

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

<b>Managing Authority:</b>	<b>Department for Communities and Local Government</b>
<b>Fund:</b>	<b>European Regional Development Fund</b>
<b>Priority Axis:</b>	<b>Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises</b>
<b>Call Reference:</b>	<b>OC12R15P 0194</b>
<b>Local Enterprise Partnership Area:</b>	<b>Greater Birmingham and Solihull</b>
<b>Call Open:</b>	<b>3 August 2015</b>
<b>Call Closes:</b>	<b>23:59 25 September 2015</b>

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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 Funds are managed by the Department for Communities and Local Government for European Regional Development Fund, Department for Work and Pensions for European Social Fund and the Department for Environment Food and Rural Affairs for 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. Unless stated otherwise, the term “Managing Authority” will apply to all these organisations. The Managing Authorities work closely with local partners who provide:

1. Practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets;
2. 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
3. Advice on local economic growth conditions and opportunities within the context of the Operational Programme and the local European Structural Investment Fund 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 for England 2014 to 2020.

## 2. Call Context

On behalf of the national Growth Programme Board, the Department for Communities and Local Government (the Managing Authority) invites applications seeking European Regional Development Fund support under:

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

#### **Investment Priorities:**

- 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 improve the competitiveness of Small and Medium Sized Enterprises by increasing capacity and capability and promoting entrepreneurship.

Any application for funding will be required to clearly demonstrate that it meets the requirement of, and makes a meaningful contribution to, the delivery of the relevant Priority Axis of the [European Regional Development Fund Operational Programme](#).

In addition, applications will be expected to meet identified local development need, as expressed in the scope of this call and as set out in the [Greater Birmingham and Solihull Local Enterprise Partnership](#) European Structural and Investment Funds Strategy.

Applicants are advised to familiarise themselves with the detail of the Operational Programme, local European Structural and Investment Funds Strategy and the relevant documentation listed in sections 5 through to 8 **prior to** submitting an Outline Application.

In responding to this call, applicants should also 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:

4. 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;
5. 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.

### 3. Scope of the Call

#### 1. Scope

This call invites Outline Applications which support the delivery of **Priority Axis 3** of the European Regional Development Fund Operational Programme and responds to the local development need set out in the [Greater Birmingham and Solihull Local Enterprise Partnership European Structural and Investment Funds Strategy](#).

<b>Indicative Fund Allocation:</b>	Indicatively, through this call the Managing Authority expects to allocate up to £1.0 million. The Managing Authority reserves the right to increase or decrease the indicative allocation, or support more or fewer projects subject to the volume and quality of proposals received. 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.
<b>Minimum application level</b>	European Regional Development Fund investment is intended to make a significant impact on local growth. Applications are expected to demonstrate appropriate scale and impact. The Managing Authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. .
<b>Duration of project approvals</b>	Projects should be for a maximum of three years, however the Managing Authority reserves the right to vary the maximum duration in exceptional circumstances.
<b>Geographical Scope</b>	All interventions are confined to activity and beneficiaries within England. Projects should predominantly support businesses based within Greater Birmingham and Solihull Local Enterprise Partnership area.
<b>Specific call requirements</b>	<p>It is the intention of this call to result in the award of a single funding agreement. Applicants may wish to bid individually, as part of a consortium or a partnership (in line with European Regional Development Fund Eligibility Rules). Bids which deviate from this will be received, but should provide an explanation for this approach.</p> <p>Applicants should note that financial instrument activity (i.e. where the project involves the provision of loans or risk finance investment) is <u>excluded</u> from this call.</p> <p>Applicants should note that the Greater Birmingham and Solihull Local Enterprise Partnership covers areas</p>

	<p>categorised as both 'transition' and 'more developed' within its boundaries. The following districts within Greater Birmingham and Solihull Local Enterprise Partnership are categorised as 'transition': East Staffordshire; Cannock Chase, Lichfield, Tamworth. The rest of the Local Enterprise Partnership is covered by 'more developed' status.</p> <p>The maximum European Regional Development Fund contribution rate for activity in 'transition regions' is 60% and the maximum contribution rate in 'more developed' regions is 50%. This means European Regional Development Fund can contribute <b>up to 60%</b> (in transition regions) and <b>up to 50%</b> (in more developed regions) of the total eligible project costs. Please note that the intervention rate may also be subject to State Aid regulations which will determine the maximum level of public sector funding which can be provided to the activity.</p> <p>The minimum total project value under this call will therefore depend on where the activity is taking place.</p>
<b>Call Deadlines</b>	<p>For this specific call, applications will be assessed after the close of the single deadline Applications received after the published call close date will not be considered. All applications will be assessed following closure of the call.</p>

## 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.

<b>LOCAL DEVELOPMENT NEED</b>
<p><b>Local Economic Context :</b></p> <p>This call builds on the growing businesses section of the Greater Birmingham and Solihull Local Enterprise Partnership's Strategic Economic Plan and the business priorities identified in our Strategic Framework (Greater Birmingham and Solihull Local Enterprise Partnership Strategy for Growth 2013) which seeks to drive business growth and put in place the interventions necessary to enable businesses to start, grow and succeed and thereby create jobs across Greater Birmingham.</p> <p>There are currently 50,971 businesses located in the Greater Birmingham and Solihull Local Enterprise Partnership area. Recent data provided by the Enterprise Research Centre (Growth Dashboard 2015) identified 16.3% of these as fast</p>

growing firms (2011 – 2014), furthermore the United Kingdom now has the highest number of start-ups than ever before, with Greater Birmingham and Solihull Local Enterprise Partnership having an above average rate of start-ups showing early signs of scaling, though in Greater Birmingham and Solihull Local Enterprise Partnership these start-ups have a lower five year survival rates than the United Kingdom as whole, and unemployment rates remain above the national average, highest of all Core City Local Enterprise Partnership areas.

There are a variety of documented barriers to growth that are faced by many of these firms including strategy and management; sales and marketing; finance; skills, staffing and innovation added to this is the rich yet somewhat fragmented support landscape, which has resulted in many of these businesses not being able to navigate this landscape and find the support they need. In essence businesses in the Greater Birmingham and Solihull Local Enterprise Partnership area are faced with a number of key challenges.

Therefore, we need to create the right business support ecosystem that supports all our small and medium sized enterprises. Recognising these barriers, the Greater Birmingham and Solihull Local Enterprise Partnership has already established a local Growth Hub ([www.gbslepgrowthhub.co.uk](http://www.gbslepgrowthhub.co.uk)), an online tool that provides a single place for businesses to go to find information about local and national provision, underpinned by a shared Customer Relationship Management (CRM) system. We are now seeking proposals for business support activity to complement this work through the provision of information, diagnostic, brokerage and wider engagement activity.

The impact of our Greater Birmingham and Solihull Local Enterprise Partnership Growth Hub will result in 10,000 businesses each year accessing information and tools and 20% more take up of national schemes; through the Growth Hub and associated activities we aim to support more businesses to start, grow and succeed in the Local Enterprise Partnership area.

Greater Birmingham and Solihull Local Enterprise Partnership is one of 39 local enterprise partnerships set up by Government to drive the economic development in England. Set up in May 2011, it covers the geographic local authority boundaries of Birmingham, Bromsgrove, Cannock Chase, East Staffordshire, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest. Greater Birmingham and Solihull Local Enterprise Partnership is a partnership of business, local authorities, universities and other organisations which support private sector growth and job creation.

Greater Birmingham and Solihull Local Enterprise Partnership overlaps with two other Local Enterprise Partnerships, encompassing the local authorities of Bromsgrove District Council, Redditch District Council and Wyre Forest District Council which are also part of Worcestershire Local Enterprise Partnership and with Cannock Chase District Council, East Staffordshire Borough Council, Lichfield District Council and Tamworth Borough Council are also part of Stoke and Staffordshire Local Enterprise Partnership.

Birmingham City Council (BCC) is the largest local authority in the United Kingdom

and acts as the accountable body for Greater Birmingham and Solihull Local Enterprise Partnership for a number of products and services.

It is important to note that a number of local authorities within the Greater Birmingham and Solihull Local Enterprise Partnership area, due to overlapping nature of the Local Enterprise Partnership boundaries, are already covered by another operational Growth Hub provided by another Local Enterprise Partnership, these may already provide a Business Support Function service. Therefore we would expect proposals to include details of how activities will be linked across Greater Birmingham and Solihull Local Enterprise Partnership partner Growth Hubs. Furthermore, we would like proposals to consider closer alignment of activity with Local Enterprise Partnerships in the Black Country and Coventry and Warwickshire, with clear examples of how relationships and activity will be developed and managed.

The current landscape of business support services in the Greater Birmingham and Solihull Local Enterprise Partnership area is rich, but fragmented and thus difficult to navigate for businesses. This results in many companies not finding (or possibly giving up searching for) relevant support. A single, easy to navigate signposting service for all businesses – regardless of size and sector - across the Greater Birmingham and Solihull Local Enterprise Partnership area has now been developed and launched. The Growth Hubs role is to increase the take-up of relevant services by companies, and decrease the time it takes business to find a service that meets their needs, thus increase the take up of such services by a wider section of the business community.

This call is limited to the requirement of the continued development of Growth Hub business support activity through the provision of information, diagnostic, brokerage and wider engagement support. No other types of activity or projects are sought in this call.

Up to £1million European Regional Development Fund is available to deliver a Business Support Function for up to 3 years. Specifically the Business Support Function should:

- Promote growth by encouraging companies to develop growth propositions;
- Have effective mechanisms for identifying, recruiting and targeting companies that have potential to growth;
- Be able to diagnose companies' barriers to growth;
- Provide tailored advice on helping companies tackle barriers faced;
- Manage all referral activity to suitable providers and co-ordinate local and national responses to companies' needs and growth opportunities;
- Engage with local and national providers to ensure alignment of activity and provision of services which meet the needs of Greater Birmingham and Solihull Local Enterprise Partnership economy and its Small and Medium Sized Enterprises.

Future proposals may be sought to include the direct delivery of growth programmes where a market gap has been identified by Greater Birmingham and Solihull Local Enterprise Partnership, which is not covered by other European Structural and Investment Funds project calls and cannot be provided through other national sources.

**Local Priorities:**

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

- Alignment to the Greater Birmingham and Solihull Local Enterprise Partnership's European Structural and Investment Fund Strategy and Strategic Economic Plan and national requirement for growth hubs;
- To deliver the direct provision of specialist business support advisers providing advice and guidance via a dedicated Monday to Friday 9am to 5pm telephone helpline, on line chat and enquiry support and face to face to businesses in Greater Birmingham and Solihull Local Enterprise Partnership geography, including more detailed diagnostic activity to understand their wider needs, providing tailored advice on helping companies tackle their barriers to growth and sign post to appropriate provision and monitor accordingly;
- Extensive engagement activity including peer-to-peer and collaboration support; building proactive longer term strategic relationships with business leaders and management teams, based on monitoring the outcomes of the work they have undertaken and providing on-going support as necessary.
- To promote growth and encouraging companies to develop growth propositions;
- To help business leaders and their leadership teams during this work, particularly in resource scarce businesses, to understand better their ambitions, their business context and opportunities, their internal capabilities and capacity to change and grow and to understand the required resulting actions that they need to undertake to achieve an agreed set of ambitions.
- Have effective mechanisms for identifying, recruiting and targeting companies that have growth potential.
- An extensive knowledge of local need and provision is required, proposals must show how they will be able to work across all sectors and link into other programmes that support the key sectors identified by Greater Birmingham and Solihull Local Enterprise Partnership (see Strategic Economic Plan and the Strategy for Growth) including how they will work with other key areas such as science parks, Enterprise Zone, clusters of growth businesses and major developing locations;

- An initial Customer Relationship Management (CRM) and knowledge bank system has been established and this will need to be used by the successful bidder with the information needing to be updated and maintained to provide a continuous service including regular performance monitoring reports and data;
- Need to promote and market, including delivery of Growth Hub events to ensure good and wider promotion of programmes and the Hub by local companies.
- Only one growth hub is required for the Local Enterprise Partnership area with its activities to cover the whole of the Local Enterprise Partnership area; allowing for potential cross Local Enterprise Partnership working.
- Work with all providers of services to small and medium sized enterprises to ensure as wide as possible take up of services.
- Further guidance is provided in the Growth Hub Annex to this call specification.
- If applicants wish to learn more about the European Structural and Investment Fund Strategy or the existing Customer Relationship Management System and how their potential projects can contribute to it, they may find it helpful to contact the European Regional Development Fund technical assistance funded project for Greater Birmingham and Solihull Local Enterprise Partnership via their dedicated inbox at [esif@solihull.gov.uk](mailto:esif@solihull.gov.uk). The technical assistance project is also hosting a number of information events/workshops in August for any potential applicants under this call. These events are publicised on the [Events page](#) of the GB&S LEP website. The workshops are optional and it is not a requirement of the call to attend. However, potential applicants who wish to learn more about the local needs and priorities expressed in the call documentation are encouraged to attend or use the dedicated inbox.

### 3. Operational Programme Investment Priorities

Applications must specify the activities to be delivered and are expected to directly contribute to **one or more** of the following Investment Priorities:

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

<b>Indicative Actions</b>	<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"> <li>• Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture</li> <li>• 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</li> <li>• Provision of advice and support for new business start-ups to survive and grow</li> <li>• Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth</li> <li>• Grants to support productive investment</li> </ul> <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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<b>Investment Priority</b>	<b>3c –Supporting the creation and extension of advanced capacities for products, services and development.</b>
<b>Specific Objectives</b>	Increase the growth capacity of small and medium sized enterprises.
<b>Indicative Actions</b>	<p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Provision of advice to develop new business models or higher quality products, processes or services</li> <li>• Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice,</li> <li>• Advice to improve business processes and workforce</li> </ul>

	<p>development</p> <ul style="list-style-type: none"> <li>• Advice and support for supply chain interventions to strengthen and grow the domestic supplier base</li> <li>• Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects</li> <li>• Grant finance for business to invest for product, process and service improvements</li> <li>• Provision of independent access to finance advice.</li> </ul>
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<b>Investment Priority</b>	<b>3d –Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes</b>
<b>Specific Objectives</b>	Increase the growth capability of Small and Medium Sized Enterprises.
<b>Indicative Actions</b>	<p>The support provided through this specific objective will help businesses to develop their internal capability in order to improve their productivity, grow and create jobs:</p> <p>Under this investment priority indicative actions to be supported by European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Support Small and Medium Sized Enterprises to develop focused growth strategies and update or introduce new business models which will drive business performance</li> <li>• Advice and support for businesses to become investment ready</li> <li>• Provision of advice, consultancy, mentoring and</li> </ul>

	<p>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)</p> <ul style="list-style-type: none"> <li>• Leadership and management coaching where connected to the development and implementation of a business growth plan</li> <li>• Targeted grant schemes to support productive investment</li> <li>• Provision of advice and consultancy on access to finance</li> </ul> <p>Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including Social Enterprises.</p>
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#### 4. Required Outputs under this Call

Projects must deliver against the Priority Axis 3 outputs and results of the European Regional Development Fund 2014 to 2020 Operational Programme. For projects coming forward under this call the expected outputs and results are:

ID	Output Indicator
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
C29	Number of enterprises supported to introduce new to the firm products
P11	Number of potential entrepreneurs assisted to be enterprise ready

P13	Number of enterprises receiving Information, Diagnostic and Brokerage support
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Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund, will achieve the deliverables committed to within the proposal. The application should clearly state the methodology used to determine the levels of outputs proposed.

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 deliverables, a performance penalty may apply.

## 5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process;

1. Outline Application and, if successful
2. 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 the national [Selection Criteria](#).

Outline Applications will be assessed in two stages, Gateway assessment and Core assessment.

Gateway assessment considers:

- applicant eligibility;
- activity and expenditure eligibility; and
- fit with the National Operational Programme and the local development need set out in section 2.

Proposals that fail the Gateway assessment will be rejected. Proposals which pass the Gateway assessment will then be assessed against the Core assessment criteria:

- Strategic Fit

- Value for money
- Management and control
- Deliverability
- Compliance
  - Procurement
  - State Aid
  - Publicity requirements
- Cross cutting themes
  - Environmental sustainability
  - Equal Opportunities

Having assessed projects against these criteria the relevant Local Economic Partnership area European Structural and Investment Fund Sub-Committee will advise the Managing Authority on the alignment to local economic growth conditions and opportunities within the context of the Operational Programme and local European Structural and Investment Fund Strategy to aid the Managing Authority's assessments (at outline and full application stage).

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>

## 6. General Information

### 1. National Eligibility Rules

When developing an application, Applicants must refer to the [National Eligibility Rules](#) setting out the requirements of the 2014-2020 European Regional Development Fund Programme. It is the responsibility of the Applicant to ensure that the 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 grant. Applicants are strongly advised to seek specialist advice if in doubt on any requirement.

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, Applicants will enter into a 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 are 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 30 days, unless otherwise agreed with the Managing Authority.

## **2. Eligible Applicants**

Section 4 of the [National Eligibility Rules](#) sets out who is eligible to apply.

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 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 how and 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.

## **3. Contribution Rate & Match Funding**

European Regional Development Fund is normally expected to intervene where no other funding can be obtained (i.e. the funder of last resort). 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 costs in the More Developed region and 60% of costs in the Transition region of the total eligible project costs subject to State Aid regulations.

The remaining 50% of costs in the More Developed region and 40% of costs in the Transition region or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. Applicants will need to demonstrate that they have eligible match funding in place for the balance of costs. Other European Union 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 quoted 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.

#### **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 are expected to:

- (i) 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,
- (ii) Commence delivery (defraying European Regional Development Fund eligible costs) within three months of formal approval. Projects which fail to meet this deadline may be deselected, and
- (iii) Be completed by June 2023.

#### **5. Capital Projects**

Applicants seeking European Regional Development Fund to support a capital project (i.e. land and/or property) will need to meet Building Research Establishment Environmental Assessment Method or Civil Engineering Environmental Quality Assessment 'Excellent' for new builds and 'Very Good' for refurbishments. Applicants will need to provide evidence of how they will achieve the rating required (unless otherwise agreed with the Managing Authority).

Applicants will need to demonstrate that they have the rights and permissions to undertake the project and must provide:

1. Proof of current interest in the land and/or property, which includes evidence of the freehold ownership or any lease arrangements that may be in place; and
2. Evidence of the approval of any planning permission, or in certain circumstances a clear statement on the process for securing such consents and any risks to the project.

Royal Institute of British Architects Stage D costs must be supplied with the Full Application and be certified by an independent Quantity Surveyor and Land/Property contributions certified by a Real Estate Valuation expert who are current and

chartered members of the Royal Institute of Chartered Surveyors/ Chartered Institute of Builders or equivalent body.

Successful Applicants will be required to provide security to the Managing Authority in the form of a Legal Charge and/or Deed of Covenant over the land and/or property. Applicants will be responsible for registering the charge at their own cost.

## **6. 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](#).

## **7. 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. Projects need to demonstrate that without the support of European Regional Development Funding the activity would not have taken place.

European Regional Development Funding cannot support activities that duplicate existing provision/services within the region.

Applications need to identify and evidence the beneficiaries will use the service and demonstrate that the project does not displace other activity available in the market place.

## **8. 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.<sup>1</sup> 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

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<sup>1</sup> 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."

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.

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. 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. This revenue should be taken into account in calculating eligible expenditure. The details of this will be tested at the full application stage.

## **9. 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 relevant advice to ensure that they would be able to enter into and abide by the terms of the Funding Agreement.

Applicants are advised that additional provisions and securities may be included within the Funding Agreement to protect the investment. Detailed advice will be given if appropriate at the Full Application stage.

Failure to meet any of the conditions of the Funding Agreement or the commitments within the application will result in claw back of the Grant (which may include interest).

## **10. Procurement**

All costs claimed by the Applicant (Grant Recipient and/or Delivery Partner(s)) must be recovered on an actual cost basis. Other costs must be procured in line with National (including [Public Procurement Regulation 2015](#)) and European Union regulations. Procurement will be subject to audit and verification and any irregularity will result in 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 European Union.

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 grant.

## 7. 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: [WM.ERDFenquiries@communities.gsi.gov.uk](mailto:WM.ERDFenquiries@communities.gsi.gov.uk).

## 8. Key Documents

- European Regional Development Fund Operational Programme;
- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural and Investment Funds Strategy;
- Eligibility Guidance;
- Target Definitions; and
- Funding Agreement (Revenue and/or Capital).

## 9. Document Checklist

Incomplete applications will be rejected. Please ensure the following information (documents) are submitted.

Outline Stage:

- Fully completed Outline Application;
- Financial Tables; and
- Outputs, Results and Indicators Tables.

## 10. Document Submission

Completed Outline Applications must be submitted via **email** to the address in Section 7.

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

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

## **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 European Regional Development Fund 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 European Regional Development Fund-funded support only to eligible Small and Medium Enterprises under European Regional Development Fund Priority Axis 3. Local Enterprise Partnerships and other partners in some localities have therefore sought clarification as to whether the 2014-20 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 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

The Department for Communities and Local Government has therefore worked with the Department for Business, Innovation and Skills to produce this Annex on growth hub activities and how they may be supported by 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 Enterprises by increasing the capacity and capability of Small and Medium Enterprises and promoting entrepreneurship

## **Eligibility of growth hub activities for European Regional Development Fund support**

Local Enterprise Partnerships and other partners are asked to note:

3. 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.
4. European Regional Development Fund, 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.
5. 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.
6. Any European Regional Development Fund support under Priority Axis 3 is limited to European Regional Development Fund-eligible sectors, Small and Medium 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.
7. 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, brokerage.
8. 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 Enterprises and potential entrepreneurs eligible for support from European Regional Development Fund.
9. Growth hub marketing collateral, website content and tools where developed specifically for the purpose of helping to deliver European Regional Development Fund Operational Programme activity and outputs may be supported.
10. 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, diagnosis, brokerage, for eligible Small and Medium Enterprises and outputs

under European Regional Development Fund Priority Axis 3 may be supported.

11. 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), 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 Enterprises e.g. integration of Business Growth Service (BGS).
- c. Support for research or other development activity for the growth hub and/or Local Enterprise Partnership, including annual review of growth hub performance.
- 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 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 Business, Innovation and Skills grant offer letters for 2015-16 funding. Your Business, Innovation and Skills Business Local Manager will engage with and support each Local Enterprise Partnership and broader partnership in this process.