

**Memorandum for Executive Council**

**SUBJECT**

**Business Support Package for Local Businesses to mitigate the impacts of Covid-19**

Memorandum by the Financial Secretary

**ADVICE SOUGHT**

1. **Executive Council is asked to consider and advise whether the Business Support Package established to support local tourism, hospitality or related businesses in keeping their employees employed resulting from the impacts of the Covid-19 pandemic should continue beyond June 2020.**

**BACKGROUND &  
CONSIDERATIONS  
FINANCIAL  
IMPLICATIONS**

2. On 17 March 2020, St Helena Government (SHG) announced additional measures to prevent COVID-19 from reaching the Island as well as limit the spread of the virus if it was to be confirmed here. Recognising this, SHG approved support mechanisms to reduce the burden on local businesses. These included:
  - a. A one-time payment of £325 to any business with an employee who is forced to self-isolate after having returned from overseas on a flight on 14 March 2020 or thereafter, according to SHG preparedness guidance (published 18 March 2020) to ensure that businesses could continue to pay employees and keep them employed whilst supporting the measures put in place.
  - b. A monthly hardship support payment towards a portion of staff costs for businesses in the tourism and hospitality sectors, recognising the negative impact the pandemic had on visitor numbers due to the travel restrictions put in place, not only on the Island but globally. This again was established to ensure that businesses could continue to pay employees and keep them employed.
3. Effective from 18 March, eligible privately-owned businesses were able to apply for monthly Hardship Support of £500 for the first owner/director living on St Helena, £325 for the second owner/director and £325 per additional full-time employee. After an application had been made and approved, the business received payment for the month of application and each following month in which support was available up to June 2020. It is assumed that an individual can only be a full-time owner/director or employee of one business.
4. Hardship Support is available to owners of companies and sole proprietorships for whom more than half of their annual income is earned in the following sectors:
  - a. Tourist accommodation providers

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- b. Tour operators, including both land- and marine-based
  - c. Eateries
  - d. Bars and clubs
  - e. Other tourism-related businesses
5. Executive Council is asked to consider the following three options on whether the Business Support Package should cease at the end of June 2020 or be extended as summarised below and outlined in Annex A until either September 2020 or December 2020 with the same or a reduced scope.

### **Option A – The Business Support Package comes to an end at the end of June 2020**

6. Under this option all existing elements of the Business Support package will come to an end at the end of June 2020. Whilst this will reduce the pressure on the SHG recurrent budget in the short term, it will have a negative impact on local businesses (and by extension local tax revenue) who are currently relying on the Business Support package to keep their businesses afloat whilst travel by tourists to St Helena is restricted by COVID-19 measures locally and globally and until the tourism industry recovers and confidence within the travelling community is restored.
7. It will also mean that the risk of redundancies and an increase in unemployment within the private sector increases significantly because there is no income coming into those businesses that rely on this funding.
8. The number of tourists arriving in off peak season is significantly less than those arriving in peak season, therefore the impact of COVID-19 related travel restrictions is less in off peak than it is in peak.
9. For example, in July and August last year, there were 86 and 113 non-Saint tourists plus business tourists arriving. In December, January and February there were around 200-330 non-Saint tourists plus business tourists arriving per month. As an approximation about three times the number of non-Saint tourists plus business tourists arrive in peak time compared to off-peak time. Therefore, if the Business Support is targeted as income to replace visitor numbers, there is a case for it to be less or zero during off peak times.

*Fig. 1*

Visitors	2019, 07	2019, 08	2019, 09	2019, 10	2019, 11	2019, 12	2020, 01	2020, 02	2020, 03
Non-Saint Tourist	44	36	109	52	114	143	178	250	51
Business	42	77	59	43	52	62	107	76	35
Total	86	113	168	95	166	205	285	326	86

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### **Option B - Extend existing Business Support package by a further three or six months**

10. In this scenario the Business Support package would be extended to the end of September 2020 or to the end of December 2020. The support would be provided under the same terms and conditions as the current Business Support package.
11. This would be beneficial to hospitality businesses, who would see this more favourably. There is less likelihood that businesses will close and that their employees will be made redundant.
12. The winter months is generally the off peak season and we would expect a lower number of tourists and visitor arrivals. However even in the off peak season we would have still expected some visitor arrivals which would contribute to the operating costs of local hospitality businesses. Because of restrictions on arrivals currently in place it is expected that there will be no visitors and therefore the continuation of the Business Support package in the off peak season would have a positive impact on those businesses.
13. Under this option there are financial implications which are approximately £200,000 per quarter.

### **Option C – Reduced package of Support Schemes**

14. In this scenario we would extend the Business Support to the end of September 2020 or to the end of December 2020 as outlined in option B above but to be more specific about the types of businesses eligible for support.
15. The support would be given as per different Terms and Conditions as it is currently given. The support will be narrowed to “highly impacted” sectors. Support would continue for tourist accommodation providers, tour operators, including both land- and marine-based, and eateries. Support would not be continued for bars and clubs or other tourism-related businesses.

## **FINANCIAL IMPLICATIONS**

16. To date 46 businesses and more than 100 employees have been supported through the Business Support Hardship grant which has cost SHG £144,352 to the end of May 2020. It is estimated that the Hardship support will cost approx. £43,925 for the final month of the current scheme bringing the total cost of the Business Support package including a small element for Self-Isolation and Closure Support to approx. £188,277.
17. There are no immediate financial implications resulting from option A however, if the Business Support package is discontinued at the end of June 2020 it is highly likely that some local tourism and hospitality businesses will not be able to continue to employ their current complement of staff and will likely make redundancies. If this were to happen, it is anticipated that there will be a negative impact on PAYE tax revenue in this financial

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year and potentially business tax revenue next financial year if those businesses were also to close. Increased unemployment could increase the cost of social benefits for those eligible to register as unemployed. These costs cannot be quantified at this stage as it is unknown how many local businesses will be impacted by the withdrawal of the Business Support package.

18. Funding for the current Business Support package is being funded from the additional financial aid provided by DFID of £2.5 million. Options B and C will have immediate financial implications. It is projected that under option B the cost of continuing the Business Support package will be in the region of £200,000 per quarter. Under option C this estimate will be less per quarter if the eligibility criteria is tightened and certain businesses like bars and clubs no longer become eligible for the support package.
19. SHG in conjunction with Enterprise St Helena is preparing a case for submission to DFID on utilising some of the unspent DFID ESH Project funding to finance an extension of the Business Support package under either options B or C. If this is not successful then the funding will have to come from the additional financial support provided by DFID for COVID-19.
20. There will be a transfer of budget from Enterprise St Helena to the private sector. They will use this money to help pay wages and fixed costs. This will improve the affordability of these businesses, ensuring that when travel opens up again, these businesses are able to recover.

### **ECONOMIC IMPLICATIONS**

### **CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES**

### **PUBLIC/SOCIAL IMPACT**

### **ENVIRONMENTAL IMPACT**

### **PREVIOUS CONSULTATION/ COMMITTEE INPUT**

### **PUBLIC REACTION**

### **PUBLICITY**

21. N/A

22. This support helps fund the income of business owners and their employees.

23. N/A

24. N/A

25. Depending on what option is chosen, there should be a positive reaction for SHG to provide continued support for businesses.

26. ExCo's decision should be covered in the Media Briefing following the meeting. Separate publicity will follow including the necessary updating of documents on the SHG website.

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### **SUPPORT TO STRATEGIC OBJECTIVES**

27. The options support “All Together Wealthier”.

### **LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS**

28. This paper supports the following SEDP Goals:

- a) Develop, Maintain and Attract a Skilled Workforce

DLR

### **OPEN/CLOSED AGENDA ITEM**

29. Recommended for the Open Session.

Corporate Support  
Corporate Services

24<sup>th</sup> June 2020

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