Department for Communities and Local Government

European Union
European Regional Development Fund

2014 to 2020 European Structural and Investment Funds Growth Programme

Call for Proposals
European Regional Development Fund

Priority Axis 3: Enhancing the Competitiveness of Small and Medium sized Enterprises

Managing Authority:	**Department for Communities and Local Government**
Fund:	**European Regional Development Fund**
Priority Axis:	**Priority Axis 3: Enhancing the Competitiveness of Small and Medium sized Enterprises**
Call Reference:	**OC06R15P 0050**
Local Enterprise Partnership Area:	**Coventry and Warwickshire**
Call Open:	**27th March 2015**
Call Closes:	**29th May 2015**

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1. Call Context

The 2014 to 2020 European Structural and Investment Funds bring the European Regional Development Fund, European Social Fund and part of the European Agricultural Fund for Rural Development (together into a single European Union Structural Investment Funds Growth Programme for England supporting the key growth priorities of innovation, research and development, support for Small and Medium Enterprises, low carbon, skills, employment, and social inclusion.

The Funds are managed by the Department for Communities and Local Government for European Regional Development Fund, Department for Work and Pensions for European Social Fund and the Department for Environment Food and Rural Affairs for European Agricultural Fund for Rural Development. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. Unless stated otherwise, the term "Managing Authority" will apply to all these organisations. These Departments are the Managing Authorities for each Fund. The Managing Authorities work closely with local partners who provide:

- Practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets;
- Local intelligence to the Managing Authorities in the development of project calls (decided by the Managing Authorities) that reflect Operational Programme and local development needs as well as match funding opportunities;
- Advice on local economic growth conditions and opportunities within the context of Operational Programmes and the local European Structural and Investment Funds Strategy to aid the Managing Authority's assessments at outline and full application stage.

This call is issued by the Department for Communities and Local Government and invites outline applications in respect of the European Regional Development Fund. European Regional Development Fund is specifically focussed on investment to support economic growth and job creation. The call invites proposals in respect of Priority Axis 3 of the European Regional Development Fund Operational Programme: Enhancing the Competitiveness of Small and Medium sized Enterprises against the requirements set out in this call document.

1.1 National Context

The primary aim of Priority Axis 3 is to improve the competitiveness of Small and Medium sized Enterprises by increasing the capacity and capability of Small and Medium sized Enterprises and promoting entrepreneurship. The priority axis will support the Government's commitment to support Small and Medium sized

Enterprises and in doing so strengthen the pipeline of high growth business across England.[1]

A range of Investment Priorities will focus European Regional Development Fund intervention to support entrepreneurship and increase the growth capacity of Small and Medium sized Enterprises. These are:

Investment Priority 3a -*Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.* ***Specific objective:*** *Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups*.

There are disparities in rates of business start-ups, in some territories and amongst some groups. For instance, 37% of start-ups in 2013 were located in London and the South East, with only 23% within Northern Local Enterprise Partnership territories. Some groups are particularly under-represented in enterprise relative to their share of the overall population; for instance only 18% of enterprises are majority female led; and whilst minority ethnic groups make up 14% of the population of England, only 6.2% of enterprises are minority ethnic group led.[2]

Measured by the Total early stage Entrepreneurial Activity rate, excluding a jump in 2012, there has been a steady increase in the Total early stage Entrepreneurial Activity Total early stage Entrepreneurial Activity for England. The UK and England are third highest in the G7, behind US and Canada but still just below average for the innovation driven economies as defined by the World Economic Forum's Global Competitiveness Report. In 2013 in England, the Total early stage Entrepreneurial Activity rate was 7.5% and the average across the innovation driven economies was 7.9%. The goal will be to show, by the end of the programme, a higher increase in the Total early stage Entrepreneurial Activity rate in England than for the average across innovation driven economies.

Investment *Priority 3c -* *Supporting the creation and the extension of advanced capacities for products, services and development.* ***Specific objective:*** *Increase the growth capacity of Small and Medium sized Enterprises.*

The support provided through this Investment Priority will help Small and Medium sized Enterprises to develop their capacity. This will look at productivity drivers, including the technological and business infrastructure and finance that will be required to ensure that those Small and Medium sized Enterprises with the potential to grow can do so. This will include strengthening supply chains to take better

1. High Growth businesses are defined as those with at least 10 employees and who have experienced growth at an annual average of 20% over a three year period.

2. According to 2013 BPE estimates with Small Business Survey data

advantage of globalisation by attracting high growth and innovative Small and Medium sized Enterprises where they can introduce new high value added products or services. The objective is to improve their productivity and help them grow and create jobs.

Productivity in Small and Medium sized Enterprises in England lags behind productivity in large enterprises. In 2011 Small and Medium sized EnterpriseGross Value Added per employee in England was £43,600; and for large enterprise this was £51,000. There were also wide regional disparities across England with average Small and Medium sized Enterprise Gross Value Added per employee ranging from £33,000 in the North East to £65,000 in London. Variation can also be seen across sectors, with Small and Medium sized Enterprises in manufacturing on average 41.6% less productive than larger firms.

Investment Priority 3d - *Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes* ***Specific objective:*** *Increase growth capability of Small and Medium sized Enterprises.*

Existing Small and Medium sized Enterprises face a number of barriers which restrict their ability to achieve their growth ambitions. These include:

- Information and coordination failures which limit awareness, access and take-up of business support;
- High up-front costs and perceived difficulties in navigating legal, regulatory and cultural environments which constrain the number of Small and Medium sized Enterprises entering new export markets; and
- Known market failures in the disproportionate costs of establishing and costing risks given the relatively small amounts of capital involved.

Actions to develop capacity of Small and Medium sized Enterprises work alongside actions to develop capability of Small and Medium sized Enterprises. Both will lead to an increase in jobs created in Small and Medium sized Enterprises and in Small and Medium sized Enterprise productivity.

1.2 Local Development Need

This call will focus on Investment Priorities 3a and 3d. Where the expectation is that the outcome of this call will result in the award of a single contract, applicants may wish to bid individually, as part of a consortium or a partnership (in line with European Regional Development Fund Eligibility Rules Guidance). Bids which deviate from this will be received, but should provide an explanation for this approach. See below for further details.

Coventry and Warwickshire already has clear competitive advantages considering its existing business and skills base, and high quality research and development assets. It is also well placed to exploit the transition to the low carbon economy (particularly with respect to low carbon vehicles), and the opportunities presented by the growth of the digital technologies sector.

The objective for Coventry and Warwickshire is to ensure that the area's Small and Medium sized Enterprises are able to compete in these markets at both national and international levels

Evidence from the economic review of the Coventry and Warwickshire area shows the continuing importance of manufacturing to the local economy, and highlights the existing strengths in this sector, particularly with regards to advanced manufacturing and vehicle engineering. This is largely a consequence of a skilled manufacturing workforce in the area, and the presence of a range of high quality, world class research and innovation assets. These factors have contributed to the location of a number of major global manufacturing companies in Coventry and Warwickshire, which in turn has supported the presence of a significant number of high technology Small and Medium sized Enterprises that operate within the manufacturing supply chain.

For Coventry and Warwickshire the most significant growth opportunity to 2025 in terms of employment and productivity growth is forecast in Information Technology services/ Digital and Creative Industries. The emergence in recent years of an active and innovative digital technologies cluster in Coventry and Warwickshire is a significant strength of the area, and has the potential to make a substantial contribution to the local economy. This cluster is largely characterised by the presence of Small and Medium sized Enterprises, and is supported by high quality research and innovation facilities located in the area. The European Structural and Investment funds will provide additional investment alongside this projected growth opportunity and help to reduce the productivity gap between the Coventry and Warwickshire area and the national average.

In addition the economy is forecast to see significant growth in construction, health, residential and social care, legal and accountancy services, culture and tourism, warehousing and postal services (logistics) alongside food and beverage services and the accommodation and retail trade. In these sectors Coventry and Warwickshire already has a strong presence of private sector businesses including; NFU mutual (Business & professional services), Morgan Sindell (construction), Codemasters (games software), Telent (ITS), IBM (ITS), the Royal Shakespeare Company (Culture and Tourism), TNT (logistics), Sainsburys (Retail and Logistics) and Aldi (retail).

One of the biggest challenges will be to close the productivity gap between the Coventry and Warwickshire and the United Kingdom. In 1981, productivity was 89% of that of the United Kingdom average, by 2000 this gap had closed to 92% but since the financial downturn in 2008, the gap had opened back to 89%. The additionality of the European Structural Investment funds will help to reduce this productivity gap.

Within the Coventry and Warwickshire area there are inter-Local Enterprise Partnership differences in economic output and wealth. A challenge will be to narrow the gaps between local authority areas. Gross Value Added per head in Nuneaton and Bedworth is 48% of that in North Warwickshire. Warwick district has always performed well and is forecast to remain above the United Kingdom average. North Warwickshire, having been below the area average has, from 2003, seen an increase in wealth through to the 2008 economic downturn, but is forecast to grow and remain the wealthiest local authority in the area. Rugby Borough has performed below the average and is forecast to continue to do so. Stratford and Nuneaton and Bedworth have followed the average through the 1980s and 1990s but from the early 2000s the two have diverged: Stratford has seen increased growth which is projected to continue to the United Kingdom average and above the area average, whereas Nuneaton and Bedworth has seen slower growth.

With regard to business creation and growth, the socio-economic analysis of Coventry and Warwickshire indicates that following the economic downturn of 2008 the number of new businesses has started to increase in the last two years. Whilst this is clearly a positive development for the local economy, it is recognised that young businesses are particularly vulnerable to failure in the first few years of their existence. Similarly, the evidence from the economic review suggests that micro enterprises employing less than 10 people (and accounting for some 89% of the business population in Coventry and Warwickshire) tend to display a lack of resilience, and as a consequence are particularly vulnerable in economic downturns.

Despite the relatively strong economic performance of rural areas, businesses in rural areas face some specific barriers to growth. There are a wide range of market failures in the rural economy which limit private sector investment. These market failures can also hamper take up of new technologies, the development of skills and generally hold back the performance of the rural economy and contribute to the remaining gap in productivity between rural and urban areas. Supporting the continued growth in small and micro-enterprises within rural communities is a specific priority. These businesses play a strong role in rural areas, supporting employment and with their products and services helping to develop local supply chains and often have wider social and community benefits.

The key aim for Coventry and Warwickshire under this thematic objective will be to build on the core strengths of the area by enhancing the competitiveness of its Small and Medium sized Enterprises, including those operating within the advanced manufacturing, vehicle engineering and digital technologies sectors, whilst also addressing the key weaknesses identified above of low productivity, business survival and growth rates relative to other parts of the United Kingdom.

1.3 Scope of Activity

In responding to this call, applicants should note the following.

The Business Growth Service provides specialist advice to businesses with the right level of ambition, capability and capacity to improve and grow. The service brings together the help available through Growth Accelerator, Manufacturing Advisory Service, Designing Demand and IP Audits. The Service forms part of an integrated package of support that seamlessly connects businesses to Export advice which is provided by UK Trade & Investment through contracts for International Trade Services and UK Export Finance.

Government is working with partners across England to establish a series of business-led Growth Hubs which will include access to trade, investment and business growth services. The Hubs will provide good links and referral arrangements for national growth programmes, especially those in the Business Growth Service

Applicants under this call will need to:

- demonstrate that the proposed project does not duplicate the Business Growth Service, demonstrating in particular how operations will complement and align with the Business Growth Service to deliver additional outcomes. This will be particularly important in cases where projects seek to provide related services e.g. business advice, consultancy, mentoring and peer-to-peer support and leadership and management coaching/advice to growth potential Small and Medium sized Enterprises or supply chain development;
- demonstrate how activity and delivery will be integrated with the business-led, single point of access Growth Hub in the area covered by this call and work locally with all business support provision provided by local public and private sector partners. Where relevant, further detail on Growth Hubs is set out below and in the Annex at the end of this document.

1.3.1 Investment Priority 3a *-Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.* ***Specific objective:*** *Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups*.

Scope of activity:

Indicative actions to be supported by the European Regional Development Fund may include:

- Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture;
- Provision of advice and support for entrepreneurship and self-employment in particular amongst under-represented groups by developing entrepreneurial skills and attitudes with a focus on increasing the number of business start-ups;
- Provision of advice and support for new business start-ups to survive and grow;
- Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans;
- Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth;
- Grants to support productive investment; and
- Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space.

Projects will support individuals with ambitions to start up a business, and Small and Medium sized Enterprises in the early stage of operation. This includes social enterprises and those wishing to set up social enterprises.

Local Context:

Business start-up rates in general fell sharply in Coventry & Warwickshire in the wake of the 2008 economic downturn. Rates in Coventry only returned to 2004 levels in 2011 whilst others, Stratford upon Avon and Warwick, have yet to regain lost ground. Business formation is characterised by high rates of churn in Coventry & Warwickshire, so high start-up rates are offset by failures. European Structural Investment Funds will support business start-up activities to equip local people with the confidence, knowledge and skills necessary to start and sustain a new enterprise, coupled with tailored support for businesses in their first three years of trading.

This call for proposals aims to address these shortfalls and is seeking applications that will prioritise:

- Support for individuals looking to start and grow a business through capability building
- Access to finance to help overcome the hurdle of start-up costs

- Post start support for those new businesses with identifiable growth ambitions or employment potential
- Specialist support for social enterprise start-up and growth, especially for marginalised groups
- Efficient local referral routes to public and privates suppliers of business support services including knowledge transfer and innovation
- Directly linking growing businesses to the employment support services (for example, apprenticeships offered by Coventry & Warwickshire Local Enterprise Partnership partners

Small and Medium sized Enterprises. European Regional Development Fund
1.3.2. Investment Priority 3d - *Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes* ***Specific objective:*** *Increase growth capability of Small and Medium sized Enterprises.*

Scope of activity

Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include but are not limited to:

- Provision of efficient local referral routes to ensure that Small and Medium sized Enterprises are able to identify and access the most appropriate and tailored support for their specific growth needs;
- Support Small and Medium sized Enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance;
- Attracting new business investments to England;
- Advice and support for businesses to become investment ready;
- Provision of advice, consultancy, mentoring and peer-to-peer support to indigenous businesses and inward investors (Small and Medium sized Enterprises from outside the European Union who will move to England);
- Leadership and management coaching where connected to the development and implementation of a business growth plan;
- Targeted grant schemes to support productive investment; and
- Provision of advice and consultancy on access to finance.

Activities will target domestic and foreign-owned Small and Medium sized Enterprises, including Social Enterprises.

Local Context:

It is recognised that economic resilience and business growth is a more significant challenge among businesses with lower levels of employment (less than 5

employees) and low turnover (less than £250,000 per annum). At the same time, there is a strong representation in Coventry and Warwickshire of employment in Advanced Manufacturing and Engineering. Alongside this there is strong Forecast growth in employment and gross value added in Information Technology Services and Health. However there is insufficient support provision to growth sectors that will drive Employment and Gross Value Added. On this basis, the programme will include a priority sector focus that removes barriers to growth for Small and Medium sized Enterprises in sectors with ambitious growth potential.

This call for proposals aims to address these shortfalls and is seeking applications that will prioritise:

Growing Businesses

- General business coaching support to Small and Medium sized Enterprises that have identifiable growth plans and especially around the topics clearly with Small and Medium sized Enterprise growth e.g. sales and marketing; increasing adoption of digital technologies; management development and workforce expansion.
- Efficient local referral routes – signposting service - to public and private suppliers of business support services, including knowledge transfer and innovation
- Directly linking growing businesses to the employment support services
- Programmes to help businesses identify the opportunities afforded through the adoption of new technologies or making better use of what is used currently.
- The provision of specialist Information and Communication Technology business advisers to provide an 'honest broker' role for Small and Medium sized Enterprises in diagnosing business need and sourcing suitable suppliers.

Investing Businesses

- Access to Finance that includes business grants
- Development and facilitation of business networks that drive innovation, collaboration, research and, crucially, supply chain development. In particular, there is scope for supporting the Information and Communication Technology supplier and developer industry, especially in terms of business strategy and operational management.
- Activities that attract businesses from the Local Enterprise Partnership priority sectors to Coventry & Warwickshire
- Provision of sector specific support for product and process innovation and the facilitation of business to business collaboration

2. Call Requirements

All Applications are competitive.

- An *indicative* budget of £6.01m has been allocated to this call. This is intended as a guide and may be reviewed;
- Proposals should only contain activities which are eligible for European Regional Development Fund;
- Proposals should be for a minimum of £500,000 European Regional Development Fund;
- Applicants will need to have eligible match funding for the balance of costs which must be from a source other than the European Union;
- Operations should be capable of providing coverage of the whole or part of the Coventry and Warwickshire Local Enterprise Partnership area;
- All procurement must demonstrate compliance with European Union regulations;
- Applicants must demonstrate compliance with State Aid law; and
- All expenditure and activities will be subject to rigorous audit and non-compliance may lead to financial penalty.

European Regional Development Fund cannot be used to duplicate existing activities or activities that do not address market failure. European Regional Development Fund can only be used to achieve additional activity or bring forward activity more quickly. Applicants must be able to demonstrate that proposals are additional to activity that would have occurred anyway or enables activity to be brought forward and delivered more quickly than otherwise would be the case in response to opportunity or demand.

The proposed project must not duplicate or undermine existing business support services operating nationally or locally.

For projects including premises, applicants will be required to demonstrate that there is demand that is not met by existing supply. There are further additional requirements for business incubators set out in the Operational Programme 'Guiding Principles' section for Priority Axis 3.

3. Required Deliverables

Operations will be expected to achieve the following Programme Deliverables. The definitions of which can be accessed at the European Regional Development Fund Operational Programme. The targets are indicative and subject to final confirmation.

ID	Indicator
C1	Number of enterprises receiving support
C3	Number of enterprises receiving financial support other than grants
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises
C28	Number of enterprises supported to introduce new to the market products
C29	Number of enterprises supported to introduce new to the firm products
P2	Public or commercial buildings built or renovated

Applicants will need to be able to demonstrate how they will achieve the deliverables committed to within their proposal along with any methodology used to record it. Applicants will also need to ensure robust systems are in place, and be able to describe them, to capture and record the targets and to report qualitative and quantitative performance across the relevant Local Enterprise Partnership areas. All operations will be required to collect data and report progress against the deliverables with each claim. Where an operation underperforms against their deliverables they may be subject to a performance penalty.

There must be a fully evidenced audit trail for all contracted deliverables.

4. General Information

Essential information to support the drafting of an application and delivery of a successful European Regional Development Fund funded project is available at the European Growth Funding website pages.

4.1. Compliance and Eligibility

When developing an application, Applicants should refer to guidance on eligible Applicants, activities and costs. These are for guidance only and Applicants should take their own specialist advice if in doubt. It is the responsibility of the Applicant to

ensure that the rules and guidance are adhered to both at application stage and following approval.

European Structural and Investment Funds are governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation listed in the 'key documents' section prior to submitting an Outline application. If successful, Applicants will enter into the standard Funding Agreement and must abide by the standard terms and conditions contained therein. Applicants are therefore strongly advised to read these terms and conditions to ensure that they would be able to enter into such an agreement prior to responding to the call. Once a Funding Agreement has been issued it should be signed and returned within a short timescale.

4.2. Intervention Rate & Match Funding

European Regional Development Fund is the funding which is used where no other funding can be obtained (the funder of last resort). The maximum European Regional Development Fund contribution rate for the operation is 50%. This means European Regional Development Fund can contribute **up to** 50% of the total eligible project costs subject to State Aid regulations. The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed. The remaining 50% or more must come from other eligible sources.

European Regional Development Fund is not paid in advance and expenditure must be defrayed prior to the submission of any claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

4.3. Applicants

Applicants must be legally constituted at the point of signing a Funding Agreement, and be able to enter into a legally binding Funding Agreement. The Applicant will be the organisation that, if the application is successful, enters into a contract for European Regional Development Fund and therefore carries the liability for ensuring that the terms of the European Regional Development Fund Funding Agreement are met by them and to all delivery partners. If there is more than one organisation applying for the funds, a lead organisation must be selected to become the Applicant. It is this organisation that carries the responsibility and liability for carrying out a compliant project.

The Managing Authority will consider the Applicant's track record, both positive and negative. If the Applicant has been involved in the delivery of previous European grants and any irregularities with this (these) grant(s) have been identified, the Managing Authority will look into these and expect to see how and what steps have been taken to ensure that these have been addressed to mitigate the risk of further irregularities in the future. It is acknowledged that some organisations will be new to European Structural and Investment Funds funding and will not have a track record.

4.4. Cross Cutting Themes/Horizontal Principles

All applications received under this call should demonstrate how the Cross Cutting Themes have been addressed in the project design and development. Cross cutting themes for European Regional Development Fund are 'equality and anti-discrimination' and 'sustainable development'. Further information is available in the European Regional Development Fund Operational Programme.

4.5. State Aid & Revenue Generation

Applicants are required, in the Outline Application, to provide a view on how their proposal complies with State Aid law. Applicants must ensure that projects comply with the law on State Aid.[3] Grant funding to any economic undertaking which is state aid can only be awarded if it is compatible aid, in that it complies with the terms of a notified scheme or is covered by the De Minimis Regulation. Guidance for grant recipients, explaining more about State Aid, is available; it is important that Applicants take responsibility for understanding the importance of the State Aid rules and securing their full compliance with them throughout the project, if it is selected into the Programme.

The Managing Authority is not able to give legal advice on State Aid. It is the responsibility of the Applicant to ensure that the operation is State Aid compliant.

Where the Applicant does not perceive that there is any State Aid, it should state whether or not it considers Articles 61 and 65(8) of regulation 1303/2013 to apply. This revenue should be taken into account in calculating eligible expenditure. Article 61 refers to monitoring revenues generated after completion of the project, and Article 65(8) how to deal with differences in the forecast and actual revenues at the end of the operation. The details of this will be tested at the full application stage.

4.6. Funding Agreement

The Funding Agreement is a standard, non-negotiable and legally binding document. Any successful Applicant will be subject to the terms and conditions contained within this agreement. Applicants are strongly advised to seek their own advice to ensure that they would be able to enter into and abide by the terms of the Funding Agreement.

[3] Article 107(1) of the Treaty on the Functioning of the European Union provides that: "Save as otherwise provided in the Treaties, any aid granted by a Member State or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market."

Failure to meet any of the conditions of the agreement or the commitments within the application will result in claw back of funding.

Applicants should be aware that additional provisions and securities may be included within the Funding Agreement to protect the investment. These will be further discussed if relevant following the Full Application stage.

4.7. Procurement

All costs delivered by the Grant Recipient (the Applicant) and/or delivery partners must be delivered on an actual cost basis. Other costs must be procured in line with EU regulations. The most common error identified during audit has been failure to comply with relevant procurement regulations and crucially to maintain a full audit trail to prove that they have complied with the relevant regulation. Robust and transparent procurement is required to ensure that Grant Recipients:

- Consider value for money;
- Maximise efficient use of public money; and
- Maintain competitiveness and fairness across the European Union.

It is recommended that Applicants seek their own legal advice pertaining to their procurement and requirements to publicise any tendering opportunities.

The Managing Authority is not able to give legal advice on procurement. It is the responsibility of the Applicant to ensure the project is compliant in this respect.

5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process; Outline Application and if successful, Full Application. Applicants must fully complete the Outline Application via LOGASnet (section 9 refers). Guidance is available on the European Growth Funding website pages. Applications will be subject to a Gateway Assessment undertaken by the Managing Authority under the following criteria:

- Applicant eligibility;
- Activity and expenditure eligibility; and
- The fit with the European Regional Development Fund OP and the call.

Proposals that pass the Gateway Assessment will move into the Core Assessment which consists of the following:

- Strategic fit;
- Value for money;
- Management & control;
- Deliverability;

- Procurement / tendering; and
- State Aid compliance.

The Managing Authority will seek advice from partners when considering applications to ensure its assessment is informed by local economic growth conditions and opportunities within the context of Operational Programmes and the local European Structural and Investment Funds Strategy. This will include the relevant Local Enterprise Partnership Area European Structural and Investment Funds Committee and other partners deemed relevant to the application.

The assessment and any prioritisation will be undertaken using only the information supplied as part of the application process. The Managing Authority cannot accept further detail outside this process.

Non-public sector Applicants who are successful at the Outline Application stage may be subject to due financial diligence checks by the Managing Authority, prior to submission of a Full Application. Applicants will be required to submit accounts, and to clarify financial or other organisational information. New Applicant organisations may be required to provide details of a guarantor.

6. Support

Please note that this is a competitive call and to preserve impartiality we are unable to enter into correspondence with applicants over their Outline application. Details of where guidance can be found are contained throughout this calls document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: WM.ERDFenquiries@communities.gsi.gov.uk.

7. Key Documents

- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural and Investment Funds Strategy;
- Eligibility Guidance; and
- Target Definitions.

8. Document Checklist

Failure to provide the following documentation will result in the application being rejected

Outline Stage:

- Fully completed Outline Application;
- Financial Tables;
- Outputs, Results and Indicators Tables; and
- Three years financial accounts (if private or voluntary and community sector).

9. Document Submission

Completed Outline Applications must be submitted via the LOGASnet system.

Please note that Applicants will require a user ID and password in order to access the LOGASnet system. Details on how to register on the system can be found on the GOV.UK website European Growth Funding website pages. Please allow up to 10 days to receive your login details.

10. Timescales

Launch of Call advertised on gov.uk.	27th March 2015
Deadline for submission of Outline Application	29th May 2015

Outline Application forms not received by the deadline will not be assessed. Outline Applications which are not fully completed will be excluded.

For this call applications will normally be required to **commence delivery/activity within three months** of the award of contract.

Any changes related to the deadline for the submission of the Outline Application form will be notified on the European Growth Funding website pages.

11. Formal Agreement of the European Regional Development Fund Operational Programme

The information and references in the call are based on the latest version of the European Regional Development Fund Operational Programme and are correct at the time of publishing. The Operational Programme may be subject to further amendment during its final negotiations with the European Commission, and subsequent calls will reflect any changes, to the extent that they may affect the terms of calls, that are made. In relation to the present call, the Managing Authority will take the possibility of relevant changes to the Programme into account when assessing outline and full applications, and where such changes occur will notify Applicants of any issues that arise, and propose a method of dealing with them.

ANNEX

2014-20 ERDF FUNDING FOR GROWTH HUB ACTIVITIES

Growth hubs will ensure that support for business is simpler, more joined up and easier to access. Some will also provide targeted support to businesses tailored to local needs e.g. priority sectors, groups. In the new 2014-20 ERDF Programme period, some growth hubs will have a physical presence in the local area for businesses to seek advice, support and to network whilst others will offer a virtual service.

Although growth hubs are open to all businesses, regardless of size or sector, they will be able to offer ERDF-funded support only to eligible SMEs under ERDF Priority Axis 3. LEPs and other partners in some localities have therefore sought clarification as to whether the 2014-20 ERDF Programme for England can be used to fund the following activities:

- Signposting and diagnostic activity (e.g. salary costs associated with to face-to-face business advisers, telephone support services)
- Facilitation of peer to peer networking events
- Growth hub marketing activity
- Website development/ maintenance and/or enhancements/development of new on-line tools
- Back office, administration
- Management of the growth hub

DCLG has therefore worked with BIS to produce this Annex on growth hub activities and how they may be supported by ERDF.

ERDF objectives

Where growth hub activity is eligible for ERDF support, it will be supported under Priority Axis 3 of the ERDF Operational Programme which is designed to improve the competitiveness of SMEs by increasing the capacity and capability of SMEs and promoting entrepreneurship. Its investment priorities and specific objectives are:

Investment Priority 3a - *Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.* ***Specific objective:*** *Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.*

Investment Priority 3c - *Supporting the creation and the extension of advanced capacities for products, services and development.* ***Specific objective:*** *Increase the growth capacity of small and medium sized enterprises.*

Investment Priority 3d - *Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes.* ***Specific objective:*** *Increase growth capability of small and medium sized enterprises.*

Eligibility of growth hub activities for ERDF support

LEPs and other partners are asked to note:

1. ERDF requires minimum match funding of between 20% and 50%, depending on where in England the growth hub is located. As a result, a robust match funding package needs to be in place for a project to proceed.
2. ERDF, the match funding and associated outputs must be accounted for and auditable, so transparent reporting systems for both funding and impacts will need to be in place.
3. As a general principle, ERDF can support core functions (and revenue costs) of growth hubs, where they directly contribute to Operational Programme activity and outputs.
4. Any ERDF support under Priority Axis 3 is limited to ERDF-eligible sectors, SMEs (not large companies) and potential entrepreneurs. This means that a universal offer for *all* businesses cannot be funded by ERDF – we can only fund those parts that provide support to eligible potential entrepreneurs or enterprises.
5. Delivery of information, diagnosis, brokerage (IDB) is permitted, however, integrated delivery *with* further support, advice or grant is preferred (for reasons of practicality, deliverability and VFM), rather than standalone IDB.
6. Growth hub staff directly associated with the delivery of ERDF project activity are eligible for ERDF support, e.g. staff costs for posts directly related to the ERDF project in terms of project delivery, management, co-ordination and monitoring; and posts directly related to referrals, signposting and diagnosis of needs of SMEs and potential entrepreneurs eligible for support from ERDF.
7. Growth hub marketing collateral, website content and tools where developed specifically for the purpose of helping to deliver ERDF Operational Programme activity and outputs may be supported.
8. Partnership development between Growth Hubs and organisations/institutions involved in providing business support that involves agreeing appropriate referral mechanisms that are clearly linked to signposting and IDB for eligible SMEs and outputs under ERDF Priority Axis 3 may be supported.
9. 15% flat rate overheads are available (based on 15% of direct staff costs) and cover eligible overheads and back office costs – for example, indirect staff costs such as receptionists, HR, legal, procurement support,

governance and partnership development time (also see 7 and 8 above), IT, shared premises costs and other associated costs.

ERDF will **not** be able to support generalised local growth hub activity that does not deliver support to eligible individuals or enterprises, such as:

a. Support for strategy development (including sector strategies).

b. Support to simplify the business support landscape (e.g. mapping), except where this relates to the development of referrals and protocols linked to ERDF project delivery and eligible ERDF SMEs e.g. integration of Business Growth Service (BGS).

c. Support for research or other development activity for the growth hub and/or LEP, including annual review of growth hub performance.

d. General growth hub website maintenance and tools development unrelated to the delivery of the ERDF Operational Programme.

e. Support for general growth hub partnership activity and governance.

Inevitably, this will result in some functions (or parts thereof) of each growth hub that must be funded from other sources, such as private contributions or other public funds, in line with the sustainability principle set out in the BIS grant offer letters for 2015-16 funding. Your BIS Local Manager will engage with and support each LEP and broader partnership in this process.