

## Media Release

**Date: 18 March 2020**

### **Financial measures to support the Guernsey economy**

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The Policy & Resources Committee is today setting out an initial package of financial measures to help businesses and individuals deal with the financially onerous impacts of the Covid-19 public health crisis. The headline measures are:

- **Deferral of Social Insurance;**
- **Deferral of Commercial TRP;**
- **Deferral of rent payments to the States of Guernsey by business tenants;**
- **Suspension of mooring fees for commercial fishermen;**
- **Establishment of a scheme to support banks in providing liquidity to businesses;**
- **Establishment of a £5m 'hardship' fund**

Members of the Committee, other States Members and officers have been liaising closely with business representative bodies and businesses across the economy to understand the immediate pressures.

Deputy Gavin St Pier, President of the Policy & Resources Committee said:

"The immediate area of concern is the cash flow problems that many businesses will be suffering. Therefore the aim is to provide immediate relief to enable businesses to continue to trade through the worst periods.

It is important for the States to be leading from the front and setting the right example. This has informed some of the measures below. The measures are predominantly aimed at small and medium sized companies and will also importantly help other businesses including small traders.

At this early stage the recommendation is to proceed on a 'suspend and defer' basis rather than waive obligations, in order to get the measures in place quickly. Things have moved so very quickly in the last 7 days, we need more time to properly understand the impact and its length so we can respond appropriately. However it is acknowledged that there is likely to be a requirement to revisit this at a later stage as the situation unfolds, and that further targeted measures for specific sectors may well be needed. Work is continuing to assess these potential future measures."

Deputy Heidi Soulsby, President of the Committee for Health & Social Care said:

“The wellbeing of our community is our paramount objective. Economic wellbeing is integral to that, and we must do all we can to support employers, families and individuals through this challenging and uncertain time.

The States of Guernsey and its officers have been on the front foot throughout this challenging period. So have the banks, for example, who are showing a real determination to support our island businesses. We welcome their support and their efforts.”

Consideration is being given to identifying specific sectors, structures and sizes of businesses. However the decision was taken for the first step to proceed on cross-sector initiatives as far as possible. Regulated and Professional Services businesses are not on the whole expected to require this additional support from the States of Guernsey at this stage, but instead these can be considered on a case by case basis.

The suggested package of measures put forward for consideration is set out below:

**Social Insurance** – this is an area where businesses have been very vocal in seeking relief from and which, from a States’ point of view, can be implemented easily. The next quarterly instalment is due in mid-April in light of which the suggestion is to offer an option to defer payments for both Q1 & Q2 (due mid-July) with the intention to review to extending this during Q2. This suspension can only apply to ‘Employer’ contributions and not ‘Employee’ contributions as the latter belongs to the individuals, not business. This is also the case for ETI receipts which similarly have been excluded for the same reason. The suspension would also apply to self-employed individuals which, given the higher rates applicable, has the potential to have a material favourable impact on cashflows.

**Commercial TRP** – this is another obligation on which business contacts have sought relief. It is suggested that the collection of commercial TRP for 2020 be deferred until further notice. Notices for annual sums due have recently been issued and some businesses will already have paid. For those who have paid early, reimbursement can be requested for those with cashflow difficulties so as not to penalise prompt payers. Some businesses will pay by direct debit and these can be suspended where appropriate. It should be noted that TRP is payable by landlords and any deferral of payment would need to be accompanied by encouragement to pass any temporary benefit on to tenants.

**States of Guernsey as landlord to external business tenants** – where the States of Guernsey is a landlord to local business, consideration will be given to deferring rent;

**Suspension of mooring fees for commercial Fishermen** – this is an extension to the States as landlord initiative and is the only measure at this stage that is focused on a particular sector. Feedback from the industry suggests that the sector is facing

significant difficulties and may not currently be able to land catch in either France or the UK. Therefore, this measure would be of considerable assistance in relieving a significant overhead.

**Establishment of a scheme to support banks in providing liquidity to businesses** – dialogue has commenced, with the local clearing banks, as to the States’ interest in supporting such a scheme. The terms, and governance, will require further dialogue before a firm proposal can be agreed, and at this stage the intention is to be able to communicate, widely, that the States is agreeable to entering into such an arrangement with details to follow. The anticipated way forward is for a scheme to provide a guarantee of 80% of the amount borrowed with a cap on individual lending. Support will not be eligible for businesses which are able to comply with their current bank lending criteria and can therefore obtain support from their bank without the need for access to the scheme. The Committee is seeking a pan-island scheme with Jersey and the Isle of Man.

**£5 million ‘hardship fund’** – the measures above are largely targeted at businesses and the proposal is that a ‘hardship fund’ be established for individuals. This will be administered via Social Security to support those in greatest need who may not otherwise qualify for Income Support or Sickness Benefit. This will help the tourism, hospitality and construction sectors for example by enabling workers who have been laid off to secure short-term financial support so that they do not leave the future labour market.

**Payment terms** – the States standard payment terms are 30 days and payments are generally processed and held to be released as they fall due. In order to improve cashflow for States’ suppliers, it is proposed that payments be released as soon as they are ready rather than waiting for payment terms. Setting this example to the wider commercial world can again hopefully have a positive influence.

To fund these steps, the Policy & Resources Committee will submit an emergency policy letter for consideration by the States, recommending delegated authority be given to the Committee for use of the General Revenue Account Reserve. The Reserve is designed to be used to manage fluctuations in income and expenditure and, as per agreed policy, holds a balance of 5% of annual revenue income. In addition, the unallocated surplus from 2019 is held in this reserve. In total, some £30m would become immediately available. It is suggested that this be used at this early stage rather than any call being made on the Core Investment Reserve.

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## Notes to Media

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