

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:	OC50R19P 0934
Local Enterprise Partnership Area:	Leeds City Region York, North Yorkshire and East Riding
Area Indicative Fund Allocation:	£11,700,000
Call Open:	Friday 28 June 2019
Call Closes:	23:59 on Monday 30 September 2019

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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 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, 30 June 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.

The [UK Industrial Strategy](#) sets out our aspiration for the United Kingdom to be the best place in the world to start and grow a business, and sets out a number of key challenges.

The UK already has a global reputation as a good place to do business; however, sub-regional disparities remain, with more than six out of ten start-ups located in the South¹. SME growth is also below potential. There is a persistent productivity gap

¹ ONS, 2018. *Business Demography, UK: 2017*. Online at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/business-demography/2017>

with our international competitors, exacerbated by the UK's 'Productivity Puzzle' – our unusually weak productivity growth since the financial crisis. There is also a gap between SMEs and larger firms. In 2014, SMEs contributed 45% of total gross value in Great Britain, despite representing 57% of total employment². Also, while many SMEs say they want to grow in the next two to three years, most will not actually show growth in any given year³.

The [Call for Evidence for the BEIS-HMT Business Productivity Review](#) highlighted that many businesses could be better managed – with the UK ranked 5th in the G7 for management best practice adoption, have skills gaps in their workforce, and are too slow to adopt existing technologies that can improve productivity.

Face to face, tailored and intensive support is effective in helping businesses grow and boost productivity. However, the take up and use of external advice has declined from 46% in 2010 to 29% in 2017.⁴ The Review has proposed a number of measures to achieve change in this area, presented as a 'business change cycle'.

Being an open, outward-facing economy can also drive up competition. Businesses that export account for 60% of the UK's annual productivity growth, deliver stronger employment growth and pay higher wages than those that don't⁵. However, only 2.4% of SMEs exported in 2017, and this significantly lags behind large businesses⁶.

Important guiding principles for the selection of ERDF operations within Priority Axis 3 therefore include:

- Any application for funding will be required to clearly demonstrate that it provides good value for money and supports domestic strategic priorities, including those set out in the 2017 [UK Industrial Strategy](#) and Business Productivity Review. Applications should take account of the 'business change cycle' steps needed for a business to grow, adapt and remain competitive:
 - **Realisation:** Businesses need to be able to understand their current performance and the opportunities to make changes to improve it.
 - **Assessment:** Appraising the cost, quality and value of change to the business, and the business support to help deliver it.
 - **Navigation:** Identifying the product or advice from the business support market, where expertise is not held in house.
 - **Embedding:** Developing the skills of managers and employees to implement and embed the change.

² OECD, 2018. *Strengthening SMEs and entrepreneurship for productivity and inclusive growth*. Online at: <https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Key-Issues.pdf>

³ BEIS, 2018. *Small Business Survey 2017: businesses with employees*. Online at: <https://www.gov.uk/government/statistics/small-business-survey-2017-businesses-with-employees>

⁴ Longitudinal Small Business Survey 2017

⁵ BIS, 2011. *International Trade and Investment Industrial Strategy White Paper 252 - the Economic Rationale for Government Support*. Online at: <https://www.gov.uk/government/publications/the-economic-benefits-of-support-for-international-trade-and-investment>

⁶ HMRC, 2018. *UK trade in goods statistics by business characteristics 2017*. Online at: <https://www.gov.uk/government/statistics/uk-trade-in-goods-by-business-characteristics-2017>

- 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.
- Government is working with local enterprise partnership (LEPs) across England to maintain 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.

In addition, applications will be expected to meet identified local development needs, as expressed in the scope of this call and as set out in the [Leeds City Region local enterprise partnership area](#) European Structural and Investment Funds strategy and [York, North Yorkshire and East Riding local enterprise partnership area](#) European Structural and Investment Funds strategy, as well as Local Industrial Strategy where published.

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.

Export advice is provided by the Department for International Trade 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 Leeds City Region LEP for further details.

3. Scope of the Call

3.1. Scope

This call invites outline applications which support the delivery of Priority Axis 3 of the European Regional Development Fund operational programme and respond to the local development need set out in the [Leeds City Region local enterprise partnership area](#) European Structural and Investment Funds strategy and [York,](#)

<p>Indicative fund allocation:</p>	<p>Indicatively, through this call the managing authority expects to allocate up to £11,700,000.</p> <p>The indicative funds are split by local enterprise partnership area and category of region as follows:</p> <p>Leeds City Region LEP area: £10,000,000 More Developed</p> <p>York, North Yorkshire and East Riding LEP area: £1,700,000 More Developed.</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.</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.</p> <p>The managing authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. Consequently, new projects with a total value of less than £1,000,000 will not normally be supported under this call. Applications for less than £500,000 ERDF for extensions to existing projects will be considered.</p>
<p>Duration of project activity</p>	<p>Projects should plan to complete delivery of project activity by the end of June 2023; however, the managing authority reserves the right to vary this date.</p>
<p>Geographical scope</p>	<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> <p>Note: this call is limited to the more developed category of region within the two LEP areas participating in the call, specifically it excludes activity in East Riding of Yorkshire.</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>The local enterprise partnerships (LEPs) covering the Leeds City Region (not Barnsley), and York and North Yorkshire (not East Riding) are in discussion about merging to form a new LEP covering a wider geography of the Leeds City Region plus York and North Yorkshire.</p> <p>This call is being issued jointly, to enable the alignment of ESIF funded activity across this new geography. This new LEP area will be the biggest city regional economy in the country, with an annual output of £72bn representing 5% of the English total. It hosts 137,000 businesses, over 3 million residents and a workforce of 1.5m. Nine Higher Education institutions and 16 Further Education Colleges are based in the region, which is home to a student population of around 230,000.</p>

Both LEPs place an emphasis on “good growth”, where a radical uplift in growth, productivity and business success goes hand in hand with quality jobs that connect all people and places to opportunity and improved quality of life. Achieving the vision will mean that the economy becomes stronger, more dynamic and resilient, and will be on course to consistently improve performance compared to national averages and international competitors over time.

Despite the Leeds City Region’s undoubted economic strengths and assets, it is not realising its full potential. The decline of heavy industry has left a legacy of pockets of serious deprivation and an economy that is less productive than those in many other parts of the country.

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

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

For further information please see the [Leeds City Region Strategic Economic Plan](#).

Similarly, the [SEP for YNYER LEP area](#) has been updated to reflect economic changes, but retains its original five key priorities – the first of which is - Priority 1: Profitable and successful businesses.

Business Base

The joint LEP area has a significant business base. York, North Yorkshire and the East Riding has an annual economic output of £25bn, generated by a workforce of 683,900 people. Agriculture, food manufacturing, health and social care and the visitor economy dominate employment and economic output. This results in lower levels of productivity, with the area ranking 32/39 local enterprise partnerships.

The business base in York, North Yorkshire and East Riding (YNYER) is disproportionately dominated by small and micro businesses with 20% fewer medium and 50% fewer large companies than the UK average.

Across York and North Yorkshire, productivity is poor compared to the rest of the UK.

- Productivity in North Yorkshire is in the 28th percentile for the UK, meaning it is less productive than 72% of NUTS3 areas in the UK.
- Productivity in York is in the 49th percentile for the UK, meaning it is less productive than 51% of NUTS3 areas in the UK.
- Businesses in the YNYER LEP area face a number of barriers to productivity growth including access to finance, skills and support to

innovate and access new markets, and the predominance of labour intensive industries such as care and hospitality.

- The North and West Yorkshire economy is a £72.2bn economy. It is the largest City Region economy in the UK, and has output larger than 10 EU countries. The area grew broadly in line with the national average up to 2008, but growth since then has lagged behind both pre-recession levels and national averages. This trend is true across most constituent parts of the region.
- Although productivity growth in North & West Yorkshire has maintained pace with UK growth in recent years, the gap is not closing. In 2008, output per hour in North and West Yorkshire stood at £25.83, around 90% of UK output. During the downturn this gap widened to 86% and it has remained similar ever since. As of 2017, output per hour in North and West Yorkshire had risen to £29.17, though is just 86.7% of UK levels.
- A range of factors contribute to the challenge – the region has lower levels of skills, innovation and infrastructure investment than more productive regions.
- Retail accounts for more businesses in North and West Yorkshire than any other sector. Although this is true nationally, the sector is over-represented compared to its national share. The area also has an above average share of businesses in agriculture, construction and manufacturing, and relatively low share in information & communications and professional services. However, there are variations in the relative size of sectors at district level in the area, as the below table demonstrates.

See table below for share of business base:

Area	Bradford	Calderdale	Craven	Hambleton	Harrogate	Kirklees	Leeds	Richmondshire	Ryedale	Scarborough	Selby	Wakefield	York	North and West Yorkshire	UK

In terms of capital investment, there is a declining intention for businesses to invest in capital projects. In the second quarter of 2018, the balance figure for the service sector’s intent towards capital investment fell by three points, from 29 to 26, and manufacturing’s balance for capital investment intentions fell by 15 points, from 33 to 18. For manufacturing, this is amongst the lowest investment intentions seen over the past six years.

Start up rates in York, North Yorkshire and East Riding are comparable with those in Leeds City Region, at around 40 start-ups per 1000 businesses (below the UK average) although the York, North Yorkshire and East Riding has not benefitted from a comprehensive support programme for start-ups.

Across the Leeds City Region, York and North Yorkshire all districts continue to see the business base expanding. Leeds has been the main driver of business growth within the Leeds City Region, with a 26.5% increase since 2012 (7,200 more businesses), outpacing national growth. Wakefield has also seen business growth in line with UK levels over the past five years.

Local Authority: District	2013	2017	2018	Change 2013-18	Change 2017-18
Bradford	15,145	18,285	18,060	19.2%	-1.2%
Calderdale	8,005	9,280	9,210	15.1%	-0.8%
Craven	3,675	4,120	4,185	13.9%	1.6%
Hambleton	5,625	6,100	6,145	9.2%	0.7%

Harrogate	9,345	10,415	10,415	11.4%	0.0%
Kirklees	14,190	16,865	16,635	17.2%	-1.4%
Leeds	27,705	34,630	34,665	25.1%	0.1%
Richmondshire	2,925	3,145	3,150	7.7%	0.2%
Ryedale	3,750	4,015	4,030	7.5%	0.4%
Scarborough	4,665	5,035	5,015	7.5%	-0.4%
Selby	3,710	4,285	4,455	20.1%	4.0%
Wakefield	9,945	11,945	11,825	18.9%	-1.0%
York	8,135	8,875	8,945	10.0%	0.8%
Column Total	116,820	136,995	136,740	17.1%	-0.2%

Source: UK Businesses: Activity, Size & Location, ONS 2017

Challenges

Productivity in Leeds City Region is rising and is similar to most core city LEPs in the North and Midlands, and LCR levels of productivity stand at under 90% of the England average, whilst productivity in North Yorkshire is below this; moreover, productivity levels are growing more slowly than average. When considering the drivers of productivity – skills, R&D and innovation, enterprise and investment – they are also improving, but not as fast as in other parts of the country.

Closing these gaps will be a long term process, however the foundations needed to drive significant and lasting improvements are in place, and there are many strengths the city region can exploit further. Leeds City Region is home to the largest manufacturing base in the UK with distinct assets in automotive, bio-science, turbo technology, advanced textiles and medical devices. LCR is also the largest regional financial and professional services centre; and has unique strengths in the application of digital technology ranging from healthcare to big data analytics. These provide the City Region with competitive capability in globally significant markets that are likely to grow strongly in the future. The challenge is to deliver a response that is resolutely focused on accelerating this position and unlocking productivity improvements by helping those businesses that are striving to grow to overcome the barriers to competitiveness and growth.

In support of the Leeds City Region LEP and the York, North Yorkshire and East Riding LEP's Strategic Economic Plan (SEP), the local European Structural and Investment Funds (ESIF) Strategy sets out the partners' commitment to tackling these market failures through:

- Improving the performance of all sectors: Most sectors under-perform on productivity with too few businesses understanding their relative productivity performance, the opportunity to improve and support available to do so. The opportunity to use the Region's large businesses and major supply chains to spark improvements in business leadership will be key to addressing the issue.
- Mentoring and intensive work to ensure scale-up of smaller, fast-growing businesses.
- Development of new products and services, with deeper and global market

- Engagement of universities and other institutions with businesses to drive growth opportunities.
- Approaches to business support and growth which draw on the social value of investment to underpin the development of a vibrant social enterprise culture.
- Productivity, high-growth and trade and export programmes for businesses which complement those programmes and services provided through the Government's core business support, trade and export offers.
- Development of new employment sites through the provision of incubator space, managed workspace and grow-on space.

Approach

The aim of the LEPs is to support businesses to embrace an outward-looking, innovative and enterprising culture and to draw on the diverse skills and talents of all people. This is key to positioning the Region as a globally relevant and competitive place to do business. Work is underway, working with and through partners, to ensure that all interventions are directly targeted to local need as articulated by business, effectively coordinated so as to avoid complication and confusion, and streamlined with national priorities.

Consequently, it continues to be a priority for the Region therefore to provide the right environment and business support that allows businesses to unlock their economic potential. Leeds City Region has put in place a portfolio of products that are helping businesses across sectors to do this, delivered through the LCR LEP Growth Service. In York and North Yorkshire delivery is primarily via a range of other institutions, rather than the LEP. Any interventions to be supported through this call must add value and not duplicative those already in place.

Local priorities:

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

- Investments in practices and technologies to promote productivity, particularly helping medium sized firms with below average productivity to become more productive. Research identifies that the most productive firms are the quickest adopters of new types of ICT. Particularly effective approaches combine firm investment in practices or technologies (particularly ICT) to improve productivity with investment in the skills required to operate the practices / technologies.
- Leadership and management: Quality of management and leadership are important factors in determining productivity and the approach of the companies in making the changes that will improve their productivity.
- Adoption and exploitation of innovative and productive products and process.
- 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 Foreign Direct Investment to promote employment and productivity.
- Development of new employment sites through the provision of incubator space, managed workspace and grow-on space. **Note this capital activity applies to YNYER LEP area only. Provision for site development is part of a separate Leeds City Region call under Priority Axis 3.**

Applicants are strongly advised to consult with the Local Enterprise Partnerships prior to submitting an application to ensure that the proposed activities complement and do not duplicate activities to be supported through the Leeds City Region Local Enterprise Partnership Growth & Skills Service or other ESIF funded delivery.

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:

<p>Investment priority</p>	<p>3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.</p>
<p>Specific objectives</p>	<p>Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.</p>
<p>Indicative actions</p>	<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;

	<ul style="list-style-type: none"> • Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans; • 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>
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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;

	<ul style="list-style-type: none"> • Attracting new foreign direct investment into England through, for example, promotion of business collaborations (small and medium sized enterprises to prime / original equipment manufacturers, small and medium sized enterprise to small and medium sized enterprise), supply chain initiatives, sectoral and research and innovation propositions linked to smart specialisation and “soft landings⁷”; • Ensuring small and medium sized enterprises have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity; • Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects; • Grant finance for business to invest for product, process and service improvements; • Provision of independent access to finance advice; • Provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space; and • Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.
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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.

⁷ 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

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:

Under this investment priority indicative actions to be supported by European Regional Development Fund may include:

- 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;

	<ul style="list-style-type: none"> • Targeted grant schemes to support productive investment; and • Provision of advice and consultancy on access to finance. <p>Activities will target domestic and foreign-owned small and medium sized enterprises, including social enterprises.</p> <p>Activity under this investment priority will focus primarily on addressing the barriers that business face in identifying, accessing and understanding the different types of finance that is available.</p>
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4. Required Outputs under this Call

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund will achieve the programme-level outputs for Priority Axis 3.

For projects proposing to deliver activity against more than one investment priority, the appropriate outputs should be selected. Project will be required to report on, and evidence, the achievement of the outputs separately under each investment priority.

For projects coming forward under this call the expected outputs and results are:

Investment Priority 3a	
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
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
C4	Number of enterprises receiving non-financial support
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C8	Employment increase in supported enterprises
C29	Number of enterprises supported to introduce new to the firm products
P2	Public or commercial buildings built or renovated
P13	Number of enterprises receiving Information, Diagnostic and Brokerage support

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

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 body has been designated, the intermediate body will assess the application against the Local strategic fit assessment criteria.

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 within the agreed timescale as stated in the Grant Funding Agreement; and
- Have completed the delivery of project activity by the end of June 2023.

6.5. Project extensions

Existing grant recipients whose projects:

1. Do not involve the direct development of premises or infrastructure;
2. 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.

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 that 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 Contracts Regulations 2015](#)) and EU regulations. Procurement will be subject to audit and verification and any irregularity will result in a financial penalty of up to 100% of the grant paid. Robust and transparent procurement is required to ensure that grant recipients:

- Consider value for money;
- Maximise efficient use of public money; and
- Maintain competitiveness and fairness across the EU.

It is **strongly recommended** that applicants seek and follow legal advice in respect of procurement requirements. Procurement irregularities remain the most substantive cause of error and clawback of grants.

7. Support

Please note that this is a competitive call and to preserve impartiality the managing authority and, where appropriate, the intermediate body are unable to enter into correspondence with applicants over their outline application. Details of where

guidance can be found are contained throughout this call document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: YH.ERDFENQUIRIES@communities.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.

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.