



Llywodraeth Cymru  
Welsh Government

GUIDANCE

# Wales Economic Resilience Fund

Scheme SC10144 is a UK-only scheme and cannot be used to provide cover for awards of EU funds.

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# 1. Region

Wales

## 2. Title of aid scheme

Wales Economic Resilience Fund

## 3. UK legal basis

Powers of the Welsh Ministers which allow the Welsh Government to support enterprises under the scheme are contained in

- the Welsh Development Agency Act 1975 (section 1) (as amended)
- the Housing Grants, Construction and Regeneration Act 1996 (section 126)
- The Industrial Development Act 1982 (section 7), and
- The Government of Wales Act (section 60)

All subsidies provided under this scheme must comply with the **UK subsidy control regime**. The limits set out in the attached subsidy schedules below align with current EU thresholds to ensure compliance with the TCA. Any subsidies that exceed the specified limit must seek further approval.

All aid under the ‘Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak’ must comply with the rules specified in the Temporary Framework.

**Full version of the temporary framework** on the European Commission website.

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## 4. Definitions

### Date of granting of the aid

Means the date when the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime.

### Large enterprise

Means any enterprise that is not an SME (as defined below).

### Operating profit

Means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment aid. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made.

### Reasonable profit

Shall be determined with respect to the typical profit for the sector concerned. In any event, a rate of return on capital that does not exceed the relevant swap rate plus a premium of 100 basis points will be considered to be reasonable.

## Repayable advance

Means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project.

## Small and medium-sized enterprises

Means an enterprise that meets the following criteria:

- The category of micro, small and medium-sized enterprises ('SMEs') is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million
- Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million
- Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

## Start of works

Means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs 'start of works' means the moment of acquiring assets directly linked to the acquired establishment.

## Subsidy

There are 4 key characteristics of a support measure that are likely to indicate that it would be considered a subsidy:

- Firstly, a subsidy must constitute a financial (or in kind) contribution such as a grant, loan or guarantee.
- In addition, the financial contribution must be provided by a 'public authority', including, but not limited to, central, devolved, regional or local government.
- Thirdly, the award of the subsidy must also confer a selective benefit on the recipient in the sense of an economic advantage that is not available on market terms.
- Finally, the subsidy must cause a distortion in or harm to competition, trade or investment.

## Subsidy intensity

Means the gross aid amount expressed as a percentage of the eligible costs, before any deduction of tax or other charge.

## Undertaking in difficulty

Means an undertaking in respect of which at least one of the following circumstances occurs:

- a. In the case of a limited liability company (other than an SME that has been in existence for less than 3 years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital

has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital.

- b. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, "a company where at least some members have unlimited liability for the debt of the company" refers in particular to the following types of company:
  - partnerships
  - limited partnerships, and
  - unlimited companies
- c. Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- d. Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- e. In the case of an undertaking that is not an SME, where, for the past 2 years:
  1. the undertaking's book debt to equity ratio has been greater than 7,5 and
  2. the undertaking's EBITDA interest coverage ratio has been below 1,0.

## 5. Objective of the scheme

To help support businesses that are operating and employing staff in Wales and



to protect jobs during the COVID-19 crisis.

## **6. Government body authorised to implement the scheme**

Welsh Government, Welsh local authorities

## **7. Scope of the scheme**

The scheme will be open to all businesses operating in Wales, with the exception of Medium or Large Enterprises that met the definition of ‘undertaking in difficulty’ on 31 December 2019 and Small or Micro Enterprises that were subject to collective insolvency procedures on 31 December 2019 or have received rescue aid or restructuring aid.

Businesses that are headquartered in countries that are 100% tax havens are ineligible. For the purposes of this scheme the 100% tax haven countries are:

- British Virgin Islands
- Bermuda
- Cayman Islands
- Bahamas
- Isle of Man
- Turks and Caicos Islands
- Anguilla

## 8. Duration of the scheme

Support under this scheme may be granted between 1st January and 31st December 2021.

## 9. Budget for aid under the scheme

Although there is no defined budget for aid under this scheme, it has been estimated that the total expenditure from 1st January 2021 – 31st December 2021 will be in the region of £200 million.

## 10. Form of support

All subsidy awarded under the scheme will be transparent. Aid may be awarded by way of grants.

## 11. Eligible activities to be supported under the scheme

Support aligning with the EU 'Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak' 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).

Detailed descriptions of the limited amounts of subsidy that are intended to address sudden shortage or unavailability of liquidity are set out in Schedule 1a.

Detailed descriptions of the subsidies in the form of subsidised interest rates for loans that are intended to ensure access to liquidity to undertakings facing a sudden shortage are attached at Schedule 1b.

Detailed descriptions of the subsidies to support wage costs for employees to avoid lay-offs during the COVID-19 outbreak are set out in Schedule 1c.

Detailed descriptions of the subsidies to support uncovered fixed costs for those undertakings for which the COVID-19 outbreak resulted in the suspension or reduction of their business activity are set out in Schedule 2.

Where it is not possible to provide support for eligible recipients accordingly, small amounts of financial assistance may be awarded in line with Article 3.2 paragraph 4 of the UK-EU Trade and Cooperation Agreement.

## 12. Incentive effect

The subsidy is designed to bring about a change of economic behaviour of the beneficiary. This principle will be considered to be met where the aid meets all the conditions set down in either the **UK's subsidy control regime** or the EU Temporary Framework to support the economy in the context of the COVID-19 outbreak.

## 13. Cumulation

In determining whether the individual intensity thresholds and the maximum subsidy 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 European Union sources.

Subsidy provided under this scheme will not be cumulated with other forms of aid or with aid classed as 'small amounts of aid' in regard to the same eligible costs if the result would breach the applicable aid intensities.

A mechanism is in place as part of the application process to ensure that cumulation of aid does not exceed the maximum allowable intensities of the scheme. Due diligence checks will be carried out during the awarding process.

## **14. Monitoring and reporting requirements**

All recipients of subsidy under the scheme will be informed that aid has been provided under the scheme, registered under SC10144, 'Welsh Economic Resilience Fund' or the EU Temporary Framework to support the economy in the context of the COVID-19 outbreak.

Records will be kept for 10 years from the date of the last award of subsidy under the scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met.

Details of any award with a value of £500,000 or more given under this scheme will be made publicly available via The UK Subsidy Transparency Database website within 6 months of granting.

Annual or biennial reports on expenditure under this scheme will be published in order to comply with the UK's international subsidy commitments.

In line with the UK's commitments under the UK-EU Trade and Cooperation Agreement, the Welsh Government shall provide interested parties with all the information and documentation considered necessary to demonstrate

compliance with the UK subsidy control regime within 1 month of such a request being made.

Contact information:

State Aid Policy Unit  
Welsh Government  
Cathays Park  
Cardiff CF10 3NQ  
United Kingdom  
Tel: + 44 (0)3000 253568  
E-mail: [state.aid@gov.wales](mailto:state.aid@gov.wales)

## **Schedule 1a: Subsidies intended to address sudden shortage or unavailability of liquidity**

The maximum allowable support under all parts of Schedule 1 is £800,000 per single economic actor. This allowance includes any grants received since 1 January 2021 under a UK COVID-19 business grant scheme or any State aid received since 1 January 2021 under Section 3.1 of the European Commission's Temporary Framework across any other UK scheme.

## **Schedule 1b: Support in the form of subsidised interest rates for loans that are intended to ensure access to liquidity to undertakings facing a sudden shortage**

Loans shall relate to investment and/or working capital needs. Loans may be

granted at reduced interest rates which are at least equal to the base rate (1 year IBOR) plus the credit risk margins as set-out in the table below. The minimum all in interest rate (base rate plus the credit risk margins) for SMEs and large enterprises should be at least 10bps per year.

Type of recipient	Credit risk margin for 1st year	Credit risk margin for a 2nd -3rd year	Credit risk margin for 4th-6th year
SMEs	25bps	50bps	100bps
Large enterprises	50bps	100bps	200bps

The loan contracts must signed by 31 December 2021 at the latest and are limited to maximum 6 years.

For loans with a maturity beyond 31 December 2021, the overall amount of the loans per beneficiary shall not exceed:

- i. double the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertaking's site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation, or
- ii. 25% of the beneficiary's total turnover in 2019.

Loan support must not be cumulated with loan guarantee support granted for the same underlying loan principal that has been awarded in line with article 3.2 of the 'Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak' (Aid in the form of guarantees on loans).

# Schedule 1c: Support for wage subsidies for employees to avoid lay-offs during the COVID-19 outbreak

The provision of subsidies to support the wage costs of undertakings, which, due to the COVID-19 outbreak, would otherwise lay off personnel or to the wage equivalent income of self-employed individuals for whom the adoption of national measures in response to the COVID-19 outbreak resulted in the suspension or reduction of their business activity, is allowable providing the following conditions are met:

- a. The aid is aimed at avoiding lay-offs during the COVID-19 outbreak (and to ensure the continuation of business activities of self-employed individuals)
- b. The aid is granted in the form of schemes to undertakings in specific sectors, regions or of a certain size that are particularly affected by the COVID-19 outbreak
- c. The individual aid awards of the wage subsidy scheme are granted no later than 31 December 2021, for employees that would otherwise have been laid off as a consequence of the suspension or reduction of business activities due to the COVID-19 outbreak (or for self-employed individuals whose business activity has been negatively impacted by the COVID-19 outbreak), and subject to the condition that the benefitting personnel is maintained in continuous employment for the entire period for which the aid is granted (or subject to the condition that the relevant business activity of the self-employed individual is maintained for the entire period for which the aid is granted)
- d. The monthly wage subsidy shall not exceed 80% of the monthly gross salary (including employer's social security contributions) of the benefitting personnel (or 80% of the average monthly wage equivalent income of the self-employed individual)
- e. The wage subsidy may be combined with other generally available or

selective employment support measures, provided the combined support does not lead to overcompensation of the wage costs of the personnel concerned. Wage subsidies may further be combined with tax deferrals and deferrals of social security payments.

## **Schedule 2: Support for uncovered fixed costs for those undertakings for which the COVID-19 outbreak resulted in the suspension or reduction of their business activity**

The maximum allowable support is £9,000,000 per single economic actor, provided the following conditions are met:

- i. The Special Allowance covers only the applicant's uncovered fixed costs incurred during the period between 1 January 2021 and 31 March 2022, including such costs incurred in any part of that period ('eligible period')
- ii. Applicants must demonstrate a significant decline in turnover during the eligible period 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
- iii. 'Uncovered fixed costs' means fixed costs not otherwise covered by profit, insurance or other subsidies
- iv. 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
- v. Grant payments under this allowance must not exceed £9,000,000 per single economic actor. This allowance includes any grants received since 1



January 2021 under a UK COVID-19 scheme providing support for uncovered fixed costs or any State aid received under 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

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

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