



## **Introduction**

The North Lincolnshire Covid-19 Renew Scheme's prime objective is the creation of new jobs in response to jobs lost because of Covid-19. Its aim is to help support those businesses affected to consolidate and to grow the economy through new investment which has been disadvantaged through the impact of job losses. The key priorities will be to create new businesses and support the expansion and diversification of existing businesses located in North Lincolnshire.

This document should be read in conjunction with the Detailed Programme Guidance document which provides detailed information in relation to eligibility and the UK Subsidy Allowance Rules under which the programme will operate.

## **Eligible Activities**

Subject to UK Subsidy Allowance rules (influenced by company size/status and location), investment from the Support Fund Programme can be used to contribute to one or more of the following activities:

- Investment in tangible and 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. This may include capital expenditure on the acquisition or creation of fixed assets including:
  - Refurbishment of existing structures or their associated fixtures and fittings
  - installation or replacement of plant and machinery
- Commissioning of professional advice to develop and implement Growth and/or Diversification Plans (through the Support Programme)
- Additional costs of adapting premises, employing staff to assist disabled workers, adaptation of equipment, costs of establishing any sheltered employment facility.

\*In exceptional circumstances the Board may consider support towards the purchase of land or buildings, but this would be subject to full scrutiny through the due diligence process.

## **General Principles**

### Job creation

One of the key requirements of the Covid-19 Renew Scheme is to help companies in the supply chain create new sustainable employment. To be considered an eligible cost for the purposes of the Covid-19 Renew Scheme, new employment must be directly created by an investment project and fulfil the following conditions:

- employment shall be created within 6 months of project completion.
- the investment project shall lead to a net increase in the number of employees in the establishment concerned, compared with the average over the previous twelve months; and
- the employment created shall be maintained for up to two years.

Please note projects must practically and financially complete by **March 2022**.

## Investment

The maximum grant level for a single enterprise is £7,000 per new job created. The minimum grant level is £1,000.

The COVID Renew Scheme must maintain an overall investment ratio of at least 1:4 which means for every £1 invested through the fund, the applicants must contribute a minimum of £4 towards the project.

The investment ratio will be considered as part of the appraisal process and is governed by UK Subsidy Allowance Rules which may require a higher contribution by applicants to ensure compliance. Intervention will be either 10%, 20% or 30% of overall cost depending on UK Subsidy Allowance Rules.

<b>Category</b>	<b>Headcount*</b>	<b>Turnover*</b>	<b>or</b>	<b>Balance Sheet Total*</b>	<b>Maximum Intervention Rate Permissible</b>
Large	Over 250	In excess of £43.5mil		In excess of £37 mil	10%
Medium	Fewer than 250	Not exceeding £43.5mil		Not exceeding £37 mil	20%
Small	Fewer than 50	Not exceeding £8.6mil		Not exceeding £8.6mil	30%
Micro	Fewer than 10	Not exceeding £1.7 mil		Not exceeding £1.7 mil	30%

*\*This figure will include any and all associated group companies. If you are unsure please contact a member of the team to discuss.*

The Investment made by the fund must be maintained in the region for a period of up to 5 years (up to 3 years for SMEs) after its completion.

## **UK Subsidy Allowance Rules**

The UK Subsidy Allowance Rules no longer apply to subsidies granted in the UK following the end of the transition period, which ended on 31 December 2020. The United Kingdom remains bound by its international commitments, including subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU. On Thursday 4 March new subsidy allowances were established for the COVID-19 business grants schemes, on the basis of the principles set out in Article 3.4 of the TCA.

From Thursday 4 March Businesses must apply the updated provisions must apply.

The below scheme rules will be applied to applicants at the level of economic actor, which is defined as an entity or a group of entities constituting 17 a single economic entity regardless of its legal status, that is engaged in an economic activity by offering goods or services on a market.

Grants may be paid in accordance with Article 3.2(4) of the TCA, which enables an applicant to receive up to a maximum level of subsidy without engaging Chapter 3 of the TCA. This allowance is 325,000 Special Drawing Rights, to a single economic actor over any

period of three fiscal years, which is the equivalent of £335,000 as at 2 March 2021. An applicant may elect not to receive grants under the Small Amounts of Financial Assistance Allowance and instead receive grants only using the below allowances available under this scheme.

Where the Small Amounts of Financial Assistance Allowance has been reached, grants may be paid in compliance with the Principles set out in Article 3.4 of the TCA and in compliance with Article 3.2(3) of the TCA under the COVID-19 Business Grant Allowance (subsidies granted on a temporary basis to respond to a national or global economic emergency). For the purposes of these scheme rules, this allowance is £1,600,000 per single economic actor. This allowance includes any grants previously received under the COVID-19 business grant schemes and any State aid previously received under Section 3.1 of the European Commission's Temporary Framework across any other UK scheme. This may be combined with the Small Amounts of Financial Assistance Allowance to equal £1,935,000 (subject to the exact amount applicable under the Small Amounts of Financial Assistance Allowance using the Special Drawing Right calculator).

Where an applicant has reached its limit under the Small Amounts of Financial Assistance Allowance and COVID-19 Business Grant Allowance, it may be able to access a further allowance of funding under these scheme rules of up to £9,000,000 per single economic actor, provided the following conditions are met:

A. The Special Allowance covers only the applicant's uncovered fixed costs incurred during the period between 1 March 2020 and 31 March 2022, including such costs incurred in any part of that period ('eligible period').

B. Applicants must demonstrate a decline in turnover during the eligible period of at least 30% compared to the same period in 2019. The calculation of losses will be based on audited accounts or official statutory accounts filed at Companies House, or approved accounts submitted to HMRC which includes information on the applicant's profit and loss.

C. 'Uncovered fixed costs' means fixed costs not otherwise covered by profit, insurance or other subsidies.

D. The grant payment must not exceed 70% of the applicant's uncovered fixed costs, except for micro and small enterprises (for the purposes of this scheme defined as less than 50 employees and less than £9,000,000 of annual turnover and/or annual balance sheet), where the grant payment must not exceed 90% of the uncovered fixed costs.

E. Grant payments under this allowance must not exceed £9,000,000 per single economic actor. This allowance includes any grants previously received in accordance with Section 3.12 of the European Commission's Temporary Framework; all figures used must be gross, that is, before any deduction of tax or other charge.

F. Grants provided under this allowance shall not be cumulated with other subsidies for the same costs.

An applicant must be able to provide the necessary documentation to demonstrate it is eligible for funding under this COVID-19 Business Grant Special Allowance.

Grants provided more than the Small Amounts of Financial Assistance Allowance may not be granted to applicants that were defined as an 'undertaking in difficulty' on 31 December 2019.

In derogation to the above, grants can be granted to micro or small enterprises (as defined above) that were already in difficulty on 31 December 2019 if they are not subject to collective insolvency proceedings.

It is the responsibility of the applicant to ensure North Lincolnshire Council is aware of any previous funding that has been received under any of the above exemptions. If an applicant is unsure, they must contact the grant provider to seek clarification and provide this evidence to North Lincolnshire Council.

North Lincolnshire Council does not hold responsibility for the evidence submitted and should an event occur where the applicant has breached state aid regulations then they will be held responsible and be required to repay part or all of the grant awarded to them.

#### Incentive effect

It is a requirement of UK Subsidy Allowance rules that the Covid-19 Renew Scheme may only be awarded when it produces an incentive effect. The Scheme is considered to have an incentive effect if it enables the beneficiary to carry out activities or projects which would not have been carried out as such in the absence of the aid.

The Support Fund may only be awarded if it has an incentive effect. It shall be considered to have an incentive effect if, before work on the project has begun, the Programme Board has verified that documentation prepared by the beneficiary establishes one or more of the following criteria:

- material increase in the size of the project due to the aid;
- a material increase in the scope of the project due to the aid;
- a material increase in the total amount spent by the beneficiary on the project due to the aid;
- a material increase in the speed of completion of the project concerned; or
- that the project would not have been carried out in the North Lincolnshire area in the absence of the aid.

#### Additionality

The applicant must be able to demonstrate convincingly that without COVID Renew Scheme assistance the project would not be undertaken or with reference to the scale, timing or location any payment to an applicant will impact the applicant's Project such that one or more of the following will apply:

- A material increase in the size of the project/activity due to the provision of State Funds;
- A material increase in the scope of the project/activity due to the provision of State Funds;
- A material increase in the total amount spent by the beneficiary on the project/activity due to the provision of State Funds;
- A material increase in the speed of completion of the project/activity concerned.
- As regards regional aid, that the project would not have been carried out as such in the location concerned in the absence of the State Funds

### Viability

The company undertaking the investment project must be viable and the project must have a good chance of being self-sustaining by the completion of the investment. The funding cannot be used to support companies that are in difficulty.

### No prior start

If work on a project has started then it is ineligible for financial support. An application for investment must be submitted and an offer made before work on the project is started.

"Start of work" means either the start of construction work or the first legally binding commitment to order equipment, excluding preliminary feasibility studies, whichever is earlier.

### **Specific Ineligible activity**

- Investment in sectors included within the EC Sectoral Restrictions (See Detailed Programme Guidance document)
- Expenditure on the purchase of transport equipment (movable assets) and for the acquisition of road freight transport vehicles
- Expenditure to cover wage subsidiary of new staff being employed as part of the project('s)
- The Covid-19 Renew Scheme cannot be used to support undertakings or firms in difficulty.
- Applications made by the retail sector for retail activities.
- Applications involving hospital or medical services and residential care are ineligible for assistance.
- Applications for projects in the defence sector are ineligible for assistance.
- Projects by schools or colleges.
- Projects involving the manufacture of tobacco related products.