

Regional Growth Fund

Catalyst for Growth Programme

Summary Guidance - Eligible Activities and Investment Levels

The Catalyst for Growth Regional Growth Fund (RGF) Programme's objectives are to create and safeguard jobs through business development and growth. The key priorities are to support the expansion, modernisation and diversification of businesses within the chemical sector across the North West.

This document should be read in conjunction with the RGF Detailed Programme Guidance document which provides detailed information in relation to eligibility and the State Aid Regulations under which the programme will operate.

Eligible Activities

Subject to State Aid regulations (influenced by company size / status and location), investment from the Catalyst for Growth RGF Programme can be used to contribute to the following activity:

- **capital expenditure** for new premises, expansion or adaptation,
- purchase of plant and machinery; Infrastructure
- associated costs for expansion such as investment in new technologies, systems and software
- associated **training**
- and/or aspects of experimental research and development to create new applications or prototypes

General Principles

Job creation (primary focus)

One of the key requirements of the Regional Growth Fund is the creation of sustainable employment. In order to be considered as an eligible cost/proposal for the purposes of the Regional Growth Fund, employment must be directly created by an investment project and fulfil the following conditions:

- employment shall be created within three years of completion of the investment;
- 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 five years in the case of a large enterprise or up to three years in the case of SMEs.

Jobs safeguarded (secondary objective)

In addition to the creation of new jobs, the safeguarding of existing positions within beneficiary businesses is also fundamental to the programme. In order to be considered an eligible cost for the purposes of the Regional Growth Fund, the safeguarding of jobs must be directly attributable to a qualifying investment project and fulfil the following conditions:

- a job which the grant recipient has confirmed in writing would be lost within 12 months from the date which the Beneficiary would first receive funds under a Beneficiary Agreement
- confirmation that the post/s would not have been safeguarded without the provision of such funds

Private sector leverage/Investment

The maximum grant level for a single project is £500,000 and the Catalyst for Growth RGF Programme must maintain an overall investment ratio of around 1:4 which means for every £1 of RGF invested, the applicants must contribute about £4 towards the project.

The investment ratio will be considered as part of the appraisal process and is governed by State Aid Rules which may require a higher contribution by certain applicants to ensure compliance.

The Investment made by the Catalyst for Growth RGF Programme must be maintained in the region for a period of up to three years for SMEs after its completion and up to five years for a large enterprise.

State Aid Rules

Funding administered by the Regional Growth Fund must meet with the European State Aid law provisions set out in the General Block Exemption Regulation ((Regulation EC) 800/2008) and Treasury Green Book guidance designed to promote the efficient and proper use of public resources.

Any scheme must:

- Demonstrate the legal base for the operation;
- Meet European restrictions on the provision of state aid;
- Provide sustainable benefits for the sub-regional and regional economies; and
- Not conflict with the sectoral restrictions that are derived directly from EC State Aid rules or flow from the national restrictions.

Further details on each of the scheme requirements outlined above can be found in the RGF Detailed Programme Guidance Document. This includes a list of sectors that are unable to receive funding through the RGF.

Incentive effect

It is a requirement of EC State Aid law that Regional Growth Fund may only be awarded when it produces 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:

- A 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 'Catalyst for Growth' scheme area in the absence of the aid.

Additionality

The applicant must be able to demonstrate convincingly that Regional Growth Fund assistance is necessary for the project to go ahead at all or whether its quality, scale, timing or location (or any combination of these factors, as above) would justify the provision of assistance.

Company 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 RGF 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.

State Aid Block Exemptions

The Catalyst for Growth RGF Programme will operate under the following EU State Aid Block Exemptions:

- Regional Aid
- SME Investment and Employment Aid (Article 15)
- Experimental development(Article 31.2.c)
- Aid for technical feasibility studies (Article 32)
- Specific Training (Article 38 (1))
- General Training (Article 38 (2))

Further details on the State Aid Block Exemptions can be found in the RGF Detailed Programme Guidance Document.

Assisted Area

The Assisted Area Map included at Appendix 1 outlines those areas within the Catalyst for Growth scheme area that are designated as an "Assisted Area" and therefore are eligible for investment under the Regional Aid Block Exemption. Please follow the link to check whether the post code of the project location is within an assisted area.

<http://stats1.bis.gov.uk/regional-aa/aa2007.asp>

This means that companies operating in this area are able to access additional support as a result of their location through the Regional Aid Block Exemption. This is particularly relevant for Large Companies that are largely restricted in terms of the level of aid they are permitted to receive in areas that do not have 'Assisted Area' status.

Levels of Assistance Available

The level of assistance that is permissible under the EU State Aid Regulations varies depending on the size of the enterprise, its location and the types of activities that are proposed. The maximum levels of assistance available for Small and Medium Sized Enterprises and Large Enterprises is outlined below.

The maximum level of grant that the Catalyst for Growth Regional Growth Fund is permitted to provide is £500,000 to any single beneficiary.

Small and Medium Sized Enterprises

The definitions of micro, small and medium-sized and large enterprises are summarised as follows:

Category	Headcount	Turnover	or	Balance Sheet Total
Large	Over 250	In excess of €50m		In excess of €43m
Medium	Fewer than 250	Not exceeding €50m		Not exceeding €43m
Small	Fewer than 50	Not exceeding €10m		Not exceeding €10m
Micro	Fewer than 10	Not exceeding €2m		Not exceeding €2m

The definitions take into account the overall headcount, turnover and balance sheet totals of companies within a group i.e. if the applicant is a subsidiary of another company or it is linked to other companies, this will be taken into account in the calculation of its status. The values above, are stated in Euros (€). Existing turnover / balance sheet calculations should be calculated on the basis of official exchange rates on the date of the grant of aid. These can be found at:

http://ec.europa.eu/unitedkingdom/work_with_eu/rates/index_en.htm. Further details can be found in the RGF Detailed Programme Guidance document.

Investment Levels Permitted under State Aid Rules

The following outlines the maximum levels of support that are currently available through the Regional Growth Fund under each of the eligible State Aid Block Exemptions.

Applications for grant support through the Catalyst for Growth RGF programme will be assessed on a case by case basis in the context of the overall RGF programme outputs and investment ratios. The appraisal and amount of grant awarded will ensure that the overall programme maintains its approved investment ratio of 1:4 and that it will create at least 350 full-time equivalent jobs and safeguard at least 100 jobs. As a result, maximum grant levels allowable through the state aid block exemptions outlined below are not guaranteed to be awarded for every case assessed.

Business Size:	Capital Investment Aid		Training		R&D	
	Assisted 'C' Area (tier 2) %	Non-Assisted Area %	General Training %	Specialist Training %		Experimental R&D %
Small	35	20	80	45		45 (*60)
Medium	25	10	70	35		35 (*50)
Large	15	0	60	25		25 (*40)

* For collaborative R&D ventures.

Please follow the link to check whether the post code of the project location is within an assisted area. <http://stats1.bis.gov.uk/regional-aa/aa2007.asp>

Catalyst for Growth/ State Aid Heading	Eligible Activity Description
Capital Investment / Regional Aid (in assisted Areas)	Costs of plant, buildings, machinery provided the Enterprise operates within the Assisted Area. Limited amount of immaterial investment (incurred as a result of technology transfer). Wage-cost – expected gross wage-costs and the compulsory social security contributions calculated over a period of the project lifetime, multiplied by the number of jobs created (net job creation in the establishment concerned).
Capital Investment/ SME Investment Aid	Investment in tangible assets (land, buildings, plant / machinery) and in intangible assets (expenditure entailed by technology transfer)
Specific Training	Tuition directly and principally applicable to the employee's present or future position in the undertaking and providing qualifications which are not or only to a limited extent transferable to other undertakings or fields of work. See eligible costs outlined at the end of this table.
General Training	Tuition which is not applicable only or principally to the employee's present or future position in the undertaking, but which provides qualifications which are largely transferable to other undertakings or fields of work and thereby substantially improve the employability of the employee. See eligible costs outlined at the end of this table.
Experimental Development	The acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services (including the creation of a commercially usable prototype or pilot projects under certain conditions). See eligible costs outlined at the end of this table.
Experimental Development subject to collaboration	Experimental development as defined above but subject to: <ul style="list-style-type: none"> • collaboration between undertakings; for large undertakings: cross-border or with at least one SME or • collaboration of an undertaking with research organization

Specific Training	Tuition directly and principally applicable to the employee's present or future position in the undertaking and providing qualifications which are not or only to a limited extent transferable to other undertakings or fields of work. See eligible costs outlined at the end of this table.
General Training	Tuition which is not applicable only or principally to the employee's present or future position in the undertaking, but which provides qualifications which are largely transferable to other undertakings or fields of work and thereby substantially improve the employability of the employee. See eligible costs outlined at the end of this table.

Additional information: Aid for R&D projects

The eligible costs for aid for R&D projects are as follows:

- Personnel costs of staff to the extent employed on the research activity;
- Costs of instruments, equipment and land and premises to the extent and for the period used for the research project (subject to depreciation as applicable);
- Cost of contractual research, technical knowledge and patents brought or licensed from outside sources at a market price;
- Cost of external consulting and equivalent services used exclusively for the project;
- Additional overheads incurred directly as a result of the research;
- Other operating expenses incurred directly as a result of the research activity.

Please note that potential applicants in receipt of R&D tax credits should seek independent advice on whether the award of grant aid could be affected.

For further details see the RGF Overall Programme Guidance Document.

Additional information: Training Aid

The eligible costs for training aid are as follows:

- Trainers' personnel costs;
- Trainers' and trainees' travel expenses including accommodation;
- Other current expenses (materials, supplies, etc.);
- Depreciation of tools and equipment, to the extent that they are used exclusively for the training scheme in question;
- Cost of guidance and counselling services with regard to the training project;
- Trainees' personnel costs and general indirect costs (administrative costs, rent, overheads) up to the amount of the total of the above eligible costs. As regards the trainees' personnel costs, only the hours during which the trainees actually participate in the training, after deduction of any productive hours, may be taken into account.

For further details see the RGF Overall Programme Guidance Document.

Specific Ineligible activity

- Investment in sectors included within the EC Sectoral Restrictions (See RGF Detailed Programme Guidance document)
- Expenditure on the purchase of transport equipment (movable assets) and for the acquisition of road freight transport vehicles
- Regional Growth Fund Grant 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

Support for Potential Applicants

There is the opportunity to book RGF funded one-to-one sessions with our partner C-Tech Innovation, who will work with potential applicants to help identify and develop eligible project ideas that will realise real growth opportunities. To initiate this support, please request and complete an Expression of Interest form by emailing cfg.enquiries@chester.ac.uk. We will then contact you to book an appointment.

Further Information

Details of the programme, including eligibility criteria and dates of calls for applications will be available on the project website www.catalystforgrowth.co.uk

For enquiries about any aspect of the programme, queries or application process, please contact the central team on cfg.enquiries@chester.ac.uk or call the NwUEU office on 0161 234 8880.