



HM 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

<b>Managing Authority:</b>	<b>Department for Communities and Local Government</b>
<b>Fund:</b>	<b>European Regional Development Fund</b>
<b>Priority Axis:</b>	<b>Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises</b>
<b>Call Reference:</b>	<b>OC21R16P0466</b>
<b>Local Enterprise Partnership Area:</b>	<b>Leicester &amp; Leicestershire</b>
<b>LEP Area Indicative Fund Allocation:</b>	<b>£5,000,000</b>
<b>Call Open:</b>	<b>Friday 16 December 2016</b>
<b>Call Closes:</b>	<b>23:59 Friday 17 February 2017</b>

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# 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 Government has confirmed that it will guarantee EU funding for structural and investment fund projects signed before the UK's departure from the EU, even when these projects continue after we have left the EU.

As a result, British businesses and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Funding for projects will be honoured by the government, if they meet good value for money and are in line with domestic strategic priorities. Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. The full detail of the announcement can be found at the following website link: <http://tinyurl.com/h977fw4>

The Funds are managed by the Department for Communities and Local Government for the European Regional Development Fund, Department for Work and Pensions for the European Social Fund and the Department for Environment, Food and Rural Affairs for the 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 the following 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 on ESI Funds sub-committees in each Local Enterprise Partnership area. Partners on these sub-committees 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 Funds 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.

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 enhance the competitiveness of small and medium sized enterprises.

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 needs, as expressed in the scope of this call and as set out in the [Local Enterprise Partnership area](#) 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. The Greater London Authority work with a number of additional organisations providing export advice. Contact the Greater London Authority for further details.

### 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 respond to the local development need set out in the [Local Enterprise Partnership area](#) European Structural and Investment Funds Strategy.

<p><b>Indicative Fund Allocation:</b></p>	<p>Indicatively, through this call the Managing Authority expects to allocate up to £5,000,000</p> <p>The Managing Authority reserves the right to invite to full application (and subsequently approve) projects that have a cumulative value that is higher or lower than this indicative allocation, subject to the volume and quality of proposals received. The Managing Authority may also decide to place some projects submitted through this call on a reserve list and invite them to proceed at a later date, subject to the availability of funding.</p> <p>There is no indicative allocation of European Regional Development Fund funding between capital and revenue activity, both capital and revenue is eligible dependent on</p>
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	the nature of activities/Investment Priorities set out in the call.
<b>Minimum application level</b>	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 normally be supported under this call
<b>Duration of project activity</b>	Projects should plan to deliver activity for a maximum of three years, however the Managing Authority reserves the right to vary the maximum duration, upwards or downwards.
<b>Geographical Scope</b>	<p>The England European Regional Development Fund Operational Programme operates on a National basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the Local Enterprise Partnership area of this call.</p>
<b>Specific call requirements</b>	<p>This Call is divided into three opportunities within the Leicester &amp; Leicestershire Enterprise Partnership area:</p> <ul style="list-style-type: none"> <li>• Investment Priority 3a – Capital Grow-on / Incubator Space (£2,000,000):</li> </ul> <p>This element of the call is aimed at increasing grow-on space for existing businesses. The call includes refurbishments as well as new build. Applications would be welcome where they support or are linked to one or more of the Leicester and Leicestershire Enterprise Partnership’s specific growth sectors.</p> <ul style="list-style-type: none"> <li>• Investment Priority-3a – Business Start-Up Support (£2,000,000)</li> </ul> <p>This element of the call is aimed at providing support for individuals to start a business with a particular focus on those disadvantaged groups in Leicester &amp; Leicestershire as set out in England’s European Regional Development Fund Operational Programme and the Leicester and Leicestershire Enterprise Partnership European Structural and Investment Fund Strategy who would benefit from tailored / bespoke business support.</p>

	<ul style="list-style-type: none"> <li>Investment Priority-3c – In-depth Sector Support (£1,000,000)</li> </ul> <p>This element of the call is seeking activities to support small and medium sized enterprises in the Creative industries and / or Advanced Manufacturing and Engineering sectors.</p> <p><b>Good value for money and alignment with domestic strategic priorities</b> will form a key part of the assessment and appraisal of all applications. Proposals should therefore ensure that these two conditions are fully and robustly demonstrated.</p>
<b>Call Deadlines</b>	<p>For this specific call, applications will be assessed after the close of the single deadline.</p> <p>Applications received after the published call close date will not be considered. All applications will be assessed following closure of the call.</p>

### 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.

<b>LOCAL DEVELOPMENT NEED</b>
<p><b>Local Growth Priorities:</b></p> <p>Activity under this call will support the delivery of the Actions and Recommendations as set out in the Leicester and Leicestershire Enterprise Partnership European Structural and Investment Fund Strategy, Strategic Economic Plan and 8 Sector Growth Plans – (collectively accounting for <math>\frac{3}{4}</math> of the Leicester and Leicestershire Enterprise Partnership economy) :</p> <ul style="list-style-type: none"> <li>Food &amp; Drink Manufacturing</li> <li>Textile Manufacturing</li> <li>Creative Industries</li> <li>Low Carbon</li> <li>Logistics &amp; Distribution</li> <li>Advanced Manufacturing &amp; Engineering</li> <li>Tourism &amp; Hospitality</li> <li>Professional &amp; Financial Services.</li> </ul> <p>Supporting small and medium sized enterprises and particularly addressing market failure</p>

### Grow-on / Incubator Space - Investment Priority 3a

Access to workspace to facilitate new business setup and expansion has been cited as an issue in Leicester and Leicestershire Enterprise Partnership Business surveys and sector growth plans due to lack of private speculative build in this area of the commercial property market. We are keen to encourage new business establishments both in our priority sectors and across the Leicester and Leicestershire Enterprise Partnership generally. In addition to start-up and incubation space it is also recognised that grow-on space provision for small and medium sized enterprises is limited, consequently restricting business growth in certain geographies. Projects that meet a specific market failure and can demonstrate a demand, primarily from the Leicester and Leicestershire Enterprise Partnership's key growth sectors would be welcomed.

The network of incubation / grow-on centres will be a key focus of activity for the delivery of all business support programmes through the Leicester and Leicestershire Enterprise Partnership Business Gateway. Projects that encourage innovative forms of organisation for business space are encouraged, especially if there is evidence of market failure or under provision. Co-working spaces, grow-on spaces and spaces with access to common sector or technological support that makes businesses more competitive are of particular interest.

### Business Start-Up Support - Investment Priority 3a

The low rate of start-ups in general and the high number of business deaths are pertinent issues, the latter is a particular issue in Leicester for example, which compares relatively poorly against its peer cities. Most of Leicestershire, by contrast has better survival rates but much lower start-up rates. Leicester's multi-cultural community has a strong entrepreneurial culture, and this diversity, resilience and access to a diaspora of markets is something we are keen to celebrate and grow. Evidence suggests that the low rate of business survival is due to the prevalence of start-ups in retail and services industries that are low margin and operate within a highly localised demand structure. This creates vulnerability and results in high rates of business failure after three years.

The Leicester and Leicestershire Enterprise Partnership area does however suffer with pockets of economic inactivity and worklessness, and a lower proportion of women and black and minority ethnic residents participating in the labour market than is representative of the demographic profile. There are also issues of rural social inclusion and relatively low rates of business survival in comparison to the national average.

In addition, the Leicester and Leicestershire Enterprise Partnership area benefits from a relatively young population, and as a result we are keen to support the aspirations of all young entrepreneurs, including graduate spin outs. In common with other areas younger entrepreneurs often have difficulty raising finance.

As well as promoting increases in the number of female owned businesses and



those of Black & Ethnic Minority communities, we would like to see support of individuals / communities where there is evidence of need and demand including community interest companies and other forms of social enterprise.

Whilst we are keen to promote entrepreneurship in general and support the aspirations of all people to start a business, we would like the emphasis of support to be on those individuals with scalable business models which can lead to sustained business growth (be that in jobs or turnover). Importantly beneficiaries of this funding will be referred to relevant business support schemes so that their business can continue to grow.

#### In-depth Sector Support - Investment Priority 3c

A previous call highlighted all of the Leicester and Leicestershire Enterprise Partnerships Growth Sectors for support. This call encourages one or more bids to support activities in more depth. Opportunities in Advanced Manufacturing and / or Creative Sectors have recently been highlighted.

Advanced Manufacturing & Engineering Sector is important to our economy given its strength in the numbers of firms, employees and amount of gross value added generated. The growth in larger sectors locally are in themselves drivers of growth for the whole economy. Supply chain collaborative projects are of special interest.

In comparison, the Creative Industries are dominated by smaller companies. The Sector Growth Plan identifies some prominent creative networks, clusters and some niche sub-sectors ( textiles, cultural activities and professional business services for example), Activities working with firms in these niches and clusters creating platforms for growth and opportunities for further investment would be hugely beneficial, projects that can integrate other creative funding streams are also of interest for this call.

Under this priority axis, providers will be expected to demonstrate their commitment to working within the scope of the Leicester and Leicestershire Enterprise Partnership Business Gateway Partnership Protocols. These can be found here: <https://www.llep.org.uk/content/uploads/2015/07/LLEP-Business-Gateway-partnership-working-protocol-v1-20.07.15-pub.pdf>

#### **Local Priorities:**

##### **Investment Priority 3a: Grow-on / Incubator Space**

- Development of properties which support small and medium sized enterprises: including grow-on space, co-working centres, hubs and hives with shared and low cost facilities and easy –in /out terms for new businesses. An example would be a project which provides grow-on space with flexible terms and conditions for expanding companies in a supportive environment. These can be new build or refurbishments. Where premises are tailored towards start-up businesses such as incubator centres projects should include a business support element.

##### **Investment Priority 3a: Business Start-Up Support**

• Targeted engagement to encourage individuals and in particular underrepresented groups to start successful enterprises using outreach and mentoring to strengthen entrepreneurial behaviour and enterprise culture. The overall outcome of the call must ensure there is provision of advice and support for entrepreneurship and self-employment from under-represented groups including (but not limited to) Women, Black and Minority Ethnic and young people and should demonstrate specific measures of activity tailored to this need. Collaborations between providers with different specialisms would be welcome. Typical programme activities could include:

• Workshop provision: Topics to be covered (not exhaustive) ( a) Knowing your market (market research methods, scalability of idea, and business planning) (b) Sales and marketing ( , targeting customers, keeping customers, marketing tools and techniques); (NB It is expected that direct referrals will be made to the provider of services to be funded under the related Priority Axis 2 call for digital marketing support) (c) The Law and Your Business. (Legal Structure , Regulation, Legal Obligations and Accreditations) (d) Assessment of business model/idea for growth potential and scalability. – including the most appropriate legal form of business e.g. social enterprise / CIC / co-operative etc. (e) Skills Audits and Human Resources (Employer focused examining: existing skills, different options for employing staff. (NB Activity funded here will identify the employer need) Activity funded under the European Social Fund will offer the opportunity to actually use that audit to identify help to address the identified skills need). (f) Finance (Finance Basics e.g. Profit & Loss, cash flow, balance sheets, payment terms, and Financing Options (including accessing financial instruments as/when relevant) / Finding Funds / Investment Readiness) Improving productivity. (Supply chain management, product development.) Premises Options. (Leases and Local opportunities) Referrals to Incubation space / Enterprise centres as suitable for business needs are expected. Business Planning: This will then need to be followed-up through continued individual support offered by an Account Manager and a business mentor. The Account Manager will monitor progress against the action plan and facilitate referrals to other Business Support programmes available via the Business Gateway (including those mentioned above). Mentoring opportunities matched to businesses based on needs identified in their Business Plan; mentors could be both generalist and sector specific. A small grant scheme for new businesses created that will leverage private sector investment and lead to job creation may wish to be considered. Peer-to-Peer Learning: It is vital that these businesses are supported to access further suitable support once having completed the project activity. Successful applicant(s) under this call will be required to utilise the opportunities offered by the existing and new programmes delivered through other European, National and local business support provision. This includes the network of incubation and enterprise centres across the Leicester and Leicestershire Local Enterprise Partnership area. Applicants will need to demonstrate a link to and non-duplication of government schemes e.g. New Enterprise Allowance, Start-up loans. They will also be expected to demonstrate a clear referral route to and be a feeder of local high growth start

up programmes.

### **Investment Priority 3c: In-depth Sector Support**

•Supply Chain and Product Development: bringing together groups of companies supporting a single Original Equipment Manufacturer, (OEM), or first tier supplier to share innovation and enhance productivity; supplier readiness for forthcoming opportunities, including support for companies to obtain quality assurance standards and thresholds; introduce intelligent component tracking and delivery systems, considering patent protection and security against future claims. Activity must support small and medium sized enterprises to identify market opportunities and improve their business practices and innovate. This could include specialist consultancy, benchmarking, peer to peer support and other mentoring activity enabling business to access support and best practice techniques in leadership and management, generate new markets, and adopt new production practices.

•Sector Networks: develop and support peer groups of companies to organise programmes of activity beneficial to the sectors as a whole; platforms for effective business to business exchange, networking, mentoring, showcase events, development of viable sector forums that have a business model which extends beyond the funding, discrete events that help Leicestershire companies undertake collaborative ventures; Projects developing micro-sites/hubs must have tangible links to the Business Gateway and support the gathering of information held centrally by the Business Gateway. This in turn should raise interest in the combined strengths of the sector locally, bringing together small and medium sized enterprises to collaborate in joint ventures and promote local sector strengths and develop combined activities that raise the profile of the area in sectors where there is provenance, specialisation or centre of excellence.

•Finance for growth and productivity: includes understanding and accessing financing options, (including accessing financial instruments as and when relevant) and grant funding. There is a need to provide measures to support and assist business diversification and new products that can increase the prowess of the sector. These options must be careful not to duplicate other programmes already contracted.

- Sector Development Work: Extensive or intensive work with one or two of the sectors taking the above points and creating a programme of activities that develop the sector in a number of ways, perhaps through signing up a group or cohort of firms to improve business growth, business to business networks, develop competitiveness, creativity, innovation and productivity activity. Each service provider will need to demonstrate their commitment to working with Leicester and Leicestershire Enterprise Partnership Skills partners and partnerships to combine opportunities and create joint options for skills and investment .Whilst opportunities to work with other neighbouring Local Enterprise Partnership areas working on similar projects or with national

agencies or representative trade associations with a presence in the nearby area would be welcomed projects will clearly need to demonstrate local impact

### 3.3. Operational Programme Investment Priorities

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

<b>Investment Priority</b>	<b>3a -Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.</b>
<b>Specific Objectives</b>	Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.
<b>Indicative Actions</b>	<p>Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture</li> <li>• 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</li> <li>• Provision of advice and support for new business start-ups to survive and grow</li> <li>• Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans</li> <li>• Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth</li> <li>• Grants to support productive investment</li> <li>• Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space</li> </ul> <p>Operations will support individuals with ambitions to start</p>

	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.
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<b>Investment Priority</b>	<b>3c –Supporting the creation and extension of advanced capacities for products, services and development.</b>
<b>Specific Objectives</b>	Increase the growth capacity of small and medium sized enterprises.
<b>Indicative Actions</b>	<p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Provision of advice to develop new business models or higher quality products, processes or services</li> <li>• Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice,</li> <li>• Advice to improve business processes and workforce development</li> <li>• Advice and support for supply chain interventions to strengthen and grow the domestic supplier base</li> <li>• 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<sup>1</sup>”.</li> <li>• Ensuring Small and Medium Sized Enterprises have</li> </ul>

<sup>1</sup> 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>

	<p>access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity</p> <ul style="list-style-type: none"> <li>• Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects</li> <li>• Grant finance for business to invest for product, process and service improvements</li> <li>• Provision of independent access to finance advice.</li> <li>• Provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space.</li> <li>• Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including social enterprises.</li> </ul>
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## 4. Required Outputs under this Call

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund will achieve the ERDF programme-level outputs for Priority Axis 3.

For projects proposing to deliver activity against more than one Investment Priority, the appropriate outputs should be selected. Project will be required to report on, and evidence, the achievement of the outputs separately under each Investment Priority.

For projects coming forward under this call the expected outputs and results are:

<b>Investment Priority 3a</b>	
Output reference	Name
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C3	Number of enterprises receiving financial support other than 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
P2	Public or commercial buildings built or renovated
P11	Number of potential entrepreneurs assisted to be enterprise ready

<b>Investment Priority 3c</b>	
<b>Output reference</b>	<b>Name</b>
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C3	Number of enterprises receiving financial support other than 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
C29	Number of enterprises supported to introduce new to the firm products
P2	Public or commercial buildings built or renovated
P13	Number of enterprises receiving Information, Diagnostic and Brokerage support

The Managing Authority expects the level of outputs proposed within outline applications to be realistic and achievable and to deliver good value for money. 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](#) except 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 the 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<sup>2</sup> 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:<sup>3</sup>

- 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 Funds 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 Funds 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

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<sup>2</sup> This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

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>

Potential applicants / applicants may wish to take advantage of information and support services funded through ERDF Technical Assistance and available to assist the design and development of compliant projects / applications for ERDF. Details of your local Technical Assistance funded project can be found on the [Technical Assistance website page](#).

## 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 National Eligibility 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 the grant value. If in doubt on any of the requirements, Applicants are strongly advised to seek specialist advice.

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 at the full application stage, Applicants will enter into [a Funding Agreement](#) and must abide by the standard terms and conditions contained therein. Once a Funding Agreement has been issued it should be signed and returned within 30 days, unless otherwise agreed with the Managing Authority. 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.

## 6.2. Eligible Applicants

Section 4 of the [National Eligibility Rules](#) sets out who is eligible to apply. Financial Due Diligence checks will be undertaken on non-public sector Applicants successful at the Outline Application stage.

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 (and Grant Recipient) 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 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 investment must not be used to replace existing funding sources. European Regional Development Fund investment must enable activity to take place that would not otherwise happen or to increase the scope, scale or intensity of activity. 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. During the application process applicants will need to satisfy the Managing Authority that they have, or are able to put in place eligible match funding 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 will normally be 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 closed by June 2023.

#### **6.5. Capital Projects**

In developing the budget for the Outline Application, applicants seeking European Regional Development Fund to support a capital project should note that:

- new build projects will normally be expected to achieve the Building Research Establishment Environmental Assessment Method (BREEAM) rating of 'excellent'; however BREEAM 'very good' will be accepted where this is the maximum feasible standard.
- Refurbishment projects will normally be expected to achieve the BREEAM rating of 'Very Good'.
- Infrastructure projects will normally be expected to achieve the Civil Engineering Environmental Quality Assessment rating of 'Very Good'.

#### **6.6. Cross Cutting Themes/Horizontal Principles**

All applications selected as a result of this call will be required to 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 Section 11 of the [European Regional Development Fund Operational Programme](#).

Some groups lack entrepreneurial understanding and appropriate skills and face entrenched attitudinal barriers. People in difficult social or economic circumstances face barriers to enterprise, but some groups have additional ones – for example women and black and minority ethnic groups are often under-represented in enterprise compared to the wider population, so investments under Priority Axis 3 should actively address barriers to business start-up and other types of business opportunities for such groups.

In providing support for SMEs, applicants under Priority Axis 3 should show, where appropriate, how resource efficiency is embedded into the business support offer.

### **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.

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. 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 under the General Block Exemption Regulation (EU) 651/2014.

Only if this is not possible should Applicants use the De Minimis Regulation or 'no aid'. [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.

### **6.9. 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 a 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;
- 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 grants.

## 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: [EM.ERDFENQUIRIES@communities.gsi.gov.uk](mailto:EM.ERDFENQUIRIES@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;
- 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;
- 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 a 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 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.