

Item: 11

Special General Meeting of the Council: 6 May 2020.

Local Business Hardship Assistance – Business Loan Element.

Joint Report by Chief Executive, Head of Finance and Executive Director of Development and Infrastructure.

1. Purpose of Report

To consider the terms of the Council Loan Scheme element of the Coronavirus Response Fund to assist local businesses experiencing cashflow difficulties that have arisen as a result of the Coronavirus Pandemic.

2. Recommendations

The Council is invited to note:

2.1.

That, although there are national lending schemes available to businesses, the Council has received several requests to make loans available to businesses to ease the immediate pressure from poor cash flow and the consequent risk of business failure across Orkney.

2.2.

That, on 16 April 2020, the Council approved establishment of a Coronavirus Response Fund, to be used for Business Hardship Support Grants and Business Loans, with an opening balance of £5,000,000.

2.3.

That the Council also agreed that the Chief Executive should arrange for the detail and operation of the Business Loan element of the Coronavirus Response Fund to be further developed and thereafter submit a report to the Council in due course.

2.4.

The two national loan schemes that businesses will be expected to have applied to before seeking a cash flow loan from the Council, as follows:

- Coronavirus Business Interruption Loan.
- Coronavirus Bounce Back Loan schemes.

2.5.

That the Council would require to be regulated by the Financial Conduct Authority to operate in the area of offering loans of less than £25,000.

2.6.

That an application form for the Council's proposed Coronavirus Pandemic Emergency Loan Scheme is currently under development, with the latest draft attached as Appendix 2 to this report.

It is recommended:

2.7.

That the Council establish a Coronavirus Pandemic Emergency Loan Scheme offering secured loans of between £50,000 and £100,000.

2.8.

That the loan terms and policy guidance in respect of the Coronavirus Pandemic Emergency Loan Scheme, attached as Appendix 1 to this report, be approved.

2.9.

That applications to the Council's Coronavirus Pandemic Emergency Loan Scheme be administered by the Economic Development Service.

2.10.

That applications to the Council's Coronavirus Pandemic Emergency Loan Scheme be accepted from businesses that can demonstrate they have completed the process of applying for loans through the nationally available Coronavirus Business Interruption Loan or the Coronavirus Bounce Back Loan schemes.

2.11.

That loans from the Council's Coronavirus Pandemic Emergency Loan Scheme be initially restricted to loans of £50,000 or over, up to a maximum of £100,000, to be funded from the Coronavirus Business Hardship Support Fund .

2.12.

That the Council's Coronavirus Pandemic Emergency Loan Scheme be entirely discretionary with no absolute entitlement to a loan.

2.13.

That each application to the Council's Coronavirus Pandemic Emergency Loan Scheme be considered on an individual basis and determined by the Head of Finance, in consultation with the Head of Legal Services, to ensure compliance with State Aid and that the terms of the loan are not ultra vires.

3. Introduction

3.1.

A range of measures have been introduced to support business in the difficult times that have been caused by the lockdown and interruption to trade as the Coronavirus Pandemic has spread across the globe.

3.2.

Details of a range of support measures available to businesses was contained in the report to the Special General Meeting of the Council of 16 April 2020 which approved establishment of a Coronavirus Response Fund, to be used for Business Hardship Support Grants and Business Loans, with an opening balance of £5,000,000. The Council also agreed that the Chief Executive should arrange for the detail and operation of the Business Loan element of the Coronavirus Response Fund to be further developed and thereafter submit a report to the Council in due course.

3.3.

Members will have the opportunity to assess the benefits delivered by the Council's schemes of assistance with the Special General Meeting of the Council of 16 April 2020 resolving that the scale, scope and effectiveness of the Coronavirus Response Fund be continuously reviewed, with the Chief Executive arranging for a report to be submitted to Council in due course.

4. Requests for Council Assistance

4.1.

There have been many requests for assistance made to the Council from across the business community as the impact of the lockdown has completely curtailed all trade in some sectors and severely limited trade in others. Common themes have been the impact on cash flow as seasonal trade has not materialised and the knock-on effect to suppliers as businesses that have been forced to close or are operating at a greatly reduced level of trade have been unable to meet their commitments to pay their suppliers.

4.2.

Although there are lending schemes available to businesses that have United Kingdom Government backing, these have had some adverse feedback that has seen Government react to improve the conditions attached to the loans and a new scheme for smaller loans launched on 4 May 2020. Despite the availability of loans from commercial lenders there have been several requests for the Council to make available loans to businesses to ease the immediate pressure from poor cash flow and the consequent risk of business failure across Orkney.

5. Available Loan Support

5.1.

The principal pandemic support through loan schemes available to businesses from commercial lenders are the Coronavirus Business Interruption Loan and the Coronavirus Bounce Back Loan schemes.

5.2.

The Coronavirus Business Interruption Loan scheme will help small and medium-sized businesses access loans and other kinds of finance of up to £5 million. The Government guarantees 80% of the finance to the lender and pays interest and any fees for the first 12 months.

5.2.1.

Applications will be accepted for a loan provided the business is based in the United Kingdom and has an annual turnover of up to £45 million. Applicants will need to demonstrate that their business would be viable were it not for the pandemic and has been adversely impacted by the coronavirus. Applicants wishing to borrow £30,000 or more will also need to confirm that their business was not classed as a business in difficulty on 31 December 2019.

5.2.2.

Businesses from any business sector can apply, except banks, insurers and reinsurers (but not insurance brokers); public-sector bodies and state-funded primary and secondary schools

5.3.

The Coronavirus Bounce Back Loan scheme will help small and medium-sized businesses affected by coronavirus (COVID-19) to apply for loans of up to £50,000. The Bounce Back Loan scheme will help small and medium-sized businesses to borrow between £2,000 and £50,000. The Government will guarantee 100% of the loan and there won't be any fees or interest to pay for the first 12 months.

5.3.1.

Loan terms will be up to 6 years. No repayments will be due during the first 12 months. The Government will work with lenders to agree a low rate of interest for the remaining period of the loan. The scheme will be delivered through a network of accredited lenders.

5.3.2.

Businesses from any business sector can apply, except banks, insurers and reinsurers (but not insurance brokers); public-sector bodies and state-funded primary and secondary schools. Businesses that have taken out a loan under the Coronavirus Business Interruption Loan scheme are also ineligible.

5.4.

United Kingdom Financial Services Regulations place restrictions on lending £25,000 or less to sole traders and partnerships/limited liability partnerships with 3 or fewer members. The Council is therefore unable to provide direct loans to sole traders/small partnerships of £25,000 or less but can assist with signposting to other loan providers who offer approved lending services.

6. Lending Principles

6.1.

The following principles have been considered for the use of new and existing funding streams to provide emergency support to help Orkney businesses who will struggle to survive without an injection of cash, solely as a result of the impact of Coronavirus.

6.1.1.

Prior to considering financial support, all potential businesses seeking Council funding should be guided by the Economic Development Service to ensure they have taken all possible steps to reduce unnecessary expenditure and have explored all forms of Government support.

6.1.2.

Applicants should be able to demonstrate that they have explored all other avenues, for example rent holidays, deferred payments and repayments.

6.2.

The loan scheme will require transparent prioritisation criteria and consideration of risk as it will be impossible to provide the necessary liquidity support for all businesses affected or to plug the turnover gap. The Council loan scheme is aimed at those who need it most and are ultimately viable businesses that were not in prior difficulty (i.e. risk of bankruptcy or closing down, either temporarily or permanently, due to Coronavirus) and those employing significant numbers of resident labour or who will be key to rebuilding the local economy.

6.3.

Public funds should be prioritised to support businesses with community benefit that will contribute to a healthy future economy recognising there will be significant changes to the local economy and markets over a number of years of recovery.

6.4.

There will need to be legal approval of any loan award to ensure compliance with State Aid and that the terms of the loan are not ultra vires.

6.5.

The availability of the Government backed Coronavirus Bounce Back Loan Scheme for loans of up to £50,000 will provide lending in the under £25,000 area that the Council cannot, leading to the proposal that the Council loan offer should be placed in the £50,000 to £100,000 range.

6.6.

It is proposed that the Council offer secured loans where the interest rate will be lower on account of the security obtained. A second ranking security will be considered acceptable security, while pari passu ranking with any additional co-lender would be preferable.

6.7.

The loan repayment term for the Council Loan Scheme will be set following an assessment of the business model and the applicant's ability to service the loan facility. Standard loan terms would be for a duration of up to 6 years, with an initial repayment holiday period of up to 1 year, followed by up to 5 years to repay the loan balance in full. Exceptionally, requests for a loan period of up to 10 years may be considered.

6.8.

The proposed guidelines for the Coronavirus Business Cash Flow Loan Scheme are attached as Appendix 1 to the report with the draft loan application form attached as Appendix 2. The Loan application form will be refined with input from Development and Finance staff prior to the launch of the loan scheme.

7. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 3 to this report.

8. Links to Council Plan

8.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Enterprising Communities.

8.2.

The proposals in this report relate directly to Priority 4.3. Reprioritise economic development activity and funding to focus on inward investment and facilitating projects and support programmes which will have the highest/transformational impact in relation to job creation, inward migration/retention of working age population and community enablement.

9. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of a Vibrant Economy.

10. Financial Implications

10.1.

On 16 April 2020, the Council established a Coronavirus Response Fund, to be used for Business Hardship Support Grants and Business Loans, with an opening balance of £5,000,000 from the following allocations.

- Crown Estate revenue funding – £576,000.
- Renewable, Redevelopment and Regeneration Fund – £1,424,000.
- Strategic Reserve Fund – £3,000,000.

10.2.

It is proposed that the Council loan scheme is established to advance loans of between £50,000 and £100,000. Standard loan terms would be for a duration of up to 6 years, with an initial repayment holiday period of up to 1 year, followed by up to 5 years to repay the loan balance in full. Exceptionally, requests for a loan period of up to 10 years may be considered

10.3.

The proposed lending to local businesses is an emergency measure and, with high uncertainty, the Council needs to recognise the very high risk and possibility that loan funding will not be recoverable.

10.4.

The interest rate for loans will be established on an open market economy investor principle where the interest rate for a co-lender can be applied or by reference to the state aid reference rate. The state aid reference rate methodology is applied as a proxy for the market rate of interest and to check compliance with the de minimus rules on state aid and block exemption regulations.

10.5.

The state aid reference rate consists of two components, a base rate (set by the EU Commission) plus a margin to reflect the underlying level of risk in the financial instrument which effectively reflects the borrower's creditworthiness and collateral. The state aid reference rate may be significantly higher than the interest rate under the national lending schemes.

11. Legal Aspects

11.1.

Section 95 of the Local Government (Scotland) Act 1973, as amended, obliges the Council to make arrangements for the proper administration of its financial affairs.

11.2.

Section 69 (3)(e) of the Orkney County Council Act 1974 permits the Council to apply any reserves established thereunder for any purposes which in the opinion of the Council is solely in the interests of the County or its inhabitants.

11.3.

In terms of Section 20 of the Local Government in Scotland Act 2003, the Council has power to do anything which it considers is likely to promote or improve the well-being of its area and persons within it, or either of these. This includes power to give financial assistance subject to any limiting provisions which restrict its powers in this respect.

11.4.

Section 69(1) of the Local Government (Scotland) Act 1973 provides that, “a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.”

11.5.

Section 69(2) of the Local Government (Scotland) Act 1973 provides, “A local authority shall not by virtue of this section raise money, whether by means of rates or borrowing, or lend money except in accordance with the enactments relating to those matters respectively.”

11.6.

The Council must make arrangements which secure best value. An authority securing best value will be able to show that it is making effective and efficient use of its financial resources.

12. Contact Officers

John W Mundell, Interim Chief Executive, extension 2101, Email john.mundell@orkney.gov.uk

Gavin Barr, Executive Director of Development and Infrastructure, extension 2331, gavin.barr@orkney.gov.uk

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk

Roddy MacKay, Head of Planning, Development and Regulatory Services, extension 2530, Email rodny.mackay@orkney.gov.uk

13. Appendices

Appendix 1: Orkney Coronavirus Emergency Loan Scheme Policy and Guidelines.

Appendix 2: Draft Application Form.

Appendix 3: Equality Impact Assessment.



Coronavirus Pandemic Emergency Loan Scheme

Policy and Guidelines

Contact:

Economic Development
Orkney Islands Council
School Place
Kirkwall
KW15 1NY

- Telephone 01856 886 666
- Email economic.development@orkney.gov.uk.

1. Introduction

1.1. Orkney Islands Council (the Council) has developed an emergency loan scheme, as part of a wider package of measures, aimed at supporting businesses based in Orkney to mitigate the impact of the Coronavirus Pandemic on the local economy. The purpose of this emergency loan scheme will be to supplement rather than replace existing sources of loan finance and to help established and commercially viable local businesses suffering cashflow interruption in this time of uncertainty.

1.2 The scope of the emergency loan scheme will be restricted to supporting established businesses based within the local authority geographical area. Loan applications will be assessed against key eligibility criteria as set out in Section 4 to this document.

2. Who can Apply?

2.1. Sole traders, partnerships, limited liability partnerships, limited companies and other business models can all apply for emergency cashflow loan finance to sustain their businesses through the Coronavirus Pandemic and associated recovery period.

2.2. The Council can lend to micro, small and medium sized businesses (up to 250 employees and turnover not exceeding £50m).

2.3. UK Financial Services Regulations place restrictions on lending £25,000 or less to sole traders and partnerships/limited liability partnerships with 3 or fewer members. The Council is therefore unable to provide direct loans to sole traders/small partnerships of £25,000 or less but can assist with signposting to other loan providers who offer approved lending services.

2.4. Whilst there is no lower financial limit for applications from larger partnerships or limited companies, a loan of less than £25,000 from the Council is unlikely to be the most cost-effective way of accessing emergency cashflow loan finance support for businesses of this size. The availability of the Government backed Coronavirus Bounce Back Loan Scheme for loans of up to £50,000 will provide lending in the under £25,000 area that the Council cannot, leading to the Council loan offer in the £50,000 to £100,000 range.

3. Types of Funding Available

3.1. Loan finance will be provided in the form of secured loans through this Emergency cashflow scheme. It is recommended that applicants discuss their requirements with Economic Development Service staff prior to applying for loan finance.

3.2. The Council's preference is to provide gap funding or co-investment with Banks and other finance providers on equal ranking terms, or on a "pari passu" basis, rather than being the primary lender to businesses. Council loans will be considered where a second ranking arrangement is all that is available provided there is a valuation available that demonstrates that there is sufficient equity in business assets to cover the loan value after the first ranking security.

3.3. All applicants are required to maximise other private and public sector forms of funding before approaching the Council. Applicants will require to evidence this as part of

the application process. The Economic Development Service can assist applicants to identify other funding sources.

3.4. Subject to the agreement of any co-lender, the Council will give due consideration to any emergency cashflow loan facility being structured to provide an initial holiday period of up to 1 year before any repayments of principal and interest are scheduled. On a similar basis, loan repayments will be repayable on a simple or straight line basis over the remainder of the duration of a fixed term loan with all repayments collected by monthly Direct Debit.

3.5. The Council will act as any rational investor would do and will follow the market economy investor principle which is that when a public authority invests in an enterprise on terms and conditions which would be acceptable to a private investor operating under normal market economy conditions, the investment is not a state aid.

3.6. All offers of loan finance will be on commercial terms and conditions. Legal fees will be recharged to the borrower at cost. Arrangement fees and early repayment fees will also apply to any loan facility.

4. Eligibility Criteria

4.1. Loan applications will be assessed against key eligibility criteria that local businesses can demonstrate:

- Firstly, that they were commercially viable prior to the outbreak of the Coronavirus Pandemic.
- Secondly, a requirement for additional cashflow loan finance support is demonstrated together with the capacity to service such a facility.
- Thirdly, a commitment to 'weather the storm' and come out the other side intact and contribute to and strengthen the recovery of the local economy in terms of jobs, growth and other benefits.

4.2. Ineligible Applications

The following paragraphs detail the areas where applications will be considered ineligible for emergency cashflow loan finance. The Final Decision on whether projects are deemed ineligible will be made by the Head of Finance on the advice of a panel consisting of, the Executive Director of Development and Infrastructure, the Head of Planning, Development and Regulatory Services and the Head of Legal Services on the vires of the loan application.

4.2.1. Businesses that are assessed as not being financially viable prior to the outbreak of the Coronavirus Pandemic will not be eligible.

4.2.2. Funding will not be available through this scheme for specific cost items where this will have the potential to distort local market activity, such as the purchase of property on the open market.

4.2.3. Debt repayment, i.e. direct replacement of existing loan facilities, will not be eligible. Existing lenders will be expected to provide an undertaking to stand alongside the Council

in providing emergency cashflow finance to businesses for the duration of any loan agreement or at least consult with the Council prior to making any decision to restructure existing loan facilities.

4.2.4. Businesses which are deemed to be failing will not be eligible for assistance. Projects which have no intrinsic value other than as rescue packages are also ineligible.

5. Lending Terms

5.1. The Council will act as a rational investor at all times and follow the Market Economy Investor Principal. All loans will apply appropriate commercial terms and conditions which will be detailed in any offer of loan finance at the outset on the basis that the conditions require to be met prior to any loan funds being released. Those terms and conditions will also apply for the duration of the loan agreement.

5.2. Applicants will be required to provide adequate security for any loan facility. The level of security cover will reflect the underlying level of risk associated with each loan facility and will be assessed on a case by case basis.

5.3. The interest rate applied to emergency cashflow loan finance will reflect the inherent level of risk associated with investing in the business. Once an interest rate has been set it is fixed for the loan period. Rates will be no lower than what a commercial lender would apply and where possible by agreement will be on equal terms or “pari passu” with existing lenders or co-lenders. Alternatively, where it is not possible to reach an agreement with existing lenders, then the Council will follow the State Aid Reference Rate methodology to establish a proxy for a commercial rate of interest to apply.

5.4. The loan period will be set following an assessment of the business model and the applicant’s ability to service the loan facility. As a guideline, an emergency cashflow loan facility with a duration of up to 6 years, based on an initial repayment holiday period of up to 1 year, followed by up to 5 years to repay the loan balance in full would be standard terms. Given the short-term nature of the emergency cashflow loan facility, requests for such a loan facility for up to 10 years may be considered in exceptional cases, but any request beyond 10 years is unlikely to be approved.

5.5. Applicants are expected to fund a proportion of their emergency cashflow requirements from sources other than the Council. The Council will not normally fund more than 50% of these requirements but may extend to 75% in exceptional circumstances.

6. How to Apply

6.1. In the first instance, potential applicants should contact the Economic Development Service to discuss their requirements and their eligibility for the emergency cashflow loan finance. At this point, the Economic Development Service will identify if an applicant requires any other business support including the services offered by Business Gateway.

6.2. Business Gateway

6.2.1. This is a government initiative which aims to provide a range of support measures to those who wish to start up a new business or to grow an existing business. This service is supported by local and national resources and includes:

- Access to training courses.
- Business planning advice from an accredited adviser.
- Advice on funding opportunities.
- Access to national information services.

6.2.2. The Business Gateway is operated by the Council's Economic Development Service and should be the first point-of-contact for all business support enquiries.

6.2.3. Once the Economic Development Service is satisfied that a business meets the eligibility criteria for emergency cashflow loan finance, the applicant will be invited to submit a completed loan application form, business plan and supporting documentation.

6.3. Application Form

6.3.1. The application form details the information and documentation which is required to apply. The form is available from the Council's Economic Development Services in paper or electronic form. Contact details for Economic Development are listed on the front page and a direct link to the web page is below:

<https://www.orkney.gov.uk/Service-Directory/B/business-development.htm>

6.3.2. Within the form applicants are requested to detail their requirements for an emergency cashflow loan.

6.3.3. The application form includes a declaration and undertaking which must be printed and signed before the form is returned. The main body of the application can be emailed or submitted in paper form.

6.4. Business Plan

6.4.1. Support with business planning can be provided through the Business Gateway Service, if required. Contact details for Business Gateway can be found in the following link:

<https://www.bgateway.com/local-offices/orkney/local-support>

6.4.2. A business plan should include the following information:

- Business background.
- Overview of the business sector.
- Company structure.
- Management structure.
- Description of the business model including outputs and outcomes.

- Description of links in the supply chain.
- Details of current and proposed employment.
- Analysis of the market in which the business operates.
- Details of current/potential competition.
- Sources of Finance – existing and proposed. Please state what other applications have been submitted, any feedback received and/or any approvals.
- Justification for seeking emergency cashflow finance from the Council.
- Impact on the business if the cashflow finance is not secured.
- A 6-year cash flow projection.
- A 6-year projection of the business Profit and Loss Account and Balance Sheet.

6.4.3. The business plan must be supported by financial projections for a minimum of 6 years. This will include profit & loss accounts, cashflows and balance sheet forecasts. The cashflow requires to be prepared on a monthly basis and projections should be accompanied by detailed assumptions in relation to statements made in the application.

6.4.4. Businesses will also be asked to supply a full set of financial accounts for the previous 3 years. Management accounts may also be requested along with other information required in the assessment process, for example, asset lists, details of key contracts, licences held.

7. Decision Making Process

7.1. On receipt of an application, Economic Development Staff will look carefully at your application and provide advice and feedback on the potential success of an application before progressing further. Applications that meet the Council's lending criteria as set out in this guide will be formally assessed and a recommendation will be made to a decision panel by the Economic Development Staff team on whether a loan should be offered.

7.2. Approval/Rejection decisions will be taken by the Head of Finance on the advice of a panel consisting of the Executive Director of Development and Infrastructure, the Head of Planning, Development and Regulatory Services and having received advice from the Head of Legal Services that the proposed loan is not ultra vires.

7.3. An indication of the timescale for a decision will be given by Economic Development Staff at an early stage in the application process.

8. Monitoring of Loans

8.1. Economic Development Staff will monitor all loan advances to ensure that the loan beneficiaries meet the requirements and conditions of the Council scheme. As part of the monitoring of all loans Economic Development Staff will carry out annual business reviews on each borrower. Part of this process will involve following up on the estimated benefits to the local economy as detailed at the time of application.

8.2. Finance Staff will monitor the performance of the emergency cashflow loan book including accounting for the all scheduled loan repayments and accounting for the fair value of the financial instruments.

9. Applicable Legislation

9.1. Applicants must be aware that the following UK and Scottish legislation applies to any and all information provided to the Council within the application form or accompanying documents:

9.1.1. Data Protection 1998

Orkney Islands Council is registered under the Data Protection Act 1998. Any personal information provided in the application form will be used solely by the Council in connection with the application for loan assistance.

9.1.2. Local Government (Scotland) Act 1973

It is normal practice for reports on applications for loan assistance to be considered in private due to the exempt content including personal and financial detail. However, some information provided in the application form and in the supporting submissions may be made public in reports to the Council or any of its relevant Committees if the Council Members decide to do so having taken legal advice. The Council may also make details of any approval public through local press releases.

9.1.3. Freedom of Information (Scotland) Act 2002

Any information provided in an application may be provided to the public under the Act. If there is any information contained in the application form or supporting documentation which applicants do not wish to be publicised, they must disclose this at the time of application. Any requests for disclosure of such information may be discussed with the applicant, however, it cannot be guaranteed that information supplied in connection with an application will be kept confidential.



**Coronavirus Pandemic Emergency Loan Scheme
Application Form**

Applicant

**Business Sector and
brief overview of the
business**

**Funding applied
for:**

For Office Use Only

Application Form Acknowledged: _____

Officer: _____

Benefactor Applicant Number: _____

Benefactor Request Number: _____

Approval Reference: _____

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Applications will be accepted from businesses that have completed the process of applying for loans through the nationally available Coronavirus Business Interruption Loan or the Coronavirus Bounce Back Loan schemes:-

Coronavirus Business Interruption Loan Scheme (CBILS)

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

Coronavirus Bounce Back Loan scheme

This scheme will launch on 4 May 2020

Coronavirus Business Hardship Support Fund

Orkney Islands Council Loans from the Coronavirus Business Hardship Support Fund will be initially restricted to loans of over £50,000 up to a maximum of £100,000 and will be available to applicants that have already applied to the Coronavirus Business Interruption Loan Scheme or the Coronavirus Bounce Back Loan scheme.

Data Protection 1998

The Orkney Islands Council is registered under the Data Protection Act 1998. Any personal information provided by you in this form will be used solely by the Council in connection with your application for loan assistance.

Local Government (Scotland) Act 1973

It is normal practice for reports on applications for financial assistance to be considered in public. Normally, the only information which is exempt from the public is personal and financial details. However, the information provided in the application form and in the supporting submissions may be made public in reports to the Council or any of its relevant Committees without your approval if the Council Members decide to discuss a report in public.

Freedom of Information (Scotland) Act 2002

Any information you provide with your application may be provided to the public under this Act.

If there is any information contained in this application form or supporting documentation which you do not wish to be publicised, you should advise the Economic Development when you submit your application. Any requests for disclosure of such information may be discussed with you, however, it cannot be guaranteed that your information will be kept confidential.

Section 1

About This Application Form

As part of Orkney Islands Council's response to the Coronavirus Pandemic the Council has established a Coronavirus Response Fund from which commercial Business Loans can be made to assist local businesses experiencing cashflow difficulties.

This application form must be completed by all applicants for a business loan. This form is designed for applicants to explain in detail the purpose for which funding is sought and to demonstrate the benefits that will accrue to the local economy through the advance of loan funding.

In order for a full evaluation of the loan application to be undertaken, specific information to accompany this application will be required:

- A detailed business plan.
- Financial projections for a minimum of 5 years
- The previous three years accounts for the business (if it has traded for that length of time)
- Confirmation of other lending
- The form of security available

All applications to the Coronavirus Pandemic Emergency Loan Scheme will be considered by the Economic Development Service. Applicants may also be referred to the Business Gateway Service which is operated by Economic Development staff and is a business advice service which can provide support to new start and existing businesses. The service can assist with business planning and other sources of funding.

Application forms can be submitted electronically by e-mail or as paper copies. If by email, the declaration on page 16 should be printed, signed and returned.

Contact details for the service are as follows:

Economic Development
14 Queen Street
Kirkwall
Orkney
KW15
1JE

Tel: 01856 886 666

Email: economic.development@orkney.gov.uk

Section 2

Contact Details

**Applicant/Business
Name:**

Application Contact:

Address (Line 1):

Address (Line 2):

Address (Line 3):

Address (Line 4):

Postcode:

Telephone Number:

Second Telephone Number:

Mobile Number:

E-mail Address:

Website:

Section 3

Business Details

Are you applying as: (please select one)

An Individual

An existing Sole Trader

<input type="radio"/> A Limited Company	Company Number	<input type="text"/>
	Please supply Memorandum and Articles	
<input type="radio"/> A Limited Company, limited by guarantee	Company Number	<input type="text"/>
	Please supply Memorandum and Articles	

<input type="radio"/> A Partnership	Please supply Partnership Agreement	
<input type="radio"/> A Partnership, limited by guarantee	Please supply Partnership Agreement	
<input type="radio"/> A Social Enterprise, limited by guarantee	Please supply Constitution	
<input type="radio"/> A Social Enterprise with Charitable Status	Charity Number:	<input type="text"/>
	Please supply Constitution	
<input type="radio"/> Another type of organisation	Please specify:	<input type="text"/>

Are you VAT Registered? Yes No

If yes, please state VAT Number:

Please describe the nature of your business:

Please confirm whether you have applied for a Coronavirus Business Interruption Loan or a Coronavirus Bounce Back Loan:

(1) Premises: Please give details of the premises currently occupied by the business including dimensions, whether owned or leased, current market value and whether security is currently held over them. e.g. by other lenders.

(2) Securities

Apart from security on premises, which should be outlined in 1 above, please describe any additional securities which have been granted in connection with the business. Please also state whether a Ranking Agreement is currently in place.

(3) Insurance

Please describe the current insurance cover for the business

Section 4

Cash Flow Requirement

Please describe your cash flow requirement:

Please explain why it is necessary to seeking loan funding from the Council and state the impact on the business if the funding applied for, is not made available:

Please provide a summary breakdown of the total cash flow requirements for which the loan funding would be applied:

Item or activity

Amount

	£
	£
	£
	£
	£
	£
	£
	£
	£
Total Cost	£

Other Funding Sources

Funding Body

Secured (Yes/No) *

Amount

		£
		£
		£
		£
		£

Total other funding (B)

£

Your business/personal contribution (C)

£

Funding requested from Orkney Islands Council (D)

£

** If you have secured other funding, then please submit your offer letter with this application*

Section 5

Business Outcomes

In order to be able to measure the success of the loan funding in terms of economic development the following tables should be completed.

Business Benefits/Impacts

Measurable Benefits

Please state below the employment in your business that would exist under normal circumstances and the employment under Pandemic restrictions

	PERMANENT				SEASONAL			
	Normal		Pandemic		Normal		Pandemic	
	F/T	P/T	F/T	P/T	F/T	P/T	F/T	P/T
Managerial, professional, senior official								
Technical								
Clerical, administration, secretarial								
Skilled trade								
Sales, customer and client service								
Unskilled								
TOTAL								

Part-Time is defined as working <30 hours per week

The commitment to continue to trade the business following the Pandemic should be explained here:

Other Measurable Benefits

Does the business support employment in a fragile community	<input type="radio"/> Yes	<input type="radio"/> No
Does this business result in an increase in exports?	<input type="radio"/> Yes	<input type="radio"/> No
Does this business result in fewer imports into Orkney?	<input type="radio"/> Yes	<input type="radio"/> No
Does the business add value to locally produced raw materials	<input type="radio"/> Yes	<input type="radio"/> No

Please describe any other benefits that you think will be generated by support for this business

Section 6

Loan Declaration

Declaration and Undertaking

I/We, (delete as appropriate), as the authorised signatory/signatories of

(Name of Business)

hereby undertake to provide Orkney Islands Council with any other information which it may require to process this application.

I/We understand that further information in respect of my/our application may be required from my/our bank, solicitor, accountant or financial adviser. I/we hereby consent to these persons releasing to Orkney Islands Council such information as may be required.

I/We further understand that all applicants are required to meet the expenses involved in processing an application for financial assistance. (These expenses will include searches over the proposed security subjects and, if applicable, a search in the company's file.) I/we acknowledge that I/we will be liable for these expenses irrespective of the success or otherwise of my/our application. I/we further acknowledge that once my/our application has been approved then should the loan for whatever reason not proceed, I/we shall be liable for all costs in connection with any work which may have already been undertaken. I/we understand that the obligation to meet legal costs covers costs and fees associated with any future amendments and related documentation.

Anyone who knowingly makes a false declaration in order to obtain Council loan assistance may be committing a criminal offence.

Full Names of Partners/Shareholders/Directors

Signed Print

Date

Signed Print

Date

Signed Print

Date

Signed Print

Date

Section 7

Checklist

We can only process the application if:

- The applicable questions are completed;
- The proper people sign the form; and
- The necessary documents are enclosed.

Please use this checklist to make sure you are sending us everything we need.

- We have read and understood the loan scheme guidelines
- We have answered all applicable questions on the form
- The correct people have signed it, as required in section 6

We have enclosed ALL necessary documents

- Business Plan.
- Financial projections for at least five years, including monthly cashflow estimates.
- A copy of the most recent annual accounts, dated, checked and signed by an auditor or individual independent of the group/business.
- Confirmation of match funding from external sources (if applicable).
- A copy of constitution/set of rules or Memorandum of Association and Articles of Association

A bank or building society statement not more than three months old. (A photocopy is acceptable. Original statements will be returned).

OR

- A copy of the pages in a passbook, which shows the name, account number and current balance.

OR

A letter from the bank on headed paper which shows the account details.



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated, or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Covid19 - Orkney Business Hardship Assistance (C-OBHA) scheme – Business Loan Scheme
Service / service area responsible.	Development and Infrastructure
Name of person carrying out the assessment and contact details.	Stuart Allison Economic Development Manager stuart.allison@orkney.gov.uk
Date of assessment.	03 May 2020
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	This is a new policy scheme in response to the global pandemic and impact of Covid-19 on the local business community

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	The key aim of C-OBHA is to enable viable businesses to survive the COVID-19 outbreak and prosper in future years
Is the function / policy / plan strategically important?	Yes, a vibrant economy is specific strategic aim of the Orkney Partnership
State who is, or may be affected by this function / policy / plan, and how.	The current economic crisis will impact on everyone, the aim of the assistance scheme is to support resiliency and strong economic recovery for Orkney and will aim to target those businesses in most need of support.

How have stakeholders been involved in the development of this function / policy / plan?	In response to the crisis a Business Resiliency and Economic Recovery group was convened to help the Council and partner agencies understand the potential impact of the Covid19 pandemic and to explore options for emergency assistance.
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking	The Covid19 pandemic is unprecedented and the virus does not discriminate. Officers have however developed previous Council schemes of assistance and there was not found to be any pertinent research issues or data relating to equalities.
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Interim Guidance for Public Bodies for further information.	The focus of the policy is to support the recovery of the local economy, secure jobs and wealth creation and like other schemes of assistance it is driven by wider government policy drivers. The Scottish Government's economic strategy has inclusive growth as a core pillar and is defined as "Growth that combines increased prosperity with greater equity: that creates opportunities for all and distributes the dividend of increased prosperity fairly'.
Could the function / policy have a differential impact on any of the following equality areas?	The scheme would not discriminate or differentially impact on the areas described as these will not be eligibility criteria
1. Race: this includes ethnic or national groups, colour and nationality.	There are no differential impacts expected from this policy
2. Sex: a man or a woman.	There are no differential impacts expected from this policy
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	There are no differential impacts expected from this policy
4. Gender Reassignment: the process of transitioning from one gender to another.	There are no differential impacts expected from this policy
5. Pregnancy and maternity.	There are no differential impacts expected from this policy
6. Age: people of different ages.	There are no differential impacts expected from this policy
7. Religion or beliefs or none	There are no differential impacts expected from

(atheists).	this policy
8. Caring responsibilities.	There are no differential impacts expected from this policy
9. Care experienced.	There are no differential impacts expected from this policy
10. Marriage and Civil Partnerships.	There are no differential impacts expected from this policy
11. Disability: people with disabilities (whether registered or not).	There are no differential impacts expected from this policy
12. Socio-economic disadvantage.	The policy is expected to contribute to economic improvement at a regional level
13. Isles-proofing.	The policy will be pertinent to more fragile areas of the Orkney economy including the Isles where the hardship of the crisis may be experienced more intensely.

3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	No
How could you minimise or remove any potential negative impacts?	N/A
Do you have enough information to make a judgement? If no, what information do you require?	Yes

4. Conclusions and Planned Action

Is further work required?	No.
What action is to be taken?	
Who will undertake it?	
When will it be done?	
How will it be monitored? (e.g. through service plans).	

Signature:



Date: 5 May 2020

Name: Stuart Allison