

Welsh Local Government Capital Investment Aid and Employment Aid Scheme



State aid reference no:

1. **Member State**

United Kingdom

2. **Region**

Wales

3. **Title of aid Scheme**

Welsh Local Government Capital Investment Aid and Employment Aid Scheme

4. **UK legal basis**

Local Government Act 2000 C22 Part 1

5. **EC legal basis**

All aid provided under this Scheme will be within the limits set out in Articles 13, 14 and 15 of Commission Regulation (EC) 800/2008 (General Block Exemption Regulation)¹

Summary information relating to the Scheme has been registered with the Commission under reference X98/2009.

6. **Definitions**

In this Scheme, the following expressions have the meanings assigned below:

“**SME**” means an enterprise that falls within the criteria and parameters of the definition of micro, small and medium-sized enterprises contained in the Commission Recommendation of 6 May 2003 concerning the definition of micro,

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

small and medium-sized enterprises (2003/361/EC), which took effect on 1 January 2005²

“Large enterprise” means any enterprise that is not an SME.

“Assisted Area” means any of the regions in Wales designated as an 87 (3) (a) or 87 (3) (c) area as identified in the Regional Aid Map 2007-2013 (please refer to Annex 1 for further information).

“The Regional Aid Map” means the map approved by the Commission for the UK and published in accordance with paragraph 101 of the Guidelines on National Regional Aid for 2007-2013 (2006/C 54/08).

“Non-assisted areas” means any of the regions in Wales not designated as an Assisted Area.

“Tangible assets” means assets relating to land, buildings and plant, machinery and equipment.

“Intangible assets” means assets entailed by the transfer of technology by the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

“Initial investment” means an investment in Tangible and/or Intangible assets relating to the setting-up of a new establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or a fundamental change in the overall production process of an existing establishment or the acquisition of the capital assets directly linked to an establishment that has closed (or would have closed had it not been purchased).

“wage cost” means the total amount actually payable by the beneficiary of the aid in respect of the employment concerned comprising the gross wage before tax, compulsory contributions and child care and parent care costs.

“large investment project” means an investment in capital assets with eligible costs above €50 million, calculated at prices and exchange rates on the date when the aid is granted.

² http://europa.eu/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf

See also the New SME Definition User Guide and Model Declaration
http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf

7. Objective of the Scheme

The aim of the Scheme is to allow local authorities in Wales to provide support to enterprises in Wales. Aid may be awarded for the following purposes in support of investment or job creation:

- Supporting business start-ups
- Supporting SME investment and growth
- Supporting SME diversification
- Supporting SME adaptation to changing circumstances
- Supporting the conversion of business premises to meet modern requirements

The principles of the Scheme are in line with the guiding principles of the Commission's State Aid Action Plan to provide less and better targeted aid.

8. Government body authorised to implement the Scheme

Local Authorities in Wales - Blaenau Gwent County Borough Council, Bridgend County Borough Council, Caerphilly County Borough Council, City and County of Cardiff, Carmarthenshire County Council, Ceredigion County Council, Conwy County Borough Council, Denbighshire County Council, Flintshire County Council, Gwynedd Council, Isle of Anglesey County Council, Merthyr Tydfil County Borough Council, Monmouthshire County Council, Neath Port Talbot County Borough Council, Newport City Council, Pembrokeshire County Council, Powys County Council, Rhondda Cynon Taf County Borough Council, City and County of Swansea, Torfaen County Borough Council, Vale of Glamorgan Council and Wrexham County Borough Council.

9. Scope of the Scheme

The Scheme will be open to all SMEs in Wales excluding those active in the following sectors:

- Coal – enterprises which carry out an activity in connection with coal production where coal is defined as high, medium and low grade category A and B within the meaning of the internal codification system for coal laid down by the UN Economic Commission for Europe;
- Steel – enterprises which carry out activities related to the production of one or more of the following products: pig iron and ferro-alloys; crude and semi finished products of iron, ordinary steel or special steel; hot finished products of iron, ordinary steel or special steel; cold finished products and tubes as set out in Article 2 of the General Block Exemption Regulation;
- Synthetic fibres – enterprises which carry out any type of activity in connection with extrusion/texturisation of all generic types of fibre and yarn

based on polyester, polyamide, acrylic or polypropylene irrespective of their end uses; or polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective beneficiary or by another company in the group to which it belongs and which, in the specific business activity concerned is normally integrated with such capacity in the terms of the machinery used;

- Shipbuilding – enterprises involved in the building, repair or conversion of ships as covered by the Framework on State Aid to Shipbuilding Commission Regulation (EC) (2003/C 317/06);
- Fisheries and aquaculture covered by Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products as amended by Regulation (EC) No 1759/2006;
- The primary production of agricultural products (as defined in the General Block Exemption Regulation); or
- The processing and marketing of agricultural products when (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the enterprise concerned or (2) the aid is conditional on being partly or entirely passed on to primary producers.

In addition, aid will not be allowed for the following activities:

- aid to export related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity; or
- aid contingent upon the use of domestic over imported goods.

Aid may not be given where the proposed recipient of the aid is:

- subject to an outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the common market; or
- “a firm in difficulty” within the meaning of Chapter 2 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2).

10. Date and period of the Scheme

Aid under this scheme may be granted until 31 December 2013.

11. Form of aid

All aid awarded under the Scheme will be transparent and in line with criteria set out in Article 5 of the General Block Exemption Regulation. Aid may be awarded by way of:

- grants;
- interest rate subsidies;
- loans and
- repayable advances.

12. Eligible costs

The costs of the project must be transparent and directly and exclusively related to the project. Aid will be given for initial investment. The relevant eligible costs are as follows:

Tangible assets (subject to the following conditions):

Assisted areas:

- a. the investment is maintained in the assisted area for 5 years (3 years for SMEs) after the whole investment has been completed;
- b. the beneficiary must provide at least 25% of the eligible costs from sources free from public support;
- c. assets acquired must be new (apart from SMEs and takeovers);
- d. assets acquired as part of a takeover will be deducted if the asset has received aid prior to the purchase;
- e. assets under lease (apart from land and buildings) will only be taken into consideration if the lease takes the form of financial leasing and there is an obligation to buy the asset at the end of the lease.

Intangible assets (subject to the following conditions):

Assisted areas:

- a. the investment is maintained in the assisted area for 5 years (3 years for SMEs) after the whole investment has been completed;
- b. the beneficiary must provide at least 25% of the eligible costs from sources free from public support;
- c. assets acquired must be new (apart from SMEs and takeovers);
- d. assets acquired as part of a takeover will be deducted if the asset has received aid prior to the purchase;

- e. assets under lease (apart from land and buildings) will only be taken into consideration if the lease takes the form of financial leasing and there is an obligation to buy the asset at the end of the lease.

All areas:

- a. the asset is used exclusively in the enterprise receiving the aid;
- b. the assets are amortizable;
- c. the assets are purchased from third parties under market conditions;
- d. assets must be included in the assets of the enterprise for at least 5 years (3 years for SMEs).

Wage costs (subject to the following conditions):

All areas:

- a. employment is created within 3 years of the completion of the investment;
- b. investment project shall lead to a net increase in the number of employees in the establishment concerned, compared with the average over the previous 12 months;
- c. employment created shall be maintained for a minimum 5 years (3 years for SMEs)

13. Aid intensities

The aid intensity shall not exceed the following percentages of the eligible costs:

	Small	Medium	Large
87(3)(a) areas	50%	40%	30%
87(3)(c) areas Powys	35%	25%	15%
87(3)(c) areas	30%	20%	10%
Non-assisted areas	20%	10%	N/A

Investments in the processing and marketing of agricultural products

	Small	Medium	Enterprise with between 250 and 750 employees and/or >€200m turnover
87(3)(a) areas	50%	50%	25%
87(3)(c) areas	40%	40%	20%
Non-assisted areas	40%	40%	N/A

Aid awarded under this Scheme to SMEs in non-assisted areas will be granted up to a maximum of €7.5m per enterprise per investment project. Any award of

aid in excess of this amount will require direct notification to the European Commission.

Large investment projects

Aid awarded under this scheme for large investment projects in assisted areas will be granted up to the maximum set out in the table below per enterprise per investment project.³ Any award of aid in excess of these amounts will require direct notification to the European Commission.

87 (3)(a) areas	87 (3)(c) areas Powys	87 (3) (c) areas
€16,875,000	€8,437,500	€5,625,000

14. Incentive effect

Aid recipients must demonstrate that the aid is required for projects to proceed. Funding will not be awarded where the activity has already started before an application for support is made.

In addition aid will not be awarded to large enterprises unless the enterprise can establish that, if the aid is awarded, one or more of the following criteria will be met:

- a material increase in the size of the project/activity;
- a material increase in the scope of the project/activity;
- a material increase in the total amount spent by the enterprise on the project/activity;
- a material increase in the speed of completion of the project/activity concerned;
- assisted areas – without the investment the project would not have been carried out in the assisted region.

15. Cumulation

In determining whether the individual notification thresholds and the maximum aid intensities are respected, the total amount of public support for the aided activity or project shall be taken into account, regardless of whether that support is financed from local, regional, national or Community sources.

³ Amounts have been calculated using the following formula (€50m x 100% of applicable regional aid ceiling + €50m x 50% of applicable regional aid ceiling x 75%) as set out in Article 6 (para 2) of the General Block Exemption Regulation.

Aid provided under this Scheme will not be cumulated with other forms of aid nor with aid classed as de minimis aid⁴ in regard to the same eligible costs if the result would breach the aid intensities set out above.

16. Budget for aid under the Scheme

£25 million per annum

17. Monitoring and reporting requirements

All recipients of aid under the Scheme will be informed that aid has been provided under the Scheme, registered under xx/xxxx, pursuant to Articles 26 and 27 of Commission Regulation (EC) No 800/2008 (General Block Exemption Regulation),.

Records will be kept for 10 years from the date of the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met, to include confirmation of SME status and eligibility of supported costs.

An annual report on the expenditure under this Scheme will be provided to the Commission.

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⁴ Aid fulfilling the conditions laid down in Commission Regulation (EC) No 1998/2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.

ANNEX 1

Assisted Areas 2007-2013

The UK Assisted Areas for the period 2007-2013 have been determined in line with the criteria identified within the Guidelines on National Regional Aid for 2007-2013. The UK map was notified to the Commission and subsequently approved under State aid decision N673/2006.

In Wales, West Wales and the Valleys continue to retain full Article 87(3)(a) status eligible for the higher levels of funding. Areas of Powys, Flintshire, Cardiff and Newport have been identified as Article 87(3)(c) areas.

Assisted Area: Article 87(3)(c)Wards

Area	Wards
Powys	Aber-craf Cwm-twrch Ynyscedwyn Ystradgynlais
Flintshire and Wrexham	Aston Bagillt East Bagillt West Broughton North East Broughton South Brynford Buckley Mountain Caerwys Cilcain Connah"s Quay Central Connah"s Quay Golftyn Connah"s Quay South Connah"s Quay Wepre Ewloe Ffynnongroyw Flint Castle Flint Cosehill Flint Oakenholt Flint Trelawny Greenfield Gronant Halkyn Hawarden Holywell Central Holywell East Holywell West Mancot Mostyn Northop Northop Hall Queensferry Sealand Shotton East Shotton Higher Shotton West Trelawnyd and Gwaenysgor Whitford
Monmouthshire and Newport	Gaer Graig Liswerry Llanwern Marshfield Pillgwenlly Tredegar Park
Cardiff and the Vale of Glamorgan	Pontprennau/Old St Mellons Trowbridge Creigiau / St Fagans Pentyrch