

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:	OC50R18P 0775
Local Enterprise Partnership Area:	Greater Manchester Lancashire Cumbria
Area Indicative Fund Allocation:	£1,840,000 See detail of maximum allocation per category of region on Annex 2
Call Open:	Friday 2 March 2018
Call Closes:	23:59 on Friday 20 April 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.

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 provides good value for money and supports domestic strategic priorities. Applications must meet the requirement of, and make 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 Annex 2 with, for all participating LEP areas, a reference to each 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 Annex 2 with, for all participating LEP areas, a reference to each European Structural and Investment Funds strategy.

<p>Indicative fund allocation:</p>	<p>Indicatively, through this call the managing authority expects to allocate up to £1,840,000.</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>
<p>Minimum application level</p>	<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</p>

	projects with a total value of less than £1,000,000 in More Developed areas or £833,333 in Transition areas will not normally be supported under this call
Duration of project activity	Projects should plan to deliver activity for a maximum of three years, however the managing authority reserves the right to vary the maximum duration, upwards or downwards.
Geographical scope	<p>The England European Regional Development Fund operational programme operates on a national basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the local enterprise partnership area of this call.</p>
Specific call requirements	<p>Applications should cover at least one or more of the geographic annexes and its specific requirements as indicated in the attached Annex 2</p> <p>Applications will be reviewed by all ESIF local sub-Committees of areas listed in Annex 2 and should therefore, for each area, articulate clearly and specifically how they intend to address local needs as detailed in the Annex</p> <p>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.</p>
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>

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:

The objective for activity funded under this call is to improve SMEs access to the finance that will enable them to grow their business, leading to increased employment and GVA.

Projects submitted under the call should offer impartial financial advice and support to SMEs, enabling them to understand and access a range of sources of finance in the public and private sector.

Support should include:

- Delivery of a series of investment readiness workshops or seminars;
- Diagnosing a business's need for finance and supporting them to develop detailed business and financial plans;
- Providing tailored advice on the range of financial products available, both private and publically-backed, and the processes involved in raising finance;
- Delivery of pitch and presentation workshops; and
- Introductions to relevant business finance providers.

Programme preference is for a single delivery project.

Local priorities:

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

See specific Local Enterprises Partnership area priorities as provided at Annex 2

More generally, the applicant should explain how they will:

- complement and align with other European Regional Development Fund projects to enhance the competitiveness of small and medium sized enterprises that may impact on this activity, including business support and innovation activities; and
- provide baseline data and commit to quarterly performance reports and analysis of support provided at LEP area level.

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; • 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; • Provision of independent access to finance advice; • Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.

Investment priority	3d – Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes
Specific objectives	Increase the growth capability of small and medium sized enterprises.
Indicative actions	The support provided through this specific objective will help businesses to develop their internal capability in order

	<p>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; • Advice and support for businesses to become investment ready; • Leadership and management coaching where connected to the development and implementation of a business growth plan; • 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 body¹ 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:²

- 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

¹ This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

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% in Transition areas or 50% in More Developed areas of the total eligible project costs subject to State Aid regulations.

The remaining 40% or 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% or 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;
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. 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 are required to demonstrate, where appropriate, how resource efficiency is embedded into the business support offer. Where it is not thought appropriate a detailed explanation why it's not appropriate should be provided in the Cross Cutting Theme Section of the application.

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: NW.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 1

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.

ANNEX 2

LEP Area	Greater Manchester
Local ESIF Strategy	http://www.agma.gov.uk/gmca/european-funding-2014-2020/index.html
Local LEP Area Contact	Alison.Gordon@greatermanchester-ca.gov.uk
Priority Axis	3
Notional ERDF Allocation for this activity	£ 800,000 (More Developed)
Duration	3 years
<p>LOCAL DEVELOPMENT NEED</p> <p>Local growth priorities</p> <p>The revised Greater Manchester Strategy highlights the requirement for a thriving and productive economy in all parts of Greater Manchester. This call will support the delivery of this priority which seeks to increase productivity and competitiveness in new and existing businesses.</p> <p>Details of the Greater Manchester European Structural and Investment Funds Strategy can be found at: http://www.agma.gov.uk/gmca/european-funding-2014-2020/index.html</p> <p>In order to address the issues facing Greater Manchester businesses, the Greater Manchester Combined Authority is looking to invest in activities that will enhance the productivity and competitiveness of new and existing Small and Medium Sized Enterprises.</p> <p>In responding to this call, applicants should note the following:</p> <p>Greater Manchester has a well-established business-led Growth Hub. The Growth Hub provides good links and referral arrangements for a range of support services for business, including for example Innovate UK, DIT Export Service and the Intellectual Property Office</p> <p>Applicants under this call will need to:</p> <ul style="list-style-type: none"> • Demonstrate how activity and delivery will be integrated with the business-led, single point of access Growth Hub in Greater Manchester and work locally with all business support provision provided by local public and private sector partners. <p>Local priorities</p> <p>Up to £800,000 European Regional Development Fund is available, to deliver a service which will provide impartial support and advice to Small and Medium Sized Enterprises to enable them to understand and access business finance from a range of public and private sources. Support should include:</p> <ul style="list-style-type: none"> • Delivery of a series of investment readiness workshops or seminars; • Diagnosing a business's need for finance and supporting them to develop detailed business 	

and financial plans;

- Providing tailored advice on the range of financial products available, both private and publically-backed, and the processes involved in raising finance;
- Delivery of pitch and presentation workshops; and
- Introductions to relevant business finance providers.

The service:

- Cannot fund activity that displaces or duplicates existing provision in the private or public sector. Applications will need to show they meet a market failure and are additional to existing provision in the private and public sector.
- Will provide support to Small and Medium Sized Enterprises across the whole of Greater Manchester.
- Will form part of a suite of support for Greater Manchester Small and Medium Sized Enterprises. As such, applicants will need to demonstrate how they will integrate with existing services such as Greater Manchester's Business Growth Hub.

LEP Area	Lancashire
Local ESIF Strategy	Lancashire ESIF Strategy
Local LEP Area Contact	Andy.Walker@lancashire.gov.uk
Priority Axis	3
Notional ERDF Allocation for this activity	£540,000 ERDF allocation (Transition) £900,000 total project value in Lancashire
Duration	3 years

LOCAL DEVELOPMENT NEED

Local growth priorities

Lancashire is keen to support continued ERDF funding for an independent access to finance service across the LEP area. Increasing the growth capacity and capability of SMEs is essential to promoting entrepreneurship and improving the competitiveness of Lancashire's economy. Key to this is supporting SMEs to access the finance they need to implement their growth plans and grow their businesses, enabling businesses to develop new products or services, enter into new or expand within existing markets, and engage in innovation.

Local priorities

The provision of an independent Access to Finance service for Lancashire SMEs that will support eligible SMEs across the Lancashire LEP area. This will focus on SMEs that have the capacity to grow but struggle to access funding to support their continued progress due to a lack of knowledge and skills around finance/funding.

The proposed activity should provide impartial advice and consultancy on access to finance and support for businesses to become investment ready. Support should include:

- Delivery of a series of investment readiness workshops or seminars;
- Diagnosing a business's need for finance and supporting them to develop detailed business and financial plans;
- Providing tailored advice on the range of financial products available, both private and publically-backed, and the processes involved in raising finance;
- Delivery of pitch and presentation workshops; and
- Introductions to relevant business finance providers.

Activity should build on the delivery of the current Access 2 Finance project under the 2014-20 Lancashire ESIF Growth Programme.

Projects must be closely aligned with Boost (Lancashire Growth Hub) and demonstrate how proposed activities will work with existing and planned local business support provision.

Projects should especially focus on supporting priority growth sectors in Lancashire:

- Advanced Engineering and Manufacturing
- Aerospace and Aviation
- Automotive Manufacturing
- Creative, Digital, ICT and New Media

- Energy Generation and Environmental Technology
- Business, Professional and Health Services
- Food and Drink

LEP Area	Cumbria
Local ESIF Strategy	http://www.cumbrialep.co.uk/wp-content/uploads/2015/03/Cumbria-LEP-ESIF-Version-1-March-2015.pdf
Local LEP Area Contact	Corinne.Watson@cumbria.gov.uk
Priority Axis	3
Notional ERDF Allocation for this activity	£500,000 (Transition)
Duration	3 years

LOCAL DEVELOPMENT NEED

Applications are sought to provide an independent, co-ordinated package of support to advise Cumbrian SMEs on the range of finance options available to them to support business sustainability and growth.

Applications must be able to demonstrate a sound understanding of the local business environment as well as how the proposed support package will be locally relevant, delivered and support the aims of the Cumbria Strategic Economic Plan and the Cumbria ESIF Strategy.

Applicants will be expected to identify how an access to finance and investment readiness programme will align and add value to the range of existing provision available across Cumbria including, but not limited to;

- Cumbria Growth Hub;
- The National Business Helpline;
- Cumbria Innovations Platform;
- Eco-Innovation Cumbria;
- Cumbria Manufacturing Service;
- Northern Powerhouse Investment Fund;
- British Business Bank;
- Innovate UK;
- New Enterprise Allowance;
- Cumbria Social Enterprise & Networking Support Programme;
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Applicants will be expected to outline how they will ensure that businesses are supported to progress to access the range of complementary provision that exists, thus maximising the draw-down of business support resources into the County.

The programme of activity should encompass as a minimum the following;

- Support SMEs in both rural and urban Cumbria to access appropriate finance and investment opportunities to enhance their sustainability, competitiveness and growth. Focus should be primarily on those businesses with a turnover of more than £30,000 per annum, however where growth aspirations can be evidenced, support for smaller businesses could be included.
- Provide businesses with easy access to support through a range of mediums that is appropriate for local needs, including online, seminars, coaching, peer-to-peer support and

promotion of case studies.

- Awareness raising – working with a full range of partners from the public, private and not-for profit sectors to raise awareness of the full range of funds that are available to support growth in the Cumbria LEP area.
- Support that complements and does not duplicate existing and planned provision.
- Targeted financial support for Cumbria's key and emerging sectors, including for example, manufacturing, creative, digital and information technology, food processing, engineering, life sciences, low carbon and environmental goods and services and professional services.
- Targeted support for SMEs with high growth potential.
- A finance training package delivered either one to one or one to many as necessary to ensure maximum uptake of SMEs.
- Ensure that Cumbrian businesses are able to benefit from referrals to the most appropriate finance option available whether local or national.

Cumbria's sector profile is quite different from that of the UK with proportionately more local units in agriculture, public administration, accommodation & food and mining & quarrying but proportionately fewer in sectors such as information & communications, wholesale, property and professional services (despite the latter being the second biggest sector in Cumbria).

The majority of businesses and organisations (83%) employ fewer than 10 staff. This includes 30% of all businesses or organisations that do not have any employees.

Just 6% of all businesses and organisations employ 25 or more staff, which increases to 30% of businesses or organisations in the education sector. Just over three-quarters of businesses and organisations (77%) operate from a single site which increases to 80% of private sector businesses.

The majority of businesses and organisations (87%) operate within the private sector. Around one in ten of all businesses or organisations (9%) are a charity/voluntary organisation, whilst 2% are a local government-financed body and 1% a central government-financed body.

Seven in ten private sector businesses in Cumbria (70%) have been established for more than ten years. Of these, most have been established for more than twenty years (43% of all private sector businesses). Eight per cent of private sector businesses in Cumbria have been established for less than four years.

The Cumbria Business Survey 2015 categorises businesses into three broad groups, these were:

- 'Growers'; businesses and organisations that have increased the number of staff employed by 5% or more or that have increased turnover by 5% or more in the last year;
- 'Stable'; businesses and organisations that have the same number of staff and same level of turnover as 12 months ago, or that have seen an increase or decrease that is at less than 5%; and
- 'Shrinkers'; businesses and organisations that have reduced the number of staff employed by 5% or more or that report a decrease in turnover of 5% or more in the last year but have not also reported a similar size increase in employment or turnover.

In addition, a sub-set of 'Growers', called 'High growers' was identified. These businesses and organisations have increased the number of staff employed or increased their turnover by more than 20% in the last year.

'Growers' account for 34% of all businesses and organisations (27% in 2013) and this group includes 10% of all that are 'High growers' (9% in 2013) 'Shrinkers' account for 22% of all businesses and organisations (19% in 2013). The remaining 43% are classified as 'Stable' (54% in 2013).

Young businesses (those established less than 4 years) are more likely than average to be 'Growers' (41%), while three in ten exporters are 'Growers' (30%). 'Growers' are significantly more likely than average to have reported upward trends in most areas of business activity, particularly output, but with the exception of raw materials and energy prices, for which 'Shrinkers' are more likely to have reported an increase.

			North West	England
	Number	%	%	%
Large (250+) Z	55	0.2	0.4	0.4
Medium (50 - 249) Z	325	1.4	1.6	1.5
Small (10 - 49) Z	2,100	8.8	9.3	8.5
Micro (0 - 9) Z	21,275	89.6	88.7	89.6
Total Z	23,755			

Source: ONS IDBR

http://www.cumbriaobservatory.org.uk/wp-content/uploads/2017/04/EconomyEmployment_Data-Source_Cumbria-Business-Survey-2015-16-Full-Report.pdf

<http://www.cumbrialep.co.uk/wp-content/uploads/2016/08/Annual-Report-And-Accounts-2017-web-singlepage.pdf>

<http://www.cumbrialep.co.uk/wp-content/uploads/2016/07/22070-Delivering-the-4-Pronged-Attack-3.pdf>

Local priorities:

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

- Working in partnership with Cumbria LEP through the provision to the LEP of quarterly progress reports which should include the following information as a minimum;
 - Number of businesses supported.
 - Breakdown of businesses supported by sector, size, turnover, geographic location.
 - Support requested.
 - Case studies.
 - Onward referral.

This would be covered under an appropriate data sharing agreement.

- Identification of how projects will move towards being self-sustaining and how support could be provided after the conclusion of European Structural and Investment Funds.
- How delivery will work alongside and with the local Business Growth Hub.
- How projects will provide a comprehensive package of access to finance advice to build the growth capabilities of local small and medium sized enterprises, to foster a more entrepreneurial culture, stimulate innovation and build local supply chains.
- How projects will bring together a network of, for example, business angels, venture capital

companies, British Business Bank and alternative business finance providers to provide pitching opportunities for local SMEs.

- How projects will provide support for SMEs to navigate appropriate funding application processes, including advising on associated risks, benefits and lending criteria.
- If existing grant recipients are applying to continue activity, evidence of success and demand for extension of the project should be demonstrated. Projects which can combine project extensions with closing the strategic gaps in provision outlined, or align with other currently contracted projects, would be particularly welcome.