

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:	Ministry of Housing, 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:	OC08R18P 0882
Local Enterprise Partnership Area:	D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire)
Area Indicative Fund Allocation:	£5,759,165
Call Open:	Friday 5 October 2018
Call Closes:	23:59 on Friday 23 November 2018

Contents

1.	Introduction.....	3
2.	Call Context.....	4
3.	Scope of the Call	5
3.1.	Scope.....	5
3.2.	Local development need	7
3.3.	Operational programme investment priorities	12
4.	Required Outputs under this Call	16
5.	Application Process & Prioritisation Methodology	18
6.	General Information.....	21
6.1.	National Eligibility Rules.....	21
6.2.	Eligible applicants	21
6.3.	Contribution rate and match funding	22
6.4.	Project timescales	22
6.5.	Project extensions.....	23
6.6.	Capital projects	23
6.7.	Cross Cutting Themes / Horizontal Principles	24
6.8.	Additionality, duplication and displacement.....	24
6.9.	State Aid and revenue generation.....	25
6.10.	Procurement.....	25
7.	Support.....	25
8.	Key Documents	26
9.	Document Checklist.....	26
10.	Document Submission.....	27
	ANNEX.....	28

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 funding for ERDF projects that are contracted by the end of 2020.

All contracted ERDF projects must be completed by the end of the programme period, 31 December 2023. Each application for ERDF will be required to demonstrate that it delivers good value for money and domestic strategic priorities.

The Funds are managed by the Ministry of Housing, 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 Ministry of Housing, 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 Ministry of Housing, 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 Ministry of Housing, Communities and Local Government (the managing authority) invites applications seeking European Regional Development Fund support under:

Priority Axis 3 Enhancing the Competitiveness of small and medium sized enterprises

Investment Priorities:

- 3a** Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.
- 3c** Supporting the creation and the extension of advanced capacities for products, services and development.
- 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 including the 2017 [Industrial Strategy](#) (or any later publication that amends or supersedes that). 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](#) and where appropriate should reflect how such support will aim to improve productivity levels within small and medium sized enterprises.

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 [D2N2](#) 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 [D2N2](#) European Structural and Investment Funds strategy.

Indicative fund allocation:	<p>Indicatively, through this call the managing authority expects to allocate up to £5,759,165.</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>
------------------------------------	--

	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.
Minimum application level	European Regional Development Fund investment is intended to make a significant impact on local growth. Applications are expected to demonstrate appropriate scale and impact. The managing authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. Consequently projects with a total value of less than £1,000,000 will not normally be supported under this call
Duration of project activity	Projects should plan to deliver activity for a maximum of three years, however the managing authority reserves the right to vary the maximum duration, upwards or downwards.
Geographical scope	<p>The England European Regional Development Fund operational programme operates on a national basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the local enterprise partnership area of this call.</p>
Specific call requirements	<p>Please note: Value for Money and alignment with Strategic Domestic Priorities including the 2017 Industrial Strategy (or any later publication that amends or supersedes that) 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
<p>Local growth priorities:</p> <p>D2N2, with 2.2 million residents, is one of the most important local economies in England - only three local enterprise partnership areas outside London have a larger population. The amount of output generated in the areas is £45bn. But our economy could be much more efficient. Despite having the 5th largest workforce outside London, we have only the 9th largest economy. Too many of our businesses just aren't productive enough.</p> <p>D2N2 also have an earnings deficit. There are too many people in lower paid jobs – some 30% of people earn less than the Living Wage - and we don't have enough jobs in higher paid occupations. And we also need to recognise that some parts of D2N2 are starting from a much lower base than others - workplace earnings range from 118% of the England average in Derby, to 65% in Mansfield.</p> <p>The main challenge now signals a shift in priority from job creation towards driving up levels of productivity in D2N2, with the objective of creating an economy with higher-value, better-paid jobs. To address this challenge D2N2 have identified the following key strategic aims</p> <p>Business Productivity. Drive up levels of productivity across all sectors – so that we have a larger number of businesses with above average and outstanding productivity.</p> <p>Business Growth. Enable the growth of businesses with high-growth potential and grow the stock of high-value businesses in the area through start-ups, spin-outs and inward investment – contributing to output growth across all sectors of the economy.</p> <p>Sector specialisms. Exploit and enhance our most significant sectors – enabling performance in our key innovation-led sectors (Transport Equipment Manufacturing, Food & Drink and Life Sciences) to exceed international benchmarks, and accelerating growth in other significant sectors.</p> <p>Business support. Ensure that D2N2's business support ecosystem is fit-for purpose to deliver against our strategic objectives, offers a business-friendly and coherent service, and is driven by the needs of businesses.</p>

While we don't have a long tail of very unproductive businesses or a lack of exceptionally productive firms – we do have a disproportionately large number of businesses that are around the average. Over time, this will result in a steady loss of competitiveness, with long-term employment impacts. Turning this moderate middle band around holds the key to moving from a productivity deficit to a productive, high-value economy. We need to enable the marginal under-performers to raise their game and exceed the average and our moderately productive businesses to strive for exceptional. This needs to happen across all D2N2's business sectors to have the level of impact required, not just in our current high-value, high-growth sectors. Productivity gains in our lower-value sectors will help increase wage levels for our lowest-paid workers.

The productivity challenge in D2N2 is compounded by a growing number of employment and support allowance (ESA) claimants, and a falling healthy life expectancy. The gap in productivity with the national level persists and is currently at 84% of the national level. Closing the gap would bring an estimated £8 billion in gross value added to the economy.

Productivity is key to long term economic competitiveness and living standards. The CBI describe productivity as 'the foundation of wages, living standards, opportunities and prosperity'. The link between productivity and wages makes raising productivity a key component of promoting 'inclusive growth'.

Globalisation in services and manufacturing are providing an increasingly competitive trading environment, while at the same time opening up new markets and opportunities for small and medium sized enterprises. For many manufacturing small and medium sized enterprises, the core challenges include moving up the value chain focusing on those products, service and process areas where they have a genuine competitive edge and can increase market share or enter new markets.

However, business face a number of challenges related to global uncertainty, particularly the UK's future relationship with the European Union (EU). Sheffield University estimates that East Midlands' goods exports to the EU amount to £1,866 per capita which is about 9% of the D2N2 gross value added per capita. HM Treasury estimates that around 8.5% of the jobs in East Midlands are related to EU exports: In D2N2, 86,000 jobs may be exposed to the direct impact of any tariffs levied on exports of goods. Around 5% of the East Midlands working age population are EU nationals, compared to 4% in other regions, excluding London (13%). Out of 116,000 employed EU nationals more than 90% are employed in the private sector 2/3 have middle to high skills. Supporting businesses to adapt to the opportunities and challenges of UK's exit from the EU will be a priority for this call, where such support adds value to the Department of International Trade model.

In their review of [Inclusive Growth in D2N2](#), the Nottingham Civic Exchange and Royal Society for the Arts identify that one of the principal results of – and drivers of – inclusive growth will be business-led productivity through quality jobs: firms moving

up the value chain by creating quality jobs (characterised as fair pay, scope for progression and autonomy, family friendly and flexible).

The focus of this call is therefore on supporting firms to become more productive and competitive, contributing to inclusive economic growth. The D2N2 European Structural and Investment Funds Sub-committee would particularly wish to see applications of impact and scale that focus on promoting:

- Leadership and management: Quality of firm management and leadership are important factors in determining firm productivity and the approach of the firm to making the changes that will improve its productivity.
- Adoption and exploitation of innovative and productive products and process for the average firm will have a greater impact on aggregate productivity than a pure focus on research and development.
- Support for start-up and early stage mentoring: Competition and start-up are important to a dynamic local environment, incentivising businesses to invest and driving productivity.
- Support for export, trade and foreign direct investment to promote employment and productivity, where such support adds value to the Department of International Trade model and planned provision in the D2N2 area. Exporting can particularly help productive firms grow and expose other firms to competitive pressures
- Scale up programme to support small but productive firms to grow, including investment readiness: Particularly to help the small but productive firms to grow.
- Enhanced growth hub services: to provide a single 'shop window' for business support and deter disjointed initiatives that frustrate business.

Projects should add value to existing provision and meet identified market failure.

Local priorities:

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

Key Strategies

Applicants should consider the;

- D2N2 Strategic Economic Plan
- D2N2 European Structural and Investment Fund Strategy

Existing Provision

The D2N2 European Structural and Investment Funds Sub-committee is not seeking applications for the provision of non-grant finance to small and medium sized enterprises. The Midlands Engine Investment Fund has already received funding from the D2N2 allocation of European Regional Development Fund.

Proposals should not duplicate existing provision funded under Priority Axis 3.

(<http://www.d2n2ta.org/european-structural-and-investment-funds/european-regional-development-fund/funded-projects/>)

The D2N2 Core Delivery Principles.

D2N2 European Structural and Investment Funds Programme Board have agreed a set of Core Delivery Principles (<http://www.d2n2ta.org/european-structural-and-investment-funds/d2n2-esif-strategy-core-delivery-principles>) that define how it considers a good European Structural and Investment Funds project should operate. They crystallise the preferred approach articulated in the D2N2 European Structural and Investment Funds Strategy. In particular, D2N2 wants to get maximum benefit for the economy from its European Regional Development Funds through fewer, larger projects of impact and scale with funded projects offering complementary and co-ordinated support. Therefore, we would encourage applications with a high impact for the economy, perhaps encompassing a number of activities or clearly aligned with other complimentary delivery. This call is not prescriptive about delivery geography or methodology but D2N2 would wish to see firms from across the D2N2 area, in urban and rural areas, able to access support funded by the D2N2 European Structural and Investment Funds allocation.

D2N2 European Structural and Investment Funds Sub-Committee will consider how applications meet the Core Delivery Principles in formulating its commentary and advice on their local strategic fit.

D2N2 European Structural and Investment Funds Sub-committee will consider applications to support capital expenditure from the European Regional Development Fund where there is a direct or strategic link to other complementary revenue funded support programmes or the delivery of key strategic objectives. Any capital investment would need to make a clear case for intervention by identifying market failure.

All capital projects successful at outline application stage will be expected to submit a detailed design and cost plan equivalent of RIBA Plan of Work Stage '3', prepared by a suitably qualified quantity surveyor, at full application stage.

Support for incubator space will be provided only where it is combined with an effective programme of business support tailored to the growth needs of the target occupants.

The D2N2 Growth Hub

The D2N2 Business Growth Hub draws business support activity together by providing a telephone helpline; on line service (www.d2n2growthhub.co.uk) with a range of professional business advisers available to provide a bespoke diagnostic and growth package for businesses. Its aim is to simplify the business support offer of many local and national partners to help businesses more easily find the right support. Applicants should demonstrate how any business-facing aspects of their proposal will relate to the D2N2 Growth Hub.

The D2N2 Priority Sectors

The current draft D2N2 Strategic Economic Plan identifies three innovation-led sectors which stand out as having a winning combination of high-specialism, high-gross value added, and high-growth prospects, as well as being well-connected to D2N2's knowledge base and in a good position to exploit opportunities in the Industrial Strategy through Sector Deals: They are:

- Transport Equipment Manufacturing
- Food & Drink Manufacturing
- Life Sciences

There are a further four fields of cross-sector expertise where D2N2 has stand-out specialisms in the knowledge base (industry and centres of research and learning). They are:

- Advanced Manufacturing & Engineering
- Digital Technologies & Data
- Energy & Low-Carbon Technologies
- Systems Integration

The draft D2N2 Strategic Economic Plan also identifies the opportunity to build on other locally-significant sectors, which may be important for different reasons: e.g. potential for growth, specialism, localised importance, level of employment. These include; Creative & Digital, Visitor Economy, Logistics & E-Commerce, Energy & Low Carbon, Construction, Mineral Products, Health/Social Care, Professional & Business Services. For these sectors D2N2 would wish to see programmes that identify key sectoral challenges and develop interventions that can promote productivity and growth. The European Structural and Investment Funds programme does not wish to support generic programmes of business support exclusively for firms in a single sector.

The draft Strategic Economic Plan also recognises the significant contribution to D2N2 economy made by major manufacturers and other 'Anchor' Businesses, such as Rolls-Royce, Toyota, Bombardier, Boots, and Experian where loss or downsize would cause local economic shock. The draft Strategic Economic Plan identifies a number of potential support initiatives, including developing the competitiveness of local supply chains, building on existing local and national initiatives and exploring potential for re-shoring and investment in research and development.

Grants to businesses

There are a number of grant programmes operating across D2N2 offering adequate provision in this area. Therefore, priority for this call will be given to providing advice and support to businesses. However small grants to businesses which are seen as an integral part of the overall offer of support may be included.

Technical Assistance

D2N2 Local Enterprise Partnership and partners can offer advisory support to potential applicants to inform their bids, including awareness raising events and sharing of good practice. Further information and contact details are available from www.d2n2ta.org

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	3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.
Specific objectives	Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.
Indicative actions	<p>Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:</p> <ul style="list-style-type: none">• Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture;• Provision of advice and support for entrepreneurship and self-employment in particular amongst under-represented groups by developing entrepreneurial skills and attitudes with a focus on increasing the number of business start-ups;• Provision of advice and support for new business start-ups to survive and grow;• Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans;

	<ul style="list-style-type: none"> • Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth; • Grants to support productive investment; • Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space. <p>Operations will support individuals with ambitions to start up a business, and small and medium sized enterprises in the early stage of operation. These include social enterprises and those wishing to set up social enterprises.</p>
--	--

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

	<p>collaborations (small and medium sized enterprises to prime / original equipment manufacturers, small and medium sized enterprise to small and medium sized enterprise), supply chain initiatives, sectoral and research and innovation propositions linked to smart specialisation and “soft landings”¹;</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.
--	---

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.

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>

Indicative actions	<p>The support provided through this specific objective will help businesses to develop their internal capability in order to improve their productivity, grow and create jobs:</p> <p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> • Provision of efficient local referral routes to ensure that small and medium sized enterprises are able to identify and access the most appropriate and tailored support for their specific growth needs; • Support small and medium sized enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance; • Attracting new business investments to England, including through, for example, cluster and sector initiatives, collaborations with trade associations and inward missions; • Advice and support for small and medium sized enterprises to enter, establish and expand in new domestic and international markets; • Advice and support for businesses to become investment ready; • Provision of advice, consultancy, mentoring and peer-to-peer support to indigenous businesses and inward investors (small and medium sized enterprises from outside the EU who will move to England); • Leadership and management coaching where connected to the development and implementation of a business growth plan; • Support events, trade fairs and missions to enable small and medium sized enterprises to enter, establish and expand in new domestic and international markets; • Targeted grant schemes to support productive
---------------------------	---

	<p>investment; and</p> <ul style="list-style-type: none"> • 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>
--	---

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 3a	
Output reference	Name
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C3	Number of enterprises receiving financial support other than grants
C4	Number of enterprises receiving non-financial support
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises

C28	Number of enterprises supported to introduce new to the market products
P2	Public or commercial buildings built or renovated
P11	Number of potential entrepreneurs assisted to be enterprise ready

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)
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products
P2	Public or commercial buildings built or renovated
P13	Number of enterprises receiving Information, Diagnostic and Brokerage support

Investment Priority 3d	
Output reference	Name
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C3	Number of enterprises receiving financial support other than grants
C4	Number of enterprises receiving non-financial support

C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products
P2	Public or commercial buildings built or renovated
P13	Number of enterprises receiving information, diagnostic and brokerage support

The managing authority expects the level of outputs proposed within outline applications to be realistic and achievable and to deliver good value for money. The application should clearly state the methodology used to determine the levels of outputs proposed.

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

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

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

- 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;
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:

EM.ERDFENQUIRIES@communities.gov.uk

Whilst the decision of the managing authority is final, if you think consideration of your application has not followed the published ERDF process, please refer to the MHCLG complaints procedure available on [GOV.UK](https://www.gov.uk).

8. Key Documents

- European Regional Development Fund operational programme;
- Outline application form;
- Outline application form guidance;
- Local enterprise partnership area's European Structural and Investment Funds strategy;
- Eligibility guidance;
- Target definitions;
- Funding agreement (revenue and / or capital);
- Summative assessments guidance; and
- 2017 [Industrial Strategy](#) (or any later publication that amends or supersedes that).

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. Applicants are asked to quote the call reference and project name in the subject line of your email as this will greatly assist the managing authority.

Outline application forms not received by the deadline will not be assessed. Outline applications which are not fully completed will be excluded.

The managing authority will normally acknowledge receipt of your application by email.

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 Ministry of Housing, 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.