



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

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Fund:	European Regional Development Fund
Priority Axis:	Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises
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1. Call Context

The 2014 to 2020 European Structural and Investment Funds bring the European Regional Development, European Social Fund and part of the European Agricultural Fund for Rural Development together into a single European Union Structural and 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 (TEA) rate, excluding a jump in 2012, there has been a steady increase in the Total 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 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 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 advantage of globalisation by attracting high growth and innovative Small and

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

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 Enterprise GVA 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 GVA 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 Priority 3c. 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 ERDF Eligibility Rules Guidance). Bids which deviate from this will be received, but should provide an explanation for this approach. See below for further details.

The Solent has a high level of dependency on both large businesses and the public sector. Business density is low, with 593 businesses per 10,000 population,

compared with 693 in the South East. The number of business births, as a percentage of the business stock, in the Solent Local Enterprise Partnership area (10.0%) is lower than the national average (11.4%) and significantly below the rate found in successful economies, such as London (14.6%) which are characterised by high rates of business start-ups and deaths. Although business survival rates are broadly in line with the national average, between 2008 and 2011, the number of active businesses in the Solent area fell by 2.3%, due to a decline in the number of business start-ups, from 6,800 in 2007 to 5,800 in 2011³.

This trend is starting to reverse and the business base is starting to broaden through fostering start-ups and the growth of existing Small and Medium Sized Enterprises. There is a need to safeguard Small and Medium Sized Enterprises within supply chains, helping them to diversify, reduce their dependency on the public sector and single large enterprises and to strengthen their international trade links.

Business support is currently delivered by many different local and national organisations. Too many enterprises have difficulty in navigating this fragmented landscape and are unaware of the help that is available to them. During the European Structural and Investment Funds Strategy consultation process, feedback showed enthusiasm for increasing the accessibility and depth of business support and advice.

Details of the local European Structural and Investment Funds Strategy can be found at http://solentlep.org.uk/uploads/documents/Solent_EU_SIF_Strategy_-_19.05_2014.pdf

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

³ ONS Business Demography

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 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.*

Scope of activity:

Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include:

- Provision of advice to develop new business models or higher quality products, processes or services;
- Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice;
- Advice to improve business processes and workforce development;
- Advice and support for supply chain interventions to strengthen and grow the domestic supplier base;
- Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects; and
- Provision of independent access to finance advice.

Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including social enterprises.

Local Context:

Partners within the Solent area are developing a Solent Business Growth Hub. The provision brings together the services that businesses need to start up and grow

and acts as a 'one-stop' shop for existing businesses, foreign investors and exporters.

This call aims to address identified shortfalls in support for Small and Medium Sized Enterprises based in the Solent Local Enterprise Partnership area and is seeking to support a project which will support the continuation of the Solent Business Growth Hub. Activity will include, but not exclusively, the following:

- Act as a single point of contact in the Solent Local Enterprise Partnership area through which all enterprises, including social enterprises, will be able to access advice and information on local and national support programmes;
- Help enterprises based in the Solent Local Enterprise Partnership area to become 'finance ready', with strong business plans capable of attracting finance from banks, business angels, equity finance, Bridging the Gaps programme and Access to Finance initiative;
- Make appropriate referrals, where beneficial, e.g. to the Office for Civil Society's £10m three-year Investment and Contract Readiness Fund, which supports social ventures to build their capacity to receive investment and bid for public service contracts;
- Assist new business start-ups in the Solent Local Enterprise Partnership area;
- Provide a signposting for inward investment initiatives in the Solent Local Enterprise Partnership area;
- Extend the reach of, and amplify services offered through, the Business Growth Service;
- Sign-post Solent based businesses to skills and workforce development advice and training opportunities;
- Help Solent based businesses to become more competitive by reducing their resource inputs through the adoption of renewable and low carbon fuels and by providing advice and support in energy efficient practice, e.g. designing out waste and the recovery of 'waste' heat energy;
- Support to the Solent Marine and Maritime sector through networking, supply chain development, peer-to-peer mentoring and collaboration with centres of excellence, such as the Southampton Marine and Maritime Institute (SMMI);
- Assist Solent based Small and Medium Sized Enterprises to help develop and implement strategies focused on:
 - e-commerce and the extension of markets; and

- improving the efficiency of business processes, through the activities such as web-based invoicing, cloud computing, borderless collaboration and flexible/remote working⁴;
- Maximise higher education institute engagement and facilitate access to innovation and RTD support, including the European Structural and Investment Funds funded Solent Innovation programme for Solent based Small and Medium Sized Enterprises; and
- Act as a focal point for Small and Medium Sized Enterprise innovation and an access route to a range of support, including vouchers for: consultancy from academic specialists; research and development; use of specialist facilities and equipment; technical validation of a technology; innovation or technology audits; or the design, prototyping and testing of new products, services or processes.

The Solent Business Hub will not replicate or replace existing services, products or networks. It will provide a neutral platform that will co-ordinate and add to existing activity, no matter who is delivering it, in response to demand from individual businesses.

It is expected that the Solent Business Support Hub will incorporate:

- a central 'one-stop shop' function (providing telephone advice, marketing and signposting etc);
- a Solent Inward investment function to be located in the Solent Local Enterprise Partnership area; and
- staff within incubation and specialist centres, such as sector-based organisations and higher education institutes, who will work under the auspices of the Hub, developing offers for enterprises, in line with the expertise of their organisations.

Due to the proposed size and functions of the Solent Business Support Hub, applications for funding will need to:

- ensure that the model builds on existing good practice; and
- ensure that the Hub incorporates the broader partnership of organisations supporting business.

Social Enterprise can play a valuable role in tackling social inclusion and creating opportunities for people who are most disadvantaged in society and therefore applicants bidding for European Regional Development Fund funding to deliver the

⁴ As this will form an integral part of its offer, the delivery of ICT support activities has been included within the Solent Business Growth Hub.

Solent Business Support Hub will need to demonstrate a commitment to develop a strand of activity focused on supporting Social Enterprise.

2. Call Requirements

All Applications are competitive.

- An *indicative* budget range of £1,000,000 to £1,800,000 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;
- 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.

The European Regional Development Fund cannot be used to duplicate existing activities or activities that do not address market failure. The 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.

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.

Investment Priority 3c

ID	Indicator
C1	Number of enterprises receiving support
C3	Number of enterprises receiving financial support other than grants
C5	Number of new enterprises supported
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products

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.⁵ 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.

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

⁵ 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."

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: SE.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.	27 th March 2015
Deadline for submission of Outline Application	29 th 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.