

## Office of the Chief Executive

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Senator L Farnham  
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By e-mail to [l.farnham@gov.je](mailto:l.farnham@gov.je)

9<sup>th</sup> March 2021

Dear *Lyndon*,

### Visitor Attraction & Events Scheme ("Scheme" or "VAES")

In your letter of 4<sup>th</sup> March 2021, you instructed me to amend various element of the Scheme to provide an opportunity for increased scope of coverage. I understand this request is reflective of low utilisation of the current Scheme and representation that various sector businesses have made to you pointing to the difficulty in qualifying to claim support.

I fully respect your Ministerial prerogative to instruct officers on policy and budgeted financial matters and I know that you reciprocate this understanding in your knowledge of the legal obligations placed upon me as an Accountable Officer through the Public Finances (Jersey) Law 2019. We both recognise that the letter of instruction process is not necessarily divisive, points to good governance and in this case is built on a base of mutual respect.

You will recall that the Scheme was implemented by an earlier letter of instruction following my letter to you of 14<sup>th</sup> December 2020. This recognised the irreconcilable challenge for me as an Accountable Officer when considering - as I am legally obliged to - matters of economy, efficiency and effectiveness. With that in mind, this letter should be read together with my earlier letter to fully recognise the risks presented by the Scheme.

#### 1. Reducing the level of detriment suffered from 50% to 30%.

The 50% threshold was set based upon the severity of harm represented to Government by sector businesses at the time. In practice – and for a variety of reasons – there have been

more recent representations suggesting that they fall short of the 50% and need benefit from the Scheme; this is recognised and accepted.

Harmonising detriment level required under this Scheme with that of the Visitor Accommodation Support Scheme (30%) brings a degree of consistency although not necessarily the right comparison across a Scheme as diverse as VAES given the very significant level of fixed costs required in the accommodation sector.

## **2. Removing the requirement for applicant businesses to have sought other forms of financial support, including bank finance.**

The original purpose of this criteria was to ensure businesses operating in the sector were not looking to Government as a source of first order support. It is accepted that this differs from the Visitor Accommodation Support Scheme and this differentiation was considered appropriate by you and I recognising the diversity of business applicants that would be applying under VAES.

In the period since launch of VAES there has been no discernible increase in use of the Business Disruption Loan Guarantee Scheme although it is possible that bankers have been able to meet requests on a commercial basis. Whether the demand is met by commercial lending or the Loan Guarantee Scheme, banks will only extend credit to businesses they consider viable.

For the purposes of the Scheme it was sufficient for applicant businesses to demonstrate either extended lending facilities or declined status on their application to the bank as a means of satisfying the Scheme requirement. Therefore, to the extent this remains a blocker to scheme application it points to a reticence to take on what would objectively – in the eyes of the bank – taken on a manageable level of debt.

## **3. Reducing the business turnover threshold to £150,000 from £300,000 and removing the requirement to be registered for GST purposes.**

The turnover threshold was set at a level commensurate with GST registration recognising this as an established benchmark of business substance. In essence, this would require businesses to be invoicing around £25,000 per month in normal trading pre-pandemic, a sum considered by both of us to have been a reasonable indication of business substance and significance but very firmly still in the turnover banding of 'small business'.

In my previous letter I observed that *"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."*

A reduction to £150,000 significantly extends scope of the Scheme to include much smaller businesses and possibly to some that be less intrinsic to strength of the sector. This has the potential to detract from the original objectives.

#### **4. Inclusion of car rental and coach travel businesses**

We have, since launch, discussed inclusion of car rental and coach travel businesses within the Scheme. I agree that both should be included within this revised Scheme

#### **5. Back-dating the Scheme changes**

You have asked to back-date coverage of the Scheme revisions to January 2021. Given that our COVID-19 support schemes have generally operated on a 1-month in arrears basis and the delay in securing a meeting slot for approval by fellow Ministers, I fully support the back-dating arrangement that you propose.

The Scheme carries a budget of £2,000,000 in 2021 and the changes agreed will increase the likelihood of this being fully utilised. A further legal responsibility placed upon me by Public Finances (Jersey) Law 2019 ("PF(J)L") Article 15(1) is that I cannot overdraw a Head of Expenditure and as you know I cannot be instructed to do so. Should we find the budget,000 allocation being used at a faster rate I will work with you to request additional funding from the Minister for Treasury & Resources to ensure continuity.

My final observation is around operational demand. As you know we have a relatively modest level of resourcing within the Department and these changes will mark a substantial shift in the likelihood of claims by both value and volume. My team will give priority to economic support initiatives - just as they have done throughout the pandemic – and I am simply flagging the potential delay in other work matters during this period.

The PAO has significant reservations about the value for money of the Scheme as has been previously highlighted. As a consequence of the revisions to the scheme, he too believes that the lowering of the turnover threshold to £150,000, means that a range of businesses that are now eligible were not the primary focus of the original scheme and not necessarily long term a key part of the sector's base infrastructure. As a result, such operators can avail themselves of other support provided by the Government. He is also of a view that these changes mean that government will be the funder of first resort rather than last: a position that will potentially see the unnecessary draw down of Public resources when alternative funding should have been targeted first.

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  
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