



**SOUTH** of  
**SCOTLAND**  
**ENTERPRISE**

## SOSE COVID-19 RESILIENCE SCHEME

Scheme Number	SC10271
Date registered on BEIS Transparency Database	04.06.21
Region	Scotland – South of Scotland
Sectors	Non-specific
Subsidy type	Grant or subsidised loan
Published	23 December 2021
Version and Date	1.1 December 2021

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## Introduction

### 1.1 Purpose of this Scheme

Covid-19 has been recognised globally as an exceptional occurrence creating a severe public health emergency for citizens and serious disturbance to national and global economies. Businesses and Enterprises of all kinds and sizes are facing financial losses, cashflow difficulties and unstable market conditions endangering their survival. Previously well prepared and healthy businesses are finding their viability undermined. They are having to adapt, pivot their operating methods or diversify. Some have found opportunities to assist in combatting the pandemic through Covid-19 and antiviral research and development.

This scheme provides for temporary subsidy to affected businesses in the South of Scotland area to mitigate the financial impact of Covid-19 to:

- Support the liquidity of affected businesses
- Preserve employment
- Stimulate rapid response R&D on relevant Covid-19 products and processes.

### 1.2 Duration of the Scheme

The scheme takes effect from 1 January 2021 with an anticipated end date of 31 December 2023.

### 1.3 Legal Basis for the Scheme

SOSE financial assistance is provided under our powers conferred by the South of Scotland Enterprise Act (2019). This scheme is targeted and timebound in response to the national and global economic emergency and, as such, we consider the terms to be consistent with the principles of Articles 364.1, 364.3 and 364.4 of the Trade and Cooperation Agreement between UK and EU – CP 426 signed 30 December 2020 (as implemented by section 29 of the European Union (Future Relationship) Act 2020.

#### ARTICLE 364

##### Scope and exceptions

- 364.1 Articles 366, 367 and 374 do not apply to subsidies granted to compensate the damage caused by natural disasters or other exceptional non-economic occurrences
- 364.3 Subsidies that are granted on a temporary basis to respond to a national or global economic emergency shall be targeted, proportionate and effective in order to remedy that emergency. Articles 367 and 374 do not apply to such subsidies.
- 364.4 This Chapter does not apply to subsidies where the total amount granted to a single economic actor is below 325 000 Special Drawing Rights over any period of three fiscal years. The Partnership Council may amend this threshold

### 1.4 General Eligibility Criteria

- Support measures are available to all sizes of Enterprises – SMEs and large Enterprises – with varying limits for some measures.
- There are no sector restrictions.

- Applications must be aimed at mitigating the financial effects, or exploiting R&D opportunities, directly linked to the pandemic and not for business as usual investments.
- Losses or exceptional costs incurred since 19 March 2020 can be taken into consideration.
- Subsidy awards must be granted no later than 31 December 2021.
- All subsidy awards are discretionary and subject to SOSE's application and due diligence procedures.
- Applicants must be able to demonstrate that with the requested subsidy they will be able to make a financial recovery and are not at risk of going out of business in the short to medium term.
- For applicants located in Northern Ireland and concerned with producing goods, the EU Temporary Aid Framework rules and undertaking in difficulty test will apply.

### 1.5 Ineligible Applicants and Activities

- a) SOSE must comply with the provisions of the Coronavirus (Scotland) (No. 2) Act 2020 insofar as relating to restrictions on giving financial assistance to Enterprises connected to tax havens. The provisions of the 2020 Act relate only to grants, but SOSE is applying this to all financial assistance. This restriction only applies companies falling within the Companies Act 2006 i.e. not sole traders, trusts or constituted voluntary organisations.
- b) Enterprises that have received rescue subsidy and have not yet reimbursed the loan or terminated the guarantee or have received restructuring subsidy and are still subject to a restructuring plan are not eligible to apply until they have repaid the loan or completed their restructuring plan. This includes UK subsidy based on Articles 367.3 and 367.4 of the UK-EU Trade and Cooperation Agreement signed on 30 December 2020 and previous State aid based on EC Guideline OJ C249 published 31 July 2014 or the preceding OJ 244 published 1 October 2004.
- c) Temporary subsidy must not be used to fund the direct operating costs of exports i.e. staff, materials or other revenue costs tied to the export performance of goods or services.
- d) SOSE will not place an obligation on beneficiaries to favour UK suppliers and goods as a condition of the funding.

### 1.6 Transparency

SOSE is required to publicise all financial awards on its website. In addition, UK Government requires that Temporary Subsidy awards £500,000 and above are reported to BEIS through the BEIS Subsidy Control Transparency Database.

## Definitions

- 1) **BEIS** means the UK Government Department for Business, Energy & Industrial Strategy.
- 2) **Covid-19 relevant products** means medicinal products (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials; medical devices, hospital and medical equipment (including ventilators, protective clothing and equipment as well as diagnostic tools) and

necessary raw materials; disinfectants and their intermediary products and raw chemical materials necessary for their production; data collection/processing tools.

- 3) **De Minimis Aid** – awards made up to 31 December 2020 named as De Minimis means aid under European Commission Regulation (EU) No 1407/2013.
- 4) **De Minimis Subsidy** – an award made after 1 January 2021 named this means a Subsidy exempt from the TCA pursuant to Article 3.2.4 of Title XI of the TCA and/or exempt under the European Commission Regulation (EU) No 1407/2013.
- 5) **Enterprise** means an entity (or group of entities that acting together constitute a single economic entity), that regardless of its legal status and the way in which it is financed is engaged in an economic activity by offering goods or services on a market. The determining factor is the nature of its activities thus third sector and public bodies can carry out economic activity. Non-profit distributing entities who offer goods and services on a market come within the scope of subsidy control in relation to those activities. Enterprise in this context has the same meaning as “economic actor” as defined in Article 3.1 a) of Title XI of the TCA.
- 6) **Group** means all enterprises that are related through:(a) a majority of the shareholders’ or members’ voting rights; (b) the right to appoint or remove a majority of the members of any administrative, management or supervisory body; (c) the right to exercise a dominant influence pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association; or (d) a shareholder in or member of and control alone, pursuant to an agreement with other shareholders or members of that enterprise, a majority of shareholders’ or members’ voting rights.
- 7) **Repayable grant** means a grant award that may be subject to partial or full recovery according to specified conditions.
- 8) **Research and Development (R&D)** means innovative activity classified as follows:
  - a) **Fundamental Research** means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view.
  - b) **Industrial research** means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation.
  - c) **Experimental development** means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services; Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing

processes, services and other operations in progress, even if those changes may represent improvements.

- 10) **SME** means the size classification of an enterprise (at group level if the applicant is part of a group) according to the following criteria. This is measured on the data from the applicant's latest approved annual accounts for two consecutive years.

Enterprise category	Headcount: Annual full-time equivalents (FTEs)	Annual Turnover	↔	Annual balance sheet total
Medium-sized	<250	≤ £50 million		≤ £43 million
Small	<50	≤ £10 million		≤ £10 million
Micro	<10	≤ £2 million		≤ £2 million
The fundamental measure is if more than 250 FTE staff, it is automatically a large enterprise		Only one or other of turnover or balance sheet data need be used and one can be exceeded		

- 11) **SOSE** means South of Scotland Enterprise established under the South of Scotland Enterprise (Scotland) Act 2019 and having its principal office at Carmont House, The Crichton, Bankend Road, Dumfries, DG1 4TA.
- 12) **Subsidy** means a financial or in-kind contribution given by a public authority to a commercial Enterprise on a selective basis that provides an economic advantage, and that may cause a distortion in or harm to competition, trade, or investment. Such awards must comply with the prevailing UK subsidy control regime.
- 13) **Tax Haven** means a jurisdiction included in the EU list of non-cooperative jurisdictions for tax purposes listed here [Taxation: EU list of non-cooperative jurisdictions - Consilium \(europa.eu\)](https://ec.europa.eu/economic_finance_affairs/dbp/docs/default-source/tax-justice/eu-list-of-non-cooperative-jurisdictions-for-tax-purposes.pdf).
- 14) **Temporary Aid** means State aid awards under the Covid-19 Temporary Framework for UK Public Authorities or under any other scheme notified by a UK authority to the European Commission under the Temporary Framework for state aid measures to support the economy in the current Covid-19 outbreak (as amended and supplemented from time to time). These would have been awarded before 31 December 2020 but may not have been fully paid out.
- 15) **TCA** means the UK-EU Trade and Cooperation Agreement signed on 30 December 2020 (as implemented by section 29 of the European Union (Future Relationship) Act 2020).

## Subsidy Measures

### Measure 1 – Covid-19 subsidy – limited amount

#### 3.1.1 Scope

- a) Subsidy can be in the form of grant, repayable grant, loan, or a combination of them.
- b) An intervention rate of up to 100% of eligible costs can be considered.
- c) Loans awarded under this measure will be based on the nominal value of the loan and not on a grant equivalence basis.

#### 3.1.2 Eligible activities and costs

- a) Revenue or capital expenditure to restore viable operations as they existed before the Covid-19 virus outbreak e.g. adapt business operations to comply with social distancing requirements or to adjust processes, pivot to alternative products or online sales.
- b) The amounts should be directly related to the lost income/trade or exceptional costs as a consequence of the Covid-19 outbreak.

#### 3.1.3 Maximum subsidy limits

As the name suggests the total nominal value of all aggregated awards under this measure (from all public sources) to a beneficiary are:

- a) up to £2,300,000 for general sectors
- b) up to £345,000 for the fishery and aquaculture sectors
- c) up to £290,000 for the primary agriculture sector

Where an Enterprise is part of a Group, the above subsidy limits apply at Group level. For example, where an Enterprise or Enterprises within a Group have, in aggregate, been awarded the maximum available subsidy for this Measure 1, no Enterprise within that Group shall be entitled to any further subsidy in respect of this Measure 1.

#### 3.1.4 Cumulation (aggregation of awards)

- a) Certain previous awards of temporary subsidy or Temporary Aid will count towards the maximum subsidy limit under this measure. These include Temporary Aid awards and new subsidies awarded from 1 January 2021 where the public awarding body has classed them as falling within the limited amount measure. Such awards should be specified in the award letter and if it is not clear, applicants should check with the awarding body.
- b) Grants that are not specific i.e. they are available to all Enterprises do not count towards this limit. Furlough payments under the Job Retention Scheme are an example of this. Government-backed loans through the British Business Banks e.g. Bounce Back Loans are also excluded from this cumulation.
- c) De Minimis Aid or new De Minimis subsidy do not count towards the maximum subsidy limits within this measure. De Minimis Subsidy can be used in conjunction with Temporary Subsidy towards the overall costs of a project, if necessary, as long as the combined contribution does not exceed 100% of the eligible costs.
- d) Caution must be exercised in considering Temporary Subsidy alongside any other type of subsidy towards the same project. The combined assistance cannot breach the limits that apply to the relevant subsidy scheme and support measure when used towards the same eligible costs.

### 3.1.5 Conditions

All applicants are required to complete a declaration of previous awards of Temporary Aid or Temporary subsidy awarded from all sources.

## Measure 2 – Covid-19 loans at subsidised interest rates

### 3.2.1 Scope

Subsidised loans covering up to 100% of eligible costs subject to the limits and conditions below. The maximum term of a loan under this measure is six years.

### 3.2.2 Eligible activities and costs

- a) Revenue or capital expenditure to restore viable operations as they existed before the Covid-19 virus outbreak e.g. adapt business operations to comply with social distancing requirements or to adjust processes, pivot to alternative products or online sales.
- b) The amounts should be directly related to the lost income/trade or exceptional costs as a consequence of the Covid-19 outbreak.

### 3.2.3 Minimum interest rates<sup>1</sup>

Type of recipient	Minimum interest rate for loans in year 1	Minimum interest rate for loans in years 2 & 3	Minimum interest rate for loans in years 4 - 6
SMEs	1.00%	1.25%	1.75%
Large Enterprises	1.25%	1.75%	2.75%

Interest rates may be applied progressively in accordance with the minimums set out in the table above or may be fixed for the whole duration at the highest amount at SOSE's discretion.

### 3.2.4 Conditions

- a) Loan agreements should be signed by 31 December 2021 at the latest and should be limited to a maximum of 6 years.
- b) For loans with a maturity beyond 31 December 2021, the amount of the loan should not exceed:
  - I. The double of the annual wage bill of the beneficiary (including employers NIC and pension contributions as well as the cost of personnel working on the beneficiary's site but formally in the payroll of subcontractors<sup>2</sup>) for the accounts year ended 2019 (i.e. the annual operating period before the impact of the pandemic). In the case of new Enterprises which do not have accounts for the financial year ending in 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation, or
  - II. 25% of total turnover of the beneficiary in the accounts year ended 2019, or
  - III. Exceptionally, with appropriate justification and based on a self-certification by the beneficiary of its liquidity needs, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 18 months for SMEs and for the coming 12 months for large Enterprises.

<sup>1</sup> Minimum interest rates are based on the EU reference rate for the UK of 0.75 at 1 July 2020; the prevailing rate when UK notified adoption of the 3<sup>rd</sup> Amendment to the Covid-19 Temporary Framework for UK Authorities plus the credit risk margins set-by the EC Temporary Aid Framework at that time.

<sup>2</sup> Care should be taken to avoid double funding of sub-contractor costs by due diligence on the contractual liabilities and a declaration from the sub-contractor that they have not claimed public sector support for the same costs.



- c) For loans with a maturity before 31 December 2021, the amount of the loan principal may be higher than 3.2.4.b) with appropriate justification and provided that the proportionality of the subsidised loan remains assured.
- d) An individual loan cannot benefit from both a guarantee from any public authority and a subsidised interest rate under this measure.

### **3.2.5 Cumulation (aggregation of awards)**

Applicants are required to declare all subsidised loans from any public authority under this measure. The aggregate value of all such loans cannot exceed the maximum limit at 3.2.4.c) or d). Government-backed loans through the British Business Banks e.g. Bounce Back Loans do NOT count towards this cumulation.

## **Measure 3 – Subsidy for Covid-19 or anti-viral relevant R&D**

### **3.3.1 Scope**

Subsidy can be in the form of a grant or repayable grant.

### **3.3.2 Eligible activities and products**

Research into medicinal products (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials; medical devices, hospital and medical equipment (including ventilators and protective clothing and equipment as well as diagnostic tools) and necessary raw materials; disinfectants and their intermediary products and raw chemical materials necessary for their production and data collection and processing tools.

### **3.3.3 Eligible costs**

All costs necessary for the R&D project during its duration, including personnel costs, costs for digital and computing equipment, for diagnostic tools, for data collection and processing tools, for R&D services, for pre-clinical and clinical trials (trial phases I-IV), for obtaining, validating and defending patents and other intangible assets, for obtaining the conformity assessments and/or authorisations necessary for the marketing of new and improved vaccines and medicinal products, medical devices, hospital and medical equipment, disinfectants, and personal protective equipment; phase-IV trials are eligible as long as they allow further scientific or technological advance.

### **3.3.4 Maximum subsidy limits**

- a) The subsidy intensity for each beneficiary can cover 100% of eligible costs for fundamental research, and shall not exceed 80% of eligible costs for industrial research and experimental development<sup>3</sup>;
- b) The subsidy intensity for industrial research and experimental development can be increased by 15 percentage points, if the UK and one or more EU Member States support the research project, or it is carried out in international cross-border collaboration with research organisations or other undertakings.

### **3.3.5 Conditions**

- a) R&D projects should have started on or after 1 February 2020.
- b) Projects that have received a COVID-19-specific Seal of Excellence quality label under the Horizon 2020 SME-instrument may have started before 1 February 2020 and still be considered eligible if the subsidy is

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<sup>3</sup> R&D classifications defined in section 2.9.

necessary to accelerate or widen the scope of the project. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope shall be eligible.

- c) The subsidy beneficiary must commit to grant non-exclusive licences under non-discriminatory market conditions to third parties in the UK and/or EEA.

### **3.3.6 Cumulation (aggregation of awards)**

Subsidy under this measure can be combined with support from other public sources for the same eligible costs, provided the combined subsidy intensity does not exceed the maximum percentages in 3.3.4.

## **Measure 4 – R&D subsidy for Covid-19 testing and upscaling infrastructures**

### **3.4.1 Scope**

Subsidy can be in the form of a grant or repayable grant.

### **3.4.2 Eligible activities and costs**

Support for testing and upscaling infrastructures that contribute to developing COVID-19 relevant products. Investment subsidy for the construction or upgrade of testing and upscaling infrastructures required to develop, test and upscale, can be considered up to the first industrial deployment prior to mass production. Eligible costs are the investment costs necessary for setting up the testing and upscaling infrastructures required to develop the products.

### **3.4.3 Maximum subsidy limits**

- a) The subsidy intensity shall not exceed 75% of the eligible costs.
- b) The maximum subsidy intensity may be increased by an additional 15 percentage points, either if the investment is to be concluded within two months after the date of granting or if the support comes from the UK and at least one other [EU Member] State.

### **3.4.4 Conditions**

- a) Projects should have started on or after 1 February 2020. For projects started before 1 February 2020, they may still be considered eligible if the subsidy is necessary to accelerate or widen the scope of the project. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope shall be eligible for subsidy.
- b) The project must be completed within six months from the date of granting the subsidy. A project is considered completed when it is accepted by the national authorities as completed. Where the six-month deadline is not met, for each month of delay 25% of the amount of subsidy awarded in the form of direct grants shall be reimbursed, unless the delay is due to factors outside the control of the subsidy beneficiary. Where the deadline is respected, subsidy in the form of repayable grant is transformed into grant; if not, the repayable grant is reimbursed in equal annual instalments within five years from the date of granting the subsidy.
- c) The price charged for the services provided by the testing and upscaling infrastructure shall correspond to the market price.
- d) The testing and upscaling infrastructures shall be open to several users and be granted on a transparent and non-discriminatory basis. Enterprises that have financed at least 10 % of the investment costs may be granted preferential access under more favourable conditions.

### **3.4.5 Cumulation (aggregation of awards)**

Subsidy under this measure shall not be combined with other investment subsidy for the same eligible costs.

## Measure 5 – R&D subsidy for the production of Covid-19 relevant products

### 3.5.1 Scope

Subsidy can be in the form of a grant or repayable grant.

### 3.5.2 Eligible activities and costs

Facilitating the production of Covid-19 relevant products. Eligible costs relate to all investment costs necessary for the production of the products and to the costs of trial runs of the new production facilities.

### 3.5.3 Maximum subsidy limits

- a) The subsidy intensity shall not exceed 80% of the eligible costs.
- b) The maximum subsidy intensity may be increased by an additional 15 percentage points, either if the investment is to be concluded within two months after the date of granting or if the support comes from the UK and at least one other [EU Member] State.

### 3.5.4 Conditions

- a) Projects should have started on or after 1 February 2020. For projects started before 1 February 2020, they may still be considered eligible if the subsidy is necessary to accelerate or widen the scope of the project. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope shall be eligible for subsidy.
- b) The project must be completed within six months from the date of granting the subsidy. A project is considered completed when it is accepted by the national authorities as completed. Where the six-month deadline is not met, for each month of delay 25% of the amount of subsidy awarded in the form of direct grants shall be reimbursed, unless the delay is due to factors outside the control of the subsidy beneficiary. Where the deadline is respected, subsidy in the form of repayable grant is transformed into grant; if not, the repayable grant is reimbursed in equal annual instalments within five years from the date of granting the subsidy.

### 3.5.5 Cumulation (aggregation of awards)

Subsidy under this measure shall not be combined with other investment subsidy for the same eligible costs.

## Measure 6 – Covid-19 support for uncovered fixed costs

### 3.6.1 Scope

Subsidy can be in the form of a grant, repayable grant or loan to contribute to the uncovered fixed costs of Enterprises that were required to suspend or reduce their business activity because of the Covid-19 restrictions.

### 3.6.2 Eligibility and eligible costs

- a) The eligible period for uncovered fixed costs is between 1 March 2020 and 31 December 2021.
- b) To be eligible, applicants must have suffered a decline in turnover during the eligible period of at least 30% compared to the same period in 2019.
- c) Uncovered fixed costs are the fixed costs incurred by Enterprises during the eligible period which are not covered by the profit contribution (i.e. revenue minus variable costs) during the same period and which have not been covered from other sources e.g. business interruption insurance, temporary aid/ subsidy or support from other public sources<sup>4</sup>.

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<sup>4</sup> For the purpose of this point, costs refer to fixed and variable costs: the former are incurred independently of the level of output, while the latter are incurred depending on the level of output.

### **3.6.3 Maximum subsidy limits**

The subsidy intensity shall not exceed 70% of the uncovered fixed costs, except for micro and small Enterprises, where the aid intensity shall not exceed 90% of the uncovered fixed costs. For the purpose of this point, the losses of Enterprises from their profit and loss statements during the eligible period<sup>5</sup> are considered to constitute uncovered fixed costs.

The maximum subsidy under this measure shall not exceed £10m.

Where an Enterprise is part of a Group, the above subsidy limit applies at Group level. For example, where an Enterprise or Enterprises within a Group have, in aggregate, been awarded the maximum available subsidy for this Measure 6, no Enterprise within that Group shall be entitled to any further subsidy in respect of this Measure 6.

### **3.6.4 Conditions**

The subsidy under this measure may be granted based on forecasted losses, while the final amount of subsidy shall be determined after realisation of the losses based on audited accounts. Any payment exceeding the final amount of the subsidy shall be recovered.

### **3.6.5 Cumulation (aggregation of awards)**

Subsidy under this measure shall not be cumulated with other subsidy for the same eligible costs.

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<sup>5</sup> One-off impairment losses are not included in the calculation of the losses under this provision.

## Annex 2: Assessment of how individual subsidies comply with UK-EU Trade and Cooperation Agreement principles.

For subsidies in scope of the UK-EU Trade and Cooperation Agreement principles (subsidies Title XI, Chapter 3), public authorities are required to complete the table below and retain for their records. The information records how SOSE has complied with the principles in designing this subsidy scheme.

Scheme name:	SOSE Covid-19 Resilience Scheme
Scheme number:	SC10271

Principles	How does the subsidy comply with the principle?
The subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”).	<p>The subsidies will be granted under Article 367.3 and 367.4 of the TCA.</p> <p>The objective is to support business resilience and economic recovery in response to the global emergency presented by the Covid-19 pandemic. Most sectors of the economy within SOSE’s area of operation have been severely impacted by business restrictions and depressed consumer demand.</p> <p>The scheme will support the <a href="#">Scottish Government Economic Recovery Implementation Plan August 2020</a> with:</p> <ul style="list-style-type: none"> <li>• Protecting jobs by supporting business recovery and sustainable, green growth;</li> <li>• Creating jobs through business engagement and a partnership approach;</li> <li>• Supporting access to good quality jobs through employment, skills and training;</li> <li>• Boosting local job creation through resilient people, communities and places;</li> <li>• Creating jobs and a Just Transition through investment-led sustainable growth;</li> <li>• Monitoring our progress and outcomes</li> </ul>
The subsidy is proportionate and limited to what is necessary to achieve the objective.	Individual aid applications will be subject to an appropriate level of financial due diligence according to value and risk. Financial losses will normally be evidenced by annual accounts, management accounts and projections. Applicants will be required

	<p>to provide detailed project costings and to explain the links between expenditure and economic outcomes for the area and Scotland. Financial projections will be required to demonstrate that the funding requested is the minimum required in addition to own sources for the project to proceed as planned. Capex or other investment costs will require written quotations. Clawback provisions may be included if appropriate for large interventions.</p> <p>Monitoring of subsidy costs versus outcomes at programme level, together with local need, will inform the discretion on funding decisions on individual cases to help allocate subsidy optimally for outcomes supporting Scotland's economic recovery.</p>
<p>The subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of the subsidy being provided.</p>	<p>Individual aid applications will be assessed to provide the minimum intervention necessary to sustain the enterprise or secure the investment following the pandemic. The applicant's business plan and projections must demonstrate that the level or type of activity planned exceeds that which could have been achieved without the requested subsidy. The ongoing viability of the beneficiary, with the subsidy, will be tested and assured.</p>
<p>The subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.</p>	<p>The nature of this scheme is to support resilience to the economic emergency and it is anticipated that applications will include fixed and other unavoidable costs. Additionality will be assessed for individual interventions to minimise public subsidy where these should be covered by income or retained earnings.</p>
<p>The subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means.</p>	<p>These measures are complementary to other temporary subsidy schemes delivered by UKG and SG e.g. the Job Retention Scheme and sector grants. Applicants will be required to declare previous aid/subsidy to ensure no double funding or excessive subsidy is provided. The objectives cannot be achieved by less distorting means as the intended beneficiaries face a shortage of finance or a shortage of affordable finance.</p>

<p>The subsidies' positive contributions to achieving the objective outweigh any negative effects, in particular the material effect on trade or investment between the Parties.</p>	<p>The scope, subsidy limits and conditions of the scheme mirror those of selected measures within the EC Temporary Aid Framework. Adopting these as guidelines mitigates the likelihood of materially affecting cross-border trade or investment.</p>
<p>Where relevant, record consideration against Article 367 [Prohibited subsidies and subsidies subject to conditions], including consideration of whether that subsidy has or could have a material effect on trade or investment between the Parties.</p>	<p>This is a temporary scheme responding to an economic emergency pursuant to Article 364.3 of the TCA. Article 367 does not apply to such subsidies. In line with SOSE's normal policy, the scheme will not:</p> <ul style="list-style-type: none"> <li>• Offer subsidy in the form of guarantees;</li> <li>• Subsidise operating expenses linked to export performance; or</li> <li>• Make any subsidy conditional on use of domestic content in goods or services.</li> </ul>

### Change Log

Section/measure	Change	Page No
Amendments made in date (Version)		
20-12-2022	Update of Articles to reflect updated guidance from BEIS and Scottish Government. Extension of scheme from 31 December 2021 to 30 June 2022	3