

Scottish Investment Fund & State Aid

All investment packages agreed under the Scottish Investment Fund are subject to state aid appraisal to determine whether the recipient's economic activities have the potential to distort competition and affect trade between member states of the European Union.

Information on the aid measure is detailed below.

1. Member State

United Kingdom

2. Region

Scotland

3. Granting Authority

Scottish Government (Third Sector Division)

4. Title of Aid Measure and form of aid

Scottish Investment Fund. The fund is managed by Social Investment Scotland (SIS) on behalf of the Scottish Government and provides assistance to third sector organisations in the form of grants and loans from the fund.

5. UK legal basis

Scottish Investment Fund – Investment Strategy, Scottish Government, June 2008

6. Duration of the scheme

31/ 3/2011 to 31/3/2012

7. Budget

£3m

8. General Objectives of the Scottish Investment Fund

The objective of the Scottish Government's £30m Scottish Investment Fund is to build capacity, capability and financial sustainability in the third sector; ensuring a strong and active third sector reaches its potential and makes a key contribution to the national outcomes of the Scottish Government. To achieve this objective the fund will support enterprise in the third sector through investment in individual organisations supported by integral business support and management development. Investment in outcomes linked to the purpose of the Scottish Government in creating a more successful country, with opportunities for all through increasing sustainable economic growth. Organisational capacity development - not project funding - in order to create a more financially sustainable, enterprising and business-like third sector; increasing the turnover of the social economy

and reducing long-term dependence on grants and contributing to better public services by making the third sector more able to deliver effective, evidence-based and innovative services.

9. State Aid under the General Block Exemption Regulation

Aid can be paid under the following:-

- SME investment and employment
- Consultancy in favour of SMEs
- Training aid
- Disadvantaged and disabled workers
- Regional investment aid

10. Aid intensities (detailed below)

Aid Measure	Eligible Costs	Large Enterprises	Medium & Small Enterprises	Upper Limit (€)
SME INVESTMENT AND EMPLOYMENT	<p>All capital costs in SME's, IP rights or estimated wage costs for 2 years of new jobs linked to new investment (or combination subject to total aid not exceeding maximum level under most favourable one). Wage costs mean the total amount actually payable by the beneficiary of the aid in respect of the employment concerned, comprising the gross wage, before tax, and the compulsory social security contributions.</p> <p>Investment/jobs must be maintained for at least 3 years.</p> <p>Processing and Marketing Annex 1 (CAP) products - on cost basis detailed above</p>	NO	<p>10% ME</p> <p>20% SE</p> <p>40% for all SMEs</p>	7.5m
CONSULTANCY IN FAVOUR OF SMES	One off rather than periodic consultancy	NO	50%	2m

TRAINING	<p>The trainer’s fees, trainees travel, books, equipment, material, depreciation of plant and equipment used for training, loss of productive use of plant and equipment or Gross Personnel costs up to the sum of the other eligible costs (as per above).</p> <p>Schemes only for large enterprises</p>	<p>25% Specific 60% General</p> <p>A further 10% can be given where the training involves disabled or disadvantaged workers</p>	<p>35% ME, 45% SE 70% ME, 80% SE</p> <p>A further 10% can be given where the training involves disabled or disadvantaged workers</p>	2m
RECRUITMENT OF DISADVANTAGED WORKERS IN THE FORM OF WAGE SUBSIDIES	<p>Scheme. Wage costs of disadvantaged workers for 12 months or if severely disadvantaged workers (unemployed for 24 month or more) for 24 months.</p> <p>Includes single parents, people over 50 years, people unemployed for over 6 months, those with no vocational qualifications, members of ethnic minority who require linguistic, vocational training or work experience profile to enhance prospect of access to stable employment or persons working in sector or profession where there is a gender imbalance.</p>	50%	50%	5m
EMPLOYMENT OF DISABLED WORKERS IN THE FORM OF WAGE SUBSIDIES	<p>Wages costs of disabled workers during period of employment (reduced pro rata if less than 12 months employment). Disabled Worker defined as a worker regarded as having disability under national law or having one or more limitations of physical, mental or psychological impairment.</p> <p>Schemes only for large enterprises</p>	75%	75%	10m
COMPENSATING THE ADDITIONAL COSTS OF EMPLOYING DISABLED WORKERS	<p>Costs of adapting equipment, software for purpose of assisting employed disabled people and of additional employees employed solely for purpose of assisting employed disabled people. Where entity provides sheltered employment (undertaking where 50% or more of employees are disabled) eligible costs can also cover construction, installing and expanding of establishment concerned and any admin. or transport costs resulting directly from employment of disable workers. Wage costs of disabled workers are not eligible under this measure.</p> <p>Schemes only for large enterprises</p>	100%	100%	10m

<p>REGIONAL INVESTMENT AND EMPLOYMENT</p> <p>See regional aid map</p>	<p>Schemes only (e.g. speculative and bespoke) Development costs minus market value after development.</p> <p>Schemes only (e.g. RSA). Costs linked to initial capital investment (e.g. purchase of plant and machinery and other assets) or wages costs - for up to 2 years period - (as per definition above under SME investment aid) - of new jobs directly resulting from initial capital investment (or combination subject to total aid not exceeding maximum level under most favourable one).</p> <p>Investment/jobs must be maintained for at least 5 years where aid to large enterprise and 3 years where aid to SMEs</p>	<p>10-50%</p> <p>(depending on applicable regional aid cap for area in question)</p>	<p>+10% MEs</p> <p>+20% SEs</p>	<p>Sum no greater than 75% of maximum allowable grant sum in respect of eligible costs of 100m in area in question (eg in area subject to 10% regional aid cap – 7.5m)</p>
---	---	--	---------------------------------	--

11. Aid measures (further details below)

SME Investment & Employment aid (Article 15)

Scope, Eligible Costs and Maximum Aid Intensities

Investment and employment aid in favour of SMEs shall be exempt under the GBER provided the following conditions are fulfilled:

- The aid intensity shall not exceed 20% for small and 10% for medium-sized enterprises.
- The eligible costs shall be tangible and intangible investment costs, or the estimated wage cost of employment directly created by the investment project, calculated over a period of 2 years.
- Where the investment concerns the processing and marketing of agricultural products, the aid intensity shall not exceed 50% of eligible investments in 87(3)(a) Assisted Areas and 40% of eligible investments in all other regions.

Notification thresholds

The GBER shall not apply to any individual aid, whether granted ad hoc or on the basis of a scheme if the grant equivalent exceeds €7,5 million per undertaking per investment project.

Aid for non-routine consultancy in favour of SMEs (Article 26)

Gross aid of up to 50% of the costs of outside consultants, provided the services are not continuous or periodic, and do not relate to the enterprises usual operating expenditure such as tax consultancy, regular legal or advertising services.

Aid for non-routine consultancy in favour of SMEs (Article 38 & 39)

Scope

Specific Training – means training involving tuition directly and principally applicable to the employee's present or future position in the undertaking, but which provides qualifications which are not only to a limited extent transferable to other undertakings or fields of work.

General Training – means training involving tuition which is not applicable only or principally to the employee's present or future positioning the undertaking, but provides qualifications that are largely transferable to other undertakings or fields of work.

Eligible Costs and Maximum Aid Intensities

Eligible costs of a training aid project shall be:

- (a) Trainers personnel (wage) costs;
- (b) Trainers and trainees travel expenses, including accommodation;
- (c) Other current expenses such as materials and supplies directly related to the project;
- (d) Depreciation of tools and equipment, to the extent that they are used exclusively for the training project;
- (e) Cost of guidance and counselling services with regard to the training project;
- (f) Trainees personnel (wage) costs and general indirect costs administrative costs, rent, overheads) up to the amount total of the other eligible costs referred to in points (a) to (e). As regards the former type of costs, only the hours during which the trainees actually participate in the training, after deduction of any productive hours, may be taken into account.

The aid intensity shall not exceed:

Specific Training – 45% for small, 35% for medium and 25% for large enterprises and an increase of a further 10% can be given where the training involves disabled or disadvantaged workers.

General Training – 80% for small, 70% for medium and 60% for large enterprises and an increase of a further 10% can be given where the training involves disabled or disadvantaged workers.

In cases where the aid project involves both specific and general training components which cannot be separated or in cases where the specific or general character of the training aid project cannot be established, the intensities applicable to specific training shall apply.

Notification threshold

The GBER shall not apply to any individual aid, whether granted ad hoc or on the basis of a scheme if the grant equivalent exceeds €2 million per training project.

Aid for Disadvantaged and Disabled Workers (Article 40 to 42)

Aid for the recruitment of disadvantaged workers in the form of wage subsidies (Article 40)

Aid for the recruitment of disadvantaged workers is permissible.

The aid intensity shall not exceed 50% of the eligible costs.

Eligible costs shall be the wage costs over a maximum period of 12 months following recruitment and 24 months in the case of a severely disadvantaged worker.

Where the recruitment does not represent a net increase, compared with the average over the previous 12 months, in the number of employees in the undertaking concerned, the post or posts shall have fallen vacant following voluntary departure, disability, retirement on grounds of age, voluntary reduction of working time or lawful dismissal for misconduct and not a result of redundancy.

Except in the case of lawful dismissal for misconduct, the disadvantaged worker shall be entitled to continuous employment for a minimum period. In case where the period of employment is shorter than 12 months, the aid shall be reduced pro rata accordingly.

Notification threshold

The GBER shall not apply to any individual aid, whether granted ad hoc or on the basis of a scheme if the grant equivalent exceeds €5 million, per undertaking, per year.

Aid for the employment of disabled workers in the form of wage subsidies (Article 41)

Aid for employment of disabled workers is permissible.

The aid intensity shall not exceed 75% of the eligible costs.

Eligible costs shall be the wage costs over any given duration which the disabled worker is employed.

Notification threshold

The GBER shall not apply to any individual aid, whether granted ad hoc or on the basis of a scheme if the grant equivalent exceeds €10 million in the form of wage costs per undertaking per year.

Aid for compensating the additional costs of employing disabled workers (Article 42)

Aid for compensating the additional costs of employing disabled workers is permissible.

The aid intensity shall not exceed 100% of the eligible costs.

Eligible costs shall be costs other than wage costs covered under Training aid (Article 39), which the employer has to bear and which are additional to those which the undertaking would have incurred if employing workers who are not disabled, and is over the duration during which the worker concerned is being employed.

The following costs shall be eligible:

- (a) Costs of adapting premises;
- (b) Costs of employing staff for time spent solely on assistance of the disabled workers;
- (c) Costs of adapting or acquiring equipment, or acquiring and validating software for their use by disabled workers, including adapted or assistive technology facilities, which are additional to those which the beneficiary would have incurred if employing workers who are not disabled;
- (d) Where the beneficiary undertaking provides sheltered employment, the costs of constructing, installing or expanding the establishment concerned, and any costs of administration and transport which result directly from the employment of disabled workers.

Notification threshold

The GBER shall not apply to any individual aid, whether granted ad hoc or on the basis of a scheme if the grant equivalent exceeds €10 million for compensating for additional expenses of employing disabled workers.

Regional Investment Aid (Article 13)

Scope

To assist development of most disadvantaged regions by supporting investment and job creation in those areas determined in the approved regional aid map for the period 2007-13.

Investment Projects

An eligible investment project must relate to setting up a new establishment, extending an existing establishment, diversifying into new additional products or a fundamental change in production process.

Eligible Costs

Aid may be awarded on the basis of a percentage of eligible costs of either new investment or new jobs created directly as a result of the investment project.

Tangible assets - assets relating to land, buildings, plant, machinery and equipment. For the transport sector, transport means and equipment are not included.

Intangible assets - assets acquired through the transfer of technology by the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

Jobs created - wage costs over a period of 2 years for employment directly created as a result of the investment project.

Maximum Aid Intensity

The regional aid map sets out the areas eligible for regional aid and the maximum aid limits which apply. This can be increased by 20% for small enterprises, and 10% for medium sized enterprises. These thresholds apply either as a percentage of either investment or salary costs.

For Scotland the limits are as set out below:

Area	Large	Medium	Small
87.3.a Highlands & Islands	20%	30%	40%
87.3.c Assisted Areas (excluding Highlands & Islands and wards in South Ayrshire)	15%	25%	35%
87.3.c Assisted Areas within South Ayrshire	10%	20%	30%

Higher limits apply for investments in the processing and marketing of agricultural products. (see Article 13.9 for details).

Individual Notification

Aid must be notified in full where the total amount of aid from all sources exceeds 75% of the maximum amount of aid an investment with eligible costs of €100m could receive.

In order to prevent a large investment being artificially divided into sub-projects, a large investment project shall be considered to be a single investment project when investments are undertaken during a period of three years by the same undertaking or undertakings and consists of fixed assets combined in an economically indivisible way.

Conditions

The beneficiary must provide a financial contribution of at least 25%

Tangible assets must be:

- maintained in region for 5 years (3 years in case of SMEs)

Intangible assets must be:

- used exclusively in the establishment receiving the aid regarded as amortizable assets purchased under market conditions included in the assets of the undertaking remain in establishment for at least 5 years (3 years for SMEs)

Employment must be:

- created within 3 years of investment completion
- a net increase for the establishment, compared with average over last 12 months
- maintained for at least 5 years (3 years for SMEs)

12. Definition of SME**Medium-sized Enterprise**

- business must employ less than 250 people **and**
- have a turnover of less than €50m **and/or**
- have a balance sheet total (net assets) of less than €43m

Small Enterprise

- business must employ less than 50 people **and**
- have a turnover of less than €10m **and/or**
- have a balance sheet total (net assets) of less than €10m

Micro Enterprise

- business must employ less than 10 people **and**
- have a turnover of less than €2m **and/or**
- have a balance sheet total (net assets) of less than €2m

13. Assisted Areas

Link to details of assisted areas <http://www.rsascotland.gov.uk/rsa/189.html>

14. Cumulation

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

15. Reporting requirements

All recipients of aid under the scheme will be informed that aid has been provided under Commission Regulation (EC) No 800/2008 and the commission reference number for the scheme.

Records will be kept for 10 years from the date the last award provided under the scheme is given. Records will be sufficiently detailed to establish that the conditions of the scheme are met, to include confirmation of SME status (if appropriate), location in Assisted Area and eligibility of supported costs.

Annual return information will be provided to the Commission via the State Aid Unit.

16. Further information on State Aid

Link to Scottish State Aid Unit <http://www.stateaidscotland.gov.uk>