

Deputy Inna Gardiner
Public Accounts Committee
Morier House
St Helier
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29th October 2021

Dear Deputy Gardiner

Public Accounts Committee

COVID Response Review

Executive Summary

Further to your email dated 4th October 2021 and as requested, please see below our response to the review you are undertaking in relation to the Government's response to the Covid-19 pandemic.

As you are aware we are one of the key Arm's Length Organisations (ALO's) focused on accelerating sustainable business growth across all sectors of the Jersey economy. Our comments therefore are restricted to how the Government's Covid-19 response impacted on local businesses.

In summary, our view is that the response of the Government of Jersey has been outstanding, in delivering complex business support. The overarching challenge was to ensure that as many businesses as possible could survive and that jobs were retained so that the economy could come out of the pandemic in as strong a position as possible. All the latest economic data, for example, the latest labour market statistics, point to these objectives being achieved and whilst there is still some way to go in the Covid-19 recovery we are in a strong position.

In developing and delivering the Covid-19 support packages, the Government effectively balanced the challenges of ensuring tax-payers funds are used appropriately and that funds were pushed into the wider economy at pace.

To assist the panel, we have broken our feedback into the various stages of the pandemic as follows:

Pre-Covid Emergency Planning

It's important to note that at the outset of this pandemic the true business, economic and social impact, the length of the pandemic and even whether we would ever have a viable vaccine were all unclear. As a result, early decision making had to consider many different scenarios the like of which we have never experienced before.

With Brexit planning in place and a relatively strong economy, Jersey entered Covid-29 crisis in a strong position with effective full employment. Unlike the UK however, Jersey had a limited pool of Civil Servants who could realistically be moved to cover Covid-19 planning.

Early Stage Crisis Response

Once it was clear that Jersey would have to move toward a formal lockdown of our economy the Government reacted quickly. Senior officers and business leaders came together to map out the support that businesses would need in order to best navigate what would be a very uncertain future. This consultation ensured that Government were aware of the fact that businesses would need direct fiscal support in addition to operational guidance.

To some extent Government believed that all businesses would have adequate contingency plans and/or cash reserves to cope without trade. In reality the level of business resilience, particularly in the non-finance sectors, was not generally sufficient to see them through the growing crisis.

One early lesson was that Government needed to ensure their decision making and governance processes could react at pace to the rapidly developing situation but with limited people resources. Whilst there was early criticism from the business community about the flow of information, guidance and updates, this was understandable given the complexity and scale of development needed.

Relatively quickly the decision making structure adapted to meet the demands and the flow of guidance, advice and the delivery of support schemes was delivered timeously and in many instances ahead of the UK.

Support Schemes Developed and Delivered

In order to deliver support at pace across the economy, early schemes needed to be as simple as possible whilst still ensuring that the support was appropriately targeted to those businesses suffering most. The challenge at this stage was to balance the need to ensure that all funds were appropriately targeted without introducing complexity and making it harder to deliver the support at the pace that was required.

Government worked collaboratively with Jersey Business and industry bodies such as Chamber, JHA, Construction Council and IOD. There was a positive recognition of how all these bodies could help Government not only develop the initial support schemes, but also to finesse them as the pandemic developed.

The Government communication about both financial and operational aspect of the Covid-19 support improved significantly early in the pandemic. This was particularly noticeable once Government recognised the value that industry bodies could play in helping deliver the messaging so that large corporate's through to small SME's were appropriately informed.

Co-Funded Payroll Scheme

The Co-Funded Payroll Scheme (CFPS) was the most critical support scheme. It gave confidence to businesses that, as we went into lockdown, the Government would support those organisations whose revenue streams would dry up and which, in the absence of such support, would inevitably lead to widescale redundancies and business failures.

The first phase of this scheme was delivered broadly in line with the UK Furlough scheme but unlike the UK, Jersey did allow businesses to keep people working which enabled many to pivot to a different models such as on-line delivery services. Not only did this help short term cashflow but also created an environment and encouragement for businesses to adapt and innovate. This a culture change that will be vital as we move forward.

To enable a simple and speedy payment process Government developed an on-line portal to administer the applications under this scheme. At the outset it built in a robust audit process to ensure incorrect or possibly fraudulent claims would be identified and repayment sought. The guidance for the scheme was well publicised by Government and, through our own communications channels, relayed in such a way to ensure that businesses could navigate the process at a time of real stress and anxiety for business leaders.

This incredible joint effort between all involved was delivered in weeks, whereas in normal course this would take months/ years.

Inevitably in attempting to prioritise those business sectors most effected and to manage costs, much reliance had to be placed on the industry classifications and business data held on central systems. This regrettably meant a small group of businesses that were impacted weren't initially eligible for the support scheme. Government took feedback directly from industry and from Jersey Business and as a result continually modified the scheme to better reflect the reality on the ground, whilst also ensuring that as far as possible the funding support went to those that most needed it.

Business Disruption Loan Guarantee Scheme (BDLGS)

Previous major recessions have usually seen a restriction in credit and access to finance to the business community which in turn has accelerated business failure as well as hampering any recovery. Given the situation we were facing it was vital therefore that 'access to finance' was maintained and so Government rightly sought to ensure bank credit continued to flow to meet the needs of our economy during this crisis. In some ways this scheme was Jersey's insurance policy against how credit markets normally behave in a crisis situation.

Whilst the BDLGS may not have resulted in as many government backed loan advances as was first expected (£50m was provisioned for), it did raise awareness for many businesses that bank lending was available. As a result we saw a significantly higher number of business loans advanced by the banks on 'business as usual' terms than we saw under the Government scheme.

According to government data close to £3.7m was advanced under the loan guarantee scheme but it is understood that more than £30m was advanced under bank 'business as usual' terms for Covid-19 related lending. We firmly believe that by making an initial enquiry through the BDLGS many of these businesses were able to successfully secure the funding when perhaps they may not have considered approaching their banks on normal terms. In many cases this involved the clients working closely with Jersey Business to compile a satisfactory lending proposal.

Throughout the term of the scheme Jersey Business received approximately 300 applications or enquiries for the BDLGS, and in many cases these enquiries were converted to successful loan applications both on the scheme or otherwise under business as usual terms.

It is our opinion that one of the most pleasing aspects of the scheme was the collaboration between Government, the Banks and Jersey Business to ensure this scheme was put in place in a timely manner given the urgency of the lockdown situation we found ourselves in. This collaboration has also ensured the ongoing smooth operation and continued success of the scheme.

Like the CFPS, a scheme that would normally take months was in fact delivered in weeks and in this case ahead of similar schemes in the UK.

Social Security Deferrals (SSD)

SSD were granted to businesses affected by lockdown restrictions throughout 2020 and Q1 2021 allowing many business owners the opportunity to defer payment until 2022/23. Whilst this concession has been beneficial to many, there are still businesses experiencing financial difficulty and are still struggling with current SS liabilities. Jersey Business is continuing to work with several of these clients and the SOJ Debt Management Team to agree repayment plans.

It is important to remember that SSD is in effect a soft loan. The challenge for business is that no revenue was received during the period the support was given and therefore revenue being received now will need to cover current contributions as well as the SSD. That will may have an impact in slow business recovery and/or future investment.

The scheme though did work well in assisting short term cashflow pressures that could have resulted in businesses having to lay staff off and potential business failure.

GST Deferrals

GST deferrals were granted to businesses affected by lockdown restrictions throughout 2020 and Q1 2021 This allowed many business owners the opportunity to defer payment until 2022/23. Whilst this concession has been beneficial to many, there are still businesses experiencing financial difficulty and are still struggling with current GST liabilities. Jersey Business will continue to work with several of these clients and the SOJ Debt Management Team to agree repayment plans. The medium term impact of this policy is similar to that of SSD, but likewise assisted critical business cashflow.

Rent Deferrals – Government as Landlord

In Q3 2020 Government agreed a policy that where it was a landlord it would consider alternative concessions for tenants such as rent holidays and early lease terminations. Any deferment of rent agreed by commercial tenants with Government remains repayable in accordance with the terms agreed. This scheme was designed to ease the pressure on struggling businesses cashflow and to set an example to private landlords whose tenants were suffering the same cashflow issues. The medium term impact of this policy is similar to that of SSD, but likewise assisted critical business cashflow.

Fixed Cost Support Scheme (FCSS)

The FCSS was launched in February 2021 (backdated to 1st Jan 2021) to support local businesses that continued to feel the impact of COVID-19 public health measures, particularly physical distancing. The scheme was initially open to all businesses (and is still open for events related businesses) and provided a financial contribution towards a business' fixed costs. Claims were dependent upon businesses suffering a 20% detriment in turnover when compared to 2019 and pay-outs were tiered dependent upon the level of a business's rates paid in 2020 – allowing for maximum claims between £1,500 and £10k.

Again this was a successful scheme in that it recognised that it was highly likely that businesses would not be able to generate the positive cashflow to cover their on-going fixed costs during a period of Covid opening/ operating restrictions and thus meant less business failures than would have been the case.

Visitor Attraction and Events Scheme (VAES)

The Visitor Attractions and Events Scheme was launched in Q1 2021 to provide additional support for the Island's events and attractions providers. The scheme had been subject to discussions between Government, Industry and Jersey Business and when launched allowed businesses to backdate claims to October.

When VAES 1 was launched it is fair to say that it didn't work for the industry because the eligibility criteria was such that very few businesses were able to make a worthwhile claim. The principal difficulties were i) the difficulty and lack of clarity on which business categories were eligible because of the variety and nature of activities involved in the events industry and ii) the requirement that the businesses had sought and not received bank finance but also that they remained viable i.e. that the Government was not deemed to be lender of last resort.

VAES 2 was launched subsequently with a slight relaxation in parameters which meant the scheme became more accessible and closer to industry expectations resulting in more successful claims being processed.

Visitor Car Hire Support Scheme (VCHSS)

The VCHSS was launched in March 2021 to encourage Jersey's Car hire businesses to retain their existing vehicle stock and at the same time provide a level of certainty of income to give these businesses with the confidence to place new fleet orders.

Car hire struggled during the pandemic because of significantly reduced visitors numbers and they resorted to selling off vehicles to fund their cashflow. In addition, new car orders for summer 2021 had been placed on hold so there was a danger that the island would only have 25% the vehicles needed in comparison to previous summers. The VCHSS was launched with the objective of ensuring there would be a sufficient supply of hire cars available to service a high percentage of inbound visitors for the imminent season.

This scheme proved pivotal. It helped these businesses to place new fleet order and in turn maintain a reasonable number of vehicles, approximately 650 which was roughly 55% of a normal summer fleet, for the 2021 summer season. We understand that by maintaining this number of available vehicles for the summer season, the car hire industry was able to support the related visitor and accommodation industries.

Visitor Accommodation Support Scheme (VASS)

Like the VCHSS, the VASS scheme was critical to supporting the accommodation industry to retain bed stock and limit the failure of accommodation businesses to ensure that the Jersey visitor economy remained stable post pandemic. Like the car hire scheme, the eligibility criteria was clear and like the CFPS it was designed to support businesses experiencing financial challenges with a detriment of 30% or more compared with the prior 12 months and offering a maximum subsidy of 80% of fixed costs.

We are well aware that typically potential visitors will first identify a flight, a hotel and car hire before committing to a holiday on the island. Therefore, the availability of car hire and hotel beds is fundamental to securing Jersey's visitor numbers. It is fair to say that both VASS and VCHSS played a huge part in helping the island to salvage a better summer season than might have been expected.

Spend Local Card

In September 2020, the Government launched the Spend Local Cards. These cards were £100 pre-paid Mastercard's and were designed to boost the local economy by circa £10m whilst at the same time provide a feelgood factor for locals. The card could be used on a variety of services including retail, restaurants and cafes, hotels and guest houses, and a large selection of other services such as personal training, gardening, hairdressing, beauty treatments, or sporting activities.

A report of the spend local card is available and suggests that spend benefited larger supermarkets more so than some smaller businesses and could perhaps have been targeted in a different way. However, we believe that overall the card scheme was very well received by the local community, whilst providing the desired feelgood factor which helped boost footfall, confidence and spending into the economy.

Productivity Support Scheme (PSS)

The PSS was launched as a pilot scheme in June 2021 in order to support SMEs to improve their productivity during the recovery phase post pandemic. Many of the businesses taking part in this scheme had previously put business improvement plans on hold to deal with the challenges

of the pandemic and this scheme was designed as a kick start for businesses willing to commit to investing up to £30k in return for a matched contribution from Government. The pilot scheme is now closed with decisions on current applications pending.

The Covid pandemic has meant all businesses have had to review their business models and consider how to adapt for a post Covid world. This scheme is therefore a critical catalyst to help accelerate business improvement projects to take advantage of the ideas and innovation that we started to see during Covid, at a time when business balance sheets are inevitably much weaker than they were.

Yours sincerely



Graeme Smith
Chief Executive Officer