

Item: 14

Policy and Resources Committee: 23 November 2021.

Review of the Council's COVID-19 Business Response Grants.

Report by Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

1. Purpose of Report

To review and consider amendments to the Council's COVID-19 related business response grants.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 16 April 2020, the Council established a Coronavirus Response Fund, with an opening balance of £5,000,000.

2.2.

That the Council has established several financial support measures drawing from the Coronavirus Response Fund during the response phase to the pandemic, as follows:

- Business Hardship Support Grant Phase 1, launched on 1 May 2020.
- Business Hardship Support Grant Phase 2, launched on 9 December 2020.
- Emergency Loan Scheme, launched 25 May 2020.
- COVID-19 Response Grant – Orkney Islands Council 10% Top-up grant, launched 19 August 2020.
- Protective Equipment Grants, launched 19 August 2020.
- COVID-19 Recovery Development Grant, launched 19 August 2020.
- Hotel Job Support Grant, launched 13 November 2020.

2.3.

That, from 1 December 2020 to 30 September 2021, the Economic Development service has processed the following:

- 77 successful applications for the Business Hardship Support Grant Phase 2, amounting to £275,000.
- 77 successful applications for COVID-19 Recovery Development Grant, amounting to £542,283.

2.4.

That the Council's Coronavirus Response Fund has also been used to support a variety of recovery projects, emergency loans and initiatives, totalling £3,697,887 as at 30 September 2021, as detailed in section 11.2 of this report.

2.5.

That applications to the Council's Business Hardship Support Grant scheme have significantly reduced in recent months and all Scottish Government COVID-19 grant support schemes have closed.

2.6.

That applications for to the Council's COVID-19 Recovery Development Grant are tending to evidence less relevance to the original criteria of the scheme.

2.7.

That, although the worst impacts of lockdown restrictions have eased and business confidence continues to improve, certain sections of the Orkney business community still face a level of uncertainty as another winter approaches.

It is recommended:

2.8.

That the Business Hardship Support Grant Phase 2 and the Emergency Loan Scheme remain open to retain an emergency support mechanism for the business community.

2.9.

That the Coronavirus Recovery Development Grant scheme be disestablished once the current ring-fenced funding is fully committed.

2.10.

That powers be delegated to the Chief Executive, in consultation with the Chair and Vice Chair of the Development and Infrastructure Committee and the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, to determine funding requests in respect of COVID-19 recovery demands to support the business sector, which are outwith the existing criteria of the formal schemes, up to a value of £100,000 in respect of any application, to be met from the Council's Coronavirus Response Fund.

3. Introduction

3.1.

On 16 April 2020, when considering options to assist local businesses to survive the economic downturn that had arisen as a result of the Coronavirus pandemic, 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.

3.2.

The Council has established several financial support measures drawing from the Coronavirus Response Fund during the response phase to the coronavirus pandemic, as follows:

- Business Hardship Support Grant (BHSG) Phase 1, launched on 1 May 2020.
- Business Hardship Support Grant (BHSG) Phase 2, launched on 9 December 2020.
- Emergency Loan Scheme, launched 25 May 2020.
- COVID-19 Response Grant – Orkney Islands Council 10% Top-up grant, launched 19 August 2020.
- Protective Equipment Grants (PEG), launched 19 August 2020.
- COVID-19 Recovery Development Grant (CRDG), launched 19 August 2020.
- Hotel Job Support Grant, launched 13 November 2020.

3.3.

On 24 November 2020, the Policy and Resources Committee reviewed the Council's COVID-19 Business Response Grant scheme. Since that date, the Council has been administering the following local support grants and loan schemes:

- Business Hardship Support Grant (Phase 2).
- COVID-19 Recovery Development Grant.
- Hotel Job Support Grant Scheme.
- Sector Support Projects (Sectoral support for the Food and Drink and Creative Sectors).
- Emergency cash flow loan.

3.4.

The Council has also approved the undernoted financial commitments from the Coronavirus Response Fund:

- Up to £250,000 committed to support the aims and activity of the Economic Recovery Steering Group via APSIRE Orkney Limited.
- Up to £100,000 committed to cover the cost of first hour free parking in Council car parks from July to October 2021.

- Up to £106,600 committed to support Kickstart Employment programme.
- Three organisations have been awarded a total of £183,000 to assist with unique COVID-19 related circumstances.
- A total of £127,500 has been committed to the Orkney Marketing programme in partnership with Highlands and Islands Enterprise to support a return to external and tourism marketing activities for Orkney's key sectors.
- A total of £183,000 has been committed to support specific organisations outwith approved grant schemes.

3.5.

As of 30 September 2021, payments and commitments from the Coronavirus Response Fund, totalling £3,697,887, have supported businesses and other organisations in Orkney during the first 18 months of the pandemic. This leaves a remaining uncommitted balance of £1,302,113.

3.6.

In December 2020, the Scottish Government allocated a grant of up to £193,331 as the Orkney allocation of its COVID-19 Local Authority Discretionary Grant funding. An additional sum of £688,792 was provided as revenue grant to the Council as reported in a Members' Briefing note dated 23 September 2021. This funding is not covered in this report.

4. Business Hardship Support Grant

4.1.

The second phase of the Council's Business Hardship Support Grant (BHSG) was launched on 9 December 2020.

4.2.

The guiding principles for Phase 2 of the Business Hardship Support Grant, are as follows:

- 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.
- Provide hardship grant based on need, aimed at those businesses who are facing demonstrable working capital pressures.
- Provides a grant of last resort.
- Is entirely discretionary with no absolute entitlement to any grant award.

4.3.

In summary, the key BHSG conditions are:

4.3.1.

To be responsive to businesses' immediate cashflow needs whilst ensuring that grants are not in excess of need, businesses may apply more than once, but grant levels are amended to:

- £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.

4.3.2.

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.

4.3.3.

Businesses are required to support their application and demonstrate need by providing a 6-month cashflow forecast (support for this will be available if required through Business Gateway).

4.3.4.

The grant scheme is discretionary with no absolute entitlement to any grant award and is administered by the Economic Development service. The following table summarises decisions on applications received, as at 19 October 2021:

Total Applications Received.	142.
Approved:	77.
£2,500.	56.
£5,000.	9.
£7,500.	12.
Rejected.	22.
Withdrawn.	8.
Still to be determined.	35.
Total awarded.	£275,000.

4.4.

The relatively high level of applications still to be determined reflects a significant number of applicants who have not provided supporting information despite reminders. However, the pace of applications received since the scheme opened has significantly reduced from 24 in January to receiving only three since May.

4.5.

The table below outlines which industry sectors have been awarded BHSG to date.

Sector	Grant number
Crafts.	3.
Accommodation.	24.
Horticulture.	1.
Food production.	8.
Professional services.	8.
Retail.	8.
Trades and construction/maintenance.	3.
Tourism and recreation.	12.
Others.	10.
Total.	77.

4.6.

It has been previously reported that the level of COVID-19 grant support to Orkney businesses to date has been considerable, with over £16 million Scottish Government funds being administered by Council officers alone (other agencies administered other grant schemes). Nevertheless, despite recently reported increases in business confidence uncertainty remains as the winter period approaches for a variety of Orkney businesses.

4.7.

Although the demand for the BHSG phase 2 scheme has significantly reduced in parallel with the reports of a partial bounce back to economic recovery, it is recommended that the grant remains available in order to retain the financial safety net for those businesses that may yet find circumstances difficult.

5. Emergency cash flow loan

5.1.

Since its launch close to the start of the pandemic, the Council's emergency loan scheme has approved two applications, each for the maximum level of £100,000.

5.2.

Although high demand for this support mechanism has not been evidenced, this undoubtedly reflects the introduction of the government backed loan measures such as Bounce Back Loan and the Coronavirus Business Interruption Loan Schemes. With a similar justification to retaining the BHSG, it is recommended to retain the Council loan scheme meantime as a safeguard to future need.

6. COVID-19 Recovery Development Grant

6.1.

The Council's COVID-19 Recovery Development Grant (CRDG) was launched on 19 August 2020. Based on flexed criteria of the Council's existing Flexible Business Development Grant, the CRDG offers a 50% grant of up to £10,000 targeted towards projects that address the existing and ongoing challenges of COVID-19 to businesses located in Orkney. The aim of the grant was to support businesses to invest in new developments that increase efficiency, enhance access to new markets and improve competitiveness leading to future and sustainable business growth. Businesses capable of adapting to the challenges of COVID-19 are seen as pivotal in contributing to the recovery and ongoing sustainable development of rural communities.

6.2.

At the Special General Meeting of the Council held on 29 March 2021, it was agreed to extend the CRDG scheme and enhance the original ring-fenced budget of £300,000 by a further allocation of £300,000 within the Coronavirus Response Fund, resulting in a total fund of £600,000.

6.3.

Since the scheme's launch, awards totaling £542,283 have been committed to 77 business development projects. This makes the average grant award to date as £7,043. As at 19 October 2021, £57,717 ring-fenced budget remains. The following table provides further details regarding applications submitted up to 19 October 2021:

Application progress.	Numbers.
Applications received.	121.
Projects approved.	77.
Rejected.	11.
Withdrawn.	8.
Applications to be determined.	25.

6.4.

The table below outlines which industry sectors have applied to CRDG to date:

Sectors	Number.
Crafts.	15.
Accommodation.	4.
Restaurants and Cafes.	5.
Retail.	14.

Sectors	Number.
Food production.	11.
Professional services.	7.
Trades and construction/maintenance.	8.
Tourism and recreation.	6.
Others.	4.
Total.	77.

6.5.

A key element to the CRDG is the requirement of 50% match funding being provided by the applicant. This has ensured that businesses who apply provide a focused development proposal, as a result of the impact of COVID-19, and in line with the grant criteria. It is also providing the opportunity to support businesses who are willing to invest in new ways to earn income and promote sustainability.

6.6.

Although 25 applications remain to be determined, most have not yet submitted supporting information required to assess the proposal. It is also being reported by officers that the projects being proposed are increasingly more difficult to justify under the original COVID-19 recovery criteria.

7. Further considerations

7.1.

As the winter approaches, circumstances are markedly different from this time in 2020. Over £20 million of grant support and intervention has been administered by Council officers and a general level of improved business confidence has been reported, for example by recent HIE, Business Gateway and Federation for Small Business survey reports. However, some uncertainties remain and, whilst it is too early to have formulated a new and fully considered support scheme, dialogue is ongoing with sector groups and indeed sub-groups such as the Hotel Trade to explore expected challenges.

7.2.

Last year Council officers responded to need to deliver the Hotel job support scheme that disbursed £66,110 and protected 46 jobs over the winter. A key challenge being experienced this year is recruiting staff and so ongoing industry dialogue is being pursued to explore the forthcoming issues and options as several sections of the business community still have challenges to overcome towards full recovery.

7.3.

To enable agility in responding to potentially urgent support requests it is recommended that a level of general delegated authority be approved in order to make provision for any urgent support or recovery measures meantime.

8. Human Resource Implications

Economic Development service staff are already processing the grants schemes, so are well placed to continue subject to approval. The intense pressure on the service caused by administering the Scottish Government COVID-19 support grants has significantly reduced since the summer with only a legacy of reporting and audit to deal with.

9. Links to Council Plan

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

10. 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.

11. Financial Implications

11.1.

In April 2020, the Council has established a Coronavirus Response Fund with an opening balance of £5,000,000.

11.2.

As at 30 September 2021, payments and commitments totalling £3,697,887 have supported businesses and other organisations in Orkney during the first 18 months of the pandemic, as detailed in the table below. This leaves an uncommitted balance of £1,302,113 in the Coronavirus Response Fund as at 30 September 2021.

Scheme	Amount
BHSG Phase 1.	£455,000.
BHSG Phase 2.	£275,000.
OIC COVID-19 Business Support 10% Top-up grant.	£1,103,336.
OIC COVID-19 Protective Equipment Grant .	£6,424.
COVID-19 Recovery Development Grant (ring-fenced commitment).	£600,000.
Emergency cash flow loan.	£200,000.

Scheme	Amount
Sectoral support (Food, Drink and Creative).	£217,417.
Hotel Job Support Grant.	£66,110.
APSIRE Orkney Limited (ring-fenced commitment).	£250,000.
Kickstart Employment programme.	£106,600.
Unique COVID-19 related circumstances (three organisations assisted).	£183,000.
'Spend local' campaign support commitment.	£7,500.
Orkney Marketing Programme.	£127,500.
Free parking.	£100,000.
Total.	£3,697,887.

11.3.

Future commitments from the second phase of the Business Hardship Support Grant scheme and any other authorised approvals will continue to be drawn from Council's Coronavirus Business Support Fund with regular update reports to the Council.

12. Legal Aspects

12.1.

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.

12.2.

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.

13. Contact Officers

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