

## **Item: 3**

**Special General Meeting of the Council: 23 June 2020.**

**Orkney's Economic Response and Recovery – Additional Funding Proposal for Business Support and Job Protection.**

**Joint Report by Chief Executive and Executive Director of Development and Infrastructure.**

### **1. Purpose of Report**

To present options for additional funding support to Orkney businesses and to help protect jobs as part of the Council's contribution to supporting Economic Recovery.

### **2. Recommendations**

The Council is invited to note:

#### **2.1.**

That, on 16 April 2020, the Council established a Coronavirus Business Hardship Support fund with an opening balance of £5,000,000.

#### **2.2.**

That the Business Hardship Grant Scheme was launched on 1 May 2020, with grant support totalling £245,000 being paid to 41 qualifying Orkney Businesses as at 19 June 2020.

#### **2.3.**

That, in addition to its Coronavirus Business Hardship Support fund, the Council has been administering various schemes for disbursement of central Government grant support funding to Orkney businesses with a total £6,517,000 having been paid out to Orkney businesses as at 19 June 2020.

#### **2.4.**

That Highlands and Islands Enterprise is responsible for administration of the Pivotal Enterprise Resilience Fund, which has also provided support to Orkney businesses.

#### **2.5.**

That, notwithstanding the considerable financial support which has been provided to date, Orkney business representatives are highlighting the substantial threat which remains to the future of many Orkney businesses, with the consequential long term threat to the state of the Orkney economy and wider community.

## **2.6.**

That, on 11 June 2020, the Council noted the outputs of a business led survey which provided evidence of the low levels of confidence of many Orkney businesses regarding the future, as well as a list of requests, compiled by business representatives, comprising actions which they considered to represent urgent matters for the Council to support in order to assist businesses at this time.

## **2.7.**

That, further to consideration of the list of requests referred to at paragraph 2.6 above, the Council resolved that the Chief Executive, in consultation with the Leader, the Chair and Vice Chair of the Development and Infrastructure Committee and the Head of Finance, should undertake further dialogue with business representatives to confirm priority actions for business support.

## **2.8.**

That further dialogue with business representatives, including Kirkwall Business Improvement District, regarding the list of requests has been undertaken, with a more detailed proposal for grant support toward the purchase of screens and other equipment to support businesses reopening to the public, as outlined in Appendix 2 to this report, being received by the Council.

## **2.9.**

The three options for additional support to Orkney businesses, as set out at section 4.4 of this report, with the preferred option being Option 2, namely payment of a 10% supplement to previous Scottish Government or Council grant funding provided to qualifying Orkney businesses.

## **2.10.**

That the proposed 10% supplement, referred to at paragraph 2.9 above, is estimated to cost an initial sum of £676,200.

## **2.11.**

That the cost of extending the proposed 10% supplement to additional grant schemes provided by other Partner Agencies or further approved payments under the Council administered schemes cannot be fully quantified but could reasonably be estimated at up to a further cost of at least £500,000.

### **It is recommended:**

## **2.12.**

That Option 2, namely that the Council should make available an additional grant for Orkney businesses who qualify for support from any of the Scottish Government funded Coronavirus Grant schemes administered by the Council or the Council's Coronavirus Business Support Grant scheme, equal to an additional 10% of sums paid or due to each business, be approved.

### **2.13.**

That the cost of the 10% supplement, estimated at an initial cost of at least £676,200, be met from the Council's Coronavirus Business Hardship Support fund.

### **2.14.**

That powers be delegated to the Chief Executive, in consultation with the Leader, the Chair and Vice Chair of Development and Infrastructure, the Executive Director of Development and Infrastructure and the Head of Finance, to extend the 10% supplement to additional schemes of grant assistance that have provided grant support to Orkney businesses, but not administered by the Council.

### **2.15.**

That the 10% supplement to additional schemes of grant assistance should not be extended to the Coronavirus Job Retention Scheme, commonly known as the furlough scheme.

## **3. Background**

### **3.1.**

On 16 April 2020, the Council established a Coronavirus Business Hardship Support fund with an opening balance of £5,000,000. This funding has been available to support a Business Hardship Grant Scheme which was launched on 1 May 2020 and a Business Loan Scheme which was launched on 25 May 2020.

### **3.2.**

As at 19 June 2020, a total £245,000 has been paid to 41 Orkney businesses with a further 41 businesses having passed the initial eligibility check stage and in process. A full summary of the Council's grant scheme is provided at Appendix 1.

### **3.3.**

In addition to the Council Coronavirus Business Hardship Support fund, the Council has been administering various schemes for disbursement of central Government grant support funding to Orkney businesses, with a total £6,762,000 having been paid out to Orkney businesses as at 19 June 2020.

### **3.4.**

The level of grant support to Orkney businesses to date has been substantial. However, ongoing discussions with a number of Orkney business representatives in recent weeks is highlighting the substantial threat which remains to the future of many Orkney businesses. These matters were illustrated in the detailed business survey which had been prepared by Business representatives and was presented, in full, to the Council at the Special General Meeting held on 11 June 2020.

### **3.5.**

This threat is likely to become more directly apparent in the form of potential job losses and business closure in the coming weeks as central Government measures such as the workforce furlough scheme near their conclusion. Many businesses will no longer be able to continue to support staff, particularly as the likelihood of the return to any level of prosperous seasonal trade seems highly unlikely this summer. There is a consequential long term threat to the state of the Orkney Economy and wider community.

### **3.6.**

It will not be possible for the Council to provide support to save every Orkney business or prevent widespread job losses. However, dialogue with Business representatives has highlighted that the Council has the potential to be able to make a credible (and potentially for some businesses critical) intervention through further support and to provide further assistance in helping to protect as many jobs as practicable.

### **3.7.**

On 11 June 2020, the Council noted the range of ideas which Business representatives had prepared, including a number of priority actions which were recommended as urgent. One of these actions related to the provision of support to businesses to prepare to re-open to the public in terms of the purchase of Perspex screens and other equipment. This is considered a significantly urgent matter given the recent announcement by the Scottish Government that, as part of Phase 2 of the Framework for Decision Making, some businesses can plan to re-open to the public on 29 June 2020.

### **3.8.**

Accordingly, the Council resolved to seek further information on these priorities and that the Chief Executive, in consultation with the Leader, the Chair and Vice Chair of the Development and Infrastructure Committee and the Head of Finance, should undertake further dialogue with business representatives to confirm priority actions for business support. It is evident that the impact on Orkney's economy will be considerable, particularly due to the scale and significance of tourism and the inevitable barriers for the County to recover quickly from the impact of the pandemic. Therefore, there needs to be a focus on potentially viable businesses going forward.

## **4. Additional Funding Proposals**

### **4.1.**

There has been further dialogue with business representatives, including Kirkwall Business Improvement District (BID), regarding the list of requests. This has resulted in a more detailed proposal from Kirkwall BID relating to the provision of grant support for the purchase of screens and equipment. Appendix 2 provides details of this proposed support scheme. The main elements of the proposed scheme are as follows:

- Provision for support up to £500 to Orkney businesses to fund the purchase of screens or other equipment
- The grant being retrospectively available to businesses who have already invested in equipment backdated to 23 March 2020.
- The grant being payable on presentation of receipts for works undertaken.

#### 4.2.

The proposed support scheme has merit and the Council has the option through this report to consider establishing this support. However, one drawback of the scheme is that it would only provide support to those Orkney businesses looking to reopen to the public. There are many Orkney businesses facing further hardship in the coming weeks who would not qualify for this support. The scheme would also establish an additional burden on Council staff having to administer a separate retrospective grant scheme.

#### 4.3.

An alternative proposal has subsequently been proposed and discussed with Kirkwall BID representatives. This alternative scheme would instead offer a cash payment equal to an additional 10% of the value of grants already received by Orkney businesses from either Scottish Government Coronavirus grant schemes, or the Council's Coronavirus Business Hardship Scheme. This alternative proposal has the advantage of equity, providing further payment to all Orkney businesses already qualifying for grant support. It has the further advantage of being more efficient to administer as it would be a direct payment to companies already registered with the Council as qualifying for the previous grant support mechanisms.

#### 4.4.

A third option has also been considered which would comprise a direct payment of £200,000 to Kirkwall BID as a fund which the company could then administer and distribute to Orkney businesses. Whilst Kirkwall BID has been seeking to broaden its focus outwith Kirkwall town centre through the "BID and Beyond" concept, this work is at an early stage and this option therefore has the risk of adding additional burden to Kirkwall BID to administer a fund.

#### 4.5.

Three options are therefore presented to the Council for consideration as follows:

- **Option 1** – establish a £500 support payment to Orkney businesses, redeemable against evidence of expenditure on protective screens or other public safety equipment since 23 March 2020 to individual properties (multiple property owners would qualify for multiple payments).
- **Option 2** – a top up grant payment to all Orkney businesses who have already received financial support from either the Scottish Government funded Coronavirus Grant schemes administered by the Council or the Council's Coronavirus Business Support Grant scheme, equal to an additional 10% of sums previously paid to each business. A top up to other schemes such as those

administered by Highlands and Islands Enterprise could also be provided subject to the details of recipients and quantification of amounts of assistance delivered in Orkney.

- **Option 3** – a payment of £200,000 to Kirkwall Business Improvement District for spending on purposes to support Orkney businesses in the Coronavirus Recovery period.

#### **4.6.**

Option 2, namely the payment of a 10% supplement to previous Scottish Government or Council grant funding opportunities provided to qualifying Orkney Businesses is recommended, with funding to be sourced from the Coronavirus Business Hardship Fund. This option is more equitable in approach for all eligible businesses who have qualified for, or who may qualify for these schemes in future, and will be more efficient in terms of administration.

#### **4.7.**

It is intended that this supplement would be available to any Orkney business which has qualified for any Scottish Government scheme, and also for those businesses who have qualified for the Council's Business Hardship Scheme. The Council will hold information for a number of businesses as it has been responsible for administering a number of the Scottish Government grant schemes, as well as the Council Hardship Scheme.

#### **4.8.**

However, officers are aware that there remain a number of gaps in provision for some businesses. Some examples include Marine businesses (dive and leisure), Bed and Breakfast, self-catering and independent tradespersons. There are also a number of schemes being administered by other agencies, for example Highlands and Islands Enterprise. In order to ensure that as far as possible all Orkney businesses have the opportunity to benefit from this additional Council support, it will be necessary to engage with partner organisations, for example Highlands and Islands Enterprise. It will also be necessary to ensure availability of this supplemental Council funding remains open to businesses which may subsequently become eligible for future Scottish Government funding, or subsequently qualify for Council support following a review of the eligibility for the Council Business Hardship Support grant. It is therefore recommended that powers are delegated to the Chief Executive, in consultation with the Leader, the Chair and Vice Chair of the Development and Infrastructure Committee, the Executive Director of Development and Infrastructure and the Head of Finance, to extend the 10% supplement to additional schemes of grant assistance that have provided grant support to Orkney businesses, but not administered by the Council.

## **5. Corporate Governance**

This report relates to the Council's response to the economic challenges arising from the Covid-19 pandemic. Efforts to support the Orkney Economy through the pandemic are considered in line with the Council Plan priorities.

## **6. Financial Implications**

### **6.1.**

The Council has established a Coronavirus Business Support Fund with an opening balance of £5,000,000.

### **6.2.**

The Council's Business Hardship Support Grant (BHSG) was launched on 1 May 2020 with applications from businesses that are ineligible for a Government funded Coronavirus Business Support Grant. Grants from the Coronavirus Business Hardship Support Fund are restricted to:

- £5,000 per applicant for businesses employing 1 to 5 full time equivalent employees.
- £10,000 per applicant for businesses employing 6 to 10 full time equivalent employees.
- £15,000 per applicant for businesses employing 11 or more full time equivalent employees.

### **6.3.**

As of 19 June 2020, payments totalling £245,000 had been made to 41 applicants to the Council Business Hardship Support Grant Scheme.

### **6.4.**

In relation to the Council Business Loan scheme launched on 25 May 2020, as of 19 June 2020, 2 applications have been received, 2 additional enquiries have been referred to the application form (and one from England rejected).

### **6.5.**

The Scottish Government has established a number of business support grant schemes which have been administered by the Council since March 2020. As of 19 June 2020, 623 awards totalling £6,517,000 had been made under the Non-Domestic Rates (NDR) based Small Business Grants, the Retail, Hospitality and Leisure Grants and the Newly Self-Employed Hardship Grants.

### **6.6.**

Total funding disbursed by the Council is detailed in the following table.

<b>Grant.</b>	<b>Number of Grants Awarded.</b>	<b>Amount of Grant.</b>	<b>Total Awarded.</b>
<b>Scottish Government Funded.</b>			
NDR Phase 1 – Small Business Grant	486.	£10,000.	£4,860,000.
NDR Phase 1 – Retail, Hospitality and Leisure Grant,	40.	£25,000.	£1,000,000.
NDR Phase 2 – Small Business Grant.	72.	£7,500.	£540,000.
NDR Phase 2 – Retail, Hospitality and Leisure Grant.	4.	£18,750.	£75,000
Newly Self-Employed Hardship Grants.	21.	£2,000.	£42,000.
<b>Orkney Islands Council Funded.</b>			
Business Hardship Support Grant,	3.	£15,000.	£45,000.
Business Hardship Support Grant.	2.	£10,000.	£20,000.
Business Hardship Support Grant.	36.	£5,000.	£180,000.
<b>Total.</b>			<b>£6,762,000.</b>

## **6.7.**

The report proposes the establishment of an additional 10% grant support payment to Orkney businesses. Based on the total level of grant support provided to date through Council administered schemes of £6,762,000, the initial expenditure on this top up will be £676,200.

## **6.8.**

There are numerous Government funded relief schemes in addition to those that are being administered through the Council and Highlands and Islands Enterprise, including the following:

- Coronavirus Job Retention Scheme (CJRS).
- Self-Employment Income Support Scheme (SEISS).
- Business Support Fund.
- Pivotal Enterprise Resilience Fund.
- Towns and Business Improvement Districts (BIDs) Resilience and Recovery Fund.



## **6.9.**

It is not intended that the Council would add a top up for all such support schemes and a recommendation has been made to extend the top up to schemes other than those administered by the Council only after the total amount of assistance under those schemes and consequent cost to the Council has been quantified. The top up should not extend to the Coronavirus Job Retention Scheme, commonly known as the furlough scheme. The full cost of extending the scheme to additional grant schemes or further approved payments under the Council administered schemes cannot be fully quantified but could reasonably be estimated at up to a further £500,000.

## **7. Legal Aspects**

### **7.1.**

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.

### **7.2.**

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 wellbeing of its area and persons within it, or either of these. This includes power to give financial assistance.

## **8. Contact Officers**

John W Mundell, Interim Chief Executive, extension 2101, Email [john.mundell@orkney.gov.uk](mailto:john.mundell@orkney.gov.uk)

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email [gavin.barr@orkney.gov.uk](mailto:gavin.barr@orkney.gov.uk)

## **9. Appendices**

Appendix 1: Business Hardship Support Grant summary.

Appendix 2: Summary of Kirkwall BID support proposal.

Appendix 1.

## **Business Hardship Support Grant as at 19 June**

Since its launch on 1 May 2020, the BHSG has received 176 initial enquires that are categorised as follows:

	Initial Eligibility Checkers	Applications
Yes/approved.	87	41
No/rejected.	31	8
Applicant to revert*.	41	-
Void (Duplicate).	10	-
Referred to Head of Service.	-	0
Still to be determined.	7	16
Total Received.	176	65

\*Applicants guided to other/new forms of Government funding in first instance.

As of Friday, 19 June 2020, payments totalling £245,000 were made to 41 applicants. Of these 3 had over 10 full-time equivalents (FTE) (£15,000) and two 6-10 FTE (£10,000).

A slight increase in new enquires to 12 since last week – perhaps reflects other Government schemes recently notifying rejection decisions; however 41 enquiries remain pending. These have been referred until outcomes of other government funding are clarified – the Creative, Tourism Hospitality Hardship grant and Pivotal Enterprise Resilience Funds have recently closed but received top up and some cases still to be determined-

### **Government Grants being administered by Economic Development staff**

#### **Newly Self-employed Grants**

As of 19 June, 21 Newly Self-employed grants have been paid totalling £42,000.

#### **B&B Hardship fund**

As of 19 June, 8 applications have been received with 2 paid so far. Please note the Government scheme for B&Bs with personal bank accounts (previously excluded from the Scottish Government's Coronavirus Creative, Tourism & Hospitality Enterprises Hardship Fund) was launched on 15 June – there are however still criteria questions to be resolved with Government.

#### **Update on Issues being dealt with**

Draft report to review BHSG to be circulated early in the week for 30 June.

## **OIC Business Loan**

As of 19 June, 2 applications have been received, 2 additional enquires were referred to the application form.

It is currently not possible to commission a District Valuer's valuation of properties during lockdown – this creates a difficulty in progressing an appropriate security and requires attention, but alternatives are being considered by the Head of Finance.

## Summary of Kirkwall BID Proposal

1. The request is for support toward the funding of screens and other protective equipment. This would help some businesses to reopen safely – for both staff and customers – and so help restart the economy.
2. Small and micro business would benefit especially, as, having been closed for months, they may find spending even a few hundred pounds difficult.
3. Although BID initiated the idea, it was endorsed by the Task Force, and so support should definitely be offered to any business anywhere in the county.
4. It is recognised that every business will have different requirements and priorities, so it would be impossible for BID or OIC or anyone else to supply the equipment itself. Businesses must define and source what they need: BID can help perhaps by negotiating bulk discount from suppliers. Businesses will be strongly encouraged to use local suppliers wherever possible.
5. We suggest a grant capped at a fairly low level – say £500. That figure is based on rough figures of £100 per screen (of which most businesses need two or three), £50 – £200 per sanitiser dispenser, dependent on the size, and smaller amounts for tape, floor stickers etc. £500 would not pay for everything for every business, but it would go a long way for most. )
6. Each separately rated business premises should be eligible for one grant (so a hotelier who owns three hotels would be able to get 3 x £500, not 1 x £500). The goal is to allow as many premises as possible to open safely.
7. The grant would be eligible for any protective equipment bought between the start of lockdown on 23rd March, and a date to be confirmed in the future (end of July, maybe.) Businesses have been asking for support for this since March, and in some cases have already made purchases, either because they have opened to provide essential goods, or because they were worried about stocks of screens etc running out. We should offer the grant to them as well as businesses yet to buy such equipment.
8. The grant would be payable on production of receipts between the agreed dates, for any item broadly fitting the 'protective equipment' category, e.g. screens, sanitiser or soap dispensers, floor tape, safety signage, floor or window stickers, paper towels, masks or protective clothing. The idea is to support what each individual business needs, so leeway should be allowed to allow for the different requirements of every type of business from cheesemakers to lawyers to garages to shops.
9. Once agreement to provide a grant scheme is reached, BID & Beyond would be happy to help publicise it amongst businesses across Orkney, though obviously it should also be publicised by OIC's own website and social media folk.

10. BID estimate that there will be hundreds of businesses requiring protective equipment rather than dozens, though whether that is 100 or 300 or more is impossible to say at this stage. OIC could set a maximum number of grants it was able to afford – for example 200 – and it would be first come first served. Obviously the more grants you can give the better, but we realise you can't give an open-ended commitment. (Of course not all businesses will necessarily claim the full £500, so you could have a financial ceiling rather than a numerical one.)