



## Application Guidance Notes

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### **Section 1: General Guidance** **What funding is available?**

We currently have two funding streams available for businesses looking for support. Both aim to generate economic activity by investing in enterprise growth and promote the delivery of jobs:

- Derby Enterprise Growth Fund – grants and loans available to businesses within Derby's TTWA. Please visit [www.derby.gov.uk/degf](http://www.derby.gov.uk/degf) for details of Derby's TTWA. This is funded through the Government's Regional Growth Fund
- D2 Enterprise Growth Fund – grants available to businesses across Derby and Derbyshire. This is a partnership between Derby City Council and Derbyshire County Council with funding from these two bodies and EU funding through D2N2.

All funding is discretionary and we expect competition to outstrip supply, so there are no guarantees that any funding bid will be successful.

All activity supported by the Funds must comply with the European State Aid law provisions. See Annex A and Annex B of these guidance notes for further information.

### **What activity is eligible for funding?**

We are particularly keen to support the following types of activity:

**1. Funding for Supply Chain Innovation** - primarily for businesses within the aerospace, rail and automotive sector, aimed at SME companies.





# D2 Enterprise Growth Fund

# Derby Enterprise Growth Fund

Funding will be available to projects with a demonstrable close to market research and development or innovation need and where the research acts as a facilitator or fast track to commercialisation and job creation.

Our funding can be used to support Capital Equipment for research and development activity in line with State Aid regulations covering Industrial Research or Experimental Development.

**2. Enterprise Expansion** - primarily for businesses expanding and creating net new jobs within Derby and Derbyshire.

Financial assistance in the form of grants or loans may be provided for the following items of expenditure:

- Investment in capital equipment
- Investment in site / building infrastructure / relocation costs
- Development of new products or service lines
- Investment in exporting

All funding will be subject to the recipient providing evidence of performance, outputs (particularly net new jobs) and outcomes as well as details of any other public funding awarded to the company or currently sought by the company.

Please also note that the following projects are not likely to be a high priority for our funding:

- Companies operating in sectors with a predominantly local market where this is a high risk of “job displacement”. By job displacement we mean companies where job growth in a local company is likely to lead to job losses in others. Sectors where this tends to be an issue include retail, hospitality, recruitment and social care for example.
- Projects where costs are predominantly towards employment of new staff (unless there is a particularly compelling justification that investment in particular staff will directly leading to innovation or expansion within the business).



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## Who can apply?

Micro, small and medium sized enterprises and social enterprises within Derby and Derbyshire. There may be circumstances in which we can support larger businesses, where the funding requested is in line with State Aid regulations. For further information on State Aid, see Annex A and B.

### **Definition of SME (Small to Medium Enterprise)**

The abbreviation "SME" is used in the European Union based on the **number of employees** and either **turnover** or **balance sheet total** as below:

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

## What funding is available?

We currently have two funding streams available for businesses looking for support.

**Derby Enterprise Growth Fund** – initially a £20m fund, we now continue to support businesses by re-distributing repaid loans. We aim to offer loan funding rather than grant where possible to support the continuation of our scheme and expect to have at least £12m of further funding available for businesses during Phase 2 which started in April 2015.

**D2 Enterprise Growth Fund** – a £2.6m grant fund covering Derby & Derbyshire. In order to support the maximum number of businesses we expect the average grant to be c£50k.





# D2 Enterprise Growth Fund

# Derby Enterprise Growth Fund

The minimum amount awarded will be **£20k**.

## For Loans.

For businesses within the TTWA please be aware you may be offered loan funding, even if you have requested grant funding.

Loans will be provided at various rates dependent on the creditworthiness of the applicant and the level of collateralisation. An **indicative** table of interest rates is given below based on the EC Reference rate. This rate is then increased by a margin (to reflect the creditworthiness of the borrower and the level of collateral offered), which produces the overall rates as set out below:

Creditworthiness	Collateralisation		
	High	Normal	Low
Strong	1.62%	1.77%	2.02%
Good	1.77%	2.02%	3.22%
Satisfactory	2.02%	3.22%	5.02%
Weak	3.22%	5.02%	7.52%
Potential Financial Difficulties	5.02%	7.52%	11.02%

Assessment of interest rates will be carried out as part of the due diligence process and its decision is final. Generally, loan terms are over 3 years and we will seek to take security for our lending where possible. If you are seeking loan funding and you have existing charges against your business' assets we encourage you to discuss this with us and with other lenders at the earliest possible opportunity.

## For Grants

Applications for grants will be required to provide a business case as to why grant funding is necessary. Grants will be awarded as funding of last resort.



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All applications for grant will be assessed against funding criteria with each applicant normally required to provide at least 70% of the total project costs.

In limited circumstances applications will be considered for grant support where the private sector leverage is as low as 50% of the total eligible cost where a suitable case has been made by the applicant, such as exceptional: value for money; job creation levels; strategic merit.

All levels of intervention will be subject to agreement by the fund's Investment Panel.

### **No prior start**

If work on a project has started then it is ineligible for financial support. An application to the fund must be submitted and an offer made before work on the project is started. "Start of project" means either the start of construction work or the first legally binding commitment to order equipment, excluding preliminary feasibility studies, whichever is earlier.

### **How and when will projects be assessed?**

On receipt of an application, Derby City Council will undertake an initial eligibility check to determine whether the project can move to appraisal. This eligibility check will include the following verification:

1. **Application is fully complete**
2. **Project location** – confirmation that the project is in Derby or Derbyshire.
3. **Eligible status of applicant** – confirmation that the applicant is an SME. If the application is from a large company, the application must make absolutely clear how the project complies with State Aid regulations
4. **Job creation** – output figures for job creation included in application form (to be tested at full appraisal)
5. **Match funding** – confirmation that level is in line with guidance





On passing the eligibility check, applications move to appraisal. This may require the applicant to provide further information in support of their application.

The final decision on whether a project should receive support will be made either by the Investment Panel responsible for the governance of the funds, or by a sub-group of this Investment Panel, or by a member of the Investment Panel (e.g. the Chair) with delegated authority, dependent upon the amount of funding requested and the nature of the project.

Successful projects will be selected on the basis of their fit to the criteria outlined in these guidance notes taking account of:

- Job creation
- Value for money
- Private Sector funding leveraged
- Risk
- Need for funding
- Viability
- Strength of business case
- Creditworthiness
- Business sector and risk of job displacement
- Strategic merit

Derby City Council may invite comments on the applications from partner organisations.

Following the appraisal by Derby City Council, projects may be subject to further legal and financial due diligence assessments.

### **Submitting your application**

Please visit [www.derby.gov.uk/degf](http://www.derby.gov.uk/degf) for all application documentation. Applications should be made using the application form provided and with reference to these guidance notes. We also require the appendices spreadsheet completing to describe the project financials. Documents should be uploaded to our online system but if for any reason you are unable to do this can be emailed to [degf@derby.gov.uk](mailto:degf@derby.gov.uk)

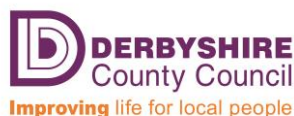




## Funding Offers

Successful projects are generally required to submit more detailed information (e.g. evidence of state aid compliance, forecasts and funding plans, historic accounts and necessary ID checks for key directors and shareholders) and may be subject to further legal and financial due diligence, prior to entering into formal funding contracts. Due diligence may be undertaken by an external company and is subject to a fee which is usually between 2-4% of the funding offer. The exact amount is calculated on a sliding scale and you will be informed of this after you are given a funding offer. **This is payable by the applicant in advance of due diligence commencing.**

The form and content of funding contracts will depend on the nature and complexity of the project but for loans will include provisions for repayment of funding and sufficient security for the project. For both grants and loans, clawback provisions will be included should projects not progress as anticipated and jobs be created as forecast.





## **Section 2:** **Completing the Application Form**

Please note that proposals will be assessed primarily on the basis of information within the application form. Any supplementary information should be kept to a minimum and must be directly related to the application.

**Please ensure that all questions are completed.**

**Question 2.** Assuming your project is approved, please outline when the project will start and close. Ideally projects will be at an advanced stage.

Please set out what other approvals are required before the project can start (e.g. planning permission, Highways Agency and Environment Agency approvals etc), set out the lead-in / mobilization period and identify any barriers to scheme delivery. Where approvals have not yet been secured, please confirm the date by which these are expected to be in place.

**Question 3. Project Description.** Please provide a brief description of your project, what the loan / grant will enable you to do and if relevant provide a location plan and show land interests. Please include a concise summary of how the project will operate its vision and main objectives.

**Question 4. Project Delivery Plan.** Please describe how you will deliver the project (e.g. internally, contracted out, procurement methods) including key milestones. These milestones will be used to negotiate the triggers for issuing funding should your application be successful.

**Question 5. Project Business Case.** Please outline how the project will add value to your enterprise activities, fits with your strategic plans and will enable growth within the company. Additionally please state why this project is the best option to deliver growth within your company.

The business case presents the justification for undertaking the project and in the manner proposed. This assessment should be based upon a robust, realistic and objective analysis.







The justification must therefore demonstrate why the benefits outweigh the costs and risks and how undertaking the project in the manner proposed offers the optimum way of realising these benefits.

Please describe what is the market failure being addressed and how will the project stimulate economic growth and private sector employment.

**Question 6. Outputs, Outcomes and Inputs.** We need to understand in more detail what the benefits of the project are, how these might be sustained and over what period. Applicants should consider both measurable outputs and the likely wider impact of the project and set out how you intend to evidence these outputs.

Some examples are given below:

**Mandatory (i.e. vital for application success)**

- Job Creation (direct and indirect)
- Ability to contribute to GVA
- Private sector investment levered
- Match funding secured

**Discretionary (which provide added value) - these may include, for example**

- Training opportunities
- Inward Investment
- Number of apprenticeships
- Site de-risking /area of land bought forward
- Investor Confidence
- Job safeguarding

**Question 7. Assistance Required.**

a) Applicants must clearly set out whether a loan or grant is required. Please outline the exact level of funding sought and how this will be used to support the project.





b) Please note, of the two funding streams DEGF is intended to be a recirculating fund to ensure sustainability beyond the duration of the Regional Growth Funding. Therefore priority will be given to loan applications. If requesting a grant, please outline why you cannot apply for a loan, outlining factors such as your enterprise reaching your maximum credit limit. We will at the due diligence stage seek evidence of this. Applicants should note that the Investment Panel overseeing the funds has the final decision about what type of investment will be offered.

If a loan is being considered, the detail on the interest rate applied, repayment proposals and timescales will be negotiated during the project appraisal. Applicants may include initial proposals in the application form, however, this may be subject to change during the appraisal process.

c) The costs of the project should be a brief summary taken from Appendix 1. This should include details of funding from other sources (e.g. bank, equity or other investment) should set out the status of the funding i.e. whether other funding is still be approved and if our funding will help secure additional funding / private sector investment. Evidence should be supplied where available.

d) **Our fund is a fund of last resort.** The panel need to be convinced that all other avenues of support and funding have been explored and why the our funding is vital to the project going ahead. All projects will be required to demonstrate that funding support will achieve one or more of the following criteria:

- An increase in the size of your company activity due to the funds investment
- An increase in the scope of your company activity due to the funds investment
- An increase in the amount of money spent on your company activity due to the funds investment
- An increase in the speed in which you deliver your company activities due to the funds investment
- That the project delivered through this Fund would not have taken place without support.

**Question 8. State Aid.** We cannot offer support which may constitute unlawful State Aid. This is a complex area and applicants should satisfy themselves that the investment sought





does not constitute unlawful state aid and where appropriate seek specialist advice. Before funding contracts are entered into, we may require further details from the applicant. For more information please see Annex A and Annex B. Information can also be found at: [www.bis.gov.uk/state-aid-frequently-asked-questions](http://www.bis.gov.uk/state-aid-frequently-asked-questions)

**Question 9. Describe the additional benefits of the project on the local community.**

We are keen to ensure all projects have the maximum impact upon the local community. We will expect successful applicants to work with local partners to maximise training and employment opportunities for local residents, and those in priority groups (e.g. young people and unemployed people).

Also please enter details of any additional impacts your project may create. These may include local jobs created outside of your organisation, increased supply chain resilience, positive environmental impacts, community engagement, infrastructure improvements etc.

**Question 10. Risks and Mitigation.** We need to understand the risks associated with the project. Detailed risk assessments may not yet be available but please set out what you believe to be the key risks for the project (physical and financial), the likelihood, impact and possible mitigation for these measures (include for example other funding approvals required, regulatory approvals, cost increases, state aid, market conditions etc).

**Question 11. Equality.** In order to comply with the Equality Act 2010 it is required that we monitor any disproportionate impacts the funding has on protected groups.

**Question 12. Commercial Confidentiality.** The information provided will be made available to the funding Investment Panel and partner organisations in arriving at funding decisions. Please let us know if any information is commercially sensitive or confidential.

**Submitting your Application**

Please ensure that you have completed both the Application Form word document all six tabs of the Funding Application Appendices excel spreadsheet. All of these tabs must be completed in order for an application to be accepted. Both documents should be uploaded to our online system.





## Annex A – State Aid Regulations

Funding administered by the our funds must meet with the European State Aid law provisions set out in the General Block Exemption Regulation 2014 and Treasury Green Book guidance designed to promote the efficient and proper use of public resources. Any scheme must:

- ✓ Demonstrate the legal base for the operation;
- ✓ Meet European restrictions on the provision of state aid;
- ✓ Provide sustainable benefits for the sub-regional and regional economies; and
- ✓ Not conflict with the sectoral restrictions that are derived directly from EC State Aid rules or flow from the national restrictions.

### Incentive effect

It is a requirement of EC State Aid law that our funding may only be awarded when it produces an incentive effect. It shall be considered to have an incentive effect if, before work on the project has begun, it has been verified that the application submitted by the beneficiary establishes one or more of the following criteria:

- ✓ material increase in the size of the project due to the aid;
- ✓ a material increase in the scope of the project due to the aid;
- ✓ a material increase in the total amount spent by the beneficiary on the project due to the aid;
- ✓ a material increase in the speed of completion of the project concerned; or
- ✓ that the project would not have been carried out in the Derby area in the absence of the aid.

### State Aid Block Exemptions

Our funds can operate under various EU State Aid Block Exemptions including:

- Regional Aid
- SME Investment and Employment Aid (Article 15)
- De Minimis





Other exemptions can be considered on a case by case basis.

### **Levels of Assistance available**

The level of assistance that is permissible under the EU State Aid Regulations varies depending on the size of the enterprise, its location and the types of activities that are proposed. The maximum level of assistance available for Small and Medium Sized Enterprises and Large Enterprises is outlined below. The maximum level of grant that our fund is permitted to provide is £2.5 million to any single enterprise. The maximum aid ceiling is stated in Euros

The maximum levels of support that are currently available through our funding under each of the eligible State Aid Block Exemptions are available to view at

[www.bis.gov.uk/policies/europe/state-aid/general-block-exemption-regulation](http://www.bis.gov.uk/policies/europe/state-aid/general-block-exemption-regulation)

Applications for financial assistance from our funds will be assessed on a case by case basis in the context of the overall programme outputs and investment ratios.





## Annex B: De Minimis

The de minimis rule sets a threshold figure for aid below which Article 87(1) of the Treaty can be said not to apply, so that the measure need no longer be notified in advance to the Commission. The rule is based on the assumption that, in the vast majority of cases, small amounts of aid do not have an effect on trade and competition between Member States. The de minimis rule does not apply to the undertakings active in the fishery and aquaculture sectors, in the coal sector, and in the primary production of agricultural products listed in Annex I to the Treaty. It applies, with a certain number of additional conditions, to undertakings active in processing or marketing of agricultural products. In the transport sector, de minimis aid cannot be used for the acquisition of road freight transport vehicles. Finally, undertakings in difficulty are not covered by this Regulation.

To benefit from the de minimis rule, aid has to satisfy the following criteria:

The ceiling for the aid covered by the de minimis rule is in general EUR 200,000 (cash grant equivalent) over any three fiscal year period. The relevant period of three years has a mobile character, so that for each new grant of de minimis, the total amount of de minimis aid granted during three consecutive fiscal years (including the then current fiscal year) needs to be determined. Information on all aid received under the de minimis regulation must be provided by the applicant as part of the application process.

The ceiling will apply to the total of all public assistance considered to be de minimis aid. It will not affect the possibility of the recipient obtaining other State aid under schemes approved by the Commission, without prejudice to the cumulation rule described below.

The ceiling applies to aid of all kinds, irrespective of the form it takes or the objective pursued. The only type of aid which is excluded from the benefit of the de minimis rule is export aid.

The regulation only applies to “transparent” forms of aid which means aid for which it is possible to determine in advance the gross grant equivalent without needing to undertake a risk assessment. This implies a certain number of restrictions on certain forms of aid like, for example, guarantees. Only guarantees lower than EUR 1.5 million can be covered by the Regulation.



# D2 Enterprise Growth Fund Derby Enterprise Growth Fund

Cumulation. The above ceiling (EUR 200,000 of de minimis aid over a three fiscal year period) applies to the total amount of de minimis aid granted to a single company. The amount is lowered to EUR 100,000 in the road transport sector.

When granting a de minimis aid to a particular undertaking, the Member State concerned must check whether the new aid will not raise the total amount of de minimis aid received by that undertaking during the relevant three year period above the EUR 200,000 (or EUR 100,000, as applicable) ceiling.





**Annex C – ERDF Procurement Regulations**

If your project is funded under ERDF you will need to comply with the rules set out in the EU procurement directive. This means you will need to provide evidence that any goods, works or services purchased have been procured in a way which complies with these requirements.

Companies requesting financial support are required to demonstrate **value for money** when purchasing goods / services through their grant. All companies are required, where possible, to obtain a minimum of 3 quotations for each of the good(s) / service(s) which they wish to purchase. Where 3 quotations are not available, the beneficiary must provide an explanation, in writing, detailing why they are unable to obtain such quotations. Copies of all quotations obtained should be submitted by the company in support of their application for grant funding and be held on file by the respective project delivery partner for audit purposes.

All beneficiaries receiving financial support are required to provide ‘certified true original copies’ of all evidence to support their claim for grant reimbursement. This includes copies of all invoices, BACS transaction reports, and bank statements to confirm that the expenditure has left their accounts. The following wording should be used when confirming that the document is a ‘certified true original copy’:

I certify that this is a true copy of the original document

Signed ..... Date .....  
 Name .....  
 Position .....  
 On behalf of .....

