

# Further economic support during COVID-19 Winter Strategy

**Richard Bell, Treasurer of the States**

**Richard Corrigan, Acting Director General - Economy**

21<sup>st</sup> January 2021

# Support provided to business



## Today's announcement:

- Minister is releasing an estimated £28m from reserves
- Enhancements to the Co-Funded Payroll Scheme – estimated cost £12m
- Fixed Cost Support Scheme – cost up to £9.5m
- Deferral of GST and Social Security contributions for Q1 2021 – for all businesses closed as part of the Winter Strategy
- For all deferrals of GST and Social Security Contributions – repayment period of 3 years after 2 year deferral ends – i.e. final payment is due 5 years from original due date

## Spend on business support schemes in 2020, included more than **£140m** on:

- £103m – Co-Funded Payroll Scheme
- £1.7m – Visitor Accommodation Support Scheme
- £3.1m – Business Disruption Loan Guarantee Scheme
- £11m – Spend Local Card Scheme
- >£20m – Deferral of Social Security & GST

## Support available in 2021 more than a further **£110m**:

- Estimated £39m – Co-funded Payroll Scheme
- Up to £3m – Business Disruption Loan Guarantee Scheme
- Up to £6m – Visitor Accommodation Support Scheme
- Up to £9.5m – Fixed Cost Support Scheme
- Up to £2m – Visitor Attractions & Events Scheme
- £50m – Fiscal Stimulus Fund
- Deferral of Q1 GST and Social Security contributions

# Reasons for intervention



- Current impact on business arising from the Winter Strategy Circuit Breaker
- Cumulative effect of sustain reductions in revenue for businesses over duration of pandemic
- Closure has occurred in key periods –
  - Hospitality sector - April / May 2020 affected Easter and Spring build-up trade
  - Hospitality sector - December onwards affected busiest month for restaurants and bars in particular
  - Non-essential retail – December and January are key months for stock to cash conversion
  - Event & nightclub businesses - 10 months currently and no end in sight
- **Lives, Livelihoods and Wellbeing** - support economic infrastructure and livelihoods of islanders

# **Fixed Costs Support Scheme (FCSS)**

# Fixed Costs Support Scheme - synopsis



- Provide materially affected businesses with a contribution to fixed costs
- Flex support against level of impact in a given sector
  - 100% of the eligible support when closed by measures
  - 50% of the eligible support when open but still materially restricted by measures
- Payment will be in 3 tiers based upon rateable value of the business premises
  - £3,000 per month for rateable value £4,999 or less
  - £5,000 per month for rateable value of £5,000 to £9,999
  - £10,000 per month for rateable value of £10,000 or more
- A payment will be made at up to 50% of eligibility for mobile premises and home-working businesses based on actual qualifying fixed costs incurred
- Will operate in similar manner to Co-Funded Payroll Scheme i.e. claim 1 month in arrears through relatively straightforward online portal
- Retrospective random and risk-based audit will occur and repayment sought for wrongful claims
- Estimate total cost of £9.5m across 4 months

# Fixed Costs Support Scheme – in practice



- Scheme runs from January 2021 to April 2021 inclusive
- Claims portal likely to open during w/c 8<sup>th</sup> February
- Simpler than VASS and VAES reflecting smaller pay-outs per business
  - VASS payments in the region of £50k for large, single site hotels
  - VAES claims expected for more than >£10,000
- Restaurant business with rateable value of up to £6k
  - Will receive (up to) £5,000 for January 2021 (whilst closed)
  - Will receive (up to) £5,000 for February 2021 (whilst closed for part month)
  - Will receive (Up to) £2,500 for March 2021 (whilst open but 2m distancing applies)
- Barber shop with rateable value of £2k
  - Will receive up to £3,000 for January 2021
  - Will receive up to £3,000 for February 2021 (expected to open 3<sup>rd</sup> February)
  - Will receive £0 for March 2021 as able to trade without material impact

# **Co-Funded Payroll Scheme (CFPS)**

# Co-Funded Payroll Scheme



## Enhancements to the Scheme for all CFPS sectors:

- Extension of the Scheme for all business sectors currently eligible for support until April 2021

## Enhancements to the Scheme for businesses required to close as part of the Winter Strategy, and food/beverage wholesalers:

- Increase in the maximum monthly wage subsidy from 90% of £2,000 to 90% of £2,500
- Increase in subsidy methodology from detriment plus 20% to detriment plus 30%
- Ability to claim a subsidy for higher paid employees earning between £4,610 and £8,840 consistent with self-employed workers
- Additional flexibility for businesses usually closed at this time of year
- All of these changes apply until the end of April 2021

## These changes are on top of improvements already made in December when:

- the maximum subsidy was increased to 90% from 80% of £2,000 per worker per month
- the subsidy payable moved to detriment plus 20% from detriment plus 10%
- Deferral of GST and Social Security contributions for Q4 2020