



ORKNEY
ISLANDS COUNCIL



Economic Development Grant Scheme

Scheme Guidelines

Contents

1) Introduction	2
2) Principles	4
3) Objectives	5
4) Economic Development Grant Scheme	6
4.1. Who can apply?	
4.2. When must I apply?	
4.3. What projects can be assisted?	
4.4. What assistance is available?	
4.5. What cannot be funded?	
4.6. How do I apply?	
4.7. What happens to my application?	
4.8. What happens if I am awarded a grant?	
4.9. What conditions apply to grant awards?	
4.10. If I receive a grant, will the details be made public?	
5) Specific Grants	15
5.1. Tourism	
5.2. Isles' Hauliers	
5.3. Rural Shop Improvement Scheme	
5.4. Graduate / Post-graduate Placements	

1) Introduction

Orkney Islands Council ('the Council') is committed to supporting and promoting the development of the islands' economy: its Economic Development Grant Scheme is the main measure it uses to provide support to local businesses to develop and expand.

A vibrant local economy is a shared priority of the Council and the wider Community Planning Partnership. The objectives of this Economic Development grant scheme are to 'help businesses adapt and grow' and to 'support the development of infrastructure to enable business growth and to attract investment'.

In relation to the Council's values, the objectives and principles of the Economic Development Grant Scheme recommendations adhere to:

-  **promoting survival** – to support our growing communities; and
-  **promoting sustainability** – to make sure economic, environmental and social factors are balanced.

The Council now has three distinct economic development grant measures:

- 1 a New Business Start-up Grant Scheme, offering support of up to £1,500 , at a rate of up to 100% of costs; towards activities including purchase of equipment, training and marketing;
- 2 a Flexible Business Development Grant Scheme, offering support of up to £5,000 at a rate of up to 50% of costs, towards activities including purchase of equipment, training and marketing; and
- 3 the **Economic Development Grant Scheme**, offering support of up to £55,000 at a rate of up to 30% of costs, towards capital expenditure linked to business expansions and start-ups involved in export-related activities, tourism and new services to Orkney. A number of specific grants are also offered under this Scheme.

These Scheme Guidelines refer to No. 3 above, the Economic Development Grant Scheme. Please contact the Council's Economic Development Service or Business Gateway Orkney if you require guidelines relating to the New Business Start-up Grant Scheme or the Flexible Business Development Grant Scheme. Alternatively, all these guidelines can be accessed via the Council's website: www.orkney.gov.uk.

Please note that grant assistance under the Economic Development Grant scheme cannot be given retrospectively. Therefore **you must submit a completed application before you commence work on the project, or commit to any of the costs involved**. Once your application is received, you may start work, although this will be at your own risk as there is no guarantee of assistance until you have a formal written decision from the Council.

Please note

Grants are paid out only on submission of evidence of actual expenditure.



2) Principles

The Economic Development Grant Scheme is targeted towards supporting the following:

- projects which encourage economic diversification;
- activities which raise the average wage rate;
- efforts to overcome barriers to export outwith Orkney; and
- projects which demonstrate additional benefits to the Orkney economy.

In addition:

- any project supported should not represent a threat to existing jobs or simply cause them to be displaced;
- all funding proposals should be supported by a business / development plan providing sufficient detail for the proposal to be assessed by officers; and
- all assistance is discretionary.



3) Objectives

The Economic Development Grant Scheme is targeted towards the following key industry sectors, either through grants to individual existing businesses, new business start-ups, or via sectoral schemes:

- food and drink production, where the products are primarily intended for export outwith Orkney;
- creative industries and manufacturing, where the outputs are primarily intended for export outwith Orkney;
- high-end niche products which are only available in Orkney;
- tourism accommodation and facilities;
- knowledge and technology, where projects can demonstrate a benefit to the Orkney economy;
- renewable energy (but not energy production) and its supply chain;
- service sector where the service is not currently provided in Orkney and a viable demand for that service can be demonstrated (provided it is not just a marginal modification of an existing service already available locally); and
- service sector where a viable external demand can be demonstrated.

4) Economic Development Grant Scheme

These Scheme Guidelines detail the eligibility criteria for assistance under the Economic Development Grant Scheme.

It aims to answer key questions for prospective applicants, such as:

- 4.1 Who can apply?
- 4.2 When must I apply?
- 4.3 What projects can be assisted?
- 4.4 What assistance is available?
- 4.5 What cannot be funded?
- 4.6 How do I apply?
- 4.7 What happens to my application?
- 4.8 What happens if I am awarded a grant?
- 4.9 What conditions apply to grant awards?
- 4.10 If I receive a grant, will the details be made public?

As well as carefully reading these Scheme Guidelines, all prospective applicants are required to discuss their project proposal with a member of staff in the Council's Economic Development Service before submitting an application.

Pre-application advice and support is also available from the Business Gateway Orkney, as well as from Economic Development Officers.

4.1. Who can apply?

The applicant must be located within Orkney, or be proposing to locate a business venture in Orkney. Applicants must be able to demonstrate a reasonable degree of financial health.

The applicant must be able to demonstrate that the project, for which they are seeking grant assistance, is a viable commercial undertaking and represents a fit with the Council's principles and objectives as detailed in sections 2 and 3. The project may be a new business start-up with estimated capital expenditure of £10,000 or more, or an existing business looking to expand.

Assistance is targeted towards small and medium-sized businesses (SMEs): if the applicant cannot meet the EC's SME criteria* then assistance may not be offered or may only be able to be offered at lower levels.

[* Note: an SME is a business with fewer than 250 employees, turnover of less than €50 million, and/or a balance sheet total of less than €43 million. These ceilings apply to the figures for individual firms only: a small business which is part of a larger grouping or organisation may therefore not qualify as an SME. However, Business Gateway / Economic Development staff can help advise you on this on a case-by-case-basis.]

Please note that, if you are eligible for any assistance from an external funder, for example the Scottish Government or the EC, you should apply to those organisations, and have a decision from them, before applying to the Council. Advice on possible sources of external funds will be available from Economic Development Officers. Businesses which have been accepted as account-managed clients by Highlands and Islands Enterprise are not eligible for assistance from the Economic Development Grant Scheme.

The Council reserves the right to identify any arrears owing to the Council by applicants, and for those applications to be held as 'pending' until such time as the arrears have been cleared or satisfactory arrangements made to clear the arrears.

4.2. When must I apply?

All prospective applicants are required to discuss their project proposal with a member of staff in the Council's Economic Development Service, and/or Business Gateway Orkney, before submitting an application.

You must submit a completed application form, accompanied by all the information the Council requires to assess your application, before you start the project. Only eligible project costs incurred or committed to after a completed application, including a business plan, has been submitted may be considered as eligible project costs. **If you have incurred or committed to costs prior to submitting the application, these costs will be ineligible,** as it is a requirement of the EC that grants can only be provided *"if the work on the aided project or activity starts after the beneficiary has submitted a written application for the aid"*.

In general, businesses may only receive one grant under this scheme in any 12-month period. However, the Council may exercise discretion in this regard if exceptional circumstances require it.

4.3. What projects can be assisted?

Projects applying for assistance under the Economic Development Grant Scheme will be expected to demonstrate that a number of the following outcomes can realistically be achieved:

- improve product quality;
- new product development;
- new market development;
- improve productivity;
- improve service delivery;
- introduce new or improve manufacturing processes;
- introduce new business activity; and/or
- improve and/or develop marketing and promotional strategies outside Orkney.

Projects which cannot demonstrate that they will achieve one or more of the above outcomes are unlikely to be successful in securing grant assistance.

Eligible project costs can include the construction of new buildings or the improvement of existing buildings, but please note that the purchase of land/buildings is not eligible for assistance. Purchase of machinery and equipment may also be eligible. Assistance towards revenue costs – such as design costs, non-statutory training and marketing – can be considered eligible on a case-by-case basis, but working

capital support is not available. No two projects are the same so you should discuss your proposals with Economic Development Officers to identify the project costs which may be eligible for grant support.

When assessing an application the Council will also take into consideration whether the project proposal will:

- encourage inward investment from the private sector;
- facilitate the receipt of external grant funding;
- improve access to employment and economic opportunities;
- improve the local skills base;
- improve local employment conditions;
- increase local wage rates;
- create infrastructure and/or service development;
- create new sustainable jobs;
- promote more sustainable use of resources;
- reduce costs and/or improve efficiency; and/or
- result in environmental improvements.

There are specific grants to support tourism, isles' hauliers, rural shops, and graduate / post-graduate placements, and details on these can be found in section 5 of these Scheme Guidelines.

All assistance is discretionary and each application is considered on its own merits: it should never be assumed that Council funding is a given.

4.4. What assistance is available?

The Council's Economic Development Grant Scheme can offer grants of up to 30% of eligible project costs, up to a maximum grant of £55,000, although the Council will provide only the minimum grant required to enable the project to proceed. (If your business is not an SME, Economic Development officers will be able to advise you accordingly).

Some of the specific grants have different funding levels and limits, as detailed in section 5 of these Scheme Guidelines.

The Council may consider a grant of more than £55,000 in exceptional circumstances, and then only at the sole discretion of its Development and Infrastructure Committee. The Committee normally meets five times each year, so any application requiring consideration by the Committee will be subject to that timescale.

Businesses registered for VAT should not include the VAT element of their project as an eligible cost.

The minimum eligible project cost, except for some specific grants outlined in section 5), is £10,000: applicants with estimated project costs below £10,000 should refer to the Flexible Business Development Grant Scheme guidance.

4.5. What cannot be funded?

Projects which do not demonstrate a fit with the Council's principles and objectives, as detailed at sections 2 and 3 above, cannot be funded. Projects which do not achieve one or more of the outcomes detailed at section 4.3 above are also unlikely to attract grant support. Statutory training courses / equipment cannot be funded.

Support for activities in the agriculture and fisheries sectors is tightly governed by EC regulations, and accordingly it may not be possible to offer an Economic Development Grant to individual businesses in these sectors. However, Economic Development Officers will be able to advise you accordingly.

Broadly, projects which are considered to be to the detriment of other local businesses will not be considered for assistance. Competition is important in any market and the Council must take great care to ensure it does not interfere in fair and equal competition between local service suppliers serving the local market. Projects which would lead to the duplication of an existing local service, or considered to be only a marginal modification of an existing local service, will therefore not be considered for assistance under the Economic Development Grant Scheme.

Projects which are considered to be repair and maintenance, or a direct replacement of existing assets, will not be considered eligible for grant assistance.

Research projects which cannot demonstrate realistic economic benefits for Orkney will not be considered eligible for grant assistance.

The cost of pursuing patents and copyright will not be considered eligible for grant assistance.

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

Projects which have the potential to bring the Council into disrepute or cause harm to the reputation of Orkney will not be considered.

Projects where providing public assistance would breach EC State Aid regulations cannot be supported.

Whilst the above constitutes a reasonable guide to ineligible projects/costs, no two projects are the same and you should discuss your proposals with Economic Development Officers to identify which project costs may be eligible for grant support, and whether any grant proposed would be de minimis aid.

4.6. How do I apply?

All prospective applicants are required to discuss their project proposal with a member of staff in the Council's Economic Development Service before submitting an application. Economic Development Officers will not encourage you to submit an application unless they feel your proposals represent a close fit with the Council's principles and objectives as detailed at sections 2 and 3 above, but please note there is no guarantee of assistance until you have a formal written decision from the Council. Applications will be considered on their own merits.

The Council will provide an application form, which should be completed fully and signed by a duly authorised representative of the business, usually the owner, manager or a director. All applications must be accompanied by a business plan providing sufficient detail to enable the proposal to be assessed by Economic Development Officers: such information, and the level of detail required, will vary from project to project but will likely include most or all of the following information:

- background of the business and its owners / managers;
- overview of the relevant sector or area of activity;
- company / management structure;
- description of the proposed development project;
- benefits of the project to the business;
- details of current and proposed employment;
- analysis of the market or area of activity in question;
- details of current / potential competition;
- project costs – supported by estimates, quotations or product listings;
- other funding sources, both possible and confirmed – this could be a combination of own resources, private lending,

bank lending or other form of investment (you should state whether or not other applications have been submitted, any feedback received and/or any approvals);

- financial projections – including profit and loss statements, balance sheets and cash flow: the cash flow should be prepared on a monthly basis and should be accompanied by detailed assumptions to justify the figures shown and the statements made in the projections;
- justification for seeking funding from the Council; and
- impact on the business if the project does not proceed.

The exact content and detail required in your business plan – for example the number of years the financial projections should cover, and whether or not formal quotations should be sought – can be considered and agreed during your discussion with Economic Development Officers. Advice and guidance on the preparation of business plans can be obtained from Business Gateway Orkney, who can be contacted on 01856 898595 or by e-mail: business.gateway@orkney.gov.uk.

4.7. What happens to my application?

Your application will be assessed by Economic Development Officers and, if the proposals are considered to represent a close fit with the Council's principles and objectives, as detailed at sections 2 and 3 above, and if considered eligible under the Scheme, it may be approved under powers delegated by the Council to its Executive Director of Development and Infrastructure.

In other cases, applications may require a decision by Elected Members of the Council's Development and Infrastructure Committee, and the Economic Development officers' assessment of the case will be considered at the next appropriate Committee meeting. You will be advised if the application is to be presented to the Committee along with a likely timescale for the next meeting. If the Committee does consider your application, it will – by law – do so in private, in order to respect your commercial confidentiality. Whether handled by officers or determined by Elected Members, your application will be treated in confidence, but please refer to section 4.10 below.

All Economic Development Grant assistance is discretionary and the Council's decision is final. The decision will be notified to you as quickly as possible, initially by e-mail and then in writing.

4.8. What happens if I am awarded a grant?

A formal letter will be posted to the contact person at the address detailed on the application form. A legal agreement, detailing the conditions on which the grant is being offered, will be enclosed and should be checked and signed by the applicant and returned to the Council within two weeks. Grant funding will not be released until such time as the formal paperwork has been completed.

The offer of grant will be open for one year from the date the offer is made. If the project does not commence within that timescale, the offer may be withdrawn by the Council.

If the project commences within one year, successful applicants will be allowed a set period to complete the project and submit all claims for assistance, as follows:

- for grants of up to £20,000 or less, two years from the date the offer is made; and
- for grants of £20,001 and above, three years from the date the offer is made.

Grants are paid out on submission of a signed claim form and evidence of eligible expenditure, usually original invoices supported by bank and/or credit card statements, which will be stamped and returned to you.

If actual project costs are less than originally estimated, the amount of grant paid will be reduced on a pro-rata basis. It is possible to make interim grant claims, but it is advisable to keep the number of such claims to a minimum.

4.9. What conditions apply to grant awards?

The conditions attached to an award of grant are designed to protect the Council's investment and to ensure that the assets supported are used for the intended purpose. The Council will want to monitor its investment and provide continuing support if required. You will be required to engage with the Council in this regard, and to submit annual accounts as soon as they are ready. These conditions will endure for the duration of the 'grant obligation period', the length of which will depend on the size of grant offered and the nature of the activity being supported, as follows:

- grants of up to £20,000 – a five year grant obligation period, lasting from the date of payment of the first instalment of the grant to five years from the date of payment of the last instalment of the grant;
- grants of £20,001 and above – a ten year grant obligation period, lasting from the date of payment

of the first instalment of the grant to ten years from the date of payment of the last instalment of the grant; and

- any grant offer in respect of the development of self-catering tourist accommodation – a ten year grant obligation period, lasting from the date of payment of the first instalment of the grant to ten years from the date of payment of the last instalment of the grant.

All successful applicants must make their premises available for inspection by Council representatives at all reasonable times, and must conform to all regulatory requirements such as Health and Safety at Work and other trading legislation. All buildings and equipment, which have been the subject of grant assistance, must be properly insured and have appropriate insurance to cover all public and employment liability: applicants must be able to produce evidence of insurance if and when requested by the Council.

Applicants for research projects must produce to the Council all findings, including written reports and studies upon completion, and any other records as requested. If documentary evidence of the research is found to be inadequate, the Council reserves the right to withhold grant payment and/or to seek repayment of previous instalments.

The Council may at its discretion apply additional conditions which will be specifically related to the project being assisted, for example a requirement to obtain planning permission, if necessary, prior to any grant funding being released.

If your business is sold, ceases to trade or is otherwise in breach of the grant conditions during the grant obligation period, the Council will be entitled to repayment of the grant. In certain circumstances the amount repayable will be reduced proportionately over the grant obligation period. You should contact the Economic Development Service as soon as possible if you wish to sell your business or think you may be in breach of any of the grant conditions.

4.10. If I receive a grant, will the details be made public?

The Council may wish to publicise any award of grant assistance offered, both to demonstrate how its resources are used and to give examples of the types of development it is able to assist. However, no offer will be actively publicised without your express permission.

Grant assistance offered to applicants appears in the public version of the Committee Minute under a reference number so that individual businesses

cannot be identified. Once the assistance has been paid, details are liable to be revealed within the terms of the Freedom of Information (Scotland) Act 2002 as the Council is a public authority and bound by the provisions of that Act.

In addition your details will be recorded and retained by the Council in accordance with the Data Protection Act 1998 and will be used by the Council in connection with the purposes of determining your eligibility for Economic Development Grant and may be shared with the Council's partners and other Council services in verifying the information in the application and for related purposes in connection with the business of the Council. You should advise the Council if you do not wish your details to be used or shared in this way by writing to the Chief Executive. However, this may affect the Council's ability to process your application.



5) Specific Grants

The details of these specific grants should be considered in addition to the information provided at section 4).

5.1. Tourism

The significant permanent improvement and upgrading of facilities for visitors, including existing accommodation, will be considered eligible for assistance. No assistance will be provided towards the provision of additional bedspaces, except at the sole discretion of the Development and Infrastructure Committee: in such cases applicants would have to clearly demonstrate how their provision would differ significantly from that offered by existing accommodation providers in Orkney.

Looking after visitors to Orkney is key to encouraging repeat visits and word-of-mouth recommendations: projects which will help deliver a high level of customer service to visitors will also be eligible for support.

There are a number of strands of support available:

Upgrading within the VisitScotland Quality Assurance (QA) System

Assistance may be awarded to projects which will improve existing accommodation to achieve a VisitScotland 3 star grading or above:

for example this could be from ungraded to 3 star, or from 3 star to 4 or 5 star. In these instances a grant of up to 30% of eligible costs, up to a maximum grant of £55,000, could be provided. Applicants will need to submit a VisitScotland QA Advisory Visit Report, providing details of the improvements required to achieve the higher grading, along with their application.

Additional conditions of any grant awarded under this strand would include:

- a requirement to maintain the target VisitScotland QA grading for the duration of the grant obligation period;
- to become and remain a member of Orkney Tourism Group;
- to commit to a programme of staff development;
- to demonstrate a commitment to responding to customer feedback; and
- to participate in industry-wide initiatives such as levels of occupancy surveys.

New Facilities at Existing Accommodation

Assistance may be awarded to projects which will provide new facilities (but not bars) at existing accommodation, which is already part of the VisitScotland QA system, but which will not in itself result in an upgraded VisitScotland QA grading. In this instance a grant of up to 30% of eligible costs, up to a maximum grant of £20,000, could be provided. Applicants will need to demonstrate how the additional facilities will result in increased occupancy levels, particularly in the out-of-season months.

Additional conditions of any grant awarded under this strand would include:

- a requirement to maintain at least the current VisitScotland QA grading for the duration of the grant obligation period;
- to become and remain a member of Orkney Tourism Group;
- to commit to a programme of staff development;
- to demonstrate a commitment to responding to customer feedback; and
- to participate in industry-wide initiatives such as occupancy surveys.

Provision of New or Upgraded Visitor Attractions/ Facilities

Applications for support towards the development of new or upgraded attractions or other facilities (but not bars or accommodation) primarily aimed at visitors will be considered on their own merits, with reference to the Council's principles and objectives detailed at sections 2) and 3) above. In such cases a grant of up to 30% of eligible costs, up to a maximum grant of £55,000, could be provided.

At the Council's sole discretion, accommodation improvements and/ or new visitor attractions on the North Isles or Flotta, Graemsay and Hoy may be considered on their own merits outwith the strands detailed above.

Skills Development

In most instances, support towards an individual business's tourism-related training costs as part of a development plan may be available via an application to the Council's Flexible Business Development Grant Scheme, however such costs could also be included within any of the strands detailed above.

A sector-led project to develop customer service skills across the local industry would be likely to attract Council support.

5.2. Isles' Hauliers

The Island Haulier's Vehicle Replacement Scheme was established in 1993 to assist with securing lifeline services in the North and South Isles. Island hauliers who operate a regular scheduled year round island-mainland service may be eligible for grant assistance. Assistance is a grant of up to 50% of the cost of replacement (net of any trade in value). The rate of grant is determined on the basis of 1% for each month that the vehicle being replaced has been in operation on the island to mainland service. The maximum 50% rate is therefore achieved after 4 years and 2 months of operation (there is no minimum project cost).

There is a ceiling of £5,000 per vehicle and an overall ceiling per haulier of £10,000 over the cycle of the scheme (i.e. 4 years and 2 months). The cycle of the scheme renews for each haulier automatically at the end of the 50 month period.

To qualify, the service must operate as a public haulage service at least two days per week on a regular basis. The vehicle must be available at all times to operate an island-mainland service and must earn at least 75% of its revenue from island-mainland traffic.

Applications must be made prior to the purchase of a replacement vehicle.

5.3. Rural Shop Improvement Scheme

Shops outwith Kirkwall may qualify for grant support towards a range of improvements. A General Store or 'Qualifying Food Shop' will be considered eligible if a range of goods, including basic foodstuffs (e.g. tea/coffee, bread, dairy, eggs, meat, fruit and vegetables) and household goods (soaps, paper products, detergents, etc.) is offered for sale.

The level of grant available is determined by the location of the shop, as follows:

- 1 isles' shops where that shop provides the only such service on the island: a grant of up to 75% of project costs may be available;
- 2 other isles' shops and mainland shops outwith Kirkwall, Stromness, St. Margaret's Hope, Dounby and Finstown: a grant of up to 50% of project costs may be available; and
- 3 independent shops located in St. Margaret's Hope, Finstown, Dounby and Stromness: a grant of up to 25% may be available.

Rural Shops may make one application per financial year. The maximum that each shop could apply for over a rolling three year period would be £10,000 (generally a minimum £500 project cost applies). Applicants

should therefore consider their likely requirements during that timescale and submit applications accordingly. The budget available, i.e. for all shops, has an overall 'cap' of £50,000 per financial year, so any subsequent applications will be 'held over' accordingly.

A business plan may be required to support an application for grant assistance towards larger projects. In exceptional circumstances, the Council may consider more significant shop improvement proposals (i.e. those seeking more than £10,000 of grant) on their own merits.

Requests for grant support towards the upgrading of petrol pumps will be considered by the Council on their own merits, and with reference to the prevailing EU State Aid regulations, although it is unlikely that any support could be offered where there is an existing alternative provision either within six miles by road or, for the North and South Isles, anywhere on the same isle.

Please note:

Rural Shop assistance will most likely be provided in terms of the EC's *de minimis* regulation.

5.4. Graduate / Post-graduate Placements

There are two strands of support available (there is no minimum project cost, although the average salary of a new graduate is between £18-24,000 per year, depending on the qualification and sector):

Graduate Placement

The Graduate must be qualified to HND level or above and the employment must be the first related to the qualification since graduation and should be within two years of graduation. The post should be for a minimum of one year and should be incorporated within a business growth plan.

Assistance is in the form of a grant of up to 50% of the total wage and national insurance costs, up to a maximum of £15,000, subject to 50% being the maximum funding made available by all funders. The grant will only be available towards the first year of the post.



Post-graduate Placement

The Post-graduate must be aiming to qualify at Postgraduate Diploma (PgDip) level or above. Applications should clearly demonstrate how the research undertaken will result in realistic economic benefits for Orkney.

Assistance is in the form of a grant of up to 30% of the total wage and national insurance costs, up to a maximum of £10,000, subject to 50% being the maximum funding made available by all funders.

Applicants for post-graduate placement support must produce to the Council all findings, including written reports and studies upon completion, and any other records as requested.

For further information please visit www.orkney.gov.uk

Orkney Islands Council | Economic Development

14 Queen Street, Kirkwall, KW15 1JE

Telephone: (01856) 873535

Email: economic.development@orkney.gov.uk

Version 2: January 2018