

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:	OC35R17P 0562
Local Enterprise Partnership Area:	Thames Valley Berkshire
Area Indicative Fund Allocation:	£2,162,193
Call Open:	Friday 30 June 2017
Call Closes:	23:59 Friday 8 September 2017

Contents

1.	Introduction.....	3
2.	Call Context.....	4
3.	Scope of the Call	5
3.1.	Scope.....	5
3.2.	Local Development Need	7
3.3.	Operational Programme Investment Priorities.....	11
4.	Required Outputs under this Call	12
5.	Application Process and Prioritisation Methodology	13
6.	General Information.....	15
6.1.	National Eligibility Rules	15
6.2.	Eligible applicants	16
6.3.	Contribution rate and match funding	16
6.4.	Project timescales	17
6.5.	Capital projects	17
6.6.	Cross Cutting Themes / Horizontal Principles	18
6.7.	Additionality, duplication and displacement.....	18
6.8.	State Aid and revenue generation.....	18
6.9.	Procurement.....	19
7.	Support.....	19
8.	Key Documents	19
9.	Document Checklist.....	20
10.	Document Submission.....	20
	ANNEX.....	21

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](#).

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:

- 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 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 [Thames Valley Berkshire LEP 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 local enterprise partnership 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 [Thames Valley Berkshire LEP Area](#) European Structural and Investment Funds strategy.

Indicative fund allocation:	<p>Indicatively, through this call the managing authority expects to allocate up to £2,162,193.</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 the nature of activities / investment priorities set out in the call.</p>
------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 normally be supported under this call
Duration of project activity	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.
Geographical scope	<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 Thames Valley Berkshire Local Enterprise Partnership (LEP) area of this call.</p>
Specific call requirements	<p>Applicants should identify how funding will be allocated across all aspects of the respective work streams/activities and target areas.</p> <p>The aim of Call is to secure a service that strengthens that of the Berkshire Business Growth Hub and Thames Valley Chamber of Commerce. In this regard, creative, collaborative bids are strongly encouraged. Thames Valley Berkshire LEP area is particularly looking for applicants with a proven track record of delivering trade and inward investment services.</p> <p>All activities should contribute to the implementation of the Thames Valley Berkshire ESIF Strategy and Strategic Economic Plan, the goal of which is a net Gross Value Added (GVA) uplift of well over £700m by 2021 - to sustain the area's status as the most productive sub region in the UK.</p>
Call deadlines	<p>For this specific call, applications will be assessed after the close of the single deadline on 8 September 2017.</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.

Local Development Need
<p>Local growth priorities:</p> <p>Local Economic Context</p> <p>The aim of this Call is to augment the Business Growth Hub service by:</p> <ul style="list-style-type: none">• supporting SMEs to 'Scale-Up', through a strong local entrepreneurial eco-system• helping innovative companies export/export more• securing more Inward Investment in the area. <p>Market failure to be addressed by this Call</p> <p>A strong entrepreneurial eco-system is one in which resources (including knowledge, talent and finance) are effectively allocated to high potential ventures to enable them to grow rapidly. Market failure occurs when the eco-system does not function effectively. This Call aims to improve the Berkshire entrepreneurial eco-system by:</p> <ul style="list-style-type: none">• Improving access to peer-to-peer business networks specifically for fast-growing firms (which include mentors who have experience of successfully scaling a business themselves)• Improving access to business support services designed to help companies grow• Supporting high growth potential companies to secure entry to new markets, particularly international ones, via export strategies• Strategically communicating success to raise the ambition of local companies, increase perceptions of what is possible and identify expertise that could help. <p>Economic data to support market failure</p> <p>International evidence shows that when more and more firms grow more and more rapidly, sustained regional prosperity is more likely. Indigenous growing firms are essential. Many of them are young, but some are old. Many are in high tech industries but many are in basic industries. Growth leads to innovation¹.</p>

¹ Dan Isenberg, Professor of Entrepreneurship Practice at Babson Executive Education, Driving Economic Growth through Scale-Up Business and Ecosystems Workshop September 2016

The UK is a success story built on business start-ups, ranking 3rd out of 18 developed countries, according to OECD research. However, it fares less well in terms of scaling up those start-ups (ranking 13th)².

In its 2017 'Building Our Industrial Strategy Green Paper', the government recognises the importance of helping more companies to Scale-Up and identified Local Enterprise Partnerships and Growth Hubs as key players in achieving this.

According to research recently published by the Enterprise Research Centre (ERC), in 2016 Thames Valley Berkshire LEP area was ranked second only to London in terms of new UK-owned firms starting-up (with 63 firm 'births' per 10,000 population). However, a comparatively low proportion of new start-ups in Berkshire experience 'initial scaling' (ranking 29 out of 39 LEP areas³). Berkshire performs better in terms of firms 'stepping up' to the next stage of growth⁴ (ranking 4th).

Using the OECD Scale-Up definition⁵, Thames Valley Berkshire ranks well in UK terms (4th out of 39 LEP areas). However, the proportion of firms in Berkshire that are classified as Scale-Ups using this definition is falling (from 8.5% in 2011/14 to 7.3% in 2013/16).

When taking into account high growth amongst firms with less than 10 employees in the first year (which the US Bureau of Labor Statistics argues is a more meaningful measure) Berkshire performs far less well, ranking 38th out of 39 LEP areas.

So, whilst the start-up and Scale-Up headlines can look positive for Berkshire, the picture is not all rosy and suggests a particular need to help more early-stage Berkshire firms to undertake 'initial scaling'.

In addition, currently available definitions and data can be rather crude measures. As ERC state, what is clear is *'the importance of developing a growth pipeline of ambitious business leaders ranging from nascent entrepreneurs, new business owners and established businesses and understanding the drivers of bursts or episodes of high-growth in a business over a long time period'*⁶.

In terms of barriers to growth (market failure) a survey of 400 SMEs from Thames Valley Berkshire, who used the government's now-defunct Growth Accelerator service between 2012 and mid-2015 found that around 40% (two in every five) firms identified skills & staff, finance, sales & marketing or strategy & management as holding them back.

Entering and expanding within the export market is one way in which firms can achieve growth.

² OECD (2014) Chiara Criscuolo, Peter N. Gal and Carlo Menon, The Dynamics of Employment Growth: New Evidence from 18 Countries

³ UK-owned firms born in 2013 and surviving to 2016 that grow to £1m+ turnover in 2016 and had a turnover <£500k in 2013

⁴ Firms with turnover of £1-2m per annum in 2013 that grow to at least £3m turnover in 2016

⁵ as annualised average growth in employment of 20% or more over a three year period and restricted to a business having at least 10 employees in year 1

⁶ ERC (2017) High performing firms and job creation: a longitudinal analysis (1998-2013)

One of the 10 pillars of the government's Industrial Strategy Green Paper is to: *“Encourage trade and inward investment – use government policy to help boost productivity and growth across our economy...”*.

It is therefore recognised that SMEs in the area need support in realising their growth ambitions, in particular exporting to improve their trade position in terms of both access to and from international markets. The LEP area needs to capitalise more on existing assets, such as its proximity to London Heathrow Airport and the planned extension and new runway. These will provide additional and new routes to international markets for existing companies located in the Thames Valley Berkshire LEP area and contribute to attracting inward investment into the sub region.

In terms of exporting, some 59% or about £4 billion, of Berkshire's annual exports of goods went to the European Union in 2015 (latest available HMRC data). This is a higher proportion than the South East average of 47%. Germany was the main destination in the European Union, accounting for 13% of total export value, followed by Belgium (9%) and France (9%). Outside the European Union, exports to the United States accounted for 13% of the total export value. Just over half exports (in terms of value) were classified as 'machinery and transport'. 20% were classified as 'chemicals'.

Following the vote to leave the European Union, the importance of increasing exports and supporting companies to export, both to existing markets and new markets has intensified, as has the need for Foreign Direct Investment (FDI).

Local priorities:

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

Thames Valley Berkshire LEP is already seeking to increase the proportion of firms involved in exporting, through its Business Growth Hub service, and is supported by the Thames Valley Chamber of Commerce, as a proven deliverer of export services.

Many of the elements of a 'Scale-up service' are already available from a variety of providers but are not packaged and marketed specifically to the Scale-up community. Thames Valley Berkshire LEP want to do more to help these ambitious SMEs achieve their growth potential. Responses to this Call should therefore demonstrate an ability to connect high growth SMEs with the best support mechanisms at every stage of their growth journey, including leveraging of existing local and international networks.

The successful applicant (responding to this Call) will be expected to either complement or extend this commitment by co-ordinating delivery between the three strands of activity, i.e. scale-up, export and inward investment. It is expected that this activity will take place in partnership with the Berkshire Business Growth Hub and (potentially) Henley Business School.

The successful applicant should consider how data would be shared with the

Berkshire Business Growth Hub and Thames Valley Berkshire LEP and how employer contacts and activity would be input on the Growth Hub and Thames Valley Berkshire LEP Customer Relationship Management (CRM) systems. The data will be used to support referrals from the Growth Hub, a joined-up approach to employer engagement and to support Thames Valley Berkshire LEP area wide marketing campaigns promoting business support products and skills e.g. apprenticeships. The successful applicant is expected to work proactively with the Business Growth Hub and Thames Valley Berkshire LEP to support business simplification and effective engagement of employers.

Local solutions will be based on recommendations by the Scale-Up Institute, and activities could include:

1. Improving the Berkshire entrepreneurial eco-system:

- Working with data from government to identify Scale-Ups in Thames Valley Berkshire LEP area
- Developing a closer relationship with Scale-Ups in Thames Valley Berkshire LEP area to understand/identify their individual challenges/needs
- Facilitating a 'Scale-Up Club' that offers a programme with contributions from subject experts, industry experts, sources of funding, corporates, etc.
- Enabling the mentoring of Scale-ups by more established business leaders
- Enabling the mentoring of Start-Ups - by Scale-Ups - to ensure a pipeline
- Raising the profile of/showcasing Scale-Ups locally to inspire others
- Potential access to market and industry data.

2. Enhancing Business Support services for Scale-Ups:

- Improving access to existing business support services
- Identifying gaps in provision and working with providers to develop any new services necessary
- Providing a suite of products/services to Scale-Up businesses, potentially covering:
 - Advice
 - Export, Supply Chain, University R&D and innovation strategies
 - Dedicated adviser(s)/non-executive directors
 - Finance
 - Fast track route when applying for funding through the Business Growth Hub
 - Skills
 - Leadership team profiling to understand leadership styles, characteristics that will drive growth, gaps in skills etc
 - Leadership & management support in partnership with Henley Business School
 - Infrastructure - office space/property advice

Key outputs might include:

- Increase in turnover in excess of market and/or industry averages
- Additional GVA in excess of industry benchmarks

- New high knowledge jobs
- Increase in new funds invested in growth projects
- New contracts secured
- Increase in number of exporters
- Increase in number of referrals in to Growth Hub, Finance South East, University, Science Park etc from banks & other services providers
- Number of Scale-Ups investing in strategic training to build the capacity in management teams to better manage growth

Local priorities should not:

Duplicate other programmes of support related to International Trade and Inward Investment. This includes European Union/European Regional Development Fund International Trade support projects already contracted via the Department for Communities and Local Government (DCLG), Department for Business, Energy and Industrial Strategy (BEIS), Department for International Trade (DIT) and country specific initiatives such as the Association of South East Asian Nations (ASEAN) Business Development Support.

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:

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	<p>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:</p> <p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • 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;

	<ul style="list-style-type: none"> • 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 EU 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; <p>Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 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:

Investment Priority 3d	
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

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.

Projects will only be supported if they demonstrate good value for money. An important consideration when assessing value for money is the level of European Regional Development Fund outputs that the project would deliver.

The managing authority has not set specific output targets for this call and does not publish average or expected unit costs.

The local European Structural and Investment Fund strategy for each local enterprise partnership Area includes details of the local, notional European Regional Development Fund allocation to each priority axis and the type and number of European Regional Development Fund outputs that are expected in return for this investment.

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 body⁷ 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:⁸

- National strategic fit;
- Value for money;
- Management and control;
- Deliverability;
- Compliance;
 - Procurement
 - State Aid
 - Publicity requirements
- Cross cutting themes; and
 - 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:

⁷ This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

- Value for money; and
- Deliverability.

Having assessed projects against these criteria the relevant local enterprise 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 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 to 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 that are successful at the outline application stage. Checks will be carried out following notification of a successful outline application and may exclude applicants from further consideration. These checks will include assessment of the applicant's financial standing including ability to deal with cost overruns, the ability to cash flow a project in arrears and absorb a financial irregularity.

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 and 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 EU 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'; and

- 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 small and medium sized enterprises, 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 and 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 EU 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; and
- Maintain competitiveness and fairness across the EU.

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: GSE.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; 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 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 to 2020 European Regional Development Funding for Growth Hubs

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 to 2020 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 to 2020 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; and
- Management of the growth hub.

The Department for Communities and Local Government has therefore worked with The Department for Business, Energy and Industrial Strategy (BEIS) 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

Local enterprise partnerships 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.