



Project Part-Financed
by the European Union
European Regional
Development Fund

Regional Venture Capital Scheme for Yorkshire and Humber, North East of England and North West of England 2010 -2013.

1 Member State

United Kingdom

2 Region

Yorkshire and Humber
North East of England
North West of England

3 Title of Aid Scheme

Regional Venture Capital Scheme for Yorkshire and Humber, North East of England and North West of England 2010-2013.

This scheme provides State Aid cover for three separate venture capital funds each of which operates independent within the respective region. The titles of each of the venture capital funds are shown in the table below.

Region	Name of the Venture Capital Fund
Yorkshire and Humber	Finance Yorkshire
North East of England	North East of England JEREMIE Initiative
North West of England	NW Business Finance Ltd – Holding Fund – name of fund still to be finalised

4) Government or statutory bodies authorised to implement the Scheme

The implementing bodies are:

- Yorkshire Forward: Regional Development Agency for Yorkshire and Humber
- One North East (ONE): Regional Development Agency for the North East of England
- North West Development Agency (NWDA): Regional Development Agency for the North West of England

The implementing bodies, henceforth known as (The North of England Development Agencies), have a number of statutory functions, including furthering the economic development and regeneration in Yorkshire and Humber, the North East of England and the North West of England.

5) Legal basis

The legal basis of the scheme is:

The Regional Development Act 1998
The Industrial Development Act 1982
European Communities Act 1972
European Communities Act (finance) Act 2008

6) Duration

Aid under this Scheme may be granted until 31st December 2013.

7) Basis of Scheme

Commission Regulation No 800/2008 of 6 August 2008 Articles 28 and 29 *OJ L 214, 9.8.2008, (the regulation)* declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation) ("the GBER"). The Scheme will operate so as to ensure compliance in full with the provisions of the GBER, as they relate to risk capital measures, and in particular the requirements of Article 29 (2) to (8) of the GBER. Aid measures provided under this scheme will, therefore, be exempt from the notification requirement of Article 108(3) of the Treaty of the Functioning of the European Union (previously Article 88(3) of Treaty establishing the European Union).

8) Objectives of the Scheme

To address risk capital market failures in respect of Small and Medium Sized Enterprises (SMEs) accessing certain types of finance especially seed capital, debt and equity finance.

The provision of this support is described in the respective published strategies, plans and programmes of the Northern Development Agencies can be found at the following links below:

- (a) Yorkshire and Humber: Regional Economic Strategy 2006-2015, Corporate Plan 2008-2011, ERDF Operational Programme 2007-2013 and associated value for money criteria,
- (b) One North East; and the equivalent document available at www.onenortheast.co.uk
- (c) North West of England: the equivalent documents available from the website www.nwda.co.uk

9) Exclusions and restrictions

The Scheme will be open to virtually all sectors except:

- Coal;
- Steel;
- Shipbuilding;
- Aquaculture and fisheries.

The scheme does not apply to:

- Businesses which do not qualify as an SME
- Export aid or aid that favours domestic over imported products;
- Aid for the establishment and financing of distribution networks in other countries;
- Firms in difficulty within the meaning of the European Community Guidelines on State aid for rescuing and restructuring firms in difficulty and paragraph 15 of the General Block Exemption Regulations with respect to SMEs;
- Undertakings which are subject to an outstanding recovery order following a previous Commission Decision declaring an aid illegal and incompatible with the common market

The scheme has the following restrictions:

- For small enterprises located in assisted or non-assisted areas the risk capital measure is restricted to providing seed capital, start-up capital, and/or expansion capital.
- For medium sized companies located in non assisted areas, the risk capital measure is restricted to seed capital and/or start-up capital, to the exclusion of expansion capital.

- The investment fund shall provide at least 70% of its budget invested into target SMEs in the form of equity or quasi-equity.
- At least 50% of the funding of the investment funds shall be provided by private investors. [In the case of investment funds targeting exclusively SMEs in assisted areas at least 30% of the funding shall be provided by private investors].

10) Mechanism for granting of aid under the Scheme

Each Investment Fund shall use the measures provided in Article 28 and 29 of the GBER, to provide at its discretion risk capital to SMEs up to a maximum ceiling of €1.5 m per target undertaking per 12 months. The amount of aid provided will be the minimum level of aid necessary to address the market failure.

To comply with the measures defined above, the public funds applied under this scheme shall take the form of participation into a profit driven private equity investment fund, managed on a commercial basis.

To ensure the scheme is profit driven, the following conditions shall be fulfilled:

- a business plan shall exist for each investment, containing details of product, sales and profitability development and establishing the *ex ante* viability of the project; and
- a clear and realistic exit strategy shall exist for each investment.

To ensure that the investment fund is managed on a commercial basis, the following conditions shall be fulfilled:

- there shall be an agreement between a professional fund manager and participants in the fund, providing that the manager's remuneration is linked to performance and setting out the objectives of the fund and proposed timing of investments; and
- private investors shall be represented in decision-making, such as through an investors' or advisory committee; and
- best practices and regulatory supervision shall apply to the management of funds

11) Forms of Aid

Aid may take the form of any of the investment types as defined under Article 28 of GBER, and detailed below:

Investment type	Definition
equity	Ownership interest in an undertaking, represented by the shares issued to investors.
quasi-equity	Financial instruments whose return for the holder is predominantly based on the profits or losses of the underlying target undertaking and which are unsecured in the event of default.
seed capital	Financing provided to study, assess and develop an initial concept, preceding the start-up phase.
start-up capital	Financing provided to undertakings, which have not sold their product or service commercially and are not yet generating a profit for product development and initial marketing.
expansion capital	Financing provided for the growth and expansion of an undertaking, which may or may not break even or trade profitably, for the purposes of increasing production capacity, market or product development or the provision of additional working

capital.

12) Budget

The budgets for the Regional Venture Capital Funds operating in each of the 3 English regions defined in Section 2 are shown in the following table.

Region	Single Pot ⁽¹⁾	ERDF	European Investment Bank ⁽²⁾	Total Fund (£m)
Yorkshire and Humber	£15.00 m	£30.00 m	£45.00 m	£90.00 m
North East of England	£18.25 m	£44.25 m	£62.50 m	£125.00 m
North West of England	£0.00 m	£92.00 m	£92.00 m	£184.00 m

(1) Budgets from the Regional Development Agencies.

(2) Classified as private finance (as provided for in paragraph 56 of the GBER and paragraph 3.2 of the Community guidelines on state aid to promote risk capital investments in small and medium-sized enterprises)

13) Cumulation

Where an SME has received capital under a risk capital measure through any of the Investment Funds operating under this scheme and subsequently applies, during the first three years after the first risk capital investment, for aid within the scope of the GBER, the relevant aid thresholds or maximum eligible amounts in respect of any such aid measures under the GBER shall be reduced by 50 % in general and by 20 % for target undertakings located in assisted areas, subject always to the reduction not exceeding the total amount of risk capital received by the SME in question and the reduction shall not apply to aid for research, development and innovation exempted under Articles 31 to 37 of the GBER;

14) Claw back

The funding agreements will include the right for each of the Northern Development Agencies and ERDF to seek repayment in the event of breach of the conditions of the award.

15) Administration

This notice of the details of the scheme shall be published on the Yorkshire Forward, ONE and NWDA websites:

- <http://www.yorkshire-forward.com/about/our-funding/state-aid/notification-scheme>,
- <http://www.onenortheast.co.uk/lib/liDownload/16095/Northern%20RDAs%20Venture%20Capital%20Funds%20scheme.doc?CFID=8875204&CFTOKEN=46608904>
- www.nwda.co.uk/stateaid

When using this scheme and ensure compliance with the GBER rules the implementing body will communicate its usage to the Commission so that it can be published in the *Official Journal of the European Union* by providing the summary information required in the GBER Annex III Part I and II; for large investment projects Annex II would also be completed. The information will be provided using the State Aid Notification Interactive (SANI) system within 20 working days of its effective date.

Each of the Northern Development Agencies shall ensure, as a condition of its grant funding agreement, that the recipient is notified that the aid is provided under this Scheme and that the recipient is also notified of the European Commission's registration number. All recipients of aid under the Scheme will be informed that aid has been provided under the Scheme, registered under xx/xxxx.

Each of the Northern Development Agencies shall ensure that detailed records are kept of the individual aid granted under this scheme. As a minimum this should include:

- the scheme title;
- the grant reference number;
- the decision date;
- the name and address of recipients;
- the amount of aid;
- the date and amount of aid payments; and
- the status of any undertaking where the level of aid is dependent on its status as a Small or a Medium Sized Enterprise.

The implementing bodies will provide the Commission with an annual report of expenditure under this scheme, including the internet address of its publication.

If the Commission requests information necessary for it to assess whether the aid conditions have been complied with the funding body will provide it within the agreed time period.

15) Monitoring and Reporting Requirements

For compliance with State aid requirements, records will be kept for 10 years from the date the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met, to include confirmation of enterprise status (small or medium) and eligibility of supported costs. In addition to the above, record keeping requirements relating to the differing funding providers must also be adhered to.

An annual report on the expenditure under this Scheme will be provided to the Commission.

Where individual funding sources require records to be kept for periods longer than required for State Aid, these must also be complied with. Advice must be sought from the respective funding providers as to their record keeping requirements.

ANNEX III

Form for the provision of summary information under the reporting obligation laid
down in Article 9(1)

Please fill in the information required below.

PART I

Aid reference	<i>(to be completed by the Commission)</i>		
Member State	United Kingdom		
Member State reference number			
Region	Name of the Region (NUTS¹) <ul style="list-style-type: none"> • Yorkshire and Humber • North East of England • North West of England 	Regional aid status² mixed areas.	
Granting authority	Name: Yorkshire Forward	Name: ONE North East	Name: NWDA
	Address: Victoria House 2, Victoria Place Leeds LS11 5AE Webpage: www.yorkshire-forward.com	Address: Stella House Goldcrest Way Newburn Riverside Newcastle NE15 8NY Webpage: www.onenortheast.co.uk	Address: P.O Box 37 Renaissance House Centre Park Warrington Cheshire WA1 1XB Webpage: www.nwda.co.uk
Title of the aid measure	Regional Venture Capital Scheme for Yorkshire and Humber, North East of England and North West of England 2010-2013.		
National legal basis (Reference to the relevant national official publication)	<u>The Regional Development Act 1998</u> <u>The Industrial Development Act 1982</u> <u>European Communities Act 1972</u> <u>European Communities Act (finance) Act 2008</u>		
Web link to the full text of the aid measure	http://www.yorkshire-forward.com/about/our-funding/state-aid/notification-scheme http://www.nwda.co.uk/areas-of-work/business/supporting-business.aspx http://www.onenortheast.co.uk/page/stateaid.co.uk		
Type of measure	Scheme	Yes	
	Ad hoc aid No	Name of the Beneficiary N/A	
Amendment of an existing aid measure		Commission aid number	
	Prolongation	No	

¹ NUTS - Nomenclature of Territorial Units for Statistics

² Article 87(3)(a) of the Treaty, Article 87(3)(c) of the Treaty, mixed areas, areas not eligible for Regional aid.

	Modification	No	
Duration³	Scheme	1 st January 2010 to 31 st December 2013	
Date of granting⁴	Ad hoc aid	n/a	
Economic sector(s) concerned	All economic sectors eligible to receive aid	All except undertakings excluded by Art 1 of the General Block Exemption Regulation.	
	Limited to specific sectors - Please specify in accordance with NACE Rev. 2.⁵		
Type of beneficiary	SME	Yes	
	Large enterprises	No	
Budget	Annual overall amount of the budget planned under the scheme⁶	£22.5 m in Yorkshire and Humber £40.0 m in the North East of England £46.0 m in the North West of England	
	Overall amount of the ad hoc aid awarded to the undertaking⁷	National currency... (in millions) N/a	
	For guarantees⁸	National currency... (in millions) n/a	
Aid instrument (Art. 5)	Grant	n/a	
	Interest rate subsidy	n/a	
	Loan	n/a	
	Guarantee/ Reference to the Commission decision⁹	n/a	
	Fiscal measure	n/a	
	Risk capital	Yes	
	Repayable advances	n/a	
	Other (please specify)	n/a	
If co-financed by Community funds	Reference(s):	Amount of Community funding	National currency... (in millions)
	Yorkshire and Humber details COMMISSION DECISION of 7-XII-2007 adopting the operational programme for Community assistance from the European Regional Development Fund under the Regional competitiveness and		£30.00 m for Yorkshire and Humber (2010-2013)

³ Period during which the granting authority can commit itself to grant the aid.

⁴ Aid is to be considered to be granted at the moment the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime.

⁵ NACE Rev.2 - Statistical classification of Economic Activities in the European Community.

⁶ In case of an aid scheme: Indicate the annual overall amount of the budget planned under the scheme or the estimated tax loss per year for all aid instruments contained in the scheme.

⁷ In case of an ad hoc aid award: Indicate the overall aid amount/tax loss.

⁸ For guarantees, indicate the (maximum) amount of loans guaranteed.

⁹ Where appropriate, reference to the Commission decision approving the methodology to calculate the gross grant equivalent, in line with Article 5(1)(c) of the Regulation.

	<p>employment objective in the region of Yorkshire and Humber in the United Kingdom CCI 2007 UK 162 PO009</p> <p>North East of England details COMMISSION DECISION of 10-XII-2007 adopting the operational programme for Community assistance from the European Regional Development Fund under the Regional competitiveness and employment objective in the region of North East England in the United Kingdom CCI 2007UK162PO005</p> <p>North West of England details COMMISSION DECISION 2007 adopting the operational programme for Community assistance from the European Regional Development Fund under the Regional competitiveness and employment objective in the North West region of the United Kingdom</p>		<p>£44.25 m for North East England (2010-2013)</p> <hr/> <p>£92.00 m for Northwest (2010-15)</p> <hr/>
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PART II

Please indicate under which provision of the GBER the aid measure is implemented.

General Objectives	Objectives	Maximum aid intensity in % or Maximum aid amount in national currency	SME - bonuses in %
Regional investment and employment aid ¹⁰ (Art. 13)	<i>Scheme</i>	%	%
	<i>Ad hoc aid (Art. 13(1))</i>	%	
Aid for newly created small enterprises (Art. 14)		%	
SME investment and employment aid (Art. 15)		%	
Aid for small enterprises newly created by female entrepreneurs (Art. 16)		%	
Aid for Environmental protection (Art. 17 – 25)	Investment aid enabling undertakings to go beyond Community standards for environmental protection or increase the level of environmental protection in the absence of Community standards (Art. 18) Please provide a specific reference to the relevant standard	%	%
	Aid for the acquisition of new transport vehicles which go beyond Community standards or which increase the level of environmental protection in the absence of Community standards (Art. 19)	%	
	Aid for early adaptation to future Community standards for SMEs (Art. 20)	%	
	Environmental investment aid for energy saving measures (Art. 21) Net of operating benefits	%	%
	Environmental investment aid for high efficiency cogeneration (Art. 22)	%	%
	Environmental investment aid for the promotion of energy from renewable energy sources (Art. 23)	%	%
	Aid for environmental studies (Art. 24) No	%	
	Aid in the form of reductions in environmental taxes (Art. 25) No	...national currency	
Aid for consultancy in favour of SMEs (Art 26)	Aid for consultancy in favour of SMEs (Art. 26) No	%	
	Aid for SME participation in fairs (Art. 27) No	%	

¹⁰ In the case of ad hoc regional aid supplementing aid awarded under aid scheme(s), please indicate both the aid intensity granted under the scheme and the intensity of the ad hoc aid.

Aid in the form of risk capital (Art. 28 - 29)			£1.5 m	
Aid for research, development and innovation (Art. 30 – 37)	Aid for research and development projects (Art. 31)	Fundamental research (Art. 31(2)(a))	%	
		Industrial research (Art. 31(2)(b))	%	
		Experimental development (Art. 31(2)(c))	%	
		Aid for technical feasibility studies (Art. 32)	%	
		Aid for industrial property rights costs for SMEs (Art. 33)	%	
		Aid for research and development in the agricultural and fisheries sectors (Art. 34)	%	
		Aid to young innovative enterprises (Art. 35)	...national currency	
		Aid for innovation advisory services and for innovation support services (Art. 36)	...national currency	
		Aid for the loan of highly qualified personnel (Art. 37)	...national currency	
Training aid (Art. 38 – 39)		Specific training (Art. 38(1))	25%	
		General training (Art. 38(2))	60%	
Aid for disadvantaged and disabled workers (Art. 40 – 42)		Aid for the recruitment of disadvantaged workers in the form of wage subsidies (Art. 40)	%	
		Aid for the employment of disabled workers in the form of wage subsidies (Art. 41)	%	
		Aid for compensating the additional costs of employing disabled workers (Art. 42)	%	

APPENDIX 1 GLOSSARY OF TERMS

Aid intensity: is the amount of aid expressed as a percentage of the eligible costs. In calculating it all figures used should be taken before any deduction of tax or other charge. Aid payable in instalments must be discounted to its value at the moment of granting using the applicable Commission Reference Rates .

Cumulation rules: The cumulation rules provide that where aid is granted concurrently under several aid schemes, the total value of all the aid must not exceed the aid intensity ceilings.

Transparent Aid: aid where the gross grant equivalent ex ante can be precisely calculated without the need to undertake a risk assessment.
