

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:	OC04R17P 0649
Local Enterprise Partnership Area:	Coast to Capital
Area Indicative Fund Allocation:	£5,000,000 (3C)
Call Open:	Friday 8 December 2017
Call Closes:	23:59 on Friday 9th February 2018

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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.

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 [Coast to Capital Local Enterprise Partnership](#) 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 [Coast to Capital Local Enterprise Partnership](#) | European Structural and Investment Funds strategy.

Indicative fund allocation:	<p>Indicatively, through this call the managing authority expects to allocate up to £5,000,000.</p> <p>The managing authority reserves the right to invite to full application (and subsequently approve) projects that have a cumulative value that is higher or lower than this indicative allocation, subject to the volume and quality of proposals received. The managing authority may also decide to place some projects submitted through this call on a reserve list and invite them to proceed at a later date, subject to the availability of funding.</p> <p>There is no indicative allocation of European Regional Development Fund funding between capital and revenue activity, both capital and revenue is eligible dependent on the nature of activities / investment priorities set out in the call.</p>
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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	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. Revenue projects should predominantly support businesses based within the local enterprise partnership area of this call.
Specific call requirements	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	For this specific call, applications will be assessed after the close of the single deadline. Applications received after the published call close date will not be considered. All applications will be assessed following closure of the call.

3.2. Local development need

Projects must deliver activity which directly contributes to the objectives of Priority Axis 3 of the operational programme, one or more of the relevant investment priorities and meet the local development need expressed in the table below.

Local Development Need

Local growth priorities:

This call is for activities covering three priority sectors – Digital, Life Sciences and Advanced Manufacturing. Proposals should cover one or more of the local priorities:

- **Digital Sector Support** - Digital network of excellence in Coast to Capital
- **Life Sciences Sector Support** - Comprising of 2 Lots:
 - Lot 1 – Stimulating innovation across niche sectors in the Life Sciences Sector
 - Lot 2 – Meeting the skills demand for the life sciences cluster
- **Advanced Manufacturing Sector Support** - Comprising of 3 Lots:
 - Lot 1 – Accessing prototyping and testing facilities
 - Lot 2 – Specialised mentoring for engineering
 - Lot 3 – Accessing technologies of the future

Proposals should align with the sectors mentioned; they may cover one or more of the priorities listed.

Local priorities:

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

This call is for activities covering three priority sectors – Digital, Life Sciences and Advanced Manufacturing. Proposals should cover one or more of the local priorities:

Digital Sector Support - Digital network of excellence

The Digital cluster in Brighton and Hove has reached a high level of visibility and reputation through its business population. Croydon has the potential to be the next national cluster; it has a large Digital business population and has been identified as the fastest growing cluster in London.

At £3.07 billion the Gross Value Added (GVA) of the sector makes up 8% of the regional GVA, but has yet to return to pre-recession levels and both GVA growth and GVA per employee in the sector has been below the UK and South East average. There are barriers to growth, such as lack of revenues for re-investment, lack of 'move-on' premises that companies can grow into, excessive workloads, intense competition, and lack of visibility or profile. Skills issues are mentioned but are not identified as a major barrier to growth in the sector.

The sector is starting from a strong position but its areas of underperformance make it both high value and full of potential future growth. Schemes could include:

- Establishing a network of Digital hubs to lead on developing the sector and building on the excellence already available in Brighton;

- Development of a programme dedicated to both start-up and established SMEs for digital mentoring hubs supporting the commercialisation of innovative ideas and solutions in Priority sectors;
- Improving access to leading edge digital skills to support the development of a strong cluster;
- Encouraging a more diverse Digital workforce to include more women to address the gender employment and wage gaps;
- Creating an environment for networking and collaboration accessing digital knowledge and expertise, working with the supply chain in the priority sectors;
- Signpost Start-up and SMEs to relevant funding opportunities;
- The new scheme could include the set-up of a Digital vouchers programme for start-ups and SMEs (the minimum threshold is £1,000 ERDF grant); and
- Foster an aspirational, digital and enterprising culture in start-up companies and SMEs.

Life Sciences Sector Support

The Life Sciences sector is one of the smallest priority sectors but it is still highly important as a provider of highly skilled jobs and valuable economic contribution. It is predicted to become an increasingly important sector as an ageing population increases pressure on healthcare and global demand for high-tech medical devices increases.

There are 775 known Life Sciences businesses in the region and there has been a 6.3% increase in businesses since 2010. There are 10,300 jobs in the sector, representing 1.3% of total jobs. Growth in jobs in the sector between 2010 and 2013 was 2%. Much of the growth came from research and development and from the manufacture of irradiation, electro-medical, and electro-therapeutic equipment, a sub-sector that is expected to grow nationally by 4.5% per year until 2018.

The sector is heavily dependent on high level skills. Often companies are very small and need help with general business management as well as developing collaborative ventures with other companies and universities.

This sector has great potential both in terms of building the reputation of the area as a specialised knowledge economy and delivering high value jobs in the future.

Comprising of 2 Lots:

Lot 1 – Stimulating innovation across niche sectors

The region is currently home to over 100 Life Sciences companies, with a great mix of multinationals, SMEs and start-ups, and is in a strong position to benefit from global trends.

Strong Life Sciences clusters already exist in the region, particularly in West Sussex. However, many Life Sciences companies are finding it harder to create value through commercialising innovation.

Schemes could include:

- Fostering a creative environment to allow new niche markets to emerge;
- Setting up a life science vouchers scheme to allow SMEs to engage with the knowledge base in the area including universities and large corporations in emerging niche markets;
- Helping large companies and potential buyers of services to be exposed to SMEs' innovation to develop opportunities for both parties (please note that the ERDF grant can only go to support the SMEs and not the large corporate);
- Assisting Knowledge Transfer between SMEs – large companies – Universities and relevant institutes;
- Supporting the creation of the supply chains in the niche market and
- Helping local SMEs to build relationships with international Life Sciences clusters, particularly the European Cluster Network, in niche markets.

Lot 2 – Meeting the skills demand for the life sciences cluster

The UK pharmaceutical sector employs in excess of seventy thousand people. Changes to free movement once the United Kingdom leaves the European Union means there may be skills shortages and the UK's ability to attract and retain individuals from outside the UK could be diminished. SMEs on their own do not necessarily have the time or the appropriate links to source skilled workers, whereas a group of SMEs from a life science cluster can become more attractive to pull young graduates from a life science background to start their careers working in a local SME rather than a big corporate.

Schemes could include:

- Supporting a group of SMEs to identify their common recruitment needs, short and medium term, organising appropriate events with local universities to source relevant profiles;
- Start-ups and SMEs may also consider accessing shared new resources to support the development of new products and services on niche markets (ref Lot 1);
- Support provided to SMEs through brokerage;
- Encourage more women to take up job opportunities in the life science sectors by developing appropriate mentoring schemes amongst the life science SMEs cluster in the area;
- Life Sciences graduates from local universities to find placements including BAME and women and first jobs working for SMEs in the region; and.
- Setting up, growing, and fostering successful Knowledge Transfer Partnerships between Life Sciences SMEs and Universities in the area.

Advanced Manufacturing Sector Support

There are 3,400 Advanced Manufacturing businesses in the region, accounting for

4.4% of total businesses. Similarly the sector accounts for 4.3% of employment, which amounts to 33,000 people.

There has been a 12% growth in Advanced Manufacturing businesses between 2010 and 2014. Growth has been seen in twelve out of the fourteen Local Authorities. It has been highest in Epsom and Ewell, Worthing, and Mole Valley, each growing by over 22%. Employment has also grown but not as strongly, between 2009 and 2014 it grew by 2.9%. This growth has reversed the decline in Advanced Manufacturing employment seen from 2009 to 2012. Employment in the Advanced Manufacturing sector is projected to grow by 10% by 2022, compared to a 9% fall in the Manufacturing sector.

GVA in the Manufacturing sector was £2.88 billion in 2012, accounting for 6.6% of the regional GVA. Since 1997 it has grown by 1.1% per year on average, the lowest of all the sectors. GVA per worker is strong however, despite falling employment levels it has been growing and it stands at £80,000 per worker.

Specific skills that are being sought by businesses include strategic management, supply chain management, production and process control and quality assurance skills, and more advanced digital and software skills. The increasing interaction between different parts of the internal manufacturing process and the external supply chain is also increasing the need for soft skills such as interpersonal and communication skills, negotiation skills, and personnel management.

The rapid pace of technological change is one of the key barriers (and also opportunities) to growth, as it is difficult for companies and managers to keep track of, and be proficient in, the latest changes and the strategic possibilities presented to the company.

The sector is well qualified, 44% of Advanced Manufacturing employees hold a level 4+ qualification compared to 31% in Manufacturing as a whole. Employees in research and development, consulting, and testing and analysis are very well qualified, over 60% have level 4+ qualifications. However the high levels of skills gaps and skills shortage vacancies suggests there is still demand for more skilled workers, which is reflected in the higher than average levels of pay in the sector. Most Advanced Manufacturing businesses in the region fall into the SME category.

Comprising of 3 Lots:

Lot 1 – Accessing prototyping and testing facilities

The new century has provided extraordinary opportunities for new product development and manufacturing improvement through the creation of technologies in prototyping and manufacturing.

Rapid Prototyping is at the forefront of this revolution in manufacturing. It is based on completely new additive techniques that produce fully functional parts directly from a three-dimensional Computer Aided Design (CAD) model without the use of tooling. This offers the potential to change the concept of prototyping, manufacturing, service and distribution with opportunities for producing highly complex and customised products.

Some of the innovation could be increased by providing access to more prototyping and testing facilities so that any SME could access it as and when needed.

Schemes could include:

- Mapping of prototyping and testing facilities;
- Promotion of the prototyping and testing facilities available to SMEs;
- Facilitate partnership agreements between owners of prototyping and testing facilities and SMEs to encourage access and cooperation;
- Advice and guidance provided to local SMEs to help the development of new products using the prototyping and testing facility assets of the area; and
- Sign posting to relevant grant schemes for break-through innovation.

Lot 2 – Specialised mentoring scheme for advanced engineering

Research shows shortages exist in engineering and automation, tool-making, technical and practical positions and in problem solving, planning and organisation and leadership and management roles. Written communication skills seem to be in short supply as well.

However, businesses are prepared to invest in their own people. There are more vacancies for apprentices and there is more in-work upskilling, both accredited and informal. The Apprenticeship Levy may encourage even more take up and help the sector to access the right skills. In terms of business support and service, no specific advanced engineering support is available in the area.

The area has some strength already in the advanced manufacturing with Ricardo UK having a Technical Centre based in Shoreham-by-Sea, West Sussex and some cluster activities existing around it.

Schemes could include:

- Setting up of a specific business support scheme dedicated to the advanced engineering sector;
- Specific advice and guidance offered to advanced manufacturers to help develop new products and services;
- Support advanced engineering cluster activities and work along the supply chain; and
- Sign-posting to relevant appropriate national or European grant schemes.

Lot 3 – Accessing technologies of the future

Both the UK Government and the European Union are providing research funding to support the development of the technologies of the future. Researchers and economists are in agreement that Internet of Things, robotics, augmented reality and 3D printing, are the major breakthroughs of this century causing disruption but also market opportunities.

Schemes could include:

- Facilitation of a network/cluster of dedicated centres and facilities for manufacturing and testing of cutting edge technologies, utilising large company and University labs and equipment to help smaller companies test and develop their work in these emerging fields;
- Setting up and monitoring a Manufacturing Vouchers scheme with small grants (with a minimum imposed of £1,000 ERDF) to assist local advanced engineering based SMEs in accessing time at labs, and hire of equipment and facilities in the area in order to further develop their products and services;
- Organise a series of roadshows, demonstrators, workshops on how these new technologies of the future will affect the manufacturing techniques work, for SMEs to attend; and
- Monitoring of the intervention and support provided to the manufacturing cluster.

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

	<p>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 landings¹”;</p> <ul style="list-style-type: none"> • Ensuring small and medium sized enterprises have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity; • Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects; • Grant finance for business to invest for product, process and service improvements; • Provision of independent access to finance advice; • Provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space; and • Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.
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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:

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

Investment Priority 3c	
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 body² has been designated, the following will apply:

The intermediate body will assess the application against the following Core assessment criteria:

- Local strategic fit

² This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

The managing authority will assess the application against the following Core assessment criteria:³

- 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.

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 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. 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 the first phase of the project. The application must be made using the standard outline application form. Where changes to the first phase of the project are significant, these should be presented as a new application. The relevant Growth Delivery Team will apply judgment in considering the significance of any change. 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 European Regional Development Fund 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: 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 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.