

Item: 3

Special General Meeting of the Council: 28 October 2020.

COVID-19 Business Support.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

To consider payment of a 10% supplement to Scottish Government Business Hardship Fund grant payments.

2. Recommendations

The Council is invited to note:

2.1.

That the Council previously agreed to pay a supplement of 10% to coronavirus business support grants awarded by the Scottish Government.

2.2.

That a Scottish Government Business Hardship Fund grant is currently payable to eligible businesses disadvantaged by temporary mandatory restrictions on trading, referred to as Brake Restrictions.

2.3.

That the temporary restrictions on trading, initially introduced for a 16-day period, are now due to end at 06.00 on 2 November 2020.

2.4.

That the grants referred to at paragraph 2.2 above are being delivered by the Council from a funding allocation provided by the Scottish Government.

2.5.

That new government grant schemes might be introduced over the coming months to mitigate the ongoing impacts of COVID-19 trading restrictions on businesses.

It is recommended:

2.6.

That the Council should make an additional payment to Orkney businesses who qualify for support from the Scottish Government funded Business Hardship Fund, administered by the Council, equal to an additional 10% of the grant payable or due to each business.

2.7.

That the cost of the 10% supplement, estimated at up to £13,000, be met from the Council's Coronavirus Response Fund.

2.8.

That, should the Scottish Government extend the support referred to at paragraph 2.2 above for a further period, resulting in further grants being payable, the 10% supplement should also be applied to subsequent payments.

2.9.

That powers be 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 any new schemes of grant assistance that provide grant support to Orkney businesses to mitigate the impacts of COVID-19, in the period up to 30 June 2021, to be met from the Council's Coronavirus Response Fund.

3. Introduction

On 23 June 2020, when considering an additional funding proposal for business support and job protection, as part of Orkney's economic response and recovery to COVID-19, the Council resolved, inter alia:

- That the Council should make available an additional grant for Orkney businesses who qualified 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.
- That the cost of the 10% supplement, estimated at an initial cost of at least £676,200, be met from the Council's Coronavirus Response Fund.
- That powers be 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 had provided grant support to Orkney businesses, but not administered by the Council.

4. Background

4.1.

On 20 October 2020, and following further temporary measures to stop the spread of coronavirus coming into effect on 9 October 2020, the Scottish Government launched a Business Hardship Fund, open to businesses directly impacted by the temporary measures, referred to as Brake Restrictions, and located in local authority areas outwith the Central Belt of Scotland.

4.2.

The new temporary measures, applicable nationwide (excepting Central Belt Health Board areas) are:

- Hospitality (food and drink): all premises may only open indoors between 06:00 and 18:00, with no sales of alcohol.
- Hospitality (food and drink): premises may open outdoors until 22:00, with sales of alcohol (where licensed).
- Takeaways (including from pubs and restaurants) can continue.
- Evening meals may be served in accommodation for residents only, but no alcohol can be served.
- Current meeting rules, maximum of six people from two households, continue to apply.
- Specific life events, such as weddings and funerals, may continue with alcohol being served, with current meeting rules for these events (20-person limit in regulated premises only).

4.2.1.

The above restrictions, initially introduced for a 16-day period, are now due to last until 06.00 on 2 November 2020.

4.3.

Support in the form of a discretionary grant payable to eligible businesses is being delivered by local authorities from funding allocations awarded by the Scottish Government. The funding allocation to Orkney has been capped at £130,000.

4.4.

Further information on the support measure and guidance to applicants is attached as Appendix 1 and is available on the Council's website.

5. Funding Proposal

5.1.

As set out at section 3 above, the Council previously resolved that it should make available an additional grant for Orkney businesses who previously qualified 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.

5.2.

Businesses eligible for assistance from the new Scottish Government Business Hardship Fund will receive a grant of £1,440 if its rateable value is up to £51,000, or a grant of £2,155 if its rateable value is £51,001 or above.

5.3.

As this latest support targets businesses in the hospitality sector and its supply chains, a sector which has been particularly badly impacted in Orkney by COVID-19 restrictions, it is recommended that the 10% supplement which has been applied to previous grants to businesses also be applied to this new business hardship support measure.

5.4.

With the Council's allocation currently capped at £130,000, the maximum cost to the Council will be £13,000 and it is recommended that this be met from the Council's Coronavirus Response Fund. Should the Scottish Government grant support be extended with additional support beyond 2 November 2020, it is recommended that a 10% supplement be added to any subsequent grants payable.

5.5.

As it is widely predicted that COVID-19 will continue to impact significantly on businesses for many months to come, it is reasonable to expect further government intervention to mitigate the impacts.

5.6.

It would therefore be prudent to ensure that the 10% supplemental Council funding remains available to businesses which may subsequently become eligible for any new future Scottish Government COVID-19 funding which might be introduced over the coming months. 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 Scottish Government schemes that provide COVID-19 grant support to Orkney businesses.

6. Human Resource Implications

Service staff are already processing discretionary grant payments so the addition of a supplement, to be included in payments, will have a negligible impact.

7. 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.

8. Financial Implications

8.1.

The financial implications are largely contained in the body of the report. The maximum cost of applying a 10% supplement to the current support measure would be £13,000. Should the support be extended beyond 26 October 2020, the cost would increase proportionately.

8.2.

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

8.3.

As of 10 October 2020, a total of £1,567,154 had been paid or committed for grant funded projects from the Coronavirus Response Fund. There have currently been no Emergency Loans approved.

9. Legal Aspects

9.1.

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.

9.2.

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.

10. Contact Officers

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk

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

Jackie Thomson, Development and Regeneration Manager, Email jackie.thomson@orkney.gov.uk.

Stuart Allison, Economic Development Manager, Email stuart.allison@orkney.gov.uk

11. Appendix

Appendix 1: Scottish Government – Business Hardship Fund – Applicant Guidance.

APPENDIX 1

SCOTTISH GOVERNMENT BUSINESS HARDSHIP FUND

(Initially released 20/10/20)

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1. About this fund

The purpose of this grant is to provide hardship relief to:

- Hospitality businesses who are required by the regulations* to operate in a restricted way;
- Producers/wholesale business supplying primarily short-life goods or produce to hospitality businesses required by the regulations* to close or operate in a restricted way, and who are able to evidence a 25% reduction in turnover during the brake period.

[*The temporary measures to stop the spread of coronavirus which came into effect from Friday 9 October are specified here.](#)

The Business Hardship Fund can provide non-repayable grants of up to £2,155, based on a business's Rateable Value (RV). Eligible businesses with a RV of up to and including £51,000 can apply for a grant of £1,440 and those with a RV of £51,001 and above can apply for a grant of £2,155. If you do not know your RV you can look this up on the [Scottish Assessors website.](#)

2. Eligibility Criteria

For businesses in Orkney, the fund is administered by Orkney Islands Council in line with eligibility criteria set by the Scottish Government. The criteria for the fund have been set by the Scottish Government and the Council does not have any discretion to vary from them.

To be eligible your business must:

- have been open and trading before 9 October 2020
- have a business bank account - this is the account your grant will be paid into if your application is successful
- have premises registered for Non-Domestic rates. Businesses that pay rates through their landlords rather than directly to a council are eligible to apply (you must provide a copy of your lease agreement as evidence)

Your business is not eligible if it:

- has breached wider COVID regulations/requirements prior to local restrictions
- has connections to tax havens, as set out in the Coronavirus (Scotland) (No.2) Act 2020
- provides takeaway food as its main operation

PLEASE NOTE: Within the hospitality sector the fund is ONLY open to those who have been **directly required** by the Brake Restrictions to restrict their food & drink operations. Hospitality businesses such as bed & breakfasts or self-catering accommodation providers who are not directly required to restrict how they operate under the Brake Restrictions are not eligible for this fund.

Applications are welcome from limited companies, sole traders, trusts and partnerships provided they meet the other criteria.

If your business operates multiple premises, you can apply for grants for each premise, applying only once to the local authority in which your business is headquartered. The maximum any one business can receive will be restricted, regardless of the number of premises. An upper limit of £14,000 will apply in total to any eligible business operating multiple premises

3. Application Process

Application is via an online form on the Council's website (<https://bit.ly/2Th44hf>), and you will not be able to apply if you do not meet all of the eligibility criteria. You will then be sent an email instructing you to submit evidence/additional information in support of your application.

Once the Council has received your completed application form and supporting evidence, officers will review your application as soon as possible and may contact you by email to request further information in order for a decision to be made.

Payment of successful grant applications will be made directly to the nominated bank account. If your application is rejected, you have a right to ask the Council to look at their decision again.

4. Supporting Evidence/Additional Information Required

After you have completed your online application, you will receive a follow up email requesting you to submit required supporting evidence/additional information – this is mandatory.

You can digitally copy the required evidence/information in different ways, but please remember, whatever way you copy them, be it a scan, photo or screenshot, officers must be able to see all of the information in the document.

The evidence/information required is:

1. A recent bank statement for this account, **clearly showing the account details (including account holder name, account number and sort code)** in order for us to verify these match the details provided on the application form.
2. Any one of the following:
 - Company: Certificate of Incorporation or Companies House registration number.
 - Partnership: Partnership agreement or HMRC registration.

- Sole Trader: HMRC registration, Self-assessment documents or valid business insurance document.
Trust: Constitution documents, HMRC registration or VAT registration document.
3. For producers/wholesale business supplying hospitality businesses only - Evidence of 25% or more reduction in turnover during the restricted period, e.g. one of either: profit and loss accounts, invoices & receipts, details of contracts lost, cancelled booking diaries/work schedules, cancelled customer bookings

5. Further Questions and Answers

a) Does the Council have discretion to consider my application if I do not meet the criteria or cannot provide all of the required evidence?

No - the eligibility criteria and evidence requirements have been set by the Scottish Government and Council officers are not permitted to vary from these.

b) When is the closing date for applications?

To be confirmed

c) What is the Brake Period and the Brake Restrictions?

The COVID Brake Restrictions came into effect in Scotland on 9 October 2020 as a temporary measure. The measures are listed [here](#).

d) Is there a set date the business must have been registered for Non-Domestic Rates to be eligible?

Business must have been registered for Non-Domestic Rates with Orkney Islands Council prior to 9 October 2020 when the COVID Brake Restrictions came into effect.

e) Am I required to submit supporting evidence to show a 25% reduction in turnover during the brake period?

Yes - if you are a producer or wholesaler businesses based in Orkney supplying primarily short-life goods or produce to hospitality businesses required by the regulations to close or operate in a restricted way, you must provide evidence to show a minimum 25% reduction in turnover during the brake period.

If you are a hospitality business directly required by the regulations to operate in a restricted way, the supporting evidence is not mandatory.

f) What documents are required to evidence the 25% drop in turnover?

It is essential that whatever evidence is received it clearly demonstrates a direct drop in turnover of at least 25% as a result of the COVID Brake Restrictions that came into effect on 9 October 2020.

There is some flexibility regarding what evidence is acceptable. For example, it could be profit & loss accounts, invoices and receipts, details of contracts lost, cancelled booking diaries/work schedules, or cancelled customer bookings. A self-declaration statement is not acceptable evidence.

g) If a business has multiple premises how should they apply?

If an applicant has multiple premises they should apply via the Local Authority area where

their main premise, or office is headquartered in. A separate application is required for each eligible premises.

h) What is the maximum grant that can be awarded?

Under the Business Hardship Fund eligible businesses with a Rateable Value (RV) of up to and including £51,000 can apply for a £1,440 grant; businesses with a RV of £51,001 and above can apply for a grant of £2,155. Businesses with multiple eligible premises can receive a maximum total of £14,000 from the Business Hardship Fund.

i) Are businesses eligible for the Business Closure Fund rather than the Business Hardship Fund if they decide to close rather than operate in a restricted way?

No - only Central Belt businesses listed in the regulations are able to apply for the Closure Fund. The central belt is for these purposes defined as covering the health board regions of Lothian, Lanarkshire, Forth Valley, Ayrshire & Arran and Greater Glasgow & Clyde. For further information please see [here](#).

j) Are charities or SCIO registered entities eligible for the Business Hardship Fund?

No - charities / SCIO organisations are not eligible.

k) If an unlicensed B&B or guesthouse (paying Non-Domestic Rates) has lost its bookings because of the restrictions on eating/drinking out imposed on other local businesses, is it eligible for the Hardship Fund?

No - only hospitality businesses directly required by the Brake Restrictions to operate in a restricted way can apply.

l) What is the definition of what constitutes a breach of COVID regulations/ requirements?

A business which has been identified as in breach by Local Authority Environmental Health officers. If Local Authority Environmental Health confirm that there has been a breach then the applicant would not be eligible for public funds through this grant.

m) Is this grant support considered State Aid?

No, the Scottish Government has advised that a grant awarded from the Business Hardship Fund is not considered State Aid.

n) Do I have to repay the grant?

No, this is a grant and not a loan so does not need to be repaid. However, your application is subject to future audit and if any part is subsequently found to be incorrect you may be required to repay the grant. If you are found to have knowingly provided false information you could be subject to fraud referral.

o) Is the grant taxable?

Yes, you should declare any grant received as income for the tax year in which it was received.

p) I still have a question, what should I do?

Please email your question to economic.development@orkney.gov.uk.