor attraction and events infrastructure throughout the pandemic and those businesses are now able to support their clients in 2022.
- The Visitor Attractions and Events Scheme provided a relatively quick payout against a light touch initial assessment of qualifying costs. This supported cashflow pressures in a timely manner with more detailed audit following on at a later stage.

About the scheme

The Visitor Attractions and Events Scheme (VAES) provided financial support to businesses in sectors affected heavily by Covid-19 restrictions between October 2020 and April 2021. This was superseded by a second version with slightly different eligibility criteria in March 2021 which was backdated to January 2021. This scheme was also extended to March 2022. Businesses were eligible to receive up to 80% of fixed costs.

The scheme was designed for businesses which were:

- Event specific venues that are completely reliant on the events and entertainment industry
- Event promoters and organisers who promote events and concerts as their only business
- Main suppliers, employing staff, with warehousing and stocks of equipment whose main customers are events requiring gatherings of more than 40 people, or are unable to operate due to Level 1 restrictions, this being their principal income stream
- Businesses not attached to a hotel or restaurant holding a seventh category (b) "designated nightclub" and/or (c) "any other place of entertainment" license, previously reliant on revenue coming from non-seated service during late night hours
- Travel businesses providing tour operations delivering visitors to Jersey, with trading history, employing staff
- Attractions with fixed assets and employed staff that rely on the visitor economy and attract significant footfall

Businesses were originally eligible for the first version of the scheme if:

- They were an events or attractions providers
- They had suffered a detriment of 50% to their turnover as a result of public health restrictions
- They had a minimum turnover of £300k
- They were registered for GST purposes
- They had tried to borrow to support themselves
- They had completed a Jersey Business health check

Considerable industry lobbying resulted in amendment to certain eligibility criteria e.g. reducing the annual turnover threshold from £300,000 to £150,000 and removal of the requirement to have sought funding support from banking relationships. It is, perhaps, noteworthy that no businesses claimed in the £150,000 to £300,000 turnover category.

Objectives of scheme

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

1. Ensure that Jersey maintains the core infrastructure to operate large scale events after restrictions based on Covid-19 public health measures are lifted; and
2. Retain key attractions which are suffering reduced footfall, and in turn income, due to the reduction in visitor numbers caused by Covid-19 and related public health measures.
3. To ensure that Jersey maintains a high-quality events and attractions sector as part of its future visitor offering; and
4. To limit the failure of events and attractions providers as a result of the impact of Covid-19 restrictions

Economic situation – reason for support

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.

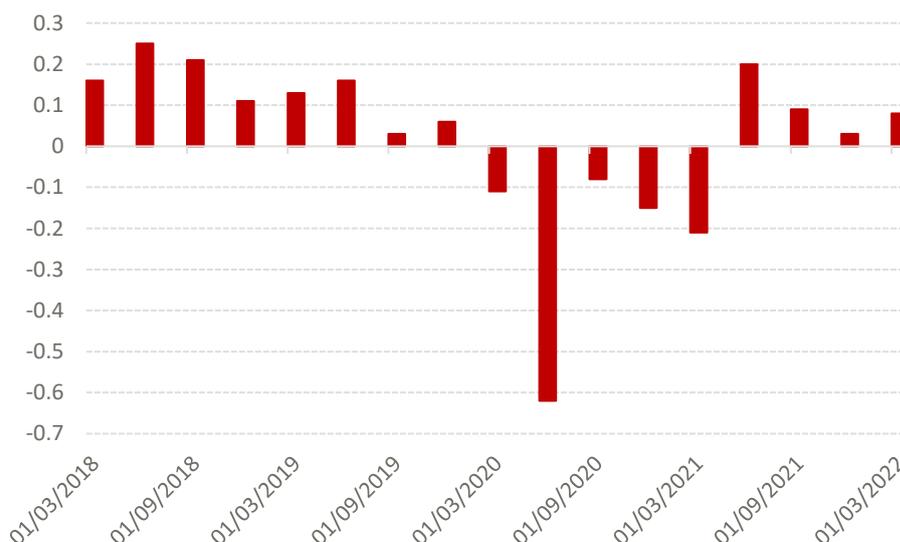
This reduction in tourism and introduction of public health restrictions led to lower turnover for many businesses and for some of these, their fixed costs remained relatively constant. Many businesses have long-term commercial leases meaning that they were still obligated to pay rent whilst their turnover 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 events operators, electricity and heating costs were still necessary for their whole venue despite reduced demand due to various reasons out of their control such as spacing rules.

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 below.

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



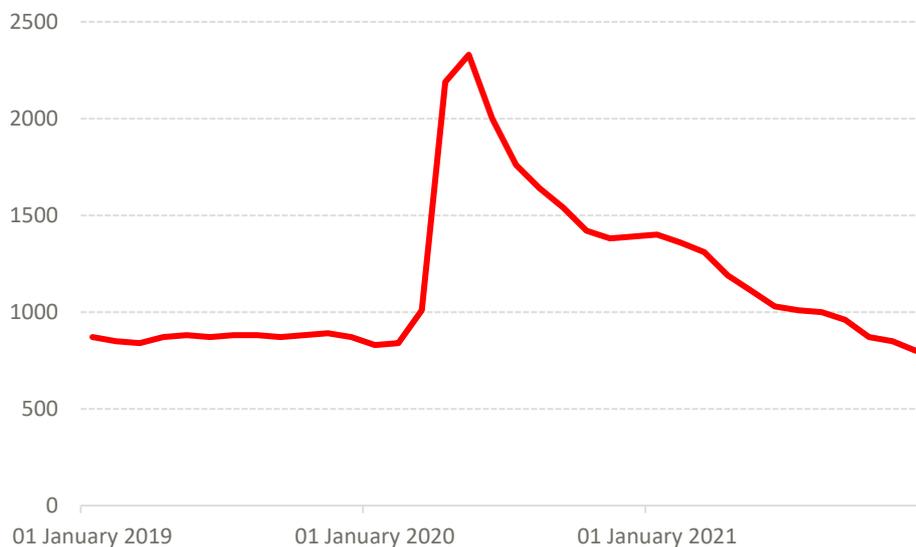
Source: Statistics Jersey

Economic recovery – bounce back from 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 Attractions and Events 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 below. 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.

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 will help to increase the turnover of businesses particularly attractions which generate a higher proportion of their revenue from tourists. The increase is also potentially an indicator of a strong recovery as economic infrastructure is vital to attract overseas visitors.

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 VAES. The first of the objectives was to:

1. *Ensure that Jersey maintains the core infrastructure to operate large scale events after restrictions based on Covid-19 public health measures are lifted;*

The economic recovery appears to be strong and the Fiscal Policy Panel have upgraded their forecasts for the economic growth to be 5.1% in 2022 compared to their previous forecast of 2.8%.

There are several planned large-scale events in 2022 such as Jersey International Air Display and Weekender. This suggests that economic infrastructure remains strong in organising large scale events in Jersey.

2. *Retain key attractions which are suffering reduced footfall, and in turn income, due to the reduction in visitor numbers caused by Covid-19 and related public health measures.*
3. *To ensure that Jersey maintains a high-quality events and attractions sector as part of its future visitor offering; and*
4. *To limit the failure of events and attractions providers as a result of the impact of Covid-19 restrictions*

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 attractions which rely on tourists.

Anecdotal evidence suggests that there were no large number of business failures during the past two years and that visitor attractions in Jersey continue to operate such as La Mare Vineyards and Jersey Pearl.

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 there 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 VAES provided support for 80% of costs for businesses continuing to operate and therefore there remained an incentive to reduce costs.

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.

Audit of Scheme

The Comptroller and Auditor General reviewed the robustness of the processes and control for the design and the implementation of VAES as part of the overall report

'Government support to businesses during the COVID-19 pandemic – other schemes' in November 2021¹. Additional external auditors also completed two audits on the scheme between August 2021 and May 2022. No material findings were reported.

Conclusion

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. Overall, the available evidence suggests the objectives have been met, particularly securing economic infrastructure to continue to plan large-scale events. Some of the objectives may have been achieved without the VAES or the specific level of financial support, however, there would have been trade-offs and it's likely that the VAES contributed to the achievement of its objectives.

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

This table details the individual applicants and the amounts paid for each month a VAES support payment was claimed:

VAES applicants	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Grand total	
A.S. Airline Services (CI) Limited				9,831	15,851	15,811	16,014	16,014							15,831	15,831	15,831		121,014	
AGF Limited	1,390	566	187																2,143	
Arcadia Leisure Ltd			7,417	7,586	7,447	7,367													29,816	
CI Travel Group Limited	11,644	11,786	11,752	11,648	11,687	11,653	11,342	11,342											92,854	
Courtyard Holdings Limited				40,000	40,000	35,262	30,416	-											145,678	
Jersey Bus & Boat Tours Group	8,268	4,740	3,969	18,911	12,658	12,090	16,324	7,078	5,513	4,962	13,190	4,328	7,013		12,413				131,458	
Jersey Lavender Ltd				6,096	2,711	2,624	3,264	4,144	8,108						5,499	2,533	3,061	2,090	2,612	42,742
Jersey Pearl Limited			3,718	13,658	14,817	4,722														36,915
Jersey Weekender Limited	1,042	4,201	4,199	4,223	4,577	4,502	4,567	4,550	5,010	5,034	4,882									46,787
La Mare Vineyards Limited							9,951	10,978									14,258			35,187
Marquee Solutions Limited	-	3,844	4,810		4,809	5,242	7,187													25,892
Night Vibes Limited T/A Tanguys	801	1,890	2,601	2,559	3,316	3,007	2,245													16,420
Sajern Limited			2,297	6,600	7,756	7,265	6,476													30,394
Small Shores Entertainments Limited	4,194	4,503	4,163	4,296	4,196	8,318	7,296	7,167	8,322	7,440	8,838									68,733
St Brelades College Ltd	2,577	1,788	1,841	5,004	3,938	3,920	5,060	2,725	3,019	367	2,179	3,232	1,768	5,081	3,411	7,522	8,328	6,665	68,425	
Stage 2 Productions Limited				353	1,016	945	4,636	4,559	-	5,534										17,043
Tantivy Holiday Coach Tours Limited	9,226	12,300	12,020	9,600	6,831	7,934	4,178	6,303	3,576	1,407			43,049	16,643	16,643	19,427	10,137	12,494	191,769	
Waverley Coaches Limited	4,612	3,283	4,035	5,322	5,296	5,377	5,770	6,228	3,495	8,394	6,190	- 2,846	-	8,086	6,518	6,387	6,461		82,606	
Grand Total	43,753	48,900	63,010	145,688	146,908	136,040	134,725	81,087	37,044	33,137	29,089	4,714	51,830	35,308	57,349	66,486	42,847	21,771	1,185,876	