



Department for
Communities and
Local Government



European Union
European Regional
Development Fund

2014 to 2020 European Structural and Investment Funds Growth Programme

Call for Proposals European Regional Development Fund

Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises

Managing Authority:	Department for Communities and Local Government
Fund:	European Regional Development Fund
Priority Axis:	Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises
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1. Call Context

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 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 Funds are managed by the Department for Communities and Local Government for the European Regional Development Fund, Department for Work and Pensions for the European Social Fund and the Department for Environment Food and Rural Affairs for the European Agricultural Fund for Rural Development. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. Unless stated otherwise, the term “Managing Authority” will apply to all these organisations. The Managing Authorities work closely with local partners who 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 in the development of project calls (decided by the Managing Authorities) 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 Operational Programmes and the local European Structural and Investment Funds Strategy to aid the Managing Authority’s assessments at outline and full application stage

This call is issued by the Department for Communities and Local Government and invites outline applications in respect of the European Regional Development Fund. European Regional Development Fund is specifically focussed on investment to support economic growth and job creation. The call invites proposals in respect of Priority Axis 3 of the European Regional Development Fund Operational Programme: Enhancing the Competitiveness of small and medium sized enterprises against the requirements set out in this call document.

1.1 National Context

The primary aim of Priority Axis 3 is 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. The priority axis will support the Government’s commitment to support small and medium sized

enterprises and in doing so strengthen the pipeline of high growth business across England.¹

A range of Investment Priorities will focus European Regional Development Fund intervention to support entrepreneurship and increase the growth capacity of small and medium sized enterprises. These are:

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 objective:** Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.*

There are disparities in rates of business start-ups, in some territories and amongst some groups. For instance, 37% of start-ups in 2013 were located in London and the South East, with only 23% within Northern Local Enterprise Partnership territories. Some groups are particularly under-represented in enterprise relative to their share of the overall population; for instance only 18% of enterprises are majority female led; and whilst minority ethnic groups make up 14% of the population of England, only 6.2% of enterprises are minority ethnic group led.²

Measured by the Total early stage Entrepreneurial Activity rate, excluding a jump in 2012, there has been a steady increase in the Total early stage Entrepreneurial Activity for England. The UK and England are third highest in the G7, behind US and Canada but still just below average for the innovation driven economies as defined by the World Economic Forum's Global Competitiveness Report. In 2013 in England, the Total early stage Entrepreneurial Activity rate was 7.5% and the average across the innovation driven economies was 7.9%. The goal will be to show, by the end of the programme, a higher increase in the Total early stage Entrepreneurial Activity rate in England than for the average across innovation driven economies.

Investment Priority 3c - *Supporting the creation and the extension of advanced capacities for products, services and development. **Specific objective:** Increase the growth capacity of small and medium sized enterprises*

The support provided through this Investment Priority will help small and medium sized enterprises to develop their capacity. This will look at productivity drivers, including the technological and business infrastructure and finance that will be required to ensure that those small and medium sized enterprises with the potential to grow can do so. This will include strengthening supply chains to take better advantage of globalisation by attracting high growth and innovative small and

1. High Growth businesses are defined as those with at least 10 employees and who have experienced growth at an annual average of 20% over a three year period.

2. According to 2013 BPE estimates with Small Business Survey data

medium sized enterprises where they can introduce new high value added products or services. The objective is to improve their productivity and help them grow and create jobs.

Productivity in small and medium sized enterprises in England lags behind productivity in large enterprises. In 2011 small and medium sized enterprise Gross Value Added per employee in England was £43,600; and for large enterprise this was £51,000. There were also wide regional disparities across England with average small and medium sized enterprise Gross Value Added per employee ranging from £33,000 in the North East to £65,000 in London. Variation can also be seen across sectors, with small and medium sized enterprises in manufacturing on average 41.6% less productive than larger firms.

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 objective:** *Increase growth capability of small and medium sized enterprises.*

Existing small and medium sized enterprises face a number of barriers which restrict their ability to achieve their growth ambitions. These include:

- Information and coordination failures which limit awareness, access and take-up of business support;
- High up-front costs and perceived difficulties in navigating legal, regulatory and cultural environments which constrain the number of small and medium sized enterprises entering new export markets; and
- Known market failures in the disproportionate costs of establishing and costing risks given the relatively small amounts of capital involved.

Actions to develop capacity of small and medium sized enterprises work alongside actions to develop capability of small and medium sized enterprises. Both will lead to an increase in jobs created in small and medium sized enterprises and in small and medium sized enterprise productivity.

1.2 Local Development Need

This call will focus on Investment Priorities 3a, 3c and 3d. Where the expectation is that the outcome of this call will result in the award of a single contract, applicants may wish to bid individually, as part of a consortium or a partnership (in line with ERDF Eligibility Rules Guidance). Bids which deviate from this will be received, but should provide an explanation for this approach. See below for further details.

In London, the Greater London Authority is an Intermediate Body for the European Structural Investment Fund programme; this means it will undertake most

management and delivery tasks on behalf of the Managing Authorities. This work will be undertaken by the Greater London Authority's European Programmes Management Unit.

As the Greater London Authority discharges many of the functions of the Managing Authorities, applications for projects which cover London will be dealt with by the Greater London Authority. Information will be shared with the Greater London Authority for the purpose of carrying out the functions.

European Regional Development Fund in London will invest in activities that help drive economic growth by supporting innovation, promoting small to medium sized enterprises, and supporting the development of a low carbon economy.

London powers the UK economy; it is the financial centre of Europe; it hosts world class higher education institutions; it is home to more people than other city in Europe. Yet many London boroughs and neighbourhoods are highly ranked via indices of multiple deprivation; its unemployment rate is higher than the rest of the UK, and it is one of the most expensive places to employ workers.

To tackle these and other challenges, European Regional Development Fund is being directed fund priorities which support European Regional Development Fund Operational Programme objectives and add value to the activities presented in the London Enterprise Panel's Jobs and Growth Plan:

- Enhancing the competitiveness of London's small and medium sized enterprises (small and medium sized enterprises) to support small and medium sized enterprises to innovate and grow;
- Strengthening science and technology development and fostering innovation in London enterprises to realise the potential for the capital's world class business sectors that drive innovation and growth
- Investing in London's infrastructure to ensure that the capital has the underpinning technological, business and low carbon infrastructure to generate growth.

€791 million (about £585 million at current exchange rates) has been notionally allocated to London for the 2014-2020 European Structural and Investment Funds programme. Of this, about £130 million is allocated for the delivery of the European Regional Development Fund projects.

In order to maximise growth and employment potential, businesses must be supported to make the journey from start up to high growth. Vital lifelines can be afforded to small and medium sized enterprises provided by local, regional or national support services that understand their markets providing them with an

appropriate 'ecosystem' to enable them to grow and thus significantly increase the growth potential of businesses and the success rate of new businesses.

Effective support consists of holistic programmes that integrate essential business growth elements including management training, finance readiness, strategy formulation, international trade and supply-chain advice. Such comprehensive packages of business support will be flexible and tailored to meet the challenges and needs of London entrepreneurs, with the emphasis on the quality of outputs and results rather than quantity.

All applications are required to explain how they provide additionality to the national business support/innovation support products delivered by Innovate UK, Growth Accelerator, Manufacturing Advisory Service, UK Trade & Investment and others where relevant. Duplication of these activities will not be funded under this call.

This call is aimed at organisations that will use European Regional Development Fund grant to work with existing businesses, potential entrepreneurs and public organisations to promote economic growth.

Eligible applicants are therefore likely to include local authorities, public organisations, voluntary and community bodies and some private sector organisations (subject to State Aid compliance). Organisations must be legally constituted and be able to enter into binding contracts.

Through this call the Greater London Authority will not provide grants to private (for profit) businesses seeking support to grow their own business; the European Regional Development Fund Programme will provide separate loan/equity schemes to support these types of investments. Proposals from private (for profit) businesses that would provide facilities or services to support the growth of third party businesses will be considered on a cost recovery basis.

Consortium applications may be submitted with one organisation acting as the lead. The lead organisation would enter into contract with the Greater London Authority and hold responsibility for project delivery, including the delivery by partners. Lead organisations are recommended to form consortia with organisations with which they expect to have successful working relationship.

1.3 Scope of Activity

In responding to this call, applicants should note the following.

The Business Growth Service provides specialist advice to businesses with the right level of ambition, capability and capacity to improve and grow. The service brings together the help available through Growth Accelerator, Manufacturing Advisory Service, Designing Demand and IP Audits. The Service forms part of an

integrated package of support that seamlessly connects businesses to Export advice which is provided by UK Trade & Investment through contracts for International Trade Services and UK Export Finance.

Government is working with partners across England to establish a series of business-led Growth Hubs which will include access to trade, investment and business growth services. The Hubs will provide good links and referral arrangements for national growth programmes, especially those in the Business Growth Service

Applicants under this call will need to:

- demonstrate that the proposed project does not duplicate the Business Growth Service, demonstrating in particular how operations will complement and align with the Business Growth Service to deliver additional outcomes. This will be particularly important in cases where projects seek to provide related services e.g. business advice, consultancy, mentoring and peer-to-peer support and leadership and management coaching/advice to growth potential Small and Medium sized Enterprises or supply chain development;
- demonstrate how activity and delivery will be integrated with the business-led, single point of access Growth Hub in the area covered by this call and work locally with all business support provision provided by local public and private sector partners. Where relevant, further detail on Growth Hubs is set out below and in the Annex at the end of this document.

This call responds to the needs as defined in the National European Regional Development Fund Operational Programme under Priority 3 and the London Enterprise Panel's European Structural Investment Fund strategy. A copy of the European Structural Investment Fund strategy is available from www.lep.london/eu.

This call is confined to 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
- **Investment Priority 3c:** Supporting the creation and the extension of advanced capacities for products, services and development
- **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

1.3.1 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 objective:** Increase

entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.

Scope of activity:

- 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;
- Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth;
- Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space.

Projects will support individuals with ambitions to start up a business, and small and medium sized enterprises in the early stage of operation. This includes social enterprises and those wishing to set up social enterprises.

Local Context:

Entrepreneurship is a powerful driver of economic growth and job creation in London: it creates new businesses and jobs, opens up new markets, and nurtures new skills and capabilities. London has a favourable business formation rate compared to the UK as a whole; however, it also has a high turnover of failing businesses suggesting that businesses in the Capital need extra help in the early years.

European Regional Development Fund will fund projects which will help Londoners view entrepreneurship as an attractive economic prospect, plus provide the appropriate support in which to become business owners. This includes social entrepreneurs whose potential is often underestimated: they generate sustainable jobs, are innovators and champion social inclusion. European Regional Development Fund will support the formation and start-up of new businesses during the initial set-up period.

Workspace and grow-on space:

London requires support for the provision of workspace for small and medium sized enterprises in the capital – especially in Outer London boroughs³. European Regional Development Fund will be used to ensure that London small and medium sized enterprises have access to an adequate supply of workspace (especially for start-ups and high growth potential firms), follow-on space and support services in places where there are identified market failures and which may link to opportunities to unlock growth in the wider area.

There will therefore be scope for European Regional Development Fund to fund gaps in the provision of workspace including environmentally exemplar incubation, accelerators and co-working space, and other technological equipment which leads directly to economic growth. There is also scope to invest in ensuring that these places of work are accessible and attractive contributors to the wider context and the benefits of investment are spread adequately.

This Call will seek to leverage private investment to increase the provision of workspace. Value for money will be sought by ensuring that European Regional Development Fund is invested in sustainable projects, with a clear regenerative impact on the wider area. European Regional Development Fund funded workspaces will be expected to provide small and medium sized enterprises with a comprehensive range of services such as mentoring, networking and access to finance advice and support. These services can be funded through activities outlined elsewhere in Priority Axis 3. The aim is to avoid situations where the workspace is under-used or closed after withdrawal of public money; applicants will have to demonstrate how the project addresses the recommendations of the European Court of Auditors report on European Regional Development Fund funded workspace.

In addition to addressing access to start-up workspace, there is a shortage of self-contained units for young businesses to graduate onto including hybrid workspace options where desk based space is combined with more flexible space to prototype innovative new products. The aim is to address gaps in the market for the provision of follow on space with a focus on outer London industrial areas where there is space for start-up workspace to be clustered with larger size flexible space.

1.3.2 Investment Priority 3c - Supporting the creation and the extension of advanced capacities for products, services and development. *Specific objective: Increase the growth capacity of small and medium sized enterprises.*

³ “Incubators, Accelerators, Co-working Spaces (IACs)” - URS 2014

Scope of activity:

Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include:

- Provision of advice to develop new business models or higher quality products, processes or services;
- Advice to improve business processes and workforce development;
- Advice and support for supply chain interventions to strengthen and grow the domestic supplier base;
- Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative ;
- Grant finance for business to invest in products, process and service improvements;
- Provision of independent access to finance advice; and
- Provision of land and premises for employment sites, including business incubation, managed workspace, or grow-on space.

Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including social enterprises.

Local Context:

European Regional Development Fund will fund projects that will help businesses overcome barriers to growth by providing tailored advice and guidance, mentoring and bespoke development planning for growth. Businesses need to be equipped with the right knowledge and skills to successfully grow in London's highly competitive environment. European Regional Development Fund will support high-growth small and medium sized enterprises including those with coherent growth plans, ensuring their continued location in London.

As activities put emphasis on growth and development, only small and medium sized enterprises already established will be eligible to participate in this activity. Under this Investment Priority, European Regional Development Fund will not support new small and medium sized enterprises or small and medium sized enterprises in the early stages of trading

Note that a separate programme for providing equity and loan investments for small and medium sized enterprises will be launched at a later date

Please refer to the text under Investment Priority 3a regarding workspace and grow-on space.

1.3.3. 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 objective:** *Increase growth capability of small and medium sized enterprises.*

Scope of activity

Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include but are not limited to:

- Support small and medium sized enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance;
- Advice and support for 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 European Union 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;
- Provision of advice and consultancy on access to finance.

Activities will target domestic and foreign-owned small and medium sized enterprises, including Social Enterprises.

Local Context:

Strong global competitiveness pressures and rapidly changing markets have increased the need for businesses to maximise trade opportunities in both domestic and international markets. In order to maximise growth and employment potential for the capital, businesses must maximise opportunities to trade and boost exports by exploring new market opportunities.

Activity funded under this objective will provide tailored advice that responds to the needs of established small and medium sized enterprises, according to their stage of development. Experience from past programmes shows that a 'one size fits all' approach does not work effectively, because no business is the same. European Regional Development Fund projects will be expected to localise and intensify their support. One-to-one support and trade missions will be the preferred option

although targeted and specific workshops can be suitable depending on small and medium sized enterprises' needs and requirements.

There will be a requirement to explain how proposed projects provide additionality to the national business support/innovation support products delivered by Innovate UK, Growth Accelerator, Manufacturing Advisory Service, UK Trade & Investment and others where relevant. Duplication of these activities will not be funded under this Call.

2. Call Requirements

All Applications are competitive.

- An *indicative* budget of £17 million has been allocated to this call. This is intended as a guide and may be reviewed;
- Proposals should only contain activities which are eligible for European Regional Development Fund;
- Proposals should be for a minimum of £500,000 European Regional Development Fund;
- Applicants will need to have eligible match funding for the balance of costs which must be from a source other than the European Union;
- Operations should be capable of providing coverage of the whole of the London Local Economic Partnership area;
- There is a limit on the duration of projects brought forward under this Call. The Greater London Authority will enter into a Funding Agreement with Applicants for project activities not exceeding 3½ years (42 months) i.e. from the project delivery start date to project delivery end date. There is no minimum duration for project activity;
- Revenue projects should predominantly support businesses based in the London area; projects funded from the European Regional Development Fund allocation are expected to focus activity in and for the benefit of London;
- Physical developments must take place within the greater London boundary. Businesses that access the facilities developed with the support of European Regional Development Fund may be based anywhere in England (subject to other eligibility rules)

- All procurement must demonstrate compliance with European Union regulations;
- Applicants must demonstrate compliance with State Aid law; and
- All expenditure and activities will be subject to rigorous audit and non-compliance may lead to financial penalty.

European Regional Development Fund cannot be used to duplicate existing activities or activities that do not address market failure. European Regional Development Fund can only be used to achieve additional activity or bring forward activity more quickly. Applicants must be able to demonstrate that proposals are additional to activity that would have occurred anyway or enables activity to be brought forward and delivered more quickly than otherwise would be the case in response to opportunity or demand.

The proposed project must not duplicate or undermine existing business support services operating nationally or locally.

For projects including premises, applicants will be required to demonstrate that there is demand that is not met by existing supply. There are further additional requirements for business incubators set out in the Operational Programme 'Guiding Principles' section for Priority Axis 3.

3. Deliverables required under this Call

Operations will be expected to achieve the following Programme Deliverables. The definitions of which can be accessed at the [European Regional Development Fund Operational Programme](#). The targets are indicative and subject to final confirmation.

Investment Priority 3a

ID	Indicator
C1	Number of enterprises receiving support
C5	Number of new enterprises supported
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises

P2	Public or commercial buildings built or renovated
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Investment Priority 3c

ID	Indicator
C1	Number of enterprises receiving support
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

Investment Priority 3d

ID	Indicator
C1	Number of enterprises receiving 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

Applicants will need to be able to demonstrate how they will achieve the deliverables committed to within their proposal along with any methodology used to record it. Applicants will also need to ensure robust systems are in place, and be able to describe them, to capture and record the targets and to report qualitative and

quantitative performance across the relevant Local Economic Partnership areas. All operations will be required to collect data and report progress against the deliverables with each claim. Where an operation underperforms against their deliverables they may be subject to a performance penalty.

There must be a fully evidenced audit trail for all contracted deliverables.

4. General Information

Essential information to support the drafting of an application and delivery of a successful European Regional Development Fund funded project is available at the [European Growth Funding](#) website pages.

4.1. Compliance and Eligibility

When developing an application, Applicants should refer to [guidance](#) on eligible Applicants, activities and costs. These are for guidance only and Applicants should take their own specialist advice if in doubt. It is the responsibility of the Applicant to ensure that the rules and guidance are adhered to both at application stage and following approval.

European Structural Investment Funds are governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation listed in the 'key documents' section prior to submitting an Outline application. If successful, Applicants will enter into the standard Funding Agreement and must abide by the standard terms and conditions contained therein. Applicants are therefore strongly advised to read these terms and conditions to ensure that they would be able to enter into such an agreement prior to responding to the call. Once a Funding Agreement has been issued it should be signed and returned within a short timescale.

4.2. Intervention Rate & Match Funding

European Regional Development Fund is the funding which is used where no other funding can be obtained (the funder of last resort). The maximum European Regional Development Fund contribution rate for the operation is 50%. This means European Regional Development Fund can contribute **up to** 50% of the total eligible project costs subject to State Aid regulations. The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed. The remaining 50% or more must come from other eligible sources.

European Regional Development Fund is not paid in advance and expenditure must be defrayed prior to the submission of any claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

4.3. Applicants

Applicants must be legally constituted at the point of signing a Funding Agreement, and be able to enter into a legally binding Funding Agreement. The Applicant will be the organisation that, if the application is successful, enters into a contract for European Regional Development Fund and therefore carries the liability for ensuring that the terms of the European Regional Development Fund Funding Agreement are met by them and to all delivery partners. If there is more than one organisation applying for the funds, a lead organisation must be selected to become the Applicant. It is this organisation that carries the responsibility and liability for carrying out a compliant project.

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 with this (these) grant(s) have been identified, the Managing Authority will look into these and expect to see how and what steps have been taken to ensure that these have been addressed to mitigate the risk of further irregularities in the future. It is acknowledged that some organisations will be new to European Structural Investment Fund funding and will not have a track record.

4.4. Cross Cutting Themes/Horizontal Principles

All applications received under this call should 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 the [European Regional Development Fund Operational Programme](#).

4.5. State Aid & 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.⁴ 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 or is covered by the De Minimis Regulation. 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.

⁴ Article 107(1) of the Treaty on the Functioning of the European Union provides that: "Save as otherwise provided in the Treaties, any aid granted by a Member State or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market."

Where the Applicant does not perceive that there is any State Aid, it should state whether or not it considers Articles 61 and 65(8) of regulation 1303/2013 to apply. This revenue should be taken into account in calculating eligible expenditure. Article 61 refers to monitoring revenues generated after completion of the project, and Article 65(8) how to deal with differences in the forecast and actual revenues at the end of the operation. The details of this will be tested at the full application stage.

4.6. Funding Agreement

The Funding Agreement is a standard, non-negotiable and legally binding document. Any successful Applicant will be subject to the terms and conditions contained within this agreement. Applicants are strongly advised to seek their own advice to ensure that they would be able to enter into and abide by the terms of the Funding Agreement.

Failure to meet any of the conditions of the agreement or the commitments within the application will result in claw back of funding.

Applicants should be aware that additional provisions and securities may be included within the Funding Agreement to protect the investment. These will be further discussed if relevant following the Full Application stage.

4.7. Procurement

All costs delivered by the Grant Recipient (the Applicant) and/or delivery partners must be delivered on an actual cost basis. Other costs must be procured in line with EU regulations. The most common error identified during audit has been failure to comply with relevant procurement regulations and crucially to maintain a full audit trail to prove that they have complied with the relevant regulation. 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 European Union.

It is recommended that Applicants seek their own legal advice pertaining to their procurement and requirements to publicise any tendering opportunities.

The Managing Authority is not able to give legal advice on procurement. It is the responsibility of the Applicant to ensure the project is compliant in this respect.

5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process; Outline Application and if successful, Full Application. Applicants must fully complete the Outline Application via LOGASnet (section 9 refers). Guidance is

available on the [European Growth Funding](#) website pages. Applications will be subject to a Gateway Assessment undertaken by the Managing Authority under the following criteria:

- Applicant eligibility;
- Activity and expenditure eligibility; and
- The fit with the European Regional Development Fund OP and the call.

Proposals that pass the Gateway Assessment will move into the Core Assessment which consists of the following:

- Strategic fit;
- Value for money;
- Management & control;
- Deliverability;
- Procurement / tendering; and
- State Aid compliance.

The Managing Authority will seek advice from partners when considering applications to ensure its assessment is informed by local economic growth conditions and opportunities within the context of Operational Programmes and the local European Structural Investment Fund Strategy. This will include the relevant Local Economic Partnership Area European Structural Investment Fund Committee and other partners deemed relevant to the application.

The assessment and any prioritisation will be undertaken using only the information supplied as part of the application process. The Managing Authority cannot accept further detail outside this process.

Non-public sector Applicants who are successful at the Outline Application stage may be subject to due financial diligence checks by the Managing Authority, prior to submission of a Full Application. Applicants will be required to submit accounts, and to clarify financial or other organisational information. New Applicant organisations may be required to provide details of a guarantor.

6. Support

Please note that this is a competitive call and to preserve impartiality we are unable to enter into correspondence with applicants over their Outline Application. Details of where guidance can be found are contained throughout this calls document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: ESIFCalls@london.gov.uk .

7. Key Documents

- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural Investment Fund Strategy;
- Eligibility Guidance; and
- Target Definitions.
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8. Document Checklist

Failure to provide the following documentation will result in the application being rejected

Outline Stage:

- Fully completed Outline Application;
- Financial Tables;
- Outputs, Results and Indicators Tables; and
- Three years financial accounts (if private or voluntary and community sector).

9. Document Submission

Completed Outline Applications must be submitted via the [LOGASnet system](#).

Please note that Applicants will require a user ID and password in order to access the LOGASnet system. Details on how to register on the system can be found on the GOV.UK website [European Growth Funding](#) website pages. Please allow up to 10 days to receive your login details.

10. Timescales

Launch of Call advertised on gov.uk.	27 th March 2015
Deadline for submission of Outline Application	29 th May 2015

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

For this call applications will normally be required to **commence delivery/activity within three months** of the award of contract.

Any changes related to the deadline for the submission of the Outline Application form will be notified on the [European Growth Funding](#) website pages.

11. Formal Agreement of the European Regional Development Fund Operational Programme

The information and references in the call are based on the latest version of the [European Regional Development Fund Operational Programme](#) and are correct at the time of publishing. The Operational Programme may be subject to further amendment during its final negotiations with the European Commission, and subsequent calls will reflect any changes, to the extent that they may affect the terms of calls, that are made. In relation to the present call, the Managing Authority will take the possibility of relevant changes to the Programme into account when assessing outline and full applications, and where such changes occur will notify Applicants of any issues that arise, and propose a method of dealing with them.

ANNEX

2014-20 ERDF FUNDING FOR GROWTH HUB ACTIVITIES

Growth hubs will ensure that support for business is simpler, more joined up and easier to access. Some will also provide targeted support to businesses tailored to local needs e.g. priority sectors, groups. In the new 2014-20 ERDF Programme period, some growth hubs will have a physical presence in the local area for businesses to seek advice, support and to network whilst others will offer a virtual service.

Although growth hubs are open to all businesses, regardless of size or sector, they will be able to offer ERDF-funded support only to eligible SMEs under ERDF Priority Axis 3. LEPs and other partners in some localities have therefore sought clarification as to whether the 2014-20 ERDF Programme for England can be used to fund the following activities:

- Signposting and diagnostic activity (e.g. salary costs associated with to face-to-face business advisers, telephone support services)
- Facilitation of peer to peer networking events
- Growth hub marketing activity
- Website development/ maintenance and/or enhancements/development of new on-line tools
- Back office, administration
- Management of the growth hub

DCLG has therefore worked with BIS to produce this Annex on growth hub activities and how they may be supported by ERDF.

ERDF objectives

Where growth hub activity is eligible for ERDF support, it will be supported under Priority Axis 3 of the ERDF Operational Programme which is designed to improve the competitiveness of SMEs by increasing the capacity and capability of SMEs and promoting entrepreneurship. Its investment priorities and specific objectives are:

*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 objective:** Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups.*

*Investment Priority 3c - Supporting the creation and the extension of advanced capacities for products, services and development. **Specific objective:** Increase the growth capacity of small and medium sized 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 objective:** *Increase growth capability of small and medium sized enterprises.*

Eligibility of growth hub activities for ERDF support

LEPs and other partners are asked to note:

1. ERDF 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. ERDF, 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, ERDF can support core functions (and revenue costs) of growth hubs, where they directly contribute to Operational Programme activity and outputs.
4. Any ERDF support under Priority Axis 3 is limited to ERDF-eligible sectors, SMEs (not large companies) and potential entrepreneurs. This means that a universal offer for *all* businesses cannot be funded by ERDF – 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 VFM), rather than standalone IDB.
6. Growth hub staff directly associated with the delivery of ERDF project activity are eligible for ERDF support, e.g. staff costs for posts directly related to the ERDF project in terms of project delivery, management, co-ordination and monitoring; and posts directly related to referrals, signposting and diagnosis of needs of SMEs and potential entrepreneurs eligible for support from ERDF.
7. Growth hub marketing collateral, website content and tools where developed specifically for the purpose of helping to deliver ERDF Operational Programme activity and outputs may be supported.
8. 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 IDB for eligible SMEs and outputs under ERDF 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, HR, legal, procurement support,

governance and partnership development time (also see 7 and 8 above), IT, shared premises costs and other associated costs.

ERDF 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), except where this relates to the development of referrals and protocols linked to ERDF project delivery and eligible ERDF SMEs e.g. integration of Business Growth Service (BGS).
- c. Support for research or other development activity for the growth hub and/or LEP, including annual review of growth hub performance.
- d. General growth hub website maintenance and tools development unrelated to the delivery of the ERDF Operational Programme.
- e. Support for general growth hub 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, in line with the sustainability principle set out in the BIS grant offer letters for 2015-16 funding. Your BIS Local Manager will engage with and support each LEP and broader partnership in this process.