

ORKNEY ISLANDS COUNCIL



COVID-19 BUSINESS HARDSHIP SUPPORT GRANT
SCHEME: **PHASE 2**

GUIDELINES

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PLEASE READ THIS GUIDANCE CAREFULLY BEFORE MAKING AN APPLICATION

This document details the eligibility criteria for assistance under the COVID-19 Business Hardship Support Grant Phase 2, replacing the first phase of this grant, and covers:

1. BACKGROUND	2
2. PRINCIPLES OF GRANT SUPPORT	3
3. WHAT CAN I APPLY FOR?	4
4. WHO CAN APPLY?	4
5. HOW DO I APPLY?	6
6. WHAT CONDITIONS APPLY?	6
7. STATE AID	7

1. BACKGROUND

Orkney Islands Council is committed to supporting the local business community affected by the COVID-19 outbreak and has established a Coronavirus Response Fund. Since 1 May 2020 this has included access to direct and urgent financial support for businesses experiencing financial difficulty as a result of the crisis, through the Business Hardship Support Grant scheme. This scheme was subsequently reviewed and taken forward from 9 December 2020 as a Phase 2, which these guidelines now describe.

It is an unfortunate fact that the COVID-19 crisis will mean that some businesses will fail. It is not possible for the Council to stop the structural changes to the economy which will cause this, and the Business Hardship Support Fund cannot compensate for all problems created by the crisis. However, it is intended and hoped that it will make a meaningful contribution to the survival of normally viable Orkney businesses at risk of permanent closure due to the impact of the Coronavirus and restrictions, and help sustain jobs.

It must be emphasised that this fund is designed as an economic intervention and cannot compensate for lost income or turnover. Individuals in hardship as a result of personal/household expenses should seek support through the welfare system. It is targeted at businesses in most need, with applications considered on a case-by-case basis due to the many individual scenarios businesses are facing in Orkney. This fund has limited resources, so please act responsibly and have consideration for businesses in Orkney who are suffering extreme and immediate financial hardship, and in dire need of financial help.

The Business Hardship Support Fund is entirely discretionary by the Council, with no entitlement to any grant. Due to the constantly changing picture of emerging Government grant schemes, the eligibility criteria for Business Hardship Support Fund and/or policy may still be altered.

The Business Hardship Support Fund is a grant and not loan, and a financial award in respect of a valid application therefore will not normally need to be repaid by the recipient. However, if a business should subsequently become eligible for Government support (which is possible as Government schemes evolve and new schemes emerge), the Council shall require the grant to be returned in order that the funding can be re-purposed to support other business needs/economic challenges arising from COVID-19.

2. PRINCIPLES OF THIS GRANT SUPPORT

The key aim is to make a meaningful contribution to the survival of viable Orkney businesses that are directly impacted by COVID-19 and associated government restrictions, to help them to stay open and continue to serve their customers.

Businesses applying for assistance under Business Hardship Support Fund will be expected to demonstrate that the following outcomes can realistically be achieved:

- the business has viable plans and can continue to trade profitably post-COVID-19;
- safeguard business operations;
- safeguard existing jobs;
- direct economic benefit to Orkney.

The OIC Business Hardship Support Grant scheme is a support measure aimed at providing some relief to businesses facing immediate and pressing working capital issues, by providing funding towards the cost of running the business, with the intention of giving the owner/manager(s) better opportunity to focus on other objectives and measures to mitigate the impact of this pandemic.

It must be emphasised that, at present, this is a hardship grant solely aimed at those businesses who are facing working capital problems as a result of a current cashflow gap as a direct result of COVID-19 or associated government restrictions (financial information is required to demonstrate this).

This scheme will:

- Provide a grant payment as a contribution towards normal, unavoidable, 'everyday' overheads and expenses associated with the operation of the business, that are causing financial pressures due to a significant fall in income as a direct result of COVID-19 and Scotland's evolving precautionary measures.
- Be needs-based and accept applications from businesses who are in a vulnerable financial position due to expenses it is facing.
- Be based on current cashflow.

This scheme will not:

- Compensate for lost turnover/sales
- Compensate for lost personal income derived from a business
- Cover personal/household expenses
- Cover expenses covered by other grant funds - details of all other COVID-19 related funds awarded must be declared in any application.
- Cover expenses relating to new developments (please see the [Council's COVID-19 Recovery Development Grant](#) for potential financial support)
- Accept applications from businesses currently not in need, for example are not currently experiencing cashflow hardship, or who have cash reserves that would cover more than 6 months of fixed costs.
- Accept applications from businesses who have been permitted to reopen within Government restrictions, but which have remained entirely closed for most of the time since the lockdown of March 2020, unless in exceptional circumstances.

- Accept applications from businesses that are a 'side' business rather than a primary occupation (please discuss with officers if you have several separate businesses that, combined, make up your primary source of income).

3. WHAT CAN I APPLY FOR?

The key aim of the Business Hardship Support Fund is to enable viable businesses to survive the COVID-19 outbreak and prosper in future years by providing working capital to help meet a current cashflow gap. Businesses must be able to demonstrate current financial vulnerability and that the grant will support the business's viability.

These grants are determined by the number of staff currently employed in the business (including non-productive hours supported by the Government's Job Support Scheme).

- £2,500 per applicant for businesses employing 1 to 5 full-time equivalent employees
- £5,000 per applicant for businesses employing 6 to 10 full-time equivalent employees
- £7,500 per applicant for businesses employing 11 or more full-time equivalent employees

*Business can opt to apply for the level of assistance they feel is closest to their working capital requirement, but must meet the minimum FTE requirement for that level of assistance. This is based on a 35-hour week and can include the owner(s), and seasonality of trade may be accommodated. Please discuss with officers before applying if you have several separate businesses that, combined, make up your primary source of income).

Some examples of the type of unavoidable business costs that may be causing hardship could be (businesses are expected to have first endeavoured to negotiate more flexible terms with any lenders):

- Premise costs – rent, mortgage, insurance, maintenance;
- Materials
- Transport
- Non-government supported staff costs;
- Payments on equipment and assets;
- Unavoidable maintenance of assets;
- Finance costs;
- Business utilities – energy costs, wi-fi etc.
- In exceptional circumstances applications could be accepted from businesses who incurred significant expenditure early in lockdown/restrictions to mitigate the negative impact of the pandemic, which they have not recovered through increased/maintained sales. This will apply only to exceptional cases, and will relate to expenditure prior to 19 August when the Council introduced its [COVID-19 Recovery Development Grant](#). Please discuss with officers before applying.

In normal circumstances, applicants who have previously received BHSG funding will not be able to re-apply within 6 months of the previous application date, although the Council reserves the right to exercise its discretion in this regard.

4. WHO CAN APPLY?

Eligible Businesses

Businesses registered and located in Orkney may be eligible for support where all the following applies:

- a) the business is permanently headquartered and operates in Orkney;
- b) the business was actively trading before the impact of the COVID-19 pandemic;
- c) the business was not in financial difficulty (risk of bankruptcy or closing) prior to the COVID-19 pandemic (before 31 December 2019);
- d) the business normally employs at least 1 full-time equivalent (based on a 35-hour week). This can include the owner(s) - seasonality of trade may be accommodated;
- e) the business intends to continue trading if possible;
- f) the business is experiencing financial hardship as a direct result of the impact of COVID-19 and Scotland's precautionary measures;
- g) the business has applied for all Government COVID-19 related support the business is eligible for, but awards have proved insufficient to help a current cashflow gap. (the OIC Business Hardship Support Grant can be in addition to, but not instead of other funding from Government or other sources). All awards must be declared in any application;
- h) the intervention is to sustain a business (individuals in hardship should apply for support through the welfare system);
- i) the intervention will help support the business to survive impact of COVID-19 and Scotland's precautionary measures;

The following established business forms can apply:

- sole trader;
- partnership;
- limited company;
- social enterprise; or
- any other legal business structure.

Ineligible Businesses

A business will be considered ineligible under the Business Hardship Support Fund where:

- it has not accessed all other COVID-19 Government assistance it may be eligible for (details of which can be found at: <https://www.bgateway.com/coronavirus-business-support-across-scotland>);
- it was already 'in difficulty' before the COVID-19 outbreak;
- it has been permitted to reopen within Government restrictions, but has remained entirely closed for most of the time since the lockdown of March 2020, unless in exceptional circumstances.
- the business has the potential to bring Orkney Islands Council into disrepute and cause harm to the reputation of Orkney.

Awards under the Business Hardship Support Fund will be at the sole discretion of the Council.

5. HOW DO I APPLY?

Application is via an online form on the Council's website, and you will not be able to apply if you do not meet all the eligibility criteria. Once this is submitted you will then be sent an email instructing you to submit evidence/additional information in support of your application.

Once the Council has received both the completed application form and the supporting evidence/additional information, officers will review your application as soon as possible and may contact you by email to request further information to enable a decision to be made.

Payment of successful grant applications will be made directly to the nominated bank account.

Supporting Evidence/Additional Information Required

After you have completed your online application, you will receive a follow up email requesting you to submit required supporting evidence/additional information – this is mandatory.

You can digitally copy the required evidence/information in different ways, but please remember, whatever way you copy them, be it a scan, photo or screenshot, officers must be able to see all the information in the document.

The evidence/information required is:

- a) 6-month cashflow projections (a suggested template is supplied and support is available from Business Gateway if required).
- b) Most recent accounts, e.g. year-end accounts, tax return.
- c) Recent proof of enterprise e.g. any one of the following: Companies House registration number, recent utility letter in the business name, recent business insurance document, bank statement for a business account demonstrating recent activity.
- d) Supporting evidence of numbers of employees.
- e) Recent bank statement (business or personal, but showing transactions relating to the business).

6. WHAT CONDITIONS APPLY?

This section details the conditions that will apply to all grant awards prior to applicants receiving and accepting an offer of grant assistance. A breach of any of the conditions described below may lead to the Council seeking repayment of the grant in full.

- a) The applicant must be authorised to make the application on behalf of the business;
- b) Any grant awarded should be repaid to the Council if the applicant can make a claim from changes to existing government schemes or the introduction of new ones. Should the applicant be eligible for either, they should make a claim and repay the Council grant so that it can be reallocated to other applicants.
- c) Any relief awarded in contravention of State Aid rules irrespective of whether there was a deliberate or otherwise deception or error, or as a result of any misleading statements submitted by application will be recoverable in full and that legal action to be taken.
- d) Applicants must be prepared to submit to the Council details of the benefits and impacts which have been achieved by the support provided for monitoring and evaluation.

- e) Any payment received must be declared to HMRC as appropriate as part of the tax return for the business.
- f) By making this application, whilst the information will be confidential from a public perspective, applicants are agreeing to all information being shared within the Council.

7. STATE AID

Grant assistance will normally be given as de minimis aid as defined by the European Commission. If the applicant has been in receipt of any previous de minimis grants, they will be asked to provide details to the Council of such aid received in the three-year period prior to submission of their application.

For further information, please see: <http://www.scotland.gov.uk/Topics/Government/State-Aid/if-its-aid/deminimis>