

The following scheme provides the legal cover for award of support in line with the General Block Exemption Regulation. The scheme does not provide any additional funding or budget

Welsh Local Government Support for Sports, Multifunctional and Local Infrastructure Projects Scheme



State aid reference no: SA.60359

1. Member State

United Kingdom

2. Region

Wales

3. Title of aid Scheme

Welsh Local Government support for Sports, Multifunctional and Local Infrastructure Projects Scheme

4. UK legal basis

Local Government Act 2000 C22 Part 1

5. EC legal basis

All aid provided under this Scheme will be within the limits set out in Articles 55 and 56 of Commission Regulation (EU) No 651/2014 of 17 June 2014 and amended by Commission Regulation (EU) No. 2017/1084 of 14 June 2017 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation). A full version of the Regulation can be found at:

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.187.01.0001.01.ENG

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A full version of the amending Regulation can be found at:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1084&from=EN>

Summary information relating to the Scheme has been registered with the Commission under reference **SA.60359**.

6. Definitions

In this Scheme, the following expressions have the same meaning attributed to them as in the General Block Exemption. For ease of reference these have been replicated below (definitions are presented alphabetically):

“Date of granting the aid” means the date when the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime.

“Dedicated infrastructure” means infrastructure that is built for *ex-ante* identifiable undertaking(s) and tailored to their needs.

“Fisheries and aquaculture sector” as covered by Regulation (EU) 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council regulations (EC) 1184/2006 and (EC) 1224/2009 and repealing council regulation (EC) 104/2000.

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

“operating profit” means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment aid. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made;

“Primary agricultural production” means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products.

“Professional sport” means the practice of sport in the nature of gainful employment or remunerated services, irrespective of whether or not a formal labour contract has been established between the professional sportsperson and

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the relevant sports organisation, where the compensation exceeds the cost of participation and constitutes a significant part of the income for the sportsperson. Travel and accommodation expenses to participate to the sport event shall not be considered as compensation for the purposes of this Scheme or the General Block Exemption Regulation.

“Repayable advance” means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project.

“Tangible assets” means assets consisting of land, buildings and plant, machinery and equipment.

‘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.
- (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.

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(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.

7. Objective of the Scheme

The objectives of the Scheme are to allow the Welsh local government to:

- Provide investment support for sports and multifunctional recreational infrastructure as well as local infrastructure that contributes at a local level to improving the business and consumer environment and modernising and developing the industrial base.
- Operating aid for sports and multifunctional recreational facilities.

The support for these facilities will assist in creating places for communities and tourism. It will also help achieve economic benefits and improve provision of facilities to encourage development of employment and businesses within local communities

8. Government body authorised to implement the Scheme

The Following local authorities are authorised to implement the scheme:

Blaenau Gwent County Borough Council, Bridgend County Borough Council, Caerphilly County Borough Council, City and County of Cardiff, Carmarthenshire County Council, Ceredigion County Council, Conwy County Borough Council, Denbighshire County Council, Flintshire County Council, Gwynedd Council, Isle of Anglesey County Council, Merthyr Tydfil County Borough Council, , Neath Port Talbot County Borough Council, Newport City Council, Pembrokeshire County Council, Powys County Council, Rhondda Cynon Taff County Borough Council, City and County of Swansea, Torfaen County Borough Council, Vale of Glamorgan, Monmouthshire County Council and Wrexham County Borough Council.

9. Scope of the scheme

The scheme will be open to all enterprises in Wales excluding those in the following sectors:

- Fisheries and aquaculture

The following scheme provides the legal cover for award of support in line with the General Block Exemption Regulation. The scheme does not provide any additional funding or budget

- Primary agricultural production
- **The processing and marketing of agricultural products** when (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the enterprise concerned or (2) where the aid is conditional on being partly or entirely passed on to primary producers.

Where an undertaking is active in both an excluded sector and a non-excluded sector, aid may be given to fund non-excluded activities with the condition that activities in the excluded sector do not benefit from aid granted under this scheme.

The following infrastructures cannot be supported:

For sport and multifunctional recreational infrastructures (Schedule 1)

- **Leisure parks**
- **Hotel facilities**

For Investment aid for local infrastructures (Schedule 2)

- Broadband infrastructure
- Research Infrastructure
- Energy infrastructure
- Airport infrastructure
- Port infrastructure
- Dedicated infrastructure

In addition, aid will not be allowed in the following circumstances:

- Aid to export related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity;
- Aid to facilitate the closure of uncompetitive coal mines, as covered by Council Decision No 2010/787;

The following scheme provides the legal cover for award of support in line with the General Block Exemption Regulation. The scheme does not provide any additional funding or budget

- Where aid is subject to the obligation for the beneficiary to have its headquarters in the relevant Member State or to be predominantly established in that Member State;
- Where the granting of aid is subject to the obligation for the beneficiary to use nationally produced goods or services;
- Aid contingent upon the use of domestic over imported goods;
- Where the aid measure restricts the possibility for the beneficiaries to exploit the research, development and innovation results in other Member States.

Aid may not be given where the proposed recipient is:

- Subject to an outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the common market;
- Where aid is granted to an undertaking in difficulty.

10. Duration of the Scheme

Aid under this Scheme may be granted until 31st December 2023. This scheme, registered under the General Block Exemption Regulation, will supersede the current Welsh Government Support for Sports, Multifunctional and Local Infrastructure Scheme SA.49739.

11. Budget for aid under the Scheme

Although there is no defined budget for aid under this scheme, it has been estimated that the total expenditure from 1st December 2017 – 31st December 2023 will be in the region of £160 million and will comprise a combination of domestic resources and European structural funds.

Should the budget for this scheme increase the Welsh Local Government Association will inform the European Commission.

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12. Form of aid

All aid awarded under the Scheme will be transparent and in line with criteria set out in Article 5 of the General Block Exemption Regulation. Aid may be awarded by way of:

- Grants (capital, revenue and repayable capital);
- interest rate subsidies;
- loans;
- repayable advances; and
- guarantees.

13. Eligible activities to be supported under the scheme

The scheme supports infrastructure projects. Detailed descriptions of the eligible activities that can be supported are set out in Schedules 1 and 2

Schedule 1: Support for sport and multifunctional recreational infrastructures

Schedule 2: Investment aid for local infrastructures.

14. Incentive effect

Aid recipients must demonstrate that the aid is required for projects to proceed by submitting a written application before work on the project or activity has started. The application will as a minimum contain the following information:

- (a) Name and size of the undertaking;
- (b) Description of the project, including its start and end dates;
- (c) Location of the project;
- (d) List of project costs;
- (e) Form of and amount of public funding needed for the project.

15. Cumulation

In determining whether the individual notification thresholds and the maximum aid intensities are respected, the total amount of State aid for the aided activity or project or undertaking shall be taken into account, regardless of whether that support is financed from local, regional, national or Community sources.

Aid provided under this Scheme will not be cumulated with other forms of aid nor with aid classed as de minimis aid in regard to the same eligible costs if the result would breach the applicable aid intensities.

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A mechanism is in place as part of the application process to ensure that cumulation of aid does not exceed the maximum allowable aid intensities of the Scheme. Due diligence checks will be carried out during the awarding process.

16. Monitoring and Reporting requirements

All recipients of aid under the Scheme will be informed that aid has been provided under the Scheme, registered under SA.XXXXX pursuant to 55 & 56, of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation).

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.

Details of any award exceeding €500,000 given under this scheme will be made publicly available via a State aid website within 6 months of granting.

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

The Welsh Local Government Association shall provide the Commission with all the information and documentation the Commission considers necessary to monitor the application of this Regulation, within 20 days of such request from the Commission.

Contact information:

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Schedule 1: Aid for sport and multifunctional recreational facilities

Eligible infrastructures

- Sports infrastructure not used exclusively by a single professional sport user. Use of the infrastructure by other professional or non-professional sports users shall annually account for at least 20% of time capacity. Where the infrastructure is used by several users at the same time, corresponding fractions of time capacity usage shall be calculated
- Multifunctional recreational infrastructures shall have facilities with a multi-functional character, offering in particular cultural and recreational services.

Access to the sport or multifunctional recreational infrastructures must be open to several users and granted on a transparent and non-discriminatory basis. Any undertaking that has funded at least 30% of the investment costs of the infrastructure may be granted preferential access to the facility under more favourable conditions. These conditions must be made publicly available.

Where the sport infrastructure is used by a professional sports club, the pricing conditions for its use will be made publicly available.

Any concession or entrustment to a third-party to construct, upgrade and/or operate the sport or multi-functional recreational infrastructure will be assigned on an open, transparent and non-discriminatory basis and in line with EU procurement rules.

Eligible costs and aid amounts

For the purpose of calculating aid amounts and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

The costs of the project will be transparent and directly and exclusively related to the project.

Aid can be given for:

- Investment aid, including aid for the construction or upgrade of sport and multifunctional recreational infrastructure
- Operating aid for sport infrastructure.

The following scheme provides the legal cover for award of support in line with the General Block Exemption Regulation. The scheme does not provide any additional funding or budget

Eligible costs

Eligible costs for investment aid are the investment costs in tangible and intangible assets.

Eligible costs for operating aid for sport infrastructure are the operating costs of the provision of services by the infrastructure. These include, but are not limited to: personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration. Depreciation charges and the costs of financing are excluded if they have been covered by investment aid.

Aid amounts

For investment aid the amount will not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante on the basis of reasonable projections, or through a claw-back mechanism.

For operating aid for sports infrastructure the aid amount will not exceed the operating losses over the relevant period. This will be ensured ex ante, on the basis of reasonable projections, or through a claw-back mechanism.

As an alternative, where the aid amount does not exceed €2m the maximum aid amount may be set at 80% of eligible costs.

Prior Notification:

Aid can be awarded up to the following thresholds under this scheme. Any aid that exceeds these amounts will require direct notification to the European Commission before aid can be awarded.

Investment aid for sports and multifunctional infrastructures	€30m and/or total project cost of €100m
Operating aid for sports infrastructure	€2m per infrastructure per year

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Schedule 2: Investment aid for local infrastructures

Eligible infrastructures

Construction or upgrade of local infrastructure that contribute at a local level to improving the business and consumer environment and modernising and developing the industrial base.

The infrastructure will be made available to interested users on an open, transparent and non-discriminatory basis. The price charged for the use or sale of the infrastructure will correspond to market price.

Any concession or entrustment to a third-party to operate the infrastructure will be assigned on an open, transparent and non-discriminatory basis and in line with EU procurement rules.

Support cannot be provided for dedicated infrastructures these are defined as infrastructure that is built for *ex-ante* identifiable undertaking(s) and tailored to their needs.

Eligible costs and aid amounts

For the purpose of calculating aid amounts and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

Eligible costs

Eligible costs are the investment costs in tangible and intangible assets.

Aid amounts

The aid amount shall not exceed the difference between the eligible costs and the operating profit of the investment over the lifetime of the infrastructure. The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism.

Prior Notification:

Aid awarded under this scheme to will be granted up to a maximum of €10m per investment project or total project costs exceeding €20m. Any award of aid in excess of these amounts will require direct notification to the European Commission before aid can be awarded.