

ORKNEY ISLANDS COUNCIL



CORONAVIRUS - BUSINESS HARDSHIP SUPPORT GRANT SCHEME

GUIDELINES

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ORKNEY ISLANDS COUNCIL'S CORONAVIRUS BUSINESS HARDSHIP SUPPORT GRANT SCHEME

PLEASE READ THIS GUIDANCE CAREFULLY BEFORE MAKING AN APPLICATION

This document details the eligibility criteria for assistance under the Coronavirus Business Hardship Support Grant, and covers:

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1. BACKGROUND

Orkney Islands Council is committed to supporting the local business community affected by the Coronavirus outbreak and has established a Coronavirus Response Fund. This fund includes 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.

The Scottish and UK Governments have reacted quickly and introduced a number of schemes of assistance to support businesses impacted by the crisis. There are however businesses that fall outwith these measures, or where measures are insufficient, and that have immediate, urgent and unavoidable costs.

It is an unfortunate fact that the Coronavirus 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 difference to the sustainability of the Orkney economy as a whole.

The Business Hardship Support Fund is intended to make a meaningful contribution to the survival of viable Orkney businesses who have been unable to access sufficient immediate support under the national schemes of assistance, and thereby risk permanent closure.

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.

The aim of the fund is to help protect normally viable business operations and sustain jobs, and grant support will be targeted to 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. Recognising the changing picture of emerging Government grant scheme details which will continue, 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.

2. PRINCIPLES OF GRANT SUPPORT

The following principles have guided the criteria of the fund in providing emergency support that will help otherwise viable Orkney-registered businesses who will struggle to survive without a quick injection of cash, purely as a result of the impact of Coronavirus:

- a) Prior to considering financial support, all potential businesses seeking Council funding will be required to demonstrate that they have taken all possible steps to reduce unnecessary expenditure and have explored all forms of Government support (Business Gateway or your professional advisers can support you with this). Businesses should be able to demonstrate that they have exhausted all other avenues, for example rent holidays, deferred payments and repayments. The Council should thus be considered as a funder of last resort. This is in order to ensure that the Business Hardship Support Fund can be targeted to the best effect to support the Orkney economy, by supplementing national Government schemes rather than replacing or replicating them;
- b) For businesses to apply to the Council grant they must not be eligible for a Scottish Government Coronavirus Business Support grant;
- c) If the business is under threat because of unavoidable operational expenses, then the Business Hardship Support Fund may be appropriate. It is not available to

address personal hardship or cover personal/household expenses as a result of loss of income.

This is a fast-moving environment with new support being announced day-by-day as the Coronavirus pandemic progresses. If new streams of funding that seek to achieve the same outcomes are subsequently announced by the UK or Scottish Governments, then to allow the Council to redirect funds elsewhere in the current emergency, you may be asked to repay all or a portion of this grant.

Applications can be made for one-off grants of £5,000, £10,000 or £15,000 depending on the size of your business, measured by the number of full-time equivalent employees (based on annual staffing numbers) actively working in the business, including the business owner(s).

It should be emphasised that this is a business hardship fund and not designed to replace turnover or income.

3. GUIDELINES

The following sections provide guidance on what funding is available and how to apply.

Please note that it is the responsibility of the applicant to check whether payment of grant monies might affect Universal Credit or other welfare benefits.

4. WHAT CAN I APPLY FOR?

The key aim of Business Hardship Support Fund is to enable viable businesses to survive the Coronavirus outbreak and prosper in future years. Some examples of the type of unavoidable business costs that may be causing hardship could be (businesses should first endeavour to negotiate more flexible terms with any lenders):

- Premise costs – rent, mortgage, insurance, maintenance;
- Travel costs for those deemed essential key workers;
- Non-furloughed staff costs;
- Payments on equipment and assets;
- Unavoidable maintenance of assets;
- Pre-purchase or pre-ordered stock that cannot be cancelled;
- Finance costs;
- Business utilities – energy costs, wi-fi etc.

****The Fund cannot compensate for loss of income****

Business Hardship Support Funds will be restricted to one-off grants determined by the number of staff ordinarily employed during the year (prior to furloughing):

- £5,000 per applicant for businesses employing 1 to 5 full time equivalent employees (including owner/owners).
- £10,000 per applicant for businesses employing 6 to 10 full time equivalent employees (including owner/owners).
- £15,000 per applicant for businesses employing 11 or more full time equivalent employees (including owner/owners).

5. WHO CAN APPLY?

Eligible Businesses

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

- the intervention is to sustain a business (individuals in hardship should apply for support through the welfare system);
- the business is not eligible for a Coronavirus Business Support grant;
- the business has exhausted all other avenues of Scottish/UK Government support including bank lending; and
- the intervention will enable the business to survive the outbreak.

The following established business forms can apply:

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

An initial eligibility check is made in the application process based on the following:

- a) you are a business based in Orkney;
- b) you would have been actively trading before the impact of the coronavirus/COVID19 pandemic;
- c) you intend to continue trading in 2020/21 if possible;
- d) you were not in financial difficulty (risk of bankruptcy or closing down) prior to the Coronavirus pandemic: before 31 December 2019;
- e) you normally employ at least 1 full-time equivalent (based on a 35 hour week) this can include the owner(s) - seasonality of trade may be accommodated;
- f) your business is experiencing financial hardship as a direct result of the impact of Coronavirus and Scotland's precautionary measures;
- g) you are applying for funding to help your current cash flow hardship;
- h) you have exhausted all measures to reduce expenses, including seeking deferred payments and repayments and considered bank lending where possible;

- i) you are not eligible for a Scottish Government Coronavirus Business Support Grant;
- j) you are not eligible for a grant from the UK Government's Coronavirus Job Retention Scheme, or it is insufficient to help your current cash flow hardship;
- k) you are not eligible for a grant from the UK Government's Coronavirus Self-Employment Income Support Scheme, or it is insufficient to help your current cash flow hardship.

Bed and breakfast and self-catering businesses that pay Council Tax will be asked to confirm that receipts represent a primary source of earnings (as a guide, this should be 30% or more); and that the property has been let out for 140 days or more in financial year 2019-20.

UK residents and those 'granted leave to stay' in the UK are eligible to apply for support. Evidence may be required, e.g. a passport or a letter from the Home Office granting leave to stay.

Ineligible Businesses

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

- the business is eligible for a Coronavirus Business Support grant;
- it has not accessed all other Coronavirus 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 Coronavirus outbreak;
- it cannot demonstrate active trading prior to the Coronavirus outbreak;
- 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.

6. HOW DO I APPLY?

Expected outcomes

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 prosper post-COVID-19;
- safeguard business operations;
- safeguard existing jobs (evidence of the businesses' employment in terms of 'Full Time Equivalent' is used to determine the scale of the grant that can be applied for);
- direct economic benefit to Orkney.

The application process starts with a swift eligibility check. Prospective applicants should complete the eligibility checker form available at www.orkney.gov.uk or on request from economic.development@orkney.gov.uk.

Once completed this should be submitted, where it will be quickly assessed and eligible applicants will then be provided with the application form with a case number, ideally within 2-3 working days. The form should be fully completed and submitted with the requested supporting documentation – applications without this supporting documentation cannot be progressed.

Reason for application

You will be asked to provide a brief description that outlines the hardship issues facing your business that will justify award of the grant. You must state why, without the grant support, your business is at risk of permanent closure and that support from the scheme will enable your business to remain viable in the future. Funding will only be provided as a last resort where the applicant has no other means of sustaining the business.

It must be emphasised that this fund cannot compensate for lost income or turnover. If you are experiencing personal hardship as a result of personal/household expenses, you should seek support through the welfare system.

7. WHAT HAPPENS TO MY APPLICATION?

Applications will be initially reviewed by a Council officer and considered at a daily assessment panel.

Successful applications, subject to supporting evidence, will be processed with a target of within 10 days of receipt of application, with payment made directly to the business's bank account.

If the panel is unable to determine an application then the case will be referred to the the Executive Director and Head of Finance or another senior officer as directed by the Chief Executive for a decision.

If the application is deemed unsuccessful, the applicant will be informed in writing,

All outcomes will be communicated to applicants and the Council's decision is final. There will be no right of appeal.

8. 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.

9. 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>