

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:	OC50R17P 0626
Local Enterprise Partnership Area:	Leeds City Region Humber York, North Yorkshire and East Riding
Area Indicative Fund Allocation:	£1,000,000 of which: <ul style="list-style-type: none"> • Leeds City Region: £500,000 • Humber: £200,000 • York, North Yorkshire and East Riding: £300,000
Call Open:	Wednesday 6 September 2017
Call Closes:	23:59 on Friday 10 November 2017

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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](#).

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:

- 3c** Supporting the creation and the extension of advanced capacities for products, services and development.
- 3d** Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes

The **European Regional Development Fund operational programme for England 2014 to 2020** sets out how the European Regional Development Fund will focus on investment to support economic growth and job creation. **Priority Axis 3** of the operational programme aims to 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 [Leeds City Region](#); [York](#).

[North Yorkshire and East Riding](#); [The Humber](#) 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 [Leeds City Region](#); [York, North Yorkshire and East Riding](#); [The Humber](#) European Structural and Investment Funds strategy.

Indicative fund allocation:	Indicatively, through this call the managing authority expects to allocate up to £1,000,000 of which: <ul style="list-style-type: none">• £500,000 is made available in Leeds City Region (more developed region);• £200,000 is made available in the Humber (transition region);• £300,000 is made available in York, North Yorkshire and East Riding of which indicatively £56,000 is available in the transition and £244,000 in the more developed regions.
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	<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	<p>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.</p>
Duration of project activity	<p>As the call is specifically to extend provision geographically in line with other approved provision. Funding agreements will be let with an end date of 30 September 2019.</p>
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 local enterprise partnership areas specified within this call.</p>
Specific call requirements	<p>Applicants should note that:</p> <ul style="list-style-type: none"> • This call is seeking proposal(s) to extend the provision of manufacturing support to SME's in the three LEP areas specified in this call. • The Managing Authority expects to award a single contract to be delivered for a 19 month period from April 2018 to September 2019. • Proposals should encompass the full geographical

coverage of the three participating LEP areas of: Leeds City Region; The Humber and; York, North Yorkshire and East Riding.

- Activities supported under this call must complement and not duplicate wider business support activity and other ESIF investments taking place in the three LEP areas specified in this call. Applicants are therefore encouraged to engage with each of the local enterprise partnerships concerned prior to submitting an application.
- Applications should explain how proposed activities will align with local Growth Hubs to ensure: (i) local priorities and needs will be met; and (ii) the proactive referrals of small and medium sized enterprises to and from the Growth Hubs to enable on-going support of local small and medium sized enterprises to maximise opportunities of growth. Preference will be given to applications that demonstrate evidence of engagement and alignment with local Growth Hubs.
- Where appropriate, all applicants should articulate within their application how they are going to work with and alongside national and local manufacturing knowledge base institutions and networks, including the High Value Manufacturing Catapult Centres to ensure the provision of effective referral routes that enable small and medium sized manufacturers to identify and access the most appropriate and tailored support to develop and adopt advanced manufacturing capabilities that maximise opportunities of growth.
- Applicants are encouraged to engage with local ESIF Technical Assistance support to assist with the development of their Application(s). Technical Assistance support is available in The Humber and York and North Yorkshire LEP areas through the ESIF Technical Assistance Partnership managed by the East Riding of Yorkshire Council.

Please note: Value for Money and alignment with Strategic Domestic Priorities will form a key part of the assessment and appraisal of all applications. Therefore proposals should clearly articulate and demonstrate how activities align with domestic strategic priorities and offer good value for money.

Call deadlines	<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>
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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>National Context</p> <p>This call supports small and medium sized enterprise manufacturing businesses (subject to sector eligibility) through enhancing and/or complementing existing manufacturing support provision.</p> <p>The United Kingdom manufacturing sector is diverse, comprising a wide-ranging number of different industries, technologies and activities. Alongside established industries such as food and drink, aerospace, pharmaceuticals, electronics and automotive, new industries are beginning to develop based around new emerging technologies. These include low carbon, industrial biotechnology, nano-technology, digital and advanced materials such as composites.</p> <p>In 2013, manufacturing was the third largest sector in the United Kingdom economy, after business services and the wholesale/retail sector in terms of share of United Kingdom Gross Domestic Product. It generated some £148bn in gross value added, representing just over 10% of the United Kingdom economy. It also employed some 2.6 million people¹. However, it is recognised that faced with increased competition from emerging economies, United Kingdom manufacturers must continue to develop their productive capabilities in order to remain internationally competitive².</p> <p>Activities to be supported under this call are expected to:</p> <ul style="list-style-type: none"> • deliver strategic and technical support to manufacturing small and medium sized enterprises tailored to suit the needs of individual businesses and address local sector needs; • drive business growth by supporting manufacturers achieve real and quantifiable improvements in productivity and competitiveness;

¹ Strengthening UK manufacturing supply chains: an action plan for government and industry, February 2015 (BIS/15/6)

² BIS Economics Paper No 10A: Manufacturing in the UK: An economic analysis of the sector, Dec 2010, BIS

- provide more strategic and in-depth interventions to manufacturing small and medium sized enterprises with the capacity and ambition to develop advanced manufacturing capabilities and compete internationally;
- deliver supply chain interventions to strengthen and grow the domestic supplier base including local clusters in support of Industrial Strategy priorities

Local Context

Leeds City Region

Leeds City Region is the biggest city region economy in the country, with an annual output of £64.5bn representing 5% of the English total. It hosts 121,000 businesses, 3 million residents and a workforce of 1.4m. Nine Higher Education institutions and 14 Further Education Colleges are based in the City Region, which is home to a student population of around 230,000.

Despite the City Region's undoubted economic strengths and assets, it is not realising its full potential. The decline of heavy industry has left a legacy of pockets of serious deprivation and an economy that is less productive than those in many other parts of the country. The LEP's revised vision for the City Region is ***to be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone***. This revised vision places a greater emphasis on "good growth", where a radical uplift in growth, productivity and business success goes hand in hand with quality jobs that connect all people and places to opportunity and improved quality of life. Achieving the vision will mean that the economy becomes stronger, more dynamic and resilient, and will be on course to consistently improve performance compared to national averages and international competitors over time.

The original Leeds City Region Strategic Economic Plan (SEP) was agreed in 2014, and is now updated to reflect the new focus on good growth and to account for economic change since the initial publication. The SEP continues to be based on the four inter-connected strategic investment priorities:

- **PRIORITY 1:** Growing Businesses
- **PRIORITY 2:** Skilled People, Better Jobs
- **PRIORITY 3:** Clean Energy and Environmental Resilience
- **PRIORITY 4:** Infrastructure for Growth

Challenges

Leeds City Region has the largest manufacturing sector in the country outside London with 7,400 businesses (6% of the business base), 144,000 employees (10.5% of the LCR workforce) and a GVA contribution of £7.7bn (accounting for 12% of LCR's output). There are a number of strong and often inter-connected sub-sectors, including: automotive, aerospace, telecommunications, food and drink, textiles, medical components and equipment, chemicals and bio-technologies. This diversity has enabled the manufacturing sector in LCR to remain relatively healthy in the recent difficult economic period due to there being no reliance on a particular

sub-sector, or, on a small number of very large Original Equipment Manufacturers (OEMs).

As a result, the Leeds City Region manufacturing sector is characterised by a very large number of SMEs, many of which operate simultaneously in a number of different sub-sectors e.g. textiles firms supplying medical equipment and aerospace sub-sectors, and automotive firms supplying the energy and food and drink sub-sectors. Therefore, the size and flexibility of the SME manufacturing base puts it in a strong position to benefit from business growth interventions that will add value to the wider growth and prosperity of the city region through for instance, supply chain opportunities.

The Humber

The Humber economy is characterised by high concentrations of SMEs - 81.1% of businesses have fewer than ten employees. Ensuring the right conditions for SMEs to thrive is, therefore, of great importance to our economy.

In 2015, there were 35,490 businesses in the Humber. Business density rose sharply to 62.1 businesses per 1,000 working age residents, which is a consequence of a 9.1% increase in total business stock (almost 3,000 new businesses) and decreases in the working age population. The Humber is notably higher than regional average and has significantly narrowed the gap on the national average which stands at 71.8 businesses per 1,000 working age residents.

The Humber does, however, still lag behind the national average and in 2015, the Humber would need to create an additional 5,610 businesses in order to match the national average for number of businesses per 1,000 working age people.

Total jobs in the Humber increased by 20,000 over the two year period 2012-2014, which represents an increase of 5.0% and is slightly above the employment growth rates reported regionally and nationally. Job density increased 0.69 to 0.73 per working age person during this time; however, a further 62,000 jobs would need to be created across the sub-region to match the national average.

In 2014, 16.4% of all jobs in the Humber were in the manufacturing sector, compared to 8.3% nationally, highlighting the significance of the sector to the Humber economy. As a result, the Humber's Strategic Economic Plan identifies Engineering and Manufacturing as a sector of strategic importance to the Humber. It also cross-cuts a number of the Humber's other key sectors including Energy, Chemicals and Food.

In 2014, the total output GVA of the Humber was around £17.5 billion, or 1.3% of UK Output. GVA per head stood at £18,924, three-quarters of that for England of £25,367. Closing the productivity gap is a key priority for the Humber going forward and supporting the manufacturing sector to become more productive is a key part of this.

Manufacturing Businesses in the Humber face a number of barriers to growth including the ability to continuously improve and innovate, access finance, ensure

the right skills for the business and access new markets. We need to support the sector to grow and create both highly skilled and entry level jobs that can be fulfilled by local residents.

York, North Yorkshire and East Riding

York, North Yorkshire & East Riding is the largest LEP area by geography with global ambitions. The LEP area is one of the largest economies in England by land area and covers more than 10,700 square km. It has a population of around 1.14 million people and brings together an extensive and predominantly rural area running from north of Leeds up to Scarborough and Whitby. The region has unique industry assets and an unparalleled, multi-billion private sector investments which is revolutionising the Agri-Tech and Bio-renewable industries. Coupled with the roll-out of superfast broadband, easy access to Leeds and fast mainline rail links to London, gives the opportunity to work with resilient and innovative small businesses to deliver growth, quality jobs and to address long standing issues of coastal deprivation and a low wage culture in rural areas. The region has a diverse agricultural base. Businesses in the agricultural sector are around 3.5 times more concentrated in the LEP area than national average, and more concentrated than any other sector locally, whilst food manufacturing accounts for around 35% of all manufacturing jobs. The focus on food manufacturing, agri-tech and bio-renewables is in keeping with a 'smart specialisation' approach given the strength of the sectors here and the pronounced R&D activity and expertise in them.

The York, North Yorkshire and East Riding geography is an impressive mix of urban, rural and coastal areas with many opportunities to realise local and national aspirations for a high wage, low welfare economy. From the updated SEP plan in 2016, highlighting the changes in the region since the original was drafted in 2014; it was noted that £1.7bn has been created in growth with 29,000 new jobs and also making good headway in house building.

The priorities for the region remain

- Profitable and ambitious small businesses
- A global leader in the bio-economy
- Inspired People
- Successful and distinctive places
- A well-connected economy

There are still considerable challenges which could undermine the long term prosperity of the YNYER area, as well as distinct opportunities to be realised. It is these areas which the LEP actions must ultimately seek to address, delivering where there is the biggest impact and where the market alone will not produce the outcomes for the region.

Despite accounting for only 4% of the businesses in York, North Yorkshire and East Riding, manufacturing accounts for 16% of jobs in the region and 22% of the region's turnover. Despite this, it is only responsible for 4% of the profit generated by businesses as a whole. In order to better meet Government's productivity challenge, we need to improve the profitability of the manufacturing sector. Currently, there is a

huge opportunity to do this. The current exchange rate means that 29% of manufacturers are reporting an increase in exports; however this increase in demand, combined with a skills drought brought about by the loss of “almost a generation of engineers” means that 42% of manufacturing posts remain unfilled. If this skills gap is not addressed, we could miss a crucial opportunity to improve the productivity of manufacturers. As a result, it is essential that companies look at alternative solutions to make the most of existing resources and to take advantage of new processes and ways of working. To achieve this, it is essential that we provide a package of support for manufacturers who are looking to expand.

Local priorities:

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

1. How activity across the three LEP areas specified in this call is expected to reach rural as well as urban areas; how this division of funding will be managed and how activity will be co-ordinated with that undertaken in the surrounding local areas to enhance provision and avoid duplication, in particular taking account of:
 - **Reach** – extending the coverage of the existing services to those businesses yet to engage with the mainstream provision. This should involve joint customer acquisition strategies with the Growth Hubs (where appropriate) and collaboration with local partners and the private intermediary sector;
 - **Intensity** – the intensive experience for business through more in-depth coaching and extended access to manufacturing advisor time; and
 - **Additionality** – in the form of new initiatives in areas such as supply chain development and innovation that are consistent with the previous mainstream provision delivery model, but which help local partners to introduce more effective forms of support designed to directly increase investment across Leeds City Region; The Humber; and York, North Yorkshire and East Riding LEP areas.
2. Proposals should be targeted towards the delivering the following activities:
 - source and support small and medium sized enterprises to meet the specific standards and specifications identified by large businesses and commissioners across the UK;
 - deliver a range of innovative activities to address common issues affecting the ability of small and medium sized enterprises to enter supply chains e.g. adoption of new processes, low carbon accreditations, capital investment, skills development, adoption of latest technologies;
 - hold small and medium sized enterprise events to promote, and gain direct access to, the supply chain opportunities within certain markets, sectors, technologies and major infrastructure developments e.g. HS2, Crossrail, Nuclear Commissioning and De-Commissioning, On-Shore/Off-Shore Wind Power etc;
 - develop strong understanding of the contracting opportunities with large businesses and commissioners for Yorkshire and Humber’s small and medium sized enterprises, with a focus on each sub-area’s specialism;

- supporting local manufacturing groups/alliances to promote supply chain opportunities to their members (with a focus on skills development and new technologies), and to collectively access supply chain and contract opportunities;
- working closely with regional and national manufacturing-related groups/networks to develop small and medium sized enterprise interventions and gather direct intelligence on supplier requirements from large businesses and commissioners; and
- maintain a central intelligence repository on current and future supply chain opportunities (national and international), particularly those that most closely match the city region's manufacturing strengths. Allied to this, gathering intelligence on the specific technological capabilities of Yorkshire and the Humber small and medium sized enterprises and how these relate to sectors and markets

Leeds City Region

Applications covering the Leeds City Region area should explain the following:

1. How operations will contribute to the growth and competitiveness of local small and medium sized enterprises within the manufacturing sector and the local priority sectors as per their local strategy (with strict regard to European Regional Development Fund eligibility criteria) taking into consideration primes and Original Equipment Manufacturers and their associated tier 1 and tier 2 suppliers;
2. How activity will support meeting supplier specifications and adapt to meeting new market opportunities;
3. How operations will engage with larger businesses and in neighbouring local geographies, to support small and medium sized enterprises to meet current supplier specifications and to adapt to new market opportunities;
4. The LCR Local Enterprise Partnership (LEP) has a number of business support products and services that can assist SMEs to respond to and utilise supply chain opportunities. These include a capital grants programme that can support SMEs with equipment and plant investments to assist SMEs in responding to meet a supplier's exacting specifications, and support is available to find and meet the cost of external training to assist smaller businesses to prepare for and gain certain accreditations required by contractors and commissioners. Therefore, it is important that support provided via this Call clearly complements and adds value to the above support, and is also firmly embedded within the LEP's Growth Hub (known locally as the LEP Skills and Growth Service).
5. Similarly, it is important that existing and future ESIF-funded SME support projects in LCR complement activity funded under this Call e.g. Exporting for Growth, Adventure, Access Innovation, Northern Powerhouse Investment Fund and Resource Efficiency Fund. This can be facilitated by working closely with the LEP Growth Service as the single access point for all publically-funded business support in the city region.

Humber

Applications covering the Humber area should explain the following:

1. How they will provide a comprehensive package of support to build the growth capabilities of local small and medium sized enterprises, to foster a more entrepreneurial culture, stimulate innovation and build the market in low carbon goods and services;
2. How they will enhance targeting of micro and small manufacturing businesses to ensure that it meets local manufacturing business needs;
3. How they will support and focus on the local priority sectors (with strict regard to European Regional Development Fund eligibility criteria): Renewables, Chemicals, Healthcare technologies, Creative and Digital, Food Processing;
4. How delivery will work alongside and with the local Business Growth Hub.

York, North Yorkshire & East Riding:

Applications covering the in the York, North Yorkshire & East Riding area should explain the following:

1. How operations will contribute to the growth and competitiveness of local small and medium sized enterprises and address barriers to growth across York, North Yorkshire & East Riding's geography (including those faced by micro or small) and specific issues related to medium sized enterprises (with strict regard to European Regional Development Fund eligibility criteria);
2. How activity will specifically target micro and small manufacturing businesses to meet local manufacturing *business needs*;
3. How activities will complement and enhance York, North Yorkshire & East Riding's Agri-tech/Bio-economy and the Local Growth Fund investment;
4. How delivery will work alongside and with the local Business Growth Hub.
5. Create opportunities which can come from joining HEIs up with SMEs for innovation, sharing R&D;
6. Extend the reach into rural areas of new product development initiatives and the work of HEIs and growth hubs, to stimulate ambition and open up new opportunities for national and international innovation;
7. Embed and enhance links with education and apprenticeship provision, in particular engineering, manufacturing and business administration.

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	3c – Supporting the creation and extension of advanced capacities for products, services and development.
Specific objectives	Increase the growth capacity of small and medium sized enterprises.
Indicative actions	<p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Provision of advice to develop new business models or higher quality products, processes or services; • Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice; • Advice to improve business processes and workforce development; • Advice and support for supply chain interventions to strengthen and grow the domestic supplier base; • Attracting new foreign direct investment into England through, for example, promotion of business collaborations (small and medium sized enterprises to prime / original equipment manufacturers, small and medium sized enterprise to small and medium sized enterprise), supply chain initiatives, sectoral and research and innovation propositions linked to smart specialisation and “soft landings³”; • Ensuring small and medium sized enterprises have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment

³ 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>for premises and equipment to help build capacity;</p> <ul style="list-style-type: none"> • Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects; • Grant finance for business to invest for product, process and service improvements; • Provision of independent access to finance advice; • Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.
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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"> • Provision of efficient local referral routes to ensure that small and medium sized enterprises are able to identify and access the most appropriate and tailored support for their specific growth needs; • Support small and medium sized enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance; • Attracting new business investments to England,

	<p>including through, for example, cluster and sector initiatives, collaborations with trade associations and inward missions;</p> <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; • Targeted grant schemes to support productive investment; and • Provision of advice and consultancy on access to finance. <p>Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.</p> <p>Activity under this investment priority will focus primarily on addressing the barriers that business face in identifying, accessing and understanding the different types of finance that is available.</p>
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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 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 3c	
Output reference	Name
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C4	Number of enterprises receiving non-financial support
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products
P13	Number of enterprises receiving Information, Diagnostic and Brokerage support

Investment Priority 3d	
Output reference	Name
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C4	Number of enterprises receiving non-financial support
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products
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 body⁴ 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:⁵

- 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:

- Value for money; and
- Deliverability.

⁴ This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

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>.

Potential applicants / applicants may wish to take advantage of information and support services funded through European Regional Development Fund Technical Assistance and available to assist the design and development of compliant projects / applications for the European Regional Development Fund. 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 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 60% of the total eligible project costs subject to State Aid regulations in the transition region and 50% in the more developed region.

The remaining 40% 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 60% 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. Project extensions

Existing grant recipients whose projects:

1. Do not involve the direct development of premises or infrastructure; and
2. Have a funding agreement that ends/has a financial completion date during the period of this call or within 18 months of the closing date of this call; and
3. Whose project addresses the priorities set out in section 2

May apply for a second phase of delivery – this will be expected to be in the same form as the current project (i.e. a genuine continuation of activity) but may reflect improvement/some change to reflect experience of phase 1. The application must be made using the standard outline application form. Where changes to phase 1 are significant, these should be presented as a new application. Projects may apply to be extended for up to 3 years.

Applications in respect of the development of premises or other infrastructure should be presented as new projects, this includes applications that have a link to an existing ERDF project e.g. further phases of the development of sites or premises.

Please note - Extensions to existing projects will be assessed against the criteria set out in this call in the same way as ‘new’ projects. There is no guarantee that extensions will be selected. Extension requests relating to projects that end more than 18 months after the closing date of the call or do not meet the requirements set out in this call will be rejected. The applicant’s track record and the performance of existing contracts will be taken into account during the assessment process.

6.6. 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’.

6.7. 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.

6.8. 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.

6.9. 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.

6.10. Procurement

All costs claimed by the applicant (grant recipient and / or delivery partner(s)) must be recovered on an actual cost basis. Other costs must be procured in line with National (including [Public Procurement Regulation 2015](#)) and 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: YH.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 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 to 2020 European Regional Development Funding for local business growth hub activities

Growth hubs (those governed by local enterprise partnerships) will ensure that support for business is simpler, more joined up and easier to access, providing targeted support to businesses tailored to local needs, for instance priority sectors, business start-up and those businesses with the potential to grow and scale-up. In the 2014 to 2020 European Regional Development Fund programme period, some growth hubs will also have a physical presence in the local area for businesses to seek advice, support and to network whilst others will offer a hub and spoke or virtual service via digital, telephone based and social media channels.

Whilst 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 those small and medium sized enterprises that are eligible under European Regional Development Fund priority axis 3. Local enterprise partnerships and their delivery partners in some localities have therefore sought further 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;
- Development of website and customer relationship management systems (CRM) and maintenance and/or enhancements/development of new on-line tools;
- Growth hub back office and administration roles; and
- Managerial oversight 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 update this annex in relation to growth hub activities and how they may be supported by the 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 delivery 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 requires that 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 (IDB) 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 and 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 and peer to peer events; purchase, set up and maintenance of enhancements to the customer relationship management (CRM)

systems to assist with client management; website content, tools and diagnostics may **only** be supported where developed specifically for the purpose of helping to deliver European Regional Development Fund project activity and outputs.

8. Strategic 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 information diagnostic and brokerage support 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 and analysis), 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 the production of annual growth hub performance reports.
- 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 day to day growth hub strategic 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.