

Argyll and Bute Council

Economic Development Subsidy Scheme

Scheme Document



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1. Introduction and compliance with the subsidy control principles

- 1.1. This Scheme is made by Argyll and Bute Council (referred to hereafter as 'the Council') as a public authority in accordance with section 10(3)(e) and 10(2)(a) of the Subsidy Control Act (2022). It can be used by the Council to give subsidies to enterprises that meet the eligibility criteria and conditions of the Scheme.
- 1.2. The Scheme has been designed in consideration of the Subsidy Control Principles meaning public authorities can give subsidies under the Scheme without assessing them against the principles. Accompanying Scheme Guidance is provided to help the Council interpret and comply with its conditions.
- 1.3. The Scheme is made 11/09/2025
- 1.4. The Scheme may be used by Argyll and Bute Council to support eligible beneficiaries and activity in the Scheme area on or after 11/09/2025 until 31 March 2035.

2. Purpose

- 2.1. The Scheme provides for the giving of subsidies to stimulate and support the growth of enterprises and organisations in the scheme area. Such subsidies shall fall within the following categories set out in the Schedule 1:
 - a) Support for investment in capital assets
 - b) Support for capacity building
 - c) Operating support
- 2.2. Subsidies given under the Scheme must comply with paragraphs 5 to 14 and the relevant requirements in Schedule 1.
- 2.3. The Scheme covers the local authority area of Argyll and Bute, as shown in schedule 2.

3. Budget of scheme

The overall budget for the scheme is £200 million. The budget was calculated by looking at the expenditure of grants in recent years which may have been eligible for consideration within this scheme. A rough average amount per year was calculated and then projected forward. In addition, consideration was given to known upcoming grants schemes, some of which individually may result in tens of millions of pounds of activity. Although not all of this activity may be deemed to be subsidy, this figure is considered a maximum possible amount. This is by its nature an estimate as future grant and budget availability cannot be predicted, but it is based on the experience of council officers with significant experience of this area of work within the local authority.

4. General definitions

- 4.1. **“the Act”** means the Subsidy Control Act 2022.
- 4.2. **“ailing or insolvent enterprise”** has the meaning defined in section 24(1) of the Act i.e. an enterprise that (a) would almost certainly go out of business in the short to medium term without subsidies, (b) is unable to pay its debts as they fall due, or (c) the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.
- 4.3. **“beneficiary”** means the legal entity enterprise in receipt of the subsidy.
- 4.4. **“capital expenditure”** means:
- a) the buying of equipment, land or buildings;
 - b) or the construction of buildings for the purpose of the production of the relevant goods or the provision of the relevant services;
 - c) or the adaptation of equipment, land or buildings for the same purposes;
 - d) or a combination of the purchase and the adaptation of equipment, land or buildings for the same purposes;
 - e) for these purposes, this may include professional fees and consenting costs directly relevant to the project to the extent these will be capitalised in the enterprise’s balance sheet; also
 - f) for these purposes, this may include rental of equipment, land or buildings, where the subsidy covers rental costs for 3 years or less;
 - g) this may also include the purchase or licensing of intangible assets such as intellectual property rights or software.
- 4.5. **“eligible costs”** means those costs defined in paragraphs 2, 6 and 10 in Schedule 1.
- 4.6. **“enterprise”** has the meaning given by section 7 of the Act.
- 4.7. **“initial investment costs”** means the initial outlay costs for a new project.
- 4.8. **“obligation period”** means the period over which the council places a legal requirement on the subsidy beneficiary to fulfil the purpose of the subsidy.
- 4.9. **“professional advisory fees”** means the costs of purchasing any consultancy or professional business services. This excludes services that are needed for the ordinary administration of an enterprise, to ensure compliance with legal obligations such as accountancy services to meet annual reporting requirements.
- 4.10. **“public authority”** has the meaning under section 6 (1) of the Act.
- 4.11. **“project”** means an activity or activities conducted to a method or plan with a view to achieving a specified end goal.
- 4.12. **“project costs”** means those costs incurred and paid for by the enterprise arising directly from the delivery of the specific project for which they are seeking subsidy.
- 4.13. **“project start”** means when the activities directly related to the project, being subsidised under the Scheme, begin.
- 4.14. **“related projects”** means projects or activities being carried out by the same legal entity, for the same or substantially the same specific purposes set out in measures in Schedule 1. Projects may be considered unrelated if they have entirely different objectives and could be undertaken independently of one another.
- 4.15. **“Sensitive sectors”** means those defined in the schedule to the Subsidy Control (Subsidies and Schemes of Interest and Particular Interest) Regulations 2022. These include

manufacture of iron and steel, production of aluminium and copper, manufacture of motor vehicles, motorcycles, and air/spacecraft machinery, building ships and floating structures, and production of electricity.

- 4.16. **“subsidised debt finance”** means a loan, quasi-equity or equity investment that is provided on terms that are more favourable than commercially available terms, such as lower interest rates, collateral requirements, agreed share of profits.
- 4.17. **“subsidy database”** means the database of subsidies established under section 32 of the Act.
- 4.18. **“Subsidy of Particular Interest”** has the meaning given in Section 3. (2),(3),(4) or (5) of the Subsidy Control (Subsidies and Schemes of Interest and Particular Interest) Regulations 2022.
- 4.19. **“training costs”** means the fees of trainers and training providers, the hire of venues in which to do training, the cost of equipment used exclusively for training purposes and the wage costs of workers for the time spent in training.
- 4.20. **“wage costs”** means the gross wage payable by the beneficiary to the employee before tax and includes the beneficiary’s compulsory contributions such as mandatory pension contributions and national insurance. This excludes any voluntary benefits or allowances given to the employee.

5. General conditions

- 5.1. Before giving a subsidy to an enterprise under the scheme, the Council must obtain the following information from the enterprise:
- The name and legal entity status of the enterprise
 - A description of the proposed project or activity assistance is requested for including:
 - The location of the activity
 - Start and end dates
 - Expected outcomes
 - Anticipated costs (excluding recoverable VAT if the enterprise is VAT registered) supported by sufficient current documentation to evidence the costs.
- 5.2. The council may not give a subsidy for a project or activity that has started unless:
- it has provided written authorisation to the enterprise that the project or activity can be started before the subsidy is given, and
 - it is of the view the project or activity would not be viable unless it starts before the subsidy is given, or
 - it is of the view the scope of the project or activity is being widened or the project or activity is being accelerated.
- 5.3. The Council must award subsidies using objective and transparent selection criteria that are available to potential recipients in advance of giving the subsidy.

When giving subsidies using the Scheme, the council is responsible for ensuring they are compliant with the scope and conditions of the Scheme. The council will follow its own internal policies and procedures, they must carry out an appropriate level of due diligence and investigation commensurate with the value of the subsidy and the risk of creating market distortion, and

document the outcome. In particular, the council must assess the additionality of each intervention and record the outcome of the assessment in their project documentation. In addition, the council must ensure that the schemes are compliant with the conditions of any grant scheme from which part or all of the funding originates.

5.4. All eligible costs must be incurred directly as a result of the project or activity.

5.5. All eligible costs should be limited to those strictly necessary for the project or activity, and in respect of revenue costs, limited to the time period of the project or activity.

5.6. The Council may not give a subsidy under the Scheme that would, but for section 30(1) of the Act, be subject to any of the prohibitions and other requirements contained in sections 15–29 of the Act.

6. Type of subsidy and calculation of the subsidy value

6.1. Subsidies under the Scheme may be given in any form of financial assistance.

6.2. For the purposes of any paragraph in the Scheme that contains a financial amount, the following will apply:

- a) If a subsidy is provided in cash, the gross cash amount given is to be used in determining the amount of the subsidy.
- b) If a subsidy is provided otherwise than in cash, the amount of the subsidy given is to be determined by reference to the gross cash equivalent of the subsidy.
- c) The gross cash amount and gross cash equivalent amount are to be determined in accordance with the Subsidy Control (Gross Cash Amount or Gross Cash Equivalent) Regulations 2022.

7. Eligible enterprises

7.1. Enterprises as defined in the act (7.1-5) of any size may be eligible including private, public, and third-sector enterprises:

- a) Third and public sector organisations could include, but are not limited to social enterprises, community organisations, charitable trusts, public sector arms-length organisations (ALOs), public authorities, voluntary organisation intermediaries acting on behalf of public authorities to deliver their social policies.
- b) Private enterprises may be classed as an SME (by reference to the Companies Act 2006, S382 and S465) or a large enterprise.
- c) Enterprises need not be based in the scheme area but the project or activity must be delivered within, and only within the Scheme area.

8. Eligible sectors

All activity will be considered against the prohibitions as set out in the act (sections 2.14-31), as well as their suitability for the exemptions set out in the legislation (sections 2.36-42). Subsidy relating to sectors defined as “sensitive” may be given under the scheme, provided they do not exceed the threshold where they become a Subsidy of Particular Interest and require mandatory referral to the Competition and Markets Authority Subsidy Advice Unit for review. The list of sensitive sectors is set out in the guidance which accompanies the act (sections 10.9 – 10.15). This guidance is subject to on-going review and therefore all subsidies will be checked against the most recent iteration of the guidance and list of sensitive sectors at time of assessment.

9. Eligible activities

A broad range of projects or activities which support economic development and community resilience, in line with Argyll and Bute Council’s ongoing policies and objectives.

10. Ineligible activities

The Council may not give subsidy for any of the following:

- a) Activity classed as prohibited subsidies in sections 15-29 of the Act.
- b) Projects promoting political or religious beliefs.
- c) Projects concerned with gambling or other activity that might bring the public authorities or Scheme into disrepute.
- d) Projects concerning activity that could be considered illegal.

11. Subsidy ratios and maximum award amounts

Recognising that the distortive nature of subsidy is highly dependent on the nature of the enterprise it is being given to subsidies given under the scheme are capped at variable amounts depending on organisation type:

- a) For third and public sector enterprises they must not exceed 100% of eligible costs;
- b) For private sector enterprises classed as SMEs, they must not exceed 80% of eligible costs
- c) For private sector enterprises classed as large enterprises (employing over 250 people), they must not exceed 50% of eligible costs
- d) In all cases subsidies must be capped at the maximum award amount for the measure used.
- e) Public authorities must identify other public funding contributing towards the same eligible costs and consider the cumulation conditions of the scheme as well as the Statutory Guidance at Chapter 3, (3.15 to 3.26), and Chapter 9 (9.3 to 9.7).

12. Cumulation

- 12.1. When applying the subsidy ratios and maximum award amounts set out in the measures in Schedule 1, public authorities must consider the cumulative amount of subsidies received by the enterprise for each project or activity, whether given under the Scheme or otherwise. A subsidy given under the Scheme which falls below the maximum award amounts, must

not cause the subsidy ratio or maximum award amounts to be exceeded on a cumulative basis.

12.2. Other subsidies must be cumulated with the proposed subsidy, if the subsidy meets all the following conditions and was given:

- a) to the same enterprise by any public authority;
- b) for the same project or activity under the relevant measure in Schedule 1;
- c) for the same or substantially the same specific purposes as set out under the relevant measure in Schedule 1; and
- d) within the last three financial years - that is the lapsed part of the current financial year from 1st April and the two preceding financial years.

12.3. Where a project or activity's duration will extend beyond three years, the full value of the subsidy is counted at the date of award. A new cumulation period does not start after three years.

12.4. The subsidy ratio or maximum award amounts may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

13. Misuse of subsidies

The Council shall ensure that any subsidy given under the Scheme is given subject to a condition allowing the Authority to recover the whole or part of the subsidy amount to the extent that the subsidy is used for a purpose other than the purpose for which it was given.

14. Reporting

Public authorities using the scheme must meet the Scheme reporting requirements established by Scottish Government to monitor the Scheme's use and budget and to evaluate if the Scheme is serving its intended purpose. The reporting requirements may be amended from time to time at the sole discretion of Scottish Government.

15. Transparency

Public authorities using the Scheme must meet the transparency requirements set out in Chapter 3 of Part 2 of the Act and upload any subsidy given under the Scheme to the subsidy database where required by the Act.

SCHEDULE 1

Measure 1 - Support for capital investment

1. Scope

Subsidies under this measure may be given for defined projects being carried out in the Scheme area that will assist beneficiaries to invest in capital assets.

2. Eligible costs

- 2.1. Subsidies may only be awarded under this measure for the following initial investment project costs:
- a) Purchase of land, buildings or other heritable assets.
 - b) Civil engineering and construction costs to repurpose, regenerate, upgrade or extend capital assets.
 - c) Purchase of equipment, fixtures, fittings or furniture.
 - d) Professional advisory fees, consenting costs and design development fees where these will be capitalised in the enterprise's balance sheet.
 - e) Rental costs of equipment, land or buildings subject to a maximum subsidised period of three years.
 - f) Purchase or licensing of intangible assets such as software or intellectual property rights.

3. Subsidy ratios and maximum award amount

- 3.1. Recognising that the distortive nature of subsidy is highly dependent on the nature of the enterprise it is being given to subsidies given under the scheme are capped at variable amounts depending on organisation type: For third and public sector enterprises they must not exceed 100% of eligible costs; for private sector enterprises classed as SMEs, they must not exceed 80% of eligible costs; for private sector enterprises classed as large enterprises, they must not exceed 50% of eligible costs
- 3.2. The subsidy limit to a single enterprise for a project or combination of related projects is £10m.
- 3.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £10m.
- 3.4. The subsidy maximums may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

4. Further conditions

- 4.1. The beneficiary for subsidy under this measure must be the legal entity that will own the asset for which assistance is given. Where an asset that is leased is to be developed or upgraded, the council must ensure there is a reasonable term remaining on the lease for the economic benefits of the project to be realised. As a minimum, the lease should endure

until the end of the obligation period. The specific conditions of any grant or subsidy should , if appropriate, allow a security to be placed on any assets where deemed appropriate to do so and / or outline a clawback provision for the subsidy in the event of an asset transfer, sale or disposal or where the subsidy is not used in accordance with the relevant grant conditions.

- 4.2. The Council must include conditions in the legal subsidy award stating when the project should be completed and an obligation period to maintain it for the purpose intended. The obligation period should be for a minimum of three years.

Measure 2 - Support for capacity building

5. Scope

Subsidies under this measure may be given for defined projects that will strengthen the capabilities of beneficiaries. This may include, but is not limited to, strengthening their governance, improving efficiency, expanding current operations, entering new markets or introducing new products or services.

6. Eligible costs

6.1. Subsidies may be awarded for:

- a) Wage costs - including the beneficiary's employer's mandatory contributions.
- b) External consultancy and professional advisory fees.
- c) Training costs – provider fees, materials, venue costs, travel and accommodation.
- d) Costs associated with historic or cultural assets owned by the organisation, such as archiving, display, or conservation
- e) Marketing, distribution and promotional activity.

7. Subsidy ratios and maximum award amounts

- 7.1. Recognising that the distortive nature of subsidy is highly dependent on the nature of the enterprise it is being given to subsidies given under the scheme are capped at variable amounts depending on organisation type: For third and public sector enterprises they must not exceed 100% of eligible costs; for private sector enterprises classed as SMEs, they must not exceed 80% of eligible costs; for private sector enterprises classed as large enterprises, they must not exceed 50% of eligible costs
- 7.2. The subsidy limit to a single enterprise for a project or combination of related projects is £3m.
- 7.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £3m.
- 7.4. The subsidy maximums may not be circumvented by artificially splitting up a single project into several constituent projects with similar characteristics or objectives.

8. Further conditions

- 8.1. Subsidies using this measure must relate to a new project or activity with defined objectives, start and end dates that is additional to the enterprise's business-as-usual activities.
- 8.2. Where wage costs of employees are included, these will only be eligible for the period the employee is engaged in the capacity building project. Where an existing employee is engaged for part of their employment on the project, and part on their normal duties, the council must obtain appropriate evidence from the enterprise to confirm the eligible project costs.
- 8.3. Training costs may apply to the training of employees as well as the non-executive governing personnel of the enterprise.
- 8.4. Marketing and promotional activity costs under this measure are limited to costs associated with new capital, product or service developments and not to the enterprises business-as-usual promotional activities.

Measure 3 – Operating support

9. Scope

Subsidies under this measure may be given for to support business-as-usual operating costs over a specified period.

10. Eligible costs

10.1. Subsidies may be awarded for:

- a) Wage costs- including the beneficiary's mandatory employer's contributions.
- b) The enterprise's costs linked to periodic activities including exhibitions, events or educational activity, increasing accessibility to and provision of services.
- c) Operating costs such as rent, running costs, maintenance, insurance costs, travel expenses, marketing, materials and supplies.
- d) Ongoing reduction of/discounted public fees, rates or service costs.

11. Subsidy ratios and maximum award amounts

- 11.1. Recognising that the distortive nature of subsidy is highly dependent on the nature of the enterprise it is being given to subsidies given under the scheme are capped at variable amounts depending on organisation type: For third and public sector enterprises they must not exceed 100% of eligible costs; for private sector enterprises classed as SMEs, they must not exceed 80% of eligible costs; for private sector enterprises classed as large enterprises, they must not exceed 50% of eligible costs
- 11.2. The subsidy limit to a single enterprise is £3m per annum.
- 11.3. Where the subsidy is given in the form of subsidised debt finance the gross cash equivalent shall not exceed £3m.
- 11.4. Where the subsidy is given to support costs relating to 10.1 a), b) or c), they must be limited to what is necessary to cover the projected operating losses over the relevant period. These shall be determined ex-ante, based on reasonable projections.

12. Further conditions

- 12.1. As support for business-as-usual costs is highly distortive, assistance using this measure must be carefully considered and the council should keep a record of the justification for the support.
- 12.2. Where the subsidy is given to support costs relating to 10.1 a), b) or c), the council must carefully consider the phasing of payments to avoid paying out in advance of need or over-subsidising. They should follow the grant guidance in the Scottish Public Finance Manual. They may also consider including provision in the legal offer to reconcile the projected and actual losses at the end of the relevant period with claw-back provisions to recover any excess subsidy or as provided for at 4.1 (transfer, sale or disposal of assets).
- 12.3. This measure must not be used to subsidise an ailing and insolvent enterprise as defined in section 24(1) of the Act.

SCHEDULE 2

Geographical scope of the scheme

The geographical area covered by this scheme is shown in the map below. It covers the area of Argyll and Bute local authority. The local authority is the second largest in Scotland, covering around 9% of Scotland's landmass. It is bounded by the Clyde and Loch Lomond to the east, the Mull of Kintyre to South, Atlantic Islands to the West, and the Sound of Mull and Appin to the North. It includes 23 inhabited islands, more than any other local authority. Its geography of long sea-lochs and peninsulas give it an extremely long coastline, and create unique challenges for organisations, public, bodies and enterprises operating in the area.

