

## Support for businesses providing visitor accommodation

The Bailiwick of Guernsey entered into Phase 5 of the exit from lockdown on Saturday 20<sup>th</sup> June, meaning that most sectors went back to normal trading. However, there are some sectors that continue to be heavily affected by the Coronavirus, including businesses providing visitor accommodation. This guidance note outlines the additional support available to that sector.

On the 26<sup>th</sup> June a grant scheme was announced, specifically for businesses that provide visitor accommodation. This scheme was to be introduced with effect from 1<sup>st</sup> July 2020, with the first payments in early August. However, following concerns expressed by members of the industry, the introduction was moved back to 1<sup>st</sup> October and alternative arrangements were put in place for the July – September period.

The payroll co-funding scheme continued to be made available for visitor accommodation businesses for an extended period until 30 September. However, from 1<sup>st</sup> October the original payroll co-funding scheme is no longer applicable to visitor accommodation businesses. Instead support is available to these businesses under the visitor accommodation support scheme, which includes options for either a form of payroll co-funding or a grant based on the number of rooms or units.

Applications for the visitor accommodation support scheme were invited from 1<sup>st</sup> August until 31<sup>st</sup> August. The scheme is now closed to new applicants. The guidance provided here outlines the support available to those who have successfully applied.

## The Visitor Accommodation Support Scheme

Businesses that provide visitor accommodation, and who have successfully applied for support under this scheme, will be eligible for payments in the form of a fixed monthly grant per bedroom or self-catering unit (“the grant”) or a form of payroll co-funding. Those businesses will shortly be asked to select which of these support options they wish to receive. The same eligibility criteria apply in both cases.

### What is the grant option under this scheme?

The grant is a fixed monthly payment, starting in October, for each bedroom or self-catering unit included in the claim. The grant is payable at the following amounts each month:

## Grant rates

Accommodation category	Standard support rate	Enhanced support rate
<b>Hotels</b>		
2 stars	£435 per bedroom	£650 per bedroom
3 stars	£550 per bedroom	£825 per bedroom
4 or 5 stars	£800 per bedroom	£1,200 per bedroom
<b>Guest Accommodation</b>		
Ungraded, Approved, 2 or 3 stars	£200 per bedroom	£300 per bedroom
4 or 5 stars	£300 per bedroom	£450 per bedroom
<b>Self-catering apartments</b>		
Ungraded, 2 or 3 stars	£150 per unit	£225 per unit
4 or 5 stars	£225 per unit	£350 per unit

These rates are the same as, or higher than previously announced in all categories except 2 star hotels. The small number of businesses operating 2 star hotels, which have previously been assessed for support at Standard rate, will be given the opportunity to claim for support at Enhanced rate if they now meet the eligibility criteria.

### What is the Payroll co-funding option under this scheme?

The payroll co-funding offered under this scheme is available at either 80% of minimum wage, or 100% of minimum wage, according to the table below:

#### Payroll co-funding rates

Support level	Payroll co-funding terms
Standard	80% of minimum wage for normal contractual hours worked up to 42 hours per week
Enhanced	100% of minimum wage for normal contractual hours worked up to 42 hours per week

The qualifying turnover thresholds that applied to the original payroll co-funding scheme, which was available to visitor accommodation businesses up to 30<sup>th</sup> September, do not apply to this scheme.

### What are the eligibility criteria?

The same eligibility criteria apply for both the grant and payroll co-funding options under this scheme. Although initial eligibility will already have been assessed as part of the application process, it will be reassessed periodically during the term of the scheme.

#### **Eligible businesses**

Businesses were considered eligible if all three of these conditions applied:

1. They are expecting to incur a loss in the 12 months ending 31<sup>st</sup> March 2021. For this purpose, the forecast profit or loss should include any mitigating actions they plan to take, such as reducing discretionary spend and managing staff numbers.
2. The business demonstrated it was commercially viable prior to the Covid-19 pandemic. Businesses that did not show profits in their last two annual financial statements prior to 31<sup>st</sup> March 2020 needed to prove a realistic expectation of returning to profitability.
3. The business is planning to be open in April 2021. This will normally mean that the business is currently accepting advance bookings for next year, and holding deposits against 2021 bookings.

#### ***Further guidance***

Government cannot be expected to utilise taxpayers' money to make good all expected losses that businesses will incur during this difficult period. Many businesses will have reserves available that have been built up over a strong historic trading record and this is the type of trading period when these reserves will require to be called upon. It is recognised that some level of reserves will be required to be carried into future trading periods to provide businesses with essential resilience and source of ongoing investment.

While businesses have not been excluded from applying for support beyond September irrespective of the value of reserves available, the expectation is that those businesses with substantial reserves or owners with extensive personal wealth, have not needed to access taxpayer funded support beyond September. Businesses are expected to have made every effort to secure shareholder and / or lender support to mitigate losses in preference to relying on grant funds. Bear in mind that these businesses will already have received considerable support during the March to September period.

#### ***Standard support***

Eligible businesses will have qualified for standard support where they are expecting to make a loss in the 12 months ending 31<sup>st</sup> March 2021, and where this level of payment will be sufficient for the business to be able to resume normal operations at the start of 2021 season. Please note the grant payment is not expected to cover all losses. Businesses claiming standard support may also need to rely on their reserves.

#### ***Enhanced support***

Eligible businesses will have qualified for enhanced support where they are expecting to make a loss in the 12 months ending 31<sup>st</sup> March 2021, and when the standard grant is insufficient for the business to be able to resume normal operations at the start of the 2021 season. This will normally mean that they are unable to meet all expenses as they fall due after taking mitigating actions such as minimising spend on non-critical staff as well as using available reserves held within the business. The onus will be on businesses to demonstrate this higher funding requirement with further information such as a cash flow forecast. Relatively few businesses have qualified for enhanced support and those that have claimed will undergo additional scrutiny to ensure that this increased level of support is justified.

## Other considerations

### ***Room numbers and categorisation***

Businesses were permitted to claim a grant in respect of those bedrooms or units that are available for use in the grant period, subject to this being no more than the number of rooms already registered in each category as visitor accommodation with the States of Guernsey. For this purpose, bedrooms or self-catering units that are closed for reasons solely related to Covid-19 restrictions, were treated as available for use, and a claim permitted.

### ***Period***

The support is available in respect of the period starting October 2020. The States of Guernsey expects this support scheme to remain in place until the end of March 2021, however this will be subject to review in the light of ongoing trading results and any relaxation of travel restrictions. Ongoing trading conditions will continue to be closely monitored for the period beyond March 2021 and appropriate steps taken in light of this.

### ***Use of support payments***

Although claimants are free to use the support scheme to fund their businesses operations in the way they see fit, it is expected that the scheme will enable the retention of critical employees throughout the period. Claimants with significant rent costs may still need to negotiate terms with their landlord for a deferral or waiver of costs. Those with significant mortgage interest costs may also need to discuss options with their bank.

### ***Capping of support***

The total support that a business can claim will be capped at the actual loss incurred in the 12 months to 31<sup>st</sup> March 2021. This means that business support payments will not be allowed to contribute to a profit making position. Should these payments result in a profit, the cap will apply and support payments suspended. For example, where a business happily exceeds their forecasted position and achieves a profit in the 12 month period after including support income, they will be asked to return a proportion of support payments.

### ***Insurance proceeds***

Businesses are expected to pursue insurance claims, provide relevant information and include the expected proceeds of these in their forecast.

### ***Owner's salary***

Businesses were permitted to include within their profit forecast a reasonable salary cost for any operational role performed by the business owner. In these cases the salary cost should have been clearly noted in the claim form.

## How was initial eligibility assessed?

Businesses were asked to self-assess against the eligibility criteria set out in this guidance on their initial claim form. To support this self-assessment, business were also asked to complete a forecast template to demonstrate their profit or loss forecast for the 12 months

ending 31<sup>st</sup> March 2021. Businesses were also asked to provide Annual Financial Statements for the last two available years.

It is acknowledged that this information will be commercially sensitive. Access to profit forecasts and Annual Financial Statements will be limited to those people responsible for administering the accommodation grant claims process.

The States of Guernsey has reviewed these self-assessments, and have in particular compared the forecasts to the previous trading record. Those business who have claimed support at the Enhanced rate were reviewed for compliance with the additional eligibility requirements of this rate.

To ensure transparency of this support scheme, the States of Guernsey reserves the right to publish details of support provided to those businesses claiming. This may include details of the name of the business, the level of support paid (Standard or Enhanced), as well as the amount paid.

## Exceptions

There may be cases where the support entitlement set out in this scheme does not adequately reflect the needs of a business. In these cases claimants should contact the States of Guernsey using the details provided below to discuss their concerns.

### ***Glamping units***

Businesses operating Glamping units were able to apply for support under this scheme. In these cases the support payable is assessed on a case by case basis. For this purpose Glamping units will normally be considered as semi rigid structures such as safari cottages, pods and cabins. Tents, yurts, tepees and pitches in campsites are not normally included in this scheme because their costs differ so significantly from other visitor accommodation. However, exceptional applications were considered on a case by case basis.

## What is the claims process?

The initial claims process for this scheme is now closed. Claimants will shortly be contacted to ask them to confirm whether they wish to receive support in the form of a grant or payroll co-payments. This choice, once made, will apply for the full term of this support scheme. Businesses will not normally be allowed to change their election.

### ***Grant payments***

Businesses that elect to receive grant payments will be paid monthly without the need to submit a further claim, though there is a requirement to provide quarterly trading updates. The first payments will be due in respect of October and will be paid during that month to help with cash flow pressures. Subsequent grant payments will be payable monthly subject to ongoing eligibility and provision of required financial updates.

### ***Payroll co-funding payments***

Businesses that elect to receive payroll co-funding support will be asked to submit a monthly payroll claim through the normal process for payroll co-funding, in addition to

quarterly trading updates. Claimants will be referred to the instructions for this once they have confirmed their election for this support. The first payment is likely to be made in early November, following submission of October's payroll details. Payments will be subject to ongoing eligibility and provision of required financial updates.

### ***Quarterly trading updates***

In addition to the initial claim, all businesses will be required to provide quarterly trading results for each of the quarters ending 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March. The first of these updates, for the quarter ended 30<sup>th</sup> September, will be required in November. Claimants will shortly be contacted with further details of this. Quarterly updates for the quarters ending 31<sup>st</sup> December and 31<sup>st</sup> March will be required within 21 days of the quarter end. These trading updates will enable ongoing monitoring of profitability across the sector as well as establish continued eligibility.

The States reserves the right to request additional information where necessary to validate claims and to suspend support payments or request their return if the validity of the claim cannot be confirmed. Further, it may be necessary to request the return of support payments if actual trading results show a profit for the 12 months end 31<sup>st</sup> March 2021, despite a loss being forecast for this period in the initial claim.

If you have any questions please email [business.support@gov.gg](mailto:business.support@gov.gg) and include "accommodation support" in the subject line. Please do not email any documents to this address unless asked to do so. Alternately please call 743803. Lines are open Monday to Friday 9.00 to 5.00pm.