

CO2SENSE YORKSHIRE

GREENHOUSE GAS SAVINGS CAPITAL INVESTMENT FUND

Frequently asked questions (FAQs) and Guidelines

Frequently asked questions and guidelines

1. Does my company fall within Yorkshire and the Humber?

CO2Sense Yorkshire can only support projects with investment if they are based within the Yorkshire and Humber Region.

The following map on the Yorkshire Forward website will help you to determine whether your project falls within the region.

<http://www.yorkshire-forward.com/improving-places/where-we-live>

2. What is *de minimis* funding?

CO2Sense Yorkshire *must* ensure that all aid/investment made under the Greenhouse Gas Savings Capital Investment Fund (GHG fund) is compliant with current State Aid rules and regulations. If aid is given that is not compliant with State Aid rules then it is automatically deemed ineligible and the EU Commission will ask that the funding is paid back.

Simply speaking, State Aid is any publically provided funding that could benefit individual businesses. This type of aid could distort competition and affect trade by favouring certain undertakings or the production of certain goods and so is incompatible with the common market.

Exceptions to this general state on State Aid are:

- (1) Aid provided through *de minimis*
- (2) Aid provided through notified Block Exemption schemes.

CO2Sense Yorkshire provides investment through the GHG fund using the *de minimis* exemption. The *de minimis* regulation sets a financial threshold below which the Article 87(1) rules do not apply; small amounts of funding allocated in this way are deemed to be too small to distort competition. The approved *de minimis* threshold adopted in December 2006, allows aid of up to €200,000 over a three year rolling period.

To support businesses through the current period of economic uncertainty the EU Commission has given permission for this *de minimis* threshold to be increased (from November 2008 until the end of 2010) to €500,000 over a three year rolling period. This temporary measure allows for the total amount of aid that may be granted to any one undertaking (company or group) in the three-year period from Tuesday 1 January 2008 to Friday 31 December 2010 to be €500,000.

Please be aware of the exchange rate when calculating whether you are within the threshold.

3. Does aid intensity apply to *de minimis*?

Aid intensity does not need to be considered for *de minimis* aid. CO2Sense Yorkshire can theoretically fund 100% of a high risk project as long as it is within the total amount ceiling.

4. What percentage of my project costs are likely to be covered by CO2Sense Yorkshire investment?

It is only on very rare occasions that CO2Sense Yorkshire is willing to cover 100% of a project's capital investment costs and this is usually only for projects below £10,000.

The GHG fund is a 'fund of last resort' in that CO2Sense Yorkshire expects projects to first of all have exhausted all other routes to access finance. Other routes include a business's own funds; private sector lenders including high street banks, government established lending agencies; venture capitalists; and other grant funding providers.

The GHG fund will gradually reduce year-on-year until 2012, but will continue to generate increasing interest in investment support from businesses. CO2Sense Yorkshire must therefore invest these funds as efficiently as possible and this means that projects must demonstrate that they have maximised the funding they can obtain from alternative sources.

Those companies demonstrating this will increase the competitiveness of their proposal when it comes to the panel assessment decision making process.

There is no specific intervention level that CO2Sense Yorkshire looks for when assessing a project, but if the proposal cannot demonstrate where else it has sought funding without success, then it is likely to be rejected during the panel assessment process.

5. Where else can I try and obtain funding from?

There are a wide range of potential funders that you could potentially obtain investment or loans from both regionally and nationally. The nature of the investment can often depend upon your location and the type of business you operate.

Generally grant funding is in very limited supply within the region, with most grants targeted at social enterprises, research and development, or large scale projects breaking new ground. Non-grant funds take the form of loans or equity-based investment.

CO2Sense Yorkshire has developed a database of funding sources that you can search to find alternative options to traditional high-street banks if you are struggling to obtain finance from these sources.

Further support can also be obtained from CO2Sense Yorkshire by contacting Richard O'Connell: Richard.o'connell@co2sense.org.uk

6. Where can I get assistance in preparing my application and a business plan?

Preparing a business plan will require your own input and knowledge of the business/project you are developing. However, not everyone is an expert at writing business plans and it often helps to have support from somebody in the know. Business

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Link Yorkshire (BLY) can help companies to develop their business planning, through one-to-one support from an advisor, training sessions and in some select cases vouchers to pay for consultancy support. If you are interested in obtaining assistance from Business Link Yorkshire, then you can contact them via their website (www.businesslinkyorkshire.co.uk) or the following number: 08456 048 048.

In addition to BLY, the Waste and Resources Action Programme (WRAP) provides business development support to recycling companies. CO2Sense Yorkshire hosts a WRAP regional business advisor who can link companies through to support including: business planning, market research, marketing and sales, operational support, management support, raising finance and equipment leasing. For further information please contact:

Michael Jones - Regional Business Advisor, Yorkshire and Humber
Direct line 0113 237 8428
Mobile 07904 000512
Email michael.jones@wrap.org.uk
Fax 01295 819911
Website www.wrap.org.uk

Further advice and support on business planning can also be obtained from CO2Sense Yorkshire by contacting Richard O'Connell: Richard.o'connell@co2sense.org.uk

7. How should I prepare a business plan?

The Essentials

A Business Plan should provide details of how the company are going to develop their business, when they are going to do it, key assumptions, who the key participants are and financial projections covering at least 3 years.

A good Business Plan should include:

- **An Executive Summary** - this is an overview of the business;
- **A short description of the business opportunity** - what they plan to sell or offer and the unique selling points of their proposition (why this is needed);
- **Marketing / Sales strategy** – a description of the market for this product or services, market research and how the company will attract the attention of and sell to this market;
- **The Management Team & Personnel** - their credentials, the people they plan to recruit and the organisation structure;
- **Operations to deliver the plan** - premises, production facilities and IT systems/infrastructure;
- **Financial Forecasts** – these include profit and loss, balance sheet and cash-flow forecasts summarising the financial impact of the business plan together with assumptions.

Marketing / Sales Strategy

Provides evidence of how the company has researched the market and an understanding of who its competitors are.

It is critical that the business is clear about how it will attract customers. Key areas to cover include:

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- **the market** - its size, historical data about its development and key current issues;
- **the target customer base** - who they are and why they would be interested in this product or service;
- **the competition** - who they are, how they work and the share of the market they hold;
- **the future** - anticipated changes in the market and how the business and its competitors to react to them.

It is important for the company to show a clear understanding of its competitors' strengths and weaknesses and a clear understanding of the needs of the market.

The Management Team & Personnel

The business will need to understand and show the management structure and who will be undertaking key tasks within the business. What are their skills and experience? A brief CV of key personnel would be useful.

Companies should be able to show a balance of operational / sector experience, management, sales / marketing, financial and administration skills or have plans to recruit individuals if there are shortfalls in particular skill areas.

Operations to Deliver the Plan

The Business Plan also needs to outline:

- The operational capabilities of the company and exactly what the investment will be funding;
- Where the company will be located, are the premises suitable? Do they require any special permits or licences to operate at the site chosen?
- Has the company got a clear process for production, stock control, accounting, customer management, financial control and quality control?

Experience shows that with recycling companies it is key to ensure that there are sufficient sources or raw materials in order to produce products, so it is essential that this area is explored in detail.

Financial forecasts

The financial forecasts should provide a:

- Profit and loss forecast covering at least 3 years;
- Balance Sheet;
- Cash-flow forecast.

Key assumptions should be listed so that it is possible to challenge the reality of the numbers provided and to check that they are consistent with what the business plan describes e.g. the volume of sales, cost of production, number of staff to be employed. Assumptions around the timing and value investment required and financing are critical also.

The financial forecasts should include the following:

Profit & Loss Forecast - a statement of the trading position of the business: the level of profit it expects to make, given projected sales and the costs of providing goods and services and overheads;

Balance Sheet – showing assets and liabilities;

Cash-flow Statements (Forecasts) – this should show the cash balance and monthly cash-flow patterns for at least the first 12 months. This should show that the business will have enough working capital to survive so key factors such as the timing of sales and salaries are important to challenge;

Forecasts should cover a range of scenarios. New businesses often forecast over-optimistic sales so it is useful to include a version of the forecasts based on sales being significantly slower than predicted in order to see how sensitive the Business Plan is to changes in sales volumes and / or production costs. For example, a version could show the effect of sales being 10% lower than forecasted.

Financial assumptions

Each business plan should contain a set of assumptions to explain how projections of sales and expenditure have been calculated. CO2Sense Yorkshire would expect to see the following under-lying assumptions to explain figures provided in a profit and loss account, balance sheet and cash-flow forecast:

- Sales price and volume of sales;
- Unit cost of production/cost of sales;
- Number of employees required and salaries paid;
- Investment in equipment and other resources;
- Distribution and marketing costs;
- Overhead costs;
- Depreciation rates;
- Timing of receipts and payments;
- Taxes payable;
- Source of financing (e.g. loans, shareholder investment, grants);
- Interest rates on loans;
- Company location/premises costs;
- Lead time for procuring equipment.

Risk analysis

CO2Sense Yorkshire would also expect the business to understand the key risks facing it and to find evidence that they have thought about how to manage these risks or what they would do if they materialised.

Typical risks can include:

- delays to the project due to lack of specific licences or approvals from a local authority to open a new type of plant;
- delays in purchasing a new piece of equipment due to unrealistic assumptions regarding lead times from suppliers;
- assumptions regarding sales or prices are unrealistic.

Risk analysis is often a way of identifying the key issues that could affect the delivery of a specific project and will enable CO2Sense Yorkshire Project Managers to challenge assumptions made in the Business Plan.

8. What is meant by a repayment of CO2Sense Yorkshire investment?

Repaying CO2Sense Yorkshire investment is a means through which CO2Sense Yorkshire can recover investment funding from a successful project so that it can be re-invested elsewhere in the future.

Repayment of investment applies to projects requiring CO2Sense Yorkshire investment of £25,000+ which will in future years make a profitable return on investment within a five year period.

The financial projections provided by a business as part of its proposal will be analysed by the CO2Sense Yorkshire team to determine potential profitability.

By analysing a project’s financial forecasts it is possible to determine at what point in time it can afford to begin paying back the investment funding. Three to five years of financial projections will be required to analyse a suitable payback arrangement for most projects.

The assessment of a suitable payback arrangement and timescale will be carried out in liaison with the applicant. The arrangement will incentivise the business to grow quickly, but also pay back the investment as soon as possible, by offering discounts for early repayment.

The repayment arrangement can take a number of different forms:

1. The investment can be paid back in full (total repayment) over a set period once a target sales figure has been reached;
2. The investment can be paid back as a royalty repayment based on sales achieved. Sales is used as a means to determine performance, as it is a clear indicator of company growth, and can be evidenced on presentation of financial statements, including P&L, cash flow and balance sheets.

9. What terms and conditions does CO2Sense Yorkshire use for investment?

CO2Sense Yorkshire uses standard Yorkshire Forward terms and conditions for its investment contracts. Please contact info@co2sense.org.uk for further details.

10. What are the definitions of the outputs CO2Sense Yorkshire collect?

Indicator	Definition
<p>Businesses assisted to improve their performance (through provision of environmental advice and guidance)</p>	<p>Provision of consultancy support, information, diagnostic advice or guidance to individual businesses, located within the region.</p> <p>The assistance can be face-to-face, telephone or web-based dialogue at conferences, seminars, workshops or through networks.</p> <p>The minimum level of support is 2 hours of consultancy advice or other non-financial assistance; or grant of at least £250</p> <p>Includes non SME’s.</p>
<p>Businesses Intensively</p>	<p>To qualify for “intensive assistance”, there must be an</p>



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Indicator	Definition
Assisted to improve their performance	action plan or other formal agreement, developed in partnership between the project and business.
People assisted in their skills development	<p>A count of beneficiaries (individuals) who must have received a minimum of 6 hours training, either contiguous or as a number of sessions for the same individual.</p> <p>Activities may include: general (management, IT) or job specific (marketing, engineering) skills, provision of equipment & materials to support direct skills development.</p>
Jobs created or safeguarded	<p>A job (permanent, paid, full time equivalent (FTE)) is counted as an output when the jobs are a direct consequence of the project intervention.</p> <p>The expected duration of a job created must be 1 year or longer.</p> <p>To qualify as a job safeguarded it must be a job which is at risk - defined as being forecast to be lost within 1 year (i.e. the jobs at risk must be specified) or if sector is in long-term decline a longer period might be appropriate.</p> <p>The unit of measurement is the job and not its occupant.</p>
Businesses created	Defined as when a new (not just moved from one region to another) business starts trading in the region and is sustained for at least 12 months as a direct result of the project intervention (therefore cannot be collected/reported until a year after creation).
Increase in sales from new environmental products and services developed (£000)	<p>Value of <i>annual</i> sales increase attributable to new product/service introduction, related principally to businesses assisted to develop Env' Products but also other businesses supported across the programme.</p> <p>R&D support may take a long time to result in a new product or service which generates sales/cost savings. Future sales/savings should therefore be estimated at the end of year following the provision of support.</p>
Gross increase in GVA	<p>The value (£) of GVA increase in businesses assisted or created GVA = Total wage costs + net profit before tax and interest + depreciation (this is consistent with the calculation used by Business Link).</p> <p>There is likely to be a delay between the project activities and the realisation of improvements in GVA.</p>
Private Sector Investment (Levered £m)	The gross funding provided to cover the project costs, including investment in fixed assets, working capital and in-kind contributions, from the funding bodies.
Cost savings to business	This relates to the savings (£000) made by businesses as a result of reduction in resource use (waste, water, energy, fuel, raw materials etc).
Reduction in Water	The savings (in m ³) made by businesses as a result of



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Indicator	Definition
Consumption	project interventions.
Virgin raw material saved (tonnes)	<p>Reduction in virgin raw materials used by businesses, through design of a more efficient product or process, waste prevention work and through displacement by re-used or recycled materials.</p> <p>Where possible raw materials should be broken down into specific materials.</p>
Re-use of materials (tonnes)	<p>The calculated waste diverted from landfill saving which results from the reuse system introduced or grown by the CO2SENSE intervention.</p> <p>As above the recording of this should be broken down into separate waste streams where possible.</p>
Tonnes of materials recycled	<p>Waste diverted by businesses through recycling. Businesses will be required to segregate waste in order for it to be collected so collecting data on the specific waste streams is possible.</p>
Reduction in hazardous waste	<p>Reported reductions in hazardous waste made by businesses supported.</p>