ORKNEY
ISLANDS COUNCIL

OIC Community Empowerment Subsidy Scheme

Scheme Document

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1. Statement in respect of the SCA and OIC's powers

- This Scheme is made by Orkney Islands Council (OIC) as a public authority in accordance with section 10(1) of the Subsidy Control Act (2022). OIC implements this scheme under our powers conferred in Section 20 of the Local Government in Scotland Act 2003.
- The Scheme has been designed in consideration of the Subsidy Control Principles meaning OIC can give subsidies under the Scheme without assessing them against the principles. Scheme Guidance is in place to help interpretation and compliance with the Scheme conditions.

1.1. The Scheme is made on 24 June 2025

1.2. The effective date of the Scheme is 24 June 2025 until 31 March 2035.

2. Policy objective and purpose

The policy objective is to –

- Mitigate the regional inequality and socio-economic disadvantage experienced in the region of Orkney recognising the islands' distinctive culture and unique challenges.
- Stimulate and support community enterprise to deliver a more prosperous, resilient, and socially inclusive economy.
- Preserve, and create new, employment to retain population across the region, strengthening communities and underpinning the region's place-based approach to development.
- Contribute to the Scottish Government's National Strategy for Economic Transformation vision for a wellbeing economy thriving across economic, social, and environmental dimensions and its ambition to promote entrepreneurial activity in every sector in our economy.

2.1. The purpose of the scheme is to provide for the giving of subsidies to stimulate and support the growth of non-profit-distributing social and community enterprises and organisations in the scheme area. Such subsidies shall fall within the following categories set out in Schedule 1:

a) Support for investment in capital assets
b) Support for capacity building
c) Operating support

2.2. Subsidies given under the Scheme must comply with paragraphs 5 to 14 and the relevant requirements in Schedule 1.

2.3. The geographic scope of the Scheme is shown in Schedule 2 and covers the OIC region.

3. Scheme Budget

The anticipated budget for the scheme is £60 million over the ten-year duration. The budget has been set by analysing the awards OIC made to the eligible beneficiary group over the first two-years (January 2023 to December 2024) since the Act came into force i.e. £2m and includes additional funding from the Scottish and UK Governments for support regeneration and shared prosperity. This scheme is not anticipated to increase the volume and value of subsidies that would be given in the absence of the scheme but provide a more efficient means of providing subsidy.

4. General definitions

4.1. **"the Act"** means the Subsidy Control Act 2022.

4.2. **"additionality"** means the extent to which the subsidy is bringing about a change in the project or activity, over and above that which would happen without the subsidy.

4.3. **"ailing or insolvent"** has the meaning defined in section 24(1) of the Act.

4.4. **"beneficiary"** means the legal entity enterprise in receipt of the subsidy.

4.5. **"capital expenditure"** means:

a) the buying of equipment, land, or buildings;

b) or the construction of buildings for the purpose of the production of the relevant goods or the provision of the relevant services;

c) or the adaptation of equipment, land, or buildings for the same purposes;

d) or a combination of the purchase and the adaptation of equipment, land, or buildings for the same purposes;

e) for these purposes, this may include professional fees and consenting costs directly relevant to the project to the extent these will be capitalised in the enterprise's balance sheet; also

f) for these purposes, this may include rental of equipment, land, or buildings, where the subsidy covers rental costs for 3 years or less;

g) this may also include the purchase or licensing of intangible assets such as intellectual property rights or software.

4.6. **"eligible costs"** means those costs defined in paragraphs 2, 6 and 10 in Schedule 1.

4.7. **"enterprise"** has the meaning given by section 7 of the Act.

4.8. "**initial investment costs**" means the initial outlay costs for a new project.

4.9. **"obligation period"** means the period over which the awarding public authority places a legal requirement on the subsidy beneficiary to fulfil the purpose of the subsidy.

4.10. **“professional advisory fees”** means the costs of purchasing any consultancy or professional business services. This excludes services that are needed for the ordinary administration of an enterprise, to ensure compliance with legal obligations such as accountancy services to meet annual reporting requirements.

4.11. **“public authority”** has the meaning under section 6(1) of the Act.

4.12. **“project**” means an activity or activities conducted to a method or plan with a view to achieving a specified end goal.

4.13. **“project costs”** means those costs incurred and paid for by the enterprise arising directly from the delivery of the specific project for which they are seeking subsidy.

4.14. **“project start”** means when the activities directly related to the project, being subsidised under the Scheme, begin.

4.15. **“related projects"** means projects or activities being carried out by the same legal entity, for the same or substantially the same specific purposes set out in measures in Schedule 1. Projects may be considered unrelated if they have entirely different objectives and could be undertaken independently of one another.

4.16. **“Sensitive sectors”** means those defined in the schedule to the Subsidy Control (Subsidies and Schemes of Interest and Particular Interest) Regulations 2022. These include manufacture of iron and steel, production or aluminium and copper, manufacture of motor vehicles, motorcycles, and air/spacecraft machinery, building ships and floating structures, and production of electricity.

4.17. **“subsidised debt finance”** means a loan, quasi-equity or equity investment that is provided on terms that are more favourable than commercially available terms, such as lower interest rates, collateral requirements, agreed share of profits.

4.18. **“subsidy database”** means the database of subsidies established under section 32 of the Act.

4.19. **“Subsidy of Particular Interest"** has the meaning given in Section 3. (2), (3), (4) or (5) of the Subsidy Control (Subsidies and Schemes of Interest and Particular Interest) Regulations 2022.

4.20. **“training costs”** means the fees of trainers and training providers, the hire of venues in which to do training, the cost of equipment used exclusively for training purposes and the wage costs of workers for the time spent in training.

4.21. **“wage costs”** means the gross wage payable by the beneficiary to the employee before tax and includes the beneficiary’s compulsory contributions such as mandatory pension contributions and national insurance. This excludes any voluntary benefits or allowances given to the employee.

5. General conditions

5.1. Before giving a subsidy to an enterprise under the scheme, OIC must obtain the following information from the enterprise:

a) The name and legal entity status of the enterprise

b) A description of the proposed project or activity assistance is requested for including:

i. The location of the activity

ii. Start and end dates

iii. Expected outcomes

iv. Anticipated costs (excluding recoverable VAT if the enterprise is VAT registered) supported by sufficient current documentation to evidence the costs.

5.2. OIC may not give a subsidy for a project or activity that has started unless:

a) it has provided written authorisation to the enterprise that the project or activity can be started before the subsidy is given, and

b) it is of the view the project or activity would not be viable unless it starts before the subsidy is given, or

c) it is of the view the scope of the project or activity is being widened, or the project or activity is being accelerated.

5.3. OIC must award subsidies using objective and transparent selection criteria that are available to potential recipients in advance of giving the subsidy.

5.4. OIC will follow its own internal policies and procedures, to carry out an appropriate level of due diligence and investigation commensurate with the value of the subsidy and the risk of creating market distortion, and document the outcome. In particular, OIC will assess the additionality of each intervention and record the outcome of the assessment in its project documentation. Assessments should be proportionate but as a minimum must record OIC's opinion on whether the subsidy's additionality is:

a) Absolute – there is no foreseeable prospect of the enterprise being able to implement the project or activity without the subsidy; or

b) Partial – the project or activity is likely to happen, but the scope would be limited in –

i. scale – cost reduction would mean reducing the project plan; or

ii. timing – the project would be delayed or delivered more slowly; or

iii. the quality or range of outcomes would be diminished.

5.5. All eligible costs must be incurred directly as a result of the project or activity.

5.6. All eligible costs should be limited to those strictly necessary for the project or activity, and in respect of revenue costs, limited to the time period of the project or activity.

5.7. A subsidy must not be awarded under the Scheme that would, but for section 30(1) of the Act, be subject to any of the prohibitions and other requirements contained in sections 15–29 of the Act – see Subsidy Control Act 2022.

6. Type of subsidy and calculation of the subsidy value

6.1. Subsidies under the Scheme may be given in any form of financial assistance.

6.2. For the purposes of any paragraph in the Scheme that contains a financial amount, the following will apply:

a) If a subsidy is provided in cash, the gross cash amount given is to be used in determining the amount of the subsidy.
b) If a subsidy is provided otherwise than in cash, the amount of the subsidy given is to be determined by reference to the gross cash equivalent of the subsidy.
c) The gross cash amount and gross cash equivalent amount are to be determined in accordance with the Subsidy Control (Gross Cash Amount or Gross Cash Equivalent) Regulations 2022.

7. Eligible enterprises

7.1. To be eligible to receive subsidy under the Scheme, an enterprise:

a) Must be a non-profit distributing organisation.
b) Types could include, but are not limited to social enterprises, community organisations, charitable trusts, public sector arms-length organisations (ALOs), public authorities, voluntary organisations.
c) May be classed as an SME (by reference to the Companies Act 2006, S382 and S465) or a large enterprise.
d) Need not be based in the Scheme area but the project or activity must be delivered within, and only within the Scheme area.

8. Eligible sectors

8.1. There are no product or service sector restrictions

8.2. Subsidy relating to sectors defined as “sensitive” (see definitions) may be given under the scheme, provided they do not exceed the threshold where they become a Subsidy of Particular Interest and require mandatory referral to the Competition and Markets Authority Subsidy Advice Unit for review.

9. Eligible activities

A broad range of projects or activities may be supported that promote the start-up, growth, and development of eligible enterprises.

10. Ineligible activities

OIC may not give subsidy for any of the following:

a) Activity classed as prohibited subsidies in sections 15-29 of the Act.
b) Projects promoting political or religious beliefs.
c) Projects concerned with gambling or other activity that might bring the public authorities or Scheme into disrepute.
d) Projects concerning activity that could be considered illegal.

11. Subsidy ratios and maximum award amounts

Subsidies given under the scheme:

a) Must not exceed 100% of eligible costs; and
b) Must be capped at the maximum award amount for the measure used.
c) OIC must identify other public funding contributing towards the same eligible costs and consider the cumulation conditions of the scheme as well as the Statutory Guidance at Chapter 3, (3.15 to 3.25), and Chapter 9 (9.3 to 9.4).

12. Cumulation

- When applying the subsidy ratios and maximum award amounts set out in the measures in Schedule 1, OIC will consider the cumulative amount of subsidies received by the enterprise for each project or activity, whether given under the Scheme or otherwise. A subsidy given under the Scheme which falls below the maximum award amounts, must not cause the subsidy ratio or maximum award amounts to be exceeded on a cumulative basis.
- Other subsidies must be cumulated with the proposed subsidy, if the subsidy meets all the following conditions and was given:
    a) to the same enterprise by any public authority;
    b) for the same project or activity under the relevant measure in Schedule 1;
    c) for the same or substantially the same specific purposes as set out under the relevant measure in Schedule 1; and within the last three financial years - that is the lapsed part of the current financial year from 1st April and the two preceding financial years.
- Where a project or activity's duration will extend beyond three years, the full value of the subsidy is counted at the date of award. A new cumulation period does not start after three years.

- The subsidy ratio or maximum award amounts may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

13. Misuse of subsidies

OIC will ensure that any subsidy given under the Scheme is given subject to a condition allowing the authority to recover the whole or part of the subsidy amount to the extent that the subsidy is used for a purpose other than the purpose for which it was given.

14. Transparency

OIC will meet the Scheme reporting requirements of The Subsidy Control (Subsidy Database Information Requirements) Regulations 2022 by registering the scheme and any subsequent subsidies given under the scheme that exceed £100,000.

SCHEDULE 1

Measure 1 - Support for investment in capital assets

1. Scope

Subsidies under this measure may be given for defined projects being carried out in the Scheme area that will assist beneficiaries to invest in capital assets.

2. Eligible costs

2.1. Subsidies may only be awarded under this measure for the following initial investment project costs:

a) Purchase of land, buildings, or other heritable assets.
b) Civil engineering and construction costs to repurpose, upgrade or extend capital assets.
c) Purchase of equipment, fixtures, fittings, or furniture.
d) Professional advisory fees, consulting costs and design development fees where these will be capitalised in the enterprise's balance sheet.
e) Rental costs of equipment, land, or buildings subject to a maximum subsidised period of three years.
f) Purchase or licensing of intangible assets such as software or intellectual property rights.

3. Subsidy ratios and maximum award amount

3.1. The maximum subsidy ratio for projects under this category is 100%.

3.2. The subsidy limit to a single enterprise for a project or combination of related projects is £10m.

3.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £10m.

3.4. The subsidy maximums may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

4. Further conditions

4.1. The beneficiary for subsidy under this measure must be the legal entity that will own the asset for which assistance is given. Where an asset that is leased is to be developed or upgraded, OIC must ensure there is a reasonable term remaining on the lease for the economic benefits of the project to be realised. As a minimum, the lease should endure until the end of the obligation period.

4.2. OIC will include conditions in the legal subsidy award stating when the project should be completed and an obligation period to maintain it for the purpose intended. The obligation period should be for a minimum of three years.

Measure 2 - Support for capacity building

5. Scope

Subsidies under this measure may be given for defined projects that will strengthen the capabilities of beneficiaries. This may include, but is not limited to, strengthening their governance, improving efficiency, expanding current operations, entering new markets, or introducing new products or services.

6. Eligible costs

6.1. Subsidies may be awarded for:

a) Wage costs - including the beneficiary's employer's mandatory contributions.

b) External consultancy and professional advisory fees.

- Training costs – provider fees, materials, venue costs, travel, and accommodation.
- Marketing, distribution, and promotional activity.

7. Subsidy ratios and maximum award amounts

7.1. The maximum subsidy ratio for projects under this category is 100%

7.2. The subsidy limit to a single enterprise for a project or combination of related projects is £3m.

7.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £3m.

7.4. The subsidy maximums may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

8. Further conditions

8.1. Subsidies using this measure must relate to a new project or activity with defined objectives, start and end dates that is additional to the enterprise's business-as-usual activities.

8.2. Where wage costs of employees are included, these will only be eligible for the period the employee is engaged in the capacity building project. Where an existing employee is engaged for part of their employment on the project, and part on their normal duties, OIC must obtain appropriate evidence from the enterprise to confirm the eligible project costs.

8.3. Training costs may apply to the training of employees as well as the non-executive governing personnel of the enterprise.

8.4. Marketing and promotional activity costs under this measure are limited to costs associated with new capital, product, or service developments and not to the enterprises business-as-usual promotional activities.

Measure 3 – Operating support

9. Scope

Subsidies under this measure may be given to support business-as-usual operating costs over a specified period. These will comply with OIC's funding requirements in relation to working capital costs.

10. Eligible costs

10.1. Subsidies may be awarded for:

- Wage costs- including the beneficiary's mandatory employer's contributions.
- The enterprise's costs linked to periodic activities including exhibitions, events, or educational activity, increasing accessibility to and provision of services.
- Operating costs such as rent, running costs, maintenance, insurance costs, travel expenses, marketing, materials, and supplies.

11. Subsidy ratios and maximum award amounts

11.1. The maximum subsidy ratio for support under this measure is 100% of eligible costs.

11.2. The subsidy limit to a single enterprise is £3m per annum.

11.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £3m.

11.4. Subsidy under this measure must be limited to what is necessary to cover defined costs or the projected operating losses over the relevant period. These shall be determined ex-ante, based on reasonable projections.

12. Further conditions

12.1. As support for business-as-usual costs is highly distortive, assistance using this measure must be carefully considered and a full record of OIC's justification for the support kept on file.

12.2. For subsidy under this measure, OIC must carefully consider the phasing of payments to avoid paying out in advance of need or over-subsidising. The grant guidance in the Scottish Public Finance Manual will be followed. OIC will also include provision in the legal offer to reconcile the projected and actual losses at the end of the relevant period with claw-back provision to recover any excess subsidy.

12.3. This measure must not be used to subsidise an enterprise that is ailing and insolvent as defined in section 24(1) of the Act.

SCHEDULE 2

Geographical scope of the scheme

The geographical area covered by this scheme is shown in the Orkney map below comprising the Orkney Islands an archipelago off the north coast of mainland Scotland. Orkney is a part of the Highland and Islands region as depicted in the Highlands and Islands map below.



Highland and Islands Region

The HIE region covers local authorities within the Highlands and Islands, the island communities within the North Ayrshire Council area and the western part of the Cairngorm National Park Authority boundary. Orkney is identified in Dark Green and labeled Kirkwall.

