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:	**OC24R16P 0329**
Local Enterprise Partnership Area:	**New Anglia**
LEP Area Indicative Fund Allocation:	**£2,800,000**
Call Open:	**14 April 2016**
Call Closes:	**23:59 on 27 May 2016**

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ANNEX 23

1. Introduction

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 and Investment Funds Growth Programme for England supporting the key growth priorities of innovation, research and development, support for Small and Medium Sized 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. These Departments are the Managing Authorities for each Fund. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. In some other areas, Intermediate Bodies are being designated by the Department for Communities and Local Government and the Department for Work and Pensions to perform certain tasks:

- Input into project calls in respect of local development needs (with reference to ESI Funds Strategies); and
- Assessment of applications against certain selection criteria in relation to fit with local priorities in respect of the European Regional Development Fund and European Social Fund.

The Managing Authorities and Intermediate Bodies 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 (or Intermediate Bodies where designated) in the development of project calls that reflect Operational Programme and local development needs as well as match funding opportunities; and
- Advice on local economic growth conditions and opportunities within the context of the Operational Programme and the local European Structural and Investment Fund Strategy to aid the Managing Authorities' (or Intermediate Bodies where designated) 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 for England 2014 to 2020.

2. Call Context

On behalf of the national Growth Programme Board, the Department for Communities and Local Government (the Managing Authority) invites applications seeking European Regional Development Fund support under:

Priority Axis 3 **Enhancing the Competitiveness of Small and Medium Sized Enterprises**

Investment Priorities:

3a Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

3c Supporting the creation and the extension of advanced capacities for products, services and development.

3d Supporting the capacity of Small and Medium Sized Enterprises to grow in regional, national and international markets and to engage in innovation processes

The **European Regional Development Fund Operational Programme for England 2014 to 2020** sets out how the European Regional Development Fund will focus on investment to support economic growth and job creation. **Priority Axis 3** of the Operational Programme aims to improve the competiveness of Small and Medium Sized Enterprises by increasing capacity and capability and promoting entrepreneurship.

Any application for funding will be required to clearly demonstrate that it meets the requirement of, and makes a meaningful contribution to, the delivery of the relevant Priority Axis of the European Regional Development Fund Operational Programme.

In addition, applications will be expected to meet identified local development need, as expressed in the scope of this call and as set out in the New Anglia European Structural and Investment Funds Strategy.

Applicants are advised to familiarise themselves with the detail of the Operational Programme, local European Structural and Investment Funds Strategy and the relevant documentation listed in sections 5 through to 8 ***prior to*** submitting an Outline Application.

Government is working with Local Enterprise Partnership (LEPs) across England to establish a network of private sector-led Growth Hubs connecting businesses to the right support including access to local and Government funded support services. Applicants under this call will need to demonstrate how activity and delivery will be co-ordinated and made accessible through the Growth Hub in the LEP area covered

by this call. Applicants will also need to demonstrate how they will work locally with their Growth Hub and all business support provision provided by local public and private sector partners and not duplicate any existing services, including that provided by the Growth Hub. Where relevant, further detail on Growth Hubs is set out below and in the Annex at the end.

Export advice is provided by UK Trade & Investment through contracts for International Trade Services and UK Export Finance.

3. Scope of the Call

3.1. Scope

This call invites Outline Applications which support the delivery of **Priority Axis 3** of the European Regional Development Fund Operational Programme and responds to the local development need set out in the New Anglia **European Structural and Investment Funds Strategy.**

Indicative Fund Allocation:	Indicatively, through this call the Managing Authority expects to allocate up to £2,800,000. The Managing Authority reserves the right to increase or decrease the indicative allocation, or support more or fewer projects subject to the volume and quality of proposals received. There is no indicative allocation of European Regional Development Fund funding between capital and revenue activity, both capital and revenue is eligible dependent on the nature of activities/Investment Priorities set out in the call.
Minimum application level	European Regional Development Fund investment is intended to make a significant impact on local growth. Applications are expected to demonstrate appropriate scale and impact. The Managing Authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. Consequently projects with a total value of less than £1,000,000 will not be supported under this call.

Duration of project approvals	Projects should be for a maximum of three years, however the Managing Authority reserves the right to vary the maximum duration in exceptional circumstances.
Geographical Scope	All interventions are confined to activity and beneficiaries within England. Projects should predominantly support businesses based within any part of the Local Enterprise Partnership area.
Specific call requirements	None
Call Deadlines	For this specific call, applications will be assessed after the close of the single deadline. Applications received after the published call close date will not be considered. All applications will be assessed following closure of the call.

3.2. Local Development Need

Projects must deliver activity which directly contributes to the objectives of Priority Axis 3 of the Operational Programme, one or more of the relevant Investment Priorities and meet the **local development need** expressed in the table below.

LOCAL DEVELOPMENT NEED
Local Economic Context : There were 54,800 active enterprises in the New Anglia area in 2011 according to official estimates (Office for National Statistics Business Counts). This equates to 34 enterprises per 1,000 of population. This places New Anglia on an equal footing with the national average, which is also 34 enterprises per 1,000 population. The area's rate of enterprises per capita is above the Lincolnshire area (31) but below Essex County (37), and Greater Cambridge and Greater Peterborough (38). Norfolk had 28,890 active enterprises in 2011 equating to 34 enterprises per 1,000 of population, and Suffolk had 25,910 active enterprises (35 per 1,000 of population.) New Anglia's business stock demonstrated growth between 2004 and 2008 – adding another 2,580 businesses over this period, representing a total growth of 4.5%. However, during and post-recession, the business stock contracted by -3.3%, falling by 1,845 between 2008 and 2011. New Anglia's growth rate in business stock was below the national average (England) in all years from 2004 to 2011. New Anglia is slightly less entrepreneurial than the national average in terms of business births and deaths. Overall, over the eight year period, business start-up and closure activity has been lower in New Anglia than nationally – as demonstrated by lower business churn rates. Over this period, in every year up to and including 2007, business births exceeded deaths. From 2008 onwards, the reverse has been the case.

There has been a clear deterioration in business survival during and post recession. The one-year survival rate of businesses born in 2006 was 97% in the New Anglia area. By 2010 this had fallen to 89%. Significantly, the recession and slow recovery has impacted on survival rates of established young businesses, and not just in early stage start-ups. Businesses established in the New Anglia area in 2006 enjoyed a 3 year survival rate of 68% in 2009; whereas those established in 2008 experienced a lower survival rate of 63%. It is clear that the market and business environment has been tougher from 2008 onwards, and this is reflected in business survival rates.

Productivity in New Anglia lags behind the national average, with the productivity gap widening post-recession. Norfolk and Suffolk's productivity in terms of gross value added per hour worked, at £24.30 and £25.10 respectively in 2011 is below the average for England of £27.70 per hour. Up until 2008, although gross value added per hour worked was consistently between 9 and 10% below the national average, the productivity gap was not growing, as productivity growth rates were on a par with national growth. However, from 2009 onwards, the productivity gap has increased; from 10.5% in 2007 in Norfolk, to 11.7% in 2009, 12.0% in 2010 and 12.3% in 2011. Although Suffolk's productivity gap is lower, it has also increased since 2008.

Specific Local Objectives for Priority Axis 3 are:

- To increase the number of start-ups and early stage business survival rates.
- To reduce the number of business closures.
- To increase the number of businesses securing finance for growth.
- To create a business finance landscape which provides sustainable opportunities for businesses at all stages of development to access growth support.
- To increase the GVA per capita of local businesses to match at least the national average.
- SMEs to be at the heart of underlining New Anglia's commitment to the green economy.
- Achieved through intensive and coherent programmes to improve productivity through investment in resource and process efficiency.

The New Anglia ESIF Strategy makes clear its ambition to supplement mainstream business support activity with complementary and bespoke community-led interventions that empower local communities and businesses to shape their local economic conditions by offering support to businesses which adds value to other services and promotes a 'sense of place'. Previous experience in New Anglia suggests that community-led growth, where people can direct and influence investment-making, can deliver effective, well-targeted projects which are owned by the local community and can operate alongside larger-scale interventions.

Local Priorities:

Proposals should demonstrate alignment with local development need and priorities including:

It is the intention of this Call to bring forward activities that can robustly demonstrate an involvement and ownership by local communities, including businesses, in the design and delivery of projects. Applications should show how local people will influence and affect the change that is being sought.

Interventions should add value to other local provision and address issues that are not adequately addressed through other ERDF provision or mainstream programmes; are tailored to local area characteristics and need, and empower people and communities to provide longer term sustainable benefits.

It is expected that projects will define a specific geographical area(s) for the delivery of activities addressing the business support needs identified in that area and align with the following local development needs and priorities:

- Targeted engagement, outreach and mentoring activity that seeks to promote entrepreneurship and self –employment, particularly amongst under-represented groups, leading to new businesses being created;
- Tailored business support activity, mentoring and coaching where this is demonstrated to be additional to other services on offer;
- Small grants for SMEs to support productive investment, such as in equipment and premises;
- Support for clustering, networking, cooperation or local supply chain development and collaboration;
- Support for new forms of enterprise (including the social economy and social enterprise);
- Provision of multi-faceted support for growing existing businesses, start-up and early stage business creation and development;
- Provision of advice and support 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;
- 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 for Small and Medium Sized Enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance;
- Increase the provision of business support and finance for all stages of business start-up, development and growth and for investment in improving productivity, business and resource efficiency, including support for investment readiness;
- Action for supporting more SMEs to develop focused growth strategies for

their business.

- Facilitation of business and community networks to work collaboratively to help sustain the positive impact of the project's benefits.

Four complementary Calls for Proposals under European Social Fund (ESF) Priority Axes 1 and 2 have also been published with the following call reference numbers:

- OC24S16P0293
- OC24S16P0294
- OC24S16P0295
- OC24S16P0296

Please note that potential applicants in New Anglia seeking to submit projects under Priority Axis 3 that do not meet the requirement to demonstrate community involvement and ownership in their activities, a further Priority Axis 3 Call has also been published with call reference number OC24R16P 0334.

3.3. Operational Programme Investment Priorities

Applications must specify the activities to be delivered and are expected to directly contribute to **one or more** of the following Investment Priorities:

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 Objectives	Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.

Indicative Actions	Under this investment priority 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 • Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth • Grants to support productive investment • Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space Operations will support individuals with ambitions to start up a business, and Small and Medium Sized Enterprises in the early stage of operation. These include social enterprises and those wishing to set up social enterprises.

Investment Priority	**3c –Supporting the creation and extension of advanced capacities for products, services and development.**
Specific Objectives	Increase the growth capacity of small and medium sized enterprises.
Indicative Actions	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 • Attracting new foreign direct investment into England through, for example, promotion of business collaborations (Small and Medium Sized Enterprises to Prime/Original Equipment Manufacturers, Small and Medium Sized Enterprise to Small and Medium Sized Enterprise), supply chain initiatives, sectoral and research and innovation propositions linked to smart specialisation and "soft landings[1]". • Ensuring Small and Medium Sized Enterprises have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity • Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects • Grant finance for business to invest for product, process and service improvements • Provision of independent access to finance advice. • Provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space. • Activities will target domestic and foreign-owned Small

[1] The terminology is widely used in foreign direct investment contexts. "Soft landings" are outlined here - http://www.know-hub.eu/knowledge-base/videos/soft-landing-scheme.html

	and Medium Sized Enterprises, including social 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 Objectives	Increase the growth capability of Small and Medium Sized Enterprises.
Indicative Actions	The support provided through this specific objective will help businesses to develop their internal capability in order to improve their productivity, grow and create jobs: Under this investment priority indicative actions to be supported by European Regional Development Fund may include: • 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, including through, for example, cluster and sector initiatives, collaborations with trade associations and inward missions. • Advice and support for Small and Medium Sized Enterprises to enter, establish and expand in new domestic and international markets. • 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 • Support events, trade fairs and missions to enable Small and Medium Sized Enterprises to enter, establish and expand in new domestic and international markets • Targeted grant schemes to support productive investment • Provision of advice and consultancy on access to finance Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including Social Enterprises. Activity under this investment priority will focus primarily on addressing the barriers that business face in identifying, accessing and understanding the different types of finance that is available.

4. Required Outputs under this Call

Projects must deliver against the Priority Axis 3 outputs of the European Regional Development Fund 2014 to 2020 Operational Programme. For projects coming forward under this call the expected outputs and results are:

ID	Output Indicator
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C4	Number of enterprises receiving non-financial support
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
P11	Number of potential entrepreneurs assisted to be enterprise ready
P13	Number of enterprises receiving Information, Diagnostic and Brokerage support

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund, will achieve the outputs committed to within the proposal. The application should clearly state the methodology used to determine the levels of outputs proposed.

All operations will be required to report regularly on progress toward achievement of targets. This will need to include both quantitative and qualitative data relevant to the appropriate geographical areas. Applicants will need to explain how they will collect and record this information to maintain a fully evidenced audit trail. It should be noted that if an operation fails to deliver contracted outputs, a performance penalty may apply.

5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process;

(i) Outline Application and, if successful
(ii) Full Application.

Acceptance of an Outline Application to progress to full application stage does not in any way indicate or constitute an offer of European Regional Development Fund grant.

Applicants must fully complete the Outline Application which will be assessed by the Managing Authority against all of the national Selection Criteria expect where an Intermediate Body has been designated to assess against some of the selection criteria. Where an Intermediate Body has been designated to undertake delegated

tasks, the Intermediate Body will undertake the assessment against those selection criteria in relation to fit with local priorities.

Outline Applications will be assessed in two stages, Gateway assessment and Core assessment.

The Gateway assessment is undertaken by the Managing Authorities and considers:

- applicant eligibility;
- activity and expenditure eligibility; and
- fit with the National Operational Programme and the local development need set out in section 2.

Applications that fail the Gateway assessment undertaken by the Managing Authority will be rejected. Applications which pass the Gateway assessment will then be assessed by the Managing Authority in relation to all Core assessment criteria.

In areas where an Intermediate Body has been designated, the following will apply:

The Intermediate Body will assess the application against the following Core assessment criteria:

- Local Strategic Fit

The Managing Authority will assess the application against the following Core assessment criteria:

- National Strategic Fit
- Value for money
- Management and control
- Deliverability
- Compliance
    - Procurement
    - State Aid
    - Publicity requirements
- Cross cutting themes
    - Environmental sustainability
    - Equal Opportunities

The Intermediate Body will also provide advice to the Managing Authority to assist the Managing Authority to make its assessment against the following Core selection criteria:

- Value for money
- Deliverability

Having assessed projects against these criteria the relevant Local Economic Partnership area European Structural and Investment Fund Sub-Committee will advise the Managing Authority or Intermediate Body as relevant on the contribution to local economic growth conditions and opportunities within the context of the Operational Programme and local European Structural and Investment Fund Strategy to aid the Managing Authority's assessments (at outline and full application stage).

Having concluded their assessments the Managing Authority and the Intermediate Body will prioritise the applications they wish to proceed based on their assessment against their respective selection criteria. Only projects that the Managing Authority and the Intermediate Body each agree should proceed, based on their respective core selection criteria, will be invited to submit a full application. Subsequently only those full applications that the Managing Authority and the Intermediate Body each agree should proceed, based on their respective selection criteria, will be approved.

Please note that the Managing Authority's decision is final and there are no appeals. If you wish to complain about the calls and application process, please follow the procedure set out at https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/complaints-procedure

6. General Information

6.1. National Eligibility Rules

When developing an application, Applicants must refer to the National Eligibility Rules setting out the requirements of the 2014-2020 European Regional Development Fund Programme. It is the responsibility of the Applicant to ensure that the Rules are adhered to both at application stage and following approval. Failure to do so can lead to financial penalties leading to recovery of up to 100% of grant. Applicants are strongly advised to seek specialist advice if in doubt on any requirement.

European Regional Development Fund eligibility rules apply to ***all*** project spend within the eligible costs, including match funding.

The European Regional Development Fund is governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation, (Section 8 Key Document refers) prior to submitting an Outline Application. If successful, Applicants will enter into a 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 are 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 30 days, unless otherwise agreed with the Managing Authority.

6.2. Eligible Applicants

Section 4 of the National Eligibility Rules sets out who is eligible to apply.

Applicants must be legally constituted at the point of signing a Funding Agreement. If the application is approved the Applicant organisation will enter into a legally binding Funding Agreement and therefore will carry the liability for ensuring that the terms and conditions of the Funding Agreement are met.

If there is more than one organisation applying for the funds, a lead organisation must be selected to become the Applicant with the remaining organisation(s) acting as Delivery Partner(s). In this situation the Applicant would be responsible and liable for the Delivery Partner(s) and ensuring the project is operating compliantly.

During the application process 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 have been identified, the Managing Authority will expect to see how and what steps have been taken to ensure that the risk of further irregularities in the future is mitigated. It is acknowledged that some organisations will be new to European Structural and Investment Funds funding and will not have a track record.

6.3. Contribution Rate & Match Funding

European Regional Development Fund is normally expected to intervene where no other funding can be obtained (i.e. the funder of last resort). The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed.

The maximum Contribution Rate is 50% of the total eligible project costs subject to State Aid regulations.

The remaining 50% or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. Applicants will need to demonstrate that they have eligible match funding in place for the balance of costs. Other European Union funds cannot be used as a source of match funding.

European Regional Development Fund investment is limited by State Aid regulations and where the award of European Regional Development Fund would constitute State Aid the European Regional Development Fund grant rate may fall below the 50% maximum.

European Regional Development Fund is paid quarterly in arrears and expenditure must be defrayed prior to the submission of any Grant claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

6.4. Project Timescales

European Regional Development Fund funding will normally be approved for three years, however the Managing Authority reserves the right to extend the contract term in exceptional circumstances.

Projects approved through this call are expected to:

- Submit a detailed and complete full application within three months of formal selection at outline stage. Projects which fail to meet this deadline may be deselected,
- Commence delivery (defraying European Regional Development Fund eligible costs) within three months of formal approval. Projects which fail to meet this deadline may be deselected, and
- Be completed by June 2023.

6.5. Capital Projects

Applicants seeking European Regional Development Fund to support a capital project (i.e. land and/or property) will need to meet Building Research Establishment Environmental Assessment Method or Civil Engineering Environmental Quality Assessment 'Excellent' for new builds and 'Very Good' for refurbishments. Applicants will need to provide evidence of how they will achieve the rating required (unless otherwise agreed with the Managing Authority).

Applicants will need to demonstrate that they have the rights and permissions to undertake the project and must provide:

- Proof of current interest in the land and/or property, which includes evidence of the freehold ownership or any lease arrangements that may be in place; and
- Evidence of the approval of any planning permission, or in certain circumstances a clear statement on the process for securing such consents and any risks to the project.

Royal Institute of British Architects Stage D costs must be supplied with the Full Application and be certified by an independent Quantity Surveyor and Land/Property contributions certified by a Real Estate Valuation expert who are current and chartered members of the Royal Institute of Chartered Surveyors/ Chartered Institute of Builders or equivalent body.

Successful Applicants will be required to provide security to the Managing Authority in the form of a Legal Charge and/or Deed of Covenant over the land and/or property. Applicants will be responsible for registering the charge at their own cost.

6.6. 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.

6.7. Additionality, Duplication and Displacement

Additionality is a core principle of European Regional Development Funding. Applicants must be able to demonstrate that the activity paid for out of European Regional Development Funding adds value to new or existing activity. Projects need to demonstrate that without the support of European Regional Development Funding the activity would not have taken place.

European Regional Development Funding cannot support activities that duplicate existing provision/services within the region.

Applications need to identify and evidence how the beneficiaries will use the service and demonstrate that the project does not displace other activity available in the market place.

6.8. 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.[2] 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

[2] 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."

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. 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. This revenue should be taken into account in calculating eligible expenditure. The details of this will be tested at the full application stage.

6.9. 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 relevant advice to ensure that they would be able to enter into and abide by the terms of the Funding Agreement.

Applicants are advised that additional provisions and securities may be included within the Funding Agreement to protect the investment. Detailed advice will be given if appropriate at the Full Application stage.

Failure to meet any of the conditions of the Funding Agreement or the commitments within the application will result in claw back of the Grant (which may include interest).

6.10. Procurement

All costs claimed by the Applicant (Grant Recipient and/or Delivery Partner(s)) must be recovered on an actual cost basis. Other costs must be procured in line with National (including Public Procurement Regulation 2015) and European Union regulations. Procurement will be subject to audit and verification and any irregularity will result in financial penalty of up to 100% of the grant paid. 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 **strongly recommended** that Applicants seek and follow legal advice in respect of procurement requirements. Procurement irregularities remain the most substantive cause of error and clawback of grant.

7. Support

Please note that this is a competitive call and to preserve impartiality the Managing Authority and, where appropriate, the Intermediate Body are unable to enter into correspondence with applicants over their Outline Application. Details of where guidance can be found are contained throughout this call document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: EE.ESIF@communities.gsi.gov.uk.

8. Key Documents

- European Regional Development Fund Operational Programme;
- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural and Investment Funds Strategy;
- Eligibility Guidance;
- Target Definitions; and
- Funding Agreement (Revenue and/or Capital).

9. Document Checklist

Incomplete applications will be rejected. Please ensure the following information (documents) are submitted.

Outline Stage:

- Fully completed Outline Application;
- Financial Tables; and
- Outputs, Results and Indicators Tables.

10. Document Submission

Completed Outline Applications must be submitted via **email** to the address in Section 7.

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 Funding Agreement.

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

ANNEX

2014-20 EUROPEAN REGIONAL DEVELOPMENT 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 European Regional Development Fund 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 European Regional Development Fund support only to eligible small and medium sized enterprises under European Regional Development Fund Priority Axis 3. Local Enterprise Partnerships and other partners in some localities have therefore sought clarification as to whether the 2014-20 European Regional Development Fund 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

The Department for Communities and Local Government has therefore worked with The Department for Business, Innovation and Skills (BIS) to produce this Annex on growth hub activities and how they may be supported by European Regional Development Fund.

European Regional Development Fund objectives

Where growth hub activity is eligible for European Regional Development Fund support, it will be supported under Priority Axis 3 of the European Regional Development Fund Operational Programme which is designed 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

Eligibility of growth hub activities for European Regional Development Fund support

LEPs and other partners are asked to note:

1. European Regional Development Fund 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. European Regional Development Fund, 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, European Regional Development Fund can support core functions (and revenue costs) of growth hubs, where they directly contribute to Operational Programme activity and outputs.

4. Any European Regional Development Fund support under Priority Axis 3 is limited to European Regional Development Fund-eligible sectors, small and medium sized enterprises (not large companies) and potential entrepreneurs. This means that a universal offer for all businesses cannot be funded by European Regional Development Fund – we can only fund those parts that provide support to eligible potential entrepreneurs or enterprises.

5. Delivery of information, diagnosis, brokerage is permitted, however, integrated delivery with further support, advice or grant is preferred (for reasons of practicality, deliverability and Value for Money), rather than standalone information, diagnosis, brokerage.

6. Growth hub staff directly associated with the delivery of European Regional Development Fund project activity are eligible for European Regional Development Fund support, e.g. staff costs for posts directly related to the European Regional Development Fund project in terms of project delivery, management, co-ordination and monitoring; and posts directly related to referrals, signposting and diagnosis of needs of small and medium sized enterprises and potential entrepreneurs eligible for support from European Regional Development Fund.

7. Growth hub marketing collateral, website content and tools where developed specifically for the purpose of helping to deliver European Regional Development Fund 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 small and medium sized enterprises and outputs under European Regional Development Fund 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, Human Resources, legal, procurement support, governance and partnership development time (also see 7 and 8 above), Information Technology, shared premises costs and other associated costs.

European Regional Development Fund 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 European Regional Development Fund project delivery and eligible European Regional Development Fund small and medium sized enterprises.

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

d. General growth hub website maintenance and tools development unrelated to the delivery of the European Regional Development Fund 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 Department for Business, Innovation and Skills Local Manager will engage with and support each Local Enterprise Partnership and broader partnership in this process.