



## Rural Enterprise Grant Fund *GUIDANCE NOTES*

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## 1.0 BACKGROUND

The REGF Business Grant is administered by Cumbria Chamber of Commerce, a company limited by guarantee and registered in England, registration number 04211364.

The project will provide support to rural micro and small businesses through capital grants to support the purchase of new equipment and small-scale capital improvements to help grow, start up, diversify, innovate and improve productivity.

This project is supported by Cumbria Combined Authority through their Cumbria Capital Fund. Officers from Westmorland and Furness Council and Cumberland Council will sit on the grant award panel.

## 2.0 ELIGIBILITY

### 2.1 General

The REGF Business Grant will offer discretionary grants to businesses which fulfil the criteria set out in these guidelines. Grants will be offered to projects that:

- Offer good value for money
- Make a clear and reasonable case for needing grant support
- Have adequate funding towards the balance of the project
- Can complete within the required timescales
- Demonstrate alignment to objectives and requirements of the funding

**Grants are discretionary and competitive. There is no obligation on the Grant Panel to offer grants even where all of the above criteria have been met.**

### 2.2 Business Size

Startup, micro and small sized businesses are eligible to apply, as defined below.

A small enterprise means an enterprise that meets two or more of the qualifying criteria for a small enterprise, as set out in section 382 of the Companies Act 2006:

- Turnover not more than £15 million
- Balance sheet total not more than £7.5 million
- Number of employees not more than 50

More detail is available here <https://www.legislation.gov.uk/ukpga/2006/46/section/382>.

A micro enterprise means an enterprise that meets two or more of the qualifying criteria for a micro enterprise, as set out in section 384A of the Companies Act 2006:

- Turnover not more than £1 million
- Balance sheet total not more than £500,000
- Number of employees not more than 10

More information is available here <https://www.legislation.gov.uk/ukpga/2006/46/section/384A>.

### 2.3 Location

Micro and small businesses located in Cumbria are eligible to apply (Westmorland and Furness Council and Cumberland Council areas).

#### 2.4 Sectors

Grants are available to businesses in all sectors.

#### 2.5 Activity

All projects should contribute positive benefits to the business and the economy. The impact of the proposed investment on other businesses will be considered during the assessment of any application for REGF Business Grant support.

The factors taken into consideration include the income generated directly by a project, export and/or re-shoring activity, the displacement effects on other businesses and the wider benefits to the competitiveness of the economy at large. Relocation projects qualify for support where the relocation involves expansion and creation of jobs new to the UK.

#### 2.6 Expected Delivery of Required Outputs and Outcomes

There must be reasonable expectation of delivering outputs and outcomes required by the project funder (see 5.0 below).

#### 2.7 Project Costs

**Capital expenditure** only is eligible. **No revenue costs** can be supported or included in the grant calculation. Revenue includes but is not limited to; websites, salaries, training, stock items.

Projects can cover purchase of equipment and small-scale capital improvements to help grow, diversify, innovate and improve productivity.

Only irrecoverable VAT can be considered an eligible cost. If the applicant is VAT registered, costs will be considered exclusive of VAT.

Assistance can be provided for the purchase of the assets or, if appropriate, the business of another company in receivership or liquidation, where it is clear that there is only one realistic bidder. Such assistance can also be provided if there is a clear and imminent threat to employment even if the business in question is not in receivership or liquidation. These circumstances apart, assistance should not be provided to one company in order that it might take over another company.

To be considered eligible costs for the purposes of the REGF Business Grant tangible or intangible assets must be purchased from third parties under market conditions, without the acquirer being in a position to exercise control on the seller or vice versa. Self-built assets, or newly built assets acquired from other companies within the same group are considered to fulfil the conditions of this paragraph if the assets are independently valued.

In the case of the acquisition of an establishment, only the costs of buying assets from third parties will be taken into consideration, and only where the transaction has taken place under market conditions. If aid has been granted for the acquisition of assets prior to their purchase, the costs of those assets will be deducted from the eligible costs related to the acquisition of the establishment.

Costs related to the acquisition of assets under lease, other than land and buildings, will only be taken into consideration if the lease takes the form of financial leasing and contains an obligation to purchase the asset at the expiry of the term of the lease. For clarity, Hire Purchase ("HP") agreements which include an option to purchase

the asset at the end of the term will be eligible providing the applicant confirms that they will pay the option to purchase fee. Land and building leases with related parties will not be eligible.

The investment must be maintained in the project area until at least 30<sup>th</sup> June 2028. This will not prevent the replacement of plant or equipment that has become outdated due to rapid technological change, provided that the economic activity is retained in the region for the minimum period.

Grants **will not** be provided for routine replacement of existing equipment.

Intangible assets are eligible if they fulfil all of the following conditions:

- They must be used exclusively in the establishment receiving the aid
- They must be amortisable
- They must be purchased under market conditions from third parties unrelated to the buyer
- They must be included in the assets of the undertaking receiving the aid and must remain associated with the project for which the aid is granted for at least three years

### 2.8 Viability

The business undertaking the investment project must be able to demonstrate that it is viable, and the project must have a good chance of being self-sustaining by the completion of the investment. Assessment of viability will include, for example, market prospects, management of the business, finances of the business.

The Fund cannot be used to support undertakings or firms in difficulty, unless the Grant Panel is satisfied that the project and company are viable. A definition of an undertaking in difficulty is included in Annex A of these guidelines.

### 2.9 Additionality and Incentive Effect

There must be an incentive effect i.e. the applicant must be able to demonstrate convincingly that without the grant the project would not go ahead at all or would not proceed on the proposed scale or in the proposed timescale or in the proposed location. Grants will be considered to have an incentive effect if, before work on the project or activity has started, the beneficiary has submitted an application to the REGF Business Grant explaining to the satisfaction of the Grant Panel why the grant is necessary for viability of the project.

Note that it will not be acceptable to state as a reason that the organisation has a policy not to borrow.

### 2.10 Eligible Bodies

REGF Business Grant support can be awarded to individuals, companies, partnerships, or sole traders. In these Guidelines the term “company” includes all legal vehicles for carrying on business (including partnerships, limited liability partnerships, sole traders, companies limited by guarantee and companies registered in other jurisdictions as well as limited liability companies registered in Great Britain) unless the context dictates otherwise.

Public sector organisations are not eligible. Grants can only be awarded to commercial organisations. To qualify as a commercial activity at least 50% of income or profits must be derived from business trading.

### 2.11 No Prior Start

**Activity must not have commenced or been committed to prior to grant approval.** If work on a project has started, then it is ineligible for REGF Business Grant support. “Start of work” is defined in Annex A.

**2.12 Subsidy Control**

Applicants must demonstrate that any grant awarded would be compliant with Subsidy Control Regulations. All applicants are therefore required to complete and submit a Subsidy Control Declaration.

Subsidy Control allows small amounts of public assistance (up to £315,000 over three rolling years or over a three-year fiscal period) to be given to an enterprise as Minimal Financial Assistance (MFA). This ceiling takes into account all public assistance (aid) given within the qualifying period as either De Minimis Aid (under the previous EU State Aid regulations) or as MFA under the UK Subsidy Control Regulations. Public assistance can take various forms (grants, loans, guarantees, subsidised contracts, etc). The UK Government webpage setting out the principles of Subsidy Control can be accessed through this link:

<https://www.gov.uk/government/collections/subsidy-control-regime>

Businesses are advised to seek advice to ensure that their application is compliant.

**2.13 Procurement**

Applicants need to comply with the following procurement requirements:

Estimated Total Contract Value (inclusive of VAT)	Minimum Process	Method of Invitation
Up to £2,000	The responsible officer must use a process which obtains best value for money	1 verbal quotation to be confirmed in writing
£2,001 - £50,000	2 written quotations	Invitation to submit a quotation in writing to at least 2 candidates
Where the recipient is <u>not</u> a Contracting Authority: £50,001 and above	3 written quotations	Invitation to submit a quotation in writing to at least 3 candidates

**2.14 Match Funding**

In providing evidence of match funding to the panel, you will need to be able to demonstrate you can finance the **whole project** and continue financing your business.

**3.0 PROJECT TIMESCALES**

Activity must be completed and final claims submitted by 26.2.27. No claims for grant payments can be accepted after that date unless agreed in advance. Individual final claim dates will be specified in each offer letter.

**4.0 LEVEL OF GRANT SUPPORT**

Grant amounts will range between the minimum of £1,000 to the maximum of £49,999. The average anticipated grant is £15,000 at a rate of up to 80% of eligible project costs. The grant amount must not be more than the minimum required to enable the project to happen at the proposed scale and timing at that location.

## 5.0 OUTPUTS AND OUTCOMES

Output/Outcome	Definition
Number of enterprises receiving grants	Number of enterprises that have received grants with the intention of improving productivity, innovation or accessing new markets. Grant means a cash payment by the project that is not repaid.
Number of micro businesses receiving grants	Number of enterprises that have received grants, where the enterprise meets the definition of a micro-enterprise as defined in section 384A of The Companies Act 2006 (meeting any two of the following criteria): <ul style="list-style-type: none"> <li>• Annual turnover of £1,000,000 or less</li> <li>• £500,000 or less on its balance sheet</li> <li>• 10 employees or less</li> </ul>
Number of new start-up enterprises receiving grants	Number of enterprises that have received grants, where the enterprise is less than one year old.
Jobs created as a result of support	The number of new, permanent, paid, full-time equivalent (FTE) jobs created following support. This includes both part-time and full-time jobs, which should be recorded relative to full-time equivalent (FTE). New means it should not have existed with that employer before the intervention. Permanent means it should have an intended life expectancy of at least 12 months from the point at which it is created. Only count each individual FTE or job once through the lifetime of a project (i.e. it should not be counted every year). FTE should be based on the standard full-time hours of the employer (an employee's scheduled hours in relation to an employers' hours for a full-time workweek)
Jobs safeguarded as a result of support	A safeguarded job is a permanent and paid job (including sole traders and business owners) that was at risk prior to support being provided, and which the support helped the business to retain. This includes both part-time and full-time jobs, which should be recorded relative to full-time equivalent (FTE). At risk is defined as being forecast to be lost within 6 months. Only count each individual FTE or job once through the lifetime of a project (i.e. it should not be counted every year). FTE should be based on the standard full-time hours of the employer (an employee's scheduled hours in relation to an employers' hours for a full-time workweek)
Number of enterprises implementing measures to improve productivity	The number of enterprises which have implemented measures designed to improve productivity as a result of a grant being provided. Improved productivity means an increase in the output of the enterprise per hour worked or per worker. Implementation means the enterprise declaring that measures to improve productivity have been implemented into its working practices (details should be provided and the measures linked to the impact of the grant). Where data is available, improvements may be quantified through calculations to demonstrate increased gross value added (GVA) per hour or per worker.

Number of enterprises experiencing growth	<p>The number of enterprises where turnover has increased following support being provided.</p> <p>Turnover means the amount of income derived from the provisions of goods or services within the enterprise's ordinary activities, after deduction of trade discounts, VAT and other relevant taxes.</p> <p>Increased turnover should be quantified using comparable (year-on-year) analysis of the annual accounts of the enterprise</p>
Number of enterprises adopting new to the firm technologies or processes	<p>The number of enterprises introducing a new to the firm technology or process (through external sources e.g. procurement).</p> <p>A technology or process is new to the firm if it did not use a technology or process with the same functionality before, or the production technology or process is fundamentally different from those already used. This may be tangible or intangible.</p> <p>If an enterprise introduces multiple new technologies or processes, it is still counted as one enterprise.</p>
Private Sector Leverage	Funding contributions from enterprises towards the costs of investment projects that are grant funded.

## 6.0 APPLICATIONS AND APPRAISAL

### 6.1 Process

The Fund will be operated on a competitive basis:

- The first stage is submission of an Expression of Interest form (available at <https://cumbriagrowthhub.co.uk/grow-your-business/search-grants-and-funding>). This is reviewed against scheme criteria and if it is accepted a full application invited.
- There is an opportunity to submit EOIs for a Grant Panel in July. The deadline for EOIs to be considered at this Panel will be published on [www.cumbriagrowthhub.co.uk](http://www.cumbriagrowthhub.co.uk).
- A Grant Panel for consideration of full applications will be held in September. The deadline for applications to be considered at this Panel will be published on [www.cumbriagrowthhub.co.uk](http://www.cumbriagrowthhub.co.uk).
- If funds remain available there may be another opportunity for EOIs and applications. If so, this will be published on <https://cumbriagrowthhub.co.uk/grow-your-business/search-grants-and-funding>.
- Fully complete applications submitted by the deadline will be reviewed by the Chamber and recommendations submitted for consideration by the Grant Panel for discussion and decision.
- Advisers may be available, at no charge to the applicant, to support completion of full grant applications. These will be offered on a first come first served basis.
- The appraisal by the Chamber will include due diligence at a level appropriate to the business and the size of the application against the scheme criteria. Applicants may be required to submit further information at this stage.

All full applications must include:

- A fully completed and signed application form
- A fully completed and signed Subsidy Control Declaration
- Financial accounts showing at least the last two years (fewer if the business has been trading for less)
- Business plan with financial forecast plus management accounts to date if trading less than 12 months

- Business plan with financial forecast if start up
- Evidence of match funding
- Evidence of planning approval/land status (if applicable)
- Evidence of appropriate procurement (Quotes)

In addition, full applications over £10,000 must include the following information:

- Fully completed financial appendices
- Up to date management accounts for the current year

**Any application which has not been fully completed or does not include all the above information will not be considered. Additional information may also be requested.**

### 6.2 Decisions by the Grant Panel

The Grant Panel will be chaired by The Managing Director, Cumbria Chamber of Commerce, and will be appropriately experienced and qualified. The Chair will have the casting vote if required. The ultimate decision on whether a project should be supported rests with the Grant Panel.

Any Panel member with a conflict of interest relating to a particular application will not take part in the appraisal, discussion of and decision on that application.

Once the Grant Panel has made its decision the applicant is informed in writing, along with a formal offer letter. The applicant can commit to the project once this formal offer of assistance has been made **but not before**.

### 6.3 Appeals

As the REGF Business Grant is a competitive scheme, applications which meet the scheme criteria may still be rejected if they do not provide value compared to other applications being considered.

Appeals may be made in writing to the Managing Director, Cumbria Chamber of Commerce, providing any relevant supplementary information. An appeal will only be considered if there is a material change in the circumstances of the applicant's project. Where an appeal is made the decision will be reviewed by the Grant Panel members. The decision will be advised to the applicant in writing. There is no further right of appeal.

### 6.4 Record Keeping

Reasons for decisions about applications and claims will be recorded at all stages, ensuring a clear audit trail for all applications. Administrative records will be maintained for all applications irrespective of whether they were successful.

### 6.5 Publicity

Detailed case studies of projects will be used on an ongoing basis to promote the scheme and its success through a range of media. Successful applicants must agree to all reasonable requests to participate in and cooperate with promotional activities relating to the project that may be instigated by Cumbria Combined Authority or the Chamber. This includes complying with all reasonable requests to facilitate visits and provide reports, statistics, photographs, and case studies to assist in promotional activities.

Any grant awarded may be subject to a Freedom of Information request.

The recipient must acknowledge the support of Cumbria Combined Authority and the Chamber in any materials that refer to, or result directly from, the project and in any written or spoken public presentations about the project.

Such acknowledgements shall include the use of any banners or logos required by Cumbria Combined Authority. Details will be provided in the grant offer letter.

#### 6.6 Third Party Advice to Applicants

Third parties such as consultants may advise businesses with regard to REGF Business Grant applications or even provide information on behalf of the applicant. If the third party continues to play an active role in the application after the application form has been submitted, the Chamber will request that the applicant business designates an in-house point of contact. All correspondence regarding the appraisal of the REGF Business Grant application should then be copied to this contact. It is the responsibility of the applicant to ensure that any information submitted on its behalf is accurate and complete.

#### 6.7 Level of Assistance

The maximum grant percentage is up to 80% and the grant awarded will be the minimum up to the percentage required for the project to proceed.

#### 6.8 Offer Letter

The offer letter will set out the conditions of the grant, and the standard text is non-negotiable. It may be necessary to add clauses to ensure that all of the conditions associated with the grant are accurately reflected in the offer letter.

For start-ups awarded a grant the offer will be subject to provision of acceptable evidence of trading. This evidence must be provided before any grant can be paid, and to ensure grants are used within funding timescales this evidence must be provided within a set timescale (to be confirmed in the grant offer letter). However, the applicant can commit expenditure, at risk, from the date of the grant offer letter. To be eligible for grant, all expenditure must be incurred and paid by the trading business through a business bank account in the name of the business, and grant funding will only be paid into that account.

#### 6.9 Payment of Grant

REGF Business Grant support will be provided as a grant payment linked to specific expenditure milestones set out in the grant offer letter. Payments will be made once the relevant milestones have been achieved. The Chamber may, at its discretion, approve payment in more than one instalment.

Expenditure must be incurred and **fully defrayed** before grant claims relating to that expenditure can be submitted, other than expenditure via HP, leases and capitalised salaries.

The grant will be recoverable in part or in whole in cases where the project associated with the grant does not satisfy the conditions set out in the offer letter.

## 7.0 MONITORING

#### 7.1 Role of Monitoring Officer

The Chamber has a responsibility to obtain enough information to assess the continuing viability of the business and progress of the project, to ensure that the assistance is being used for the purposes for which it was provided and the conditions of grant are being complied with and to confirm achievement of outputs and outcomes and that related assets and jobs stay in place in accordance with the terms of the offer letter. This will be undertaken by the Chamber monitoring officer. Monitoring will be at a level appropriate to the business and the level of grant awarded.

Where it is necessary to request a variation, the monitoring officer will consider and, if acceptable, give consent to variations.

The monitoring officer is also responsible for grant claims. To safeguard the REGF Business Grant and Chamber's position where necessary they may reduce, delay, or withhold payment or require repayment of part or all of the assistance already provided.

### 7.2 Claims for Payment

Claims must comply with all monitoring information and progress reporting in full as set out in the grant offer letter. This may also include evidence of compliance with specific offer conditions. The final date for claims to the scheme is 26.2.27.

A specific No Obligation to Pay Date (NOPD) will be specified in every offer letter and is the deadline after which the Chamber is no longer under any contractual obligation to make payments to that applicant. This will not be later than 26.2.27.

If a business claims an installment before the NOPD, it is entitled to receive that payment, provided it satisfies the conditions set out in the offer letter, even if the time taken to process the claim means that payment is not made until after the NOPD date provided this is no later than 26<sup>th</sup> February 2027.

There is no obligation on the Chamber to remind beneficiaries about or chase claims for payment.

### 7.3 Post Completion Monitoring

Monitoring will continue after completion of the project until 30<sup>th</sup> June 2028.

### 7.4 Changes in Projects and Clawback

Offer letters will contain a general provision to allow the recovery of all grant support in the event of a grant not being compliant with the scheme rules. These powers will be used with discretion. This general provision gives the Chamber wide ranging powers to withhold, delay, reduce or reclaim (clawback) all or part of the proposed assistance in certain circumstances and in particular in the event of:

- A substantial change in the nature or scale of the project
- The disposal of all or a significant part of the assets provided for the project
- An unsatisfactory rate of progress towards project completion
- Significant output/outcome issues

### 7.5 Retention of Assets

The Assets shall be used by the grant recipient solely for the purpose of the delivery of the project and towards achievement of the project aims, the project objectives, the project outputs and the project outcomes, as a minimum until 30<sup>th</sup> June 2028.

The recipient undertakes not to enter into a disposal without the prior written consent of Cumbria Chamber of Commerce. Cumbria Chamber of Commerce will not be obliged to provide this consent, and any such consent may be subject to any conditions the Chamber or Funder, consider, in their sole discretion, necessary or desirable including repayment of the grant in whole or part.

Where the Chamber consents to a disposal the recipient must provide evidence to the Chamber that the disposal is the best that can reasonably be obtained in the open market, on an arm's length basis, on normal market terms, at that time.

Notwithstanding the provisions of this clause 7.5, where the recipient makes a disposal without the Chamber's prior written consent the recipient shall transfer the proceeds of any disposal (up to the total value of the grant) to the Chamber within ten working days of the date of disposal.

The recipient agrees that failure to comply with this clause shall entitle the Chamber to charge interest at a rate of 4% above the base rate from time to time of National Westminster Bank for each day the proceeds of disposal are overdue and shall be entitled to recover the proceeds of disposal and any interest as a debt.

#### **7.6 Projects Reduced in Scale**

Where the scale of the project has been reduced the level of assistance will normally be reduced pro rata with the reduction in the scale of the project (maintaining the grant percentage and ensuring that it does not exceed the maximum allowable). Asset sales will be regarded as reducing net project costs.

If a business has failed to perform as well as could reasonably have been expected or has made a deliberate decision to abandon a project in order to concentrate resources on other investment, or in obtaining assistance has unreasonably withheld information about difficulties being encountered, a greater clawback than indicated by the pro rata calculation should be considered. The monitoring officer will assess whether all of the paid assistance should be reclaimed in these circumstances.

If a business is sold or if its ownership is otherwise transferred, recovery of monies paid should only take place when the obligations of the offer letter (including all guarantees) cannot be novated to the purchaser.

#### **7.7 Changes in the Nature of the Project**

Where the nature of the project alters to such an extent that it effectively represents a different project from that originally considered, a view will need to be taken by the Chamber, and potentially the Panel, as to whether the revised project qualifies for REGF Grant. Examples of this situation include a business choosing to produce a different product, failing to purchase a key piece of equipment as described in the original application or altering the general scale of a project. It may be appropriate to agree a variation of the original offer letter, however depending on the changes a new application may be more appropriate.

#### **7.8 Changes in Financing**

In some cases, the project may proceed as planned but the business may decide, after the offer of REGF Grant has been made, to change the basis on which it is financed – for example acquiring under hire purchase or an extended credit agreement assets which it had intended to purchase outright. In such cases, the monitoring officer will consider the implications of the revised arrangements for the project and the business. For example, the change in financing arrangements may be an indication that the business has cash flow problems which it is attempting to control by spreading capital payments over a longer period. The monitoring officer will determine whether the offer is still the minimum required to secure the project or whether it should be reduced to take account of any benefits to the business arising from the revised arrangements. The standard offer letter contains a provision for such reconsideration.

#### **7.9 Changes in Ownership**

The implications for the project of any change in business ownership will be reviewed by the monitoring officer. In particular an assessment of the viability of the project going forward.

If a REGF Grant is to be novated it is normal for the purchasing business to “step into the shoes” of the vendor and take on all the obligations associated with the grant. In these circumstances it is not normally appropriate to withhold assistance to a new owner because they may have, for example, sufficient funds to carry out a project without support, as the value of the grant will have already been reflected in the purchase price.

Legal advice should be sought in any case where a Receiver or Liquidator is seeking to transfer the project as a way of realising assets. As a general rule the monitoring officer should draw attention to the company’s obligations set out in the offer letter and request the potential claim to be noted by the Liquidator/Receiver pending the signing of the novation agreement. If the project is not continued satisfactorily or if a new project owner is unwilling to take over the offer, clawback must be considered.

In certain limited circumstances, it is not necessary to action a novation or transfer agreement:

- If the change occurs early in the life of a project, before expenditure on the project has started, the matter may be dealt with by the issue of a new offer letter to the business undertaking the project with parallel withdrawal of the original offer.
- In the last 12 months of the monitoring period the monitoring officer may choose to forgo the issuing of a novation agreement if in their considered judgement it is likely that the project will be taken forward satisfactorily by the new owner.
- If the monitoring officer would not recommend the exercise of clawback conditions in the event of failure to achieve a novation agreement. This discretion is likely to be used only in cases where the project achievement, at the point of the transfer, can be said to have justified the assistance paid, or where the cost of recovery action is likely to exceed the amount repayable.

## 8.0 QUERIES

Any queries relating to this grant scheme should be addressed to Paula Martyn-Jones, Growth Hub Finance & Compliance Facilitator, [paula@cumbriachamber.co.uk](mailto:paula@cumbriachamber.co.uk)

## ANNEX A: DEFINITIONS

For the purpose of these Guidelines the following definitions apply:

**Arm's length** means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent enterprises and contain no element of collusion. Any transaction resulting from an open, transparent and non-discriminatory procedure is considered as arm's length.

**Asset** means any property, equipment, works or real property purchased, developed or materially improved or increased in value as a result of the project with a value of at least £10,000.

**Control** has the meaning set out in Article 3 of Council Regulation (EC) No 139/2004. Specifically, control shall be constituted by rights, contracts or any other means which, either separately or in combination and having regard to considerations of fact or law involved, confer the possibility of exercising decisive influence on an undertaking, in particular by:

- ownership or the right to use all or part of the assets of an undertaking
- rights or contracts which confer decisive influence on the composition, voting or decisions of the organisation or undertaking

Control is acquired by persons or undertakings which:

- are holders of the rights or entitled to rights under the contracts concerned or
- while not being holders of such rights or entitled to rights under such contracts, have the power to exercise the rights deriving therefrom

**Disposal** means a disposal by way of sale, transfer, lease, surrender, legal charge, mortgage, lien or debenture of or over any asset.

**Tangible assets** mean assets consisting of land, buildings and plant, machinery and equipment.

**Intangible assets** mean assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

**Number of employees** means the number of annual labour units (ALU) full time equivalent (FTE) staff, namely the number of persons employed full time in one year, part-time and seasonal work being ALU fractions.

**Undertaking in difficulty** means an undertaking in respect of which at least one of the following circumstances occurs:

- In the case of a limited liability company (other than an SME that has been in existence for less than three years), 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. For the purposes of this provision, "limited liability company" refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU and "share capital" includes, where relevant, any share premium.
- 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 types of company mentioned in Annex II of Directive 2013/34/EU.
- 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.
- 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.
- In the case of an undertaking that is not an SME, where, for the past two years the undertaking's book debt to equity ratio has been greater than 7.5 and the undertaking's EBITDA interest coverage ratio has been below 1.0.

**Completion of works** is defined for the purposes of REGF Grants Fund as the date of mechanical completion of the investment project, or the date that the material assets associated with an investment project become operational, whichever is earlier.

**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 the assets directly linked to the acquired establishment.

**Initial investment in favour of new economic activity** means:

- an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment
- the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition.