

# **Economic Resilience Fund for Small and Medium Sized Enterprises (between 10 and 249 employees) (Phase 2)**

## **GUIDANCE NOTES FOR APPLICANTS**

Please read this guidance carefully before completing, the assessment of your request will be based on the information that you provide in this application.

The following notes provide an explanation of selected aspects of the application form that may need clarification. Please contact <https://businesswales.gov.wales> if you need further guidance.

### **General Information**

You or your business are not eligible to apply for funding from Phase 2 of the Economic Resilience fund if you received any funding from Phase 1.

Your business must meet the definition of a Small and Medium Sized Enterprise to be eligible for funding from this scheme.

To be eligible for support from the SME fund your business must have a minimum of 10 employees

#### **SME definition:**

##### Small enterprise

- fewer than 50 full-time equivalent employees; and either
- an annual turnover of no more than €10m; or
- a balance sheet total of no more than €10m.

##### Medium enterprise

- fewer than 250 full-time equivalent employees; and either
- an annual turnover of no more than €50m; or
- a balance sheet total of no more than €43m.

In addition, to qualify as a Small or Medium enterprise

- the business must be no more than 25% owned by one or more owners that are not classed as SMEs (public investment corporations and venture capital companies are exempt from the 25% threshold as are institutional investors provided they exercise no control over the SME);
- if your business owns more than 25% of other businesses we will also need to take this into account in assessing your SME status;
- if a non SME exercises control of your business by legal or contractual rights, this may affect your SME status;

- if a non-SME's ownership of your business (or your ownership of a non-SME) is between 25% and 50%, your business may in some cases still qualify as an SME;
- if you have only recently exceeded the employment, turnover or balance sheet total thresholds, you could still qualify.

Businesses that are headquartered in countries that are 100% tax havens are ineligible for funding from the Economic Resilience Fund. 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

### **Your Personal Details**

The application must be completed by an Authorised Signatory of the business. An Authorised Signatory can be one of the following:

- Director: a registered director of a company;
- Trustee: a registered trustee of a charity;
- Partner: a designated partner/member of a limited liability partnership or a legal partner within a business;
- Proprietor: owner of a business.

### **About your business**

**UK VAT Number** – To be eligible for support you must either be a VAT registered business or a VAT exempt business with a turnover of £85k or over.

**Registration Number** provided by Companies House (CRN), Charities Commission, Mutuals Public Register and other statutory and regulatory bodies you have to file accounts and annual membership details with.

**Full-time equivalent job (FTE)** – This is the number of full time jobs within your organisation. A full-time job is one of 30 hours or more per week; a **part-time** job is one of at least 15 hours per week; two part-time jobs count as one full-time equivalent job. We do not accept zero hour contracts as eligible permanent jobs.

To calculate the total FTE jobs, divide the number of part-time employees by 2 and add to the number of full-time employees.

#### **Example:**

10 part-time employees = 5 added to 10 full-time employees equals FTE employees of 15.

The number of Full Time Equivalent jobs to be safeguarded will form part of the calculation of the amount of funding awarded:

**Turnover/balance sheet:** Please provide the financial information from the most recently available statutory accounts, or if not available please provide the information from management accounts.

### **Impact of COVID-19 on your business**

**Outline any benefits to other businesses or to the wider community:** This section should provide a brief outline of the wider contribution that the project will make to the region and Wales. This could include benefits that extend to other businesses, local supply chains, associated employment and wider social and community benefits. In addition, any benefits associated with increased R&D activity, innovation, export potential, increased productivity, diversity and equality, skills and training, supply chain opportunities and environmental sustainability (including details of any energy savings, savings in commercial and industrial waste, and reduction in water consumption). You should also provide details of any Quality Standards and Accreditations that the business already has.

### **Employment Information**

**Safeguarded jobs** are those that would have been lost without the grant you are applying for and which will remain in place for at least 12 months from the date of payment of any funding. The information provided in this section will be used to calculate value for money (see page 6 below) and will form the basis of any grant award.

**National Minimum and National Living Wage:** The National Minimum Wage is the minimum pay per hour almost all workers are entitled to by law. From April 2016, a National Living Wage was introduced for workers aged 25 and older, across the UK. The Minimum Wage will still apply for workers aged 24 and under. It is a criminal offence for employers not to pay someone the National Minimum or National Living Wage, as appropriate or to falsify payment records. If you are not paying the National Minimum /National Living Wage we cannot consider funding your project.

If during the grant process it becomes apparent that pay is below these legal requirements, funding support would be withheld, recovered and Welsh Government would inform HMRC.

Further guidance on National Minimum and National Living Wage rates is available at: <https://www.gov.uk/national-minimum-wage-rates>

**The Living Wage:** The Living Wage is a voluntary hourly rate that is set by the Living Wage Foundation ([www.livingwage.org.uk](http://www.livingwage.org.uk)) based on the cost of living. The Living Wage Foundation encourages organisations across the UK, in all sectors, and of all sizes, to become accredited living wage employers  
<https://businesswales.gov.wales/news-and-blogs/news/living-wage-foundation>

**Description of Jobs to be Safeguarded** - Please provide details of job type or title (e.g. shift manager; designer; production line operative; engineer). Include only permanent personnel directly employed at the project location. Do not include self-employed, sub-contracted or temporary personnel. Seasonal jobs may be counted as long as the job is expected to recur indefinitely.

All jobs to be safeguarded must be located within Wales. Jobs located outside of Wales are ineligible for the purposes of the Scheme.

**Gross basic annual salary:** does not include overtime, bonuses, pensions, allowances, employer's national insurance contribution, etc.

### **Eligible Expenditure**

The purpose of the Fund is to support SMEs with short term expenditure incurred as a result of the Covid-19 outbreak not addressed by other support (such as UK Government, wider Welsh Government and Development Bank of Wales support). The fund seeks to compliment other Covid-19 response measures to support businesses, social enterprises and charitable organisations in Wales.

Costs included within this application must be related to businesses operating in Wales. Costs for operations outside of Wales are ineligible for the purposes of this scheme.

- Requests to use this grant funding to repay existing business debt is **not** considered to be an eligible cost for the purposes of this scheme.
- Requests to support any redundancy costs are **not** eligible costs for the purposes of this scheme.
- Requests to support any wage/salary/Job Retention Scheme top up costs are **not** eligible costs for the purposes of this scheme.
- Requests to support PPE costs and the costs of specific adaptations for businesses to help return to work are **not** eligible costs for the purposes of this scheme.

### **State Aid**

**Provide details of any other funding your business has received.**

#### **Confirmation of State aid received under the Covid-19 Temporary Framework for UK Authorities measure and Undertaking in Difficulty Status**

Following the outbreak of the Coronavirus, the European Commission has approved schemes to aid businesses affected by the Coronavirus outbreak on the basis of their Temporary Framework, including the Covid-19 Temporary Framework measure for the UK.

The maximum level of aid that a company may receive is €800 000 (€120,000 per undertaking active in the fishery and aquaculture sector or €100,000 per undertaking active in the primary production of agricultural products). This is across all UK measures under the terms of the European Commission's Temporary Framework.

The Euro equivalent of the Sterling aid amount is calculated using the Commission exchange rate applicable on the date the aid is offered.<sup>1</sup>

Any aid provided under this measure will be relevant if you wish to apply, or have applied, for any other aid granted based on the European Commission's Temporary Framework. You will need to declare this amount to any other aid awarding body who requests information from you on how much aid you have received. You must retain this letter for four years after the conclusion of the UK's transition from the EU and produce it on any request from the UK public authorities or the European Commission.

Aid may be granted to undertakings that were not in difficulty (within the meaning of Article 2(18) of the General Block Exemption Regulation<sup>2</sup>) on 31 December 2019, but that faced difficulties or entered in difficulty thereafter as a result of the Covid-19 outbreak.<sup>3</sup>

This aid is in addition any aid that you may have received under the De Minimis regulation allowing aid of up to €200,000 to any one organisation over a three fiscal year period (i.e. your current fiscal year and previous two fiscal years), and any other approved aid you have received under other State aid rules, such as aid granted under the General Block Exemption Regulation.

#### **Undertakings in Difficulty Assessment 'Source: Section 2(18) General Block Exemption Regulations<sup>4</sup>**

(18) '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 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 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 (1) and 'share capital' includes, where relevant, any share premium.

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<sup>1</sup> [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-andbeneficiaries/exchange-rate-infoeuro\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-andbeneficiaries/exchange-rate-infoeuro_en)

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014R0651-20170710>

<sup>3</sup> If you are an undertaking in difficulty within the meaning of Article 2(18) of the General Block Exemption Regulation you may still be entitled to de minimis aid if you have received less than €200,000 in de minimis aid in the last three years. You should contact us if you consider that you may qualify for de minimis aid on this basis.

<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

(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 types of company mentioned in Annex II of Directive 2013/34/EU.

(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 two 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.

### **How much money do you need to apply for?**

The level of support available to each applicant is based on a maximum of £2,500 per safeguarded FTE, up to the total eligible expenditure.

The level of the award will be the lower of eligible expenditure or Value for Money amount or amount applied for. If you obtain a Business Rate Grant this will be deducted from the final level of award. Please see examples below

This scheme is open for applications between £25,000 and £100,000.

### **Examples**

#### **In all examples the business applies for the maximum £100k.**

- A business has to incur £95,000 of eligible costs related to the Covid-19 Pandemic not covered by other UK schemes. The business has confirmed it will safeguard 35 full time equivalent jobs. Maximum grant would be limited to £87,500 (35 \* £2,500).
- A business has to incur £58,000 of eligible costs related to the Covid-19 Pandemic not covered by other UK schemes. The business has confirmed it will safeguard 35 full time equivalent jobs . Maximum grant would be limited to £58,000 (100% of eligible expenditure).

- A business has to incur £58,000 of eligible costs related to the Covid-19 Pandemic not covered by other UK schemes. The business has confirmed it will safeguard 35 full time equivalents jobs. The business is successful in obtaining a £25k Business Rates Grant from the Local Authority scheme. Maximum grant would be £33,000 (100% of eligible expenditure less £25k Business Rates Grant).