



SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP



HM Government

Solent Prosperity Fund

Technical Guidance
Large projects

August 2018



TOGETHER. STRONGER

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1. Summary

The Solent area is an internationally-recognised key economic hub comprising the Isle of Wight, the two cities of Portsmouth and Southampton, and a constellation of large towns along the M27 corridor and the Solent waterway. Improving productivity and competitiveness in the Solent delivers wider benefits for the UK, and requires targeted and sustained investment in both our businesses and our infrastructure. In response, the Solent LEP is now opening up a new Fund, the Solent Prosperity Fund (SPF) for capital projects that support the Solent economy being fit for the future by helping businesses create better, higher-paying jobs and investing in unlocking new housing, business growth, connecting communities and businesses, developing skills and talent, and supporting our innovation and research pioneers

There are three types of Funding Support being made available:

- High Growth Start-up Businesses;
- Expansion Fund and Growth Accelerator Programme;
- Large Projects

The Solent Prosperity Fund aims to provide opportunities for both start-up and existing small businesses (or SMEs) seeking to grow, and for businesses and other organisations to deliver larger capital projects that can deliver one or more of the following outputs:

- Enabling / unlocking housing delivery;
- SME Growth;
- Improved productivity in priority sectors;
- Connecting communities and businesses (digital and transport)
- Employment growth
- Developing skills and talent;
- Pioneering innovation and research

Exceptionally the LEP Board may also consider private sector proposals that are seeking to safeguard key industries that are subject to pressing economic challenges, subject to affordability. If you are seeking funding for a project of this nature you are advised to contact the Solent LEP Executive Team on 02392 688924 in the first instance .

This is an open call for projects that can demonstrate a need for capital funding support from the Solent LEP and that are high quality and highly deliverable projects. This Fund is only available for projects able to commence delivery in 2018/19 or 2019/20.

The following forms of funding support are being made available:

- Grant;
- Loan;
- Forward funding.

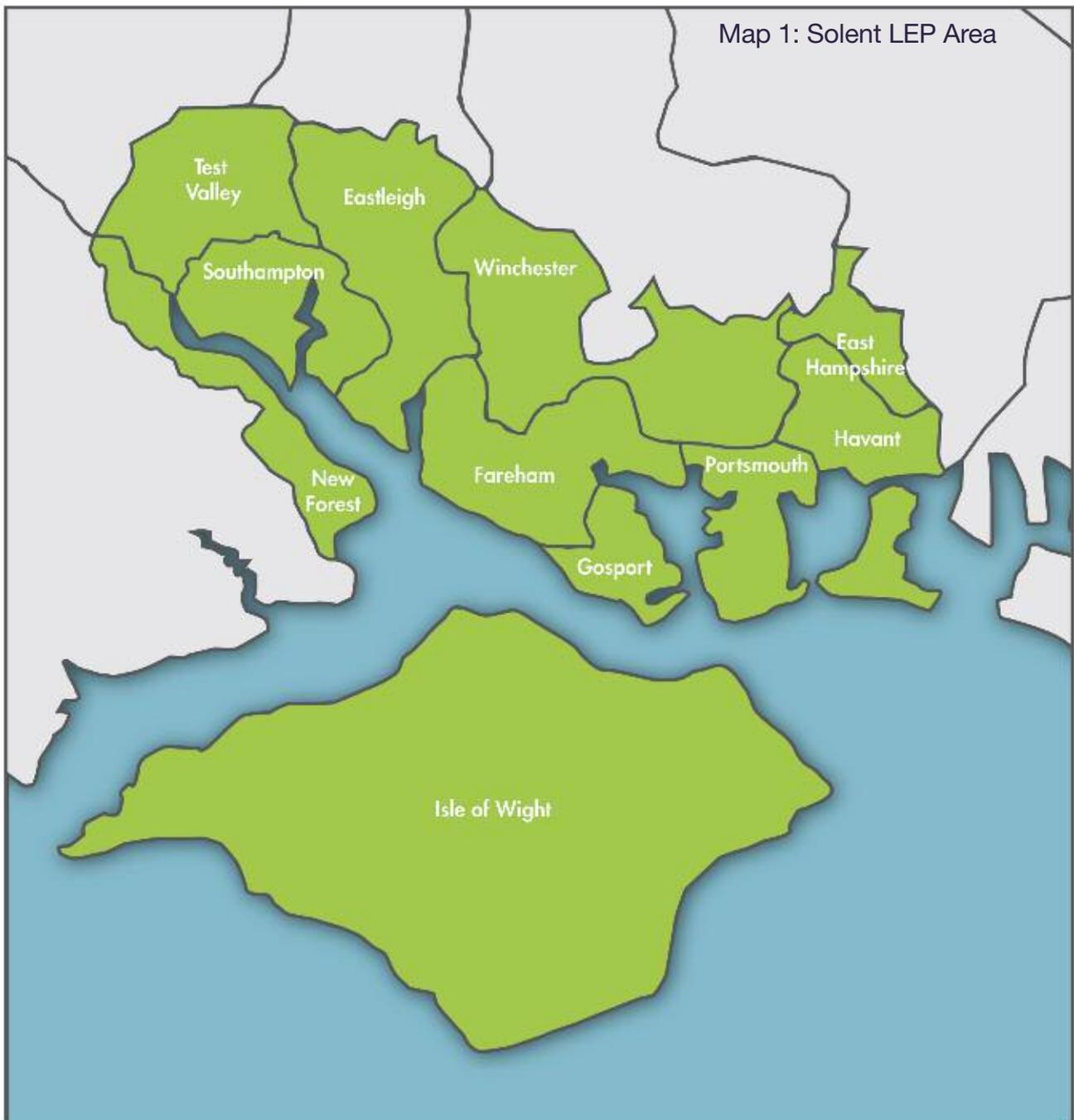
The amount of funding sought from the Solent Prosperity Fund must contribute directly to a project alongside confirmed and secured third party investment and the project must demonstrate that it will bring in additional private sector investment.

2. Background

2.1 The Solent Local Enterprise Partnership

The Solent Local Enterprise Partnership (LEP) is the key interface and lead for economic development in the Solent, an area (See map 1, below) that stretches from Hayling Island in the east, to the Waterside in the New Forest in the west, and includes the Isle of Wight and the two cities of Portsmouth and Southampton. It is a partnership organisation between the business community, the Further Education and Higher Education sector, three unitary

authorities, eight district councils and one county council, all of whom are actively working together to secure a more prosperous and sustainable future for the Solent area, providing the resources and economic environment, which makes it easier for businesses and individuals to be productive and where pioneering research is encouraged through support for relevant institutions. For further information on the Solent LEP, please visit our website solentlep.org.uk



2. Background

– Continued

2.2 National Economic Policy Context

The government published the Industrial Strategy in November 2017, which sets out how the government propose to create an economy that boosts productivity and earning power throughout the UK by focussing effort on five foundations of productivity (Ideas, People, Infrastructure, Business Environment, and Places).

2.3 The Solent Economy

The Solent economy generates just over £29 billion of gross value added (GVA). This is up 13.6% from £25.6 billion in 2010. However, the Solent is underperforming in terms of productivity. One workforce job in the LEP area generates £47,600 GVA per annum, which is slightly less than the average for the UK (£47,800) and falls 8.5% below the south east average of £52,000 GVA per annum .

This Fund aims to invest in projects that can tackle these challenges and share prosperity across the Solent.

2.4 Further Information

For further information applicants may wish to refer to the following publications:

- **Solent Strategic Economic Plan –**
https://solentlep.org.uk/media/1332/solent_strategic_economic_plan.pdf
- **Productivity and Growth Strategy Update –**
<https://solentlep.org.uk/media/1860/productivity-and-growth-strategy-update-february-2017.pdf>

- **Solent LEP response to Industrial Strategy Green Paper –**
<https://solentlep.org.uk/media/1993/solent-lep-response-to-industrial-strategy-green-paper-13042017.pdf>
- **Solent LEP Baseline Forecasts and Implications of Brexit –**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf
- **Innovation South Science and Innovation Audit –**
www.enterprisem3.org.uk/innovation-south-sia
- **Solent Innovation Evidence Base –**
<https://solentlep.org.uk/media/2052/pacec-solent-phase-i-executive-summary.pdf>
- **Solent Strategic Transport Investment Plan –**
<https://solentlep.org.uk/media/1514/tip-final-web-version.pdf>
- **Isle of Wight Infrastructure Investment Plan –**
<https://solentlep.org.uk/media/2324/15735-iiip-final-report-300518.pdf>
- **Maritime Futures - Solent Waterfront Sites –**
https://solentlep.org.uk/media/1341/maritime_futures_-_solent_waterfront_sites_-_169_15_.pdf
- **Solent Area Review –**
<https://www.gov.uk/government/publications/solent-further-education-area-review-report>
- **Industrial Strategy White Paper –**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf
- **Careers Strategy –**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664319/Careers_strategy.pdf



Advanced manufacturing: The Centre of Excellence for Composites, Advanced Manufacturing and Marine, part of the Isle of Wight College, has begun providing specialised training for 600 students and apprentices annually. Activities at the £10.9m centre include boat construction and design, engineering, fabrication, electronics and 3D printing.

3. Solent Prosperity Fund

3.1 Solent Prosperity Fund Overview

The Solent area is an internationally recognised key economic hub comprising the Isle of Wight, the two cities of Portsmouth and Southampton, and a constellation of large towns along the M27 corridor and the Solent waterway. Improving productivity and competitiveness in the Solent delivers wider benefits for the UK and requires targeted and sustained investment in both our businesses and our infrastructure. In response, the Solent LEP is now opening up a new Fund, the Solent Prosperity Fund (SPF), with capital funding available between 2018/19 to 2021/22 for capital projects that support the Solent economy being fit for the future by helping businesses create better, higher-paying jobs and investing in the skills, industries and infrastructure of the future.

This is an open call for large projects that can demonstrate a need for capital funding support from the Solent LEP and that are high quality and highly deliverable projects. This funding is only available for projects that can start in 2018/19 or 2019/20. In recognition of the priority being given to housing delivery in the Solent Strategic Economic Plan, and, at the national level, in the Housing White Paper, preference will be given to large scale project applications that will enable significant housing delivery of more than 200 homes by 31 March 2021.



Solent Test Facility: We invested £457,000 to help design and deliver England's first dedicated testing service for unmanned marine systems. The Portsmouth facility lowers the cost of market entry for SMEs in this future-facing sector as it enables them to trial autonomous craft and kit in a safe, controlled and realistic environment. It also supports knowledge sharing through extensive business-to-business collaboration among the partners involved, including BAE Systems, ASV Global, Bluebear Systems Research and SeeByte.

The following forms of funding support are being made available:

- Grant;
- Loan;
- Forward funding.

Any request for a grant will be subject to a viability test and need assessment, and evidence will need to be provided to support this. This will determine the type of funding support the LEP may be able to consider.

The funding support aims to provide opportunities for businesses and other organisations to deliver larger capital projects that can deliver one or more of the following outputs:

- Enabling / unlocking housing delivery;
- SME Growth;
- Improved productivity in priority sectors;
- Connecting communities and businesses (digital and transport)
- Employment growth
- Developing skills and talent;
- Pioneering innovation and research

Exceptionally, the LEP Board may consider private sector proposals that are seeking to safeguard key industries that are subject to challenging trading conditions, subject to affordability. If you are seeking funding for a project of this nature you are advised to contact the Solent Growth Hub.

The minimum funding request threshold for Large Project applications is set at £500,000 and the maximum funding request threshold is set at £14m. Any request for a grant will be subject to a viability and need assessment, and evidence will need to be provided to support this.

It is recognised that there are a number of large scale transformational projects that may not come forward in the period up to 2021 and therefore, utilising the Solent LEP's Growing Places Loan (GPL) funding, we are making £9.2 million available through to 31 March 2022 for projects seeking loan funding only. Preference will be given for infrastructure projects looking to unlock or accelerate development sites with a minimum of 200 homes in the period to 31 March 2022.

The amount of funding sought from the fund must contribute directly to a project alongside confirmed and secured funding and the project must demonstrate that it will bring in additional private sector investment. In addition, evidence that all relevant consents are in place, and detail of the procurement route must be provided.

4. Funding support available

4.1 Routes to Funding Support

This section describes the Large Project route to funding.

4.2 Large Projects

This component of the SPF targets large scale projects from either the public or private sectors.

The minimum funding request threshold for Large Project applications is set at £500,000 and the maximum funding request threshold is set at £14m. The upper limit on funding requests aims to ensure that the benefits of the Fund can be spread across a range of projects.

The focus for this funding route is to invest in projects that can unlock or accelerate housing delivery, employer-led skills projects, improve transport and digital connectivity, and deliver infrastructure projects that support growth in our priority sectors as outlined in section 11 (Glossary).

This route is ordinarily offered as loan funding. Any grant request will be subject to a viability and need assessment and evidence will need to be provided to support this.

There is no percentage figure on the amount of loan a project may request. However, it is expected that any LEP loan would contribute alongside local funding for the project. The LEP would not expect to fund 100% of project costs through either a loan or a grant, unless there are exceptional circumstances.

For private sector projects, a maximum grant contribution of 20% (subject to state aid) can be made available. Therefore, a £5,000,000 private sector project would be able to seek a maximum grant contribution of £1,000,000.

For Public Sector infrastructure and Skills infrastructure projects the maximum LEP grant funding contribution is 70% (subject to state aid). Therefore, a £10,000,000 public sector infrastructure or skills infrastructure project would be able to seek a maximum grant contribution of £7,000,000. Local contributions of greater than 30% will be preferred.

Exceptionally, for Public Sector and Skills infrastructure projects, where there is a clear failure of the market to provide an intervention critical to supporting the LEP's Growth Strategy, the LEP may look at a lower rate of local contribution. In these circumstances you are strongly advised to contact the LEP Executive on 023 9268 8924 in the first instance.

Applicants must first submit a completed Application Template. This template broadly captures the information that would be expected to be included within a HM Treasury

Green Book compliant Outline Business Case. Therefore, only projects that are very well-developed will be able to complete the form and apply for funding.

Application Template forms will be assessed by independent experts, and their report will be considered by the Large Project Advisory Panel, who will make recommendations to the LEP Board on short-listing. The LEP Board will then make a final decision on short-listing and successful projects will be invited to co-develop a HM Treasury Green Book compliant Full Business Case with the Solent LEP. Advice to scheme promoters on developing a Full Business Case is available at <https://solentlep.org.uk/what-we-do/solent-growth-deal/project-selection/>. For the avoidance of doubt, the Full Business Case will be owned and developed by the scheme proposer and all costs must be borne by the scheme proposer. Co-development with the LEP does not indicate that funding will be provided.

Following receipt of the Full Business Case, it will be independently reviewed and a report providing advice will be considered by the LEP Board, who will make a final investment decision.

For private sector SME applicants with smaller scale projects (up to £500,000 funding request) there is alternative support available at <https://solentlep.org.uk/business-support-and-funding/small-medium-business/>



Opening doors: The Solent has a chronic shortage of housing and so the delivery of new homes features very prominently in our economic strategy. We secured £7.7m of funding to bring forward the next phase of development at Centenary Quay in Southampton. This investment will unlock more than £64m in additional private sector investment and enable the delivery of more than 340 new homes.

5. General eligibility criteria and general supporting information

This section sets out the common criteria across the Fund. Criteria specific to the Large Project funding route is provided in section 6.

It is imperative that, before submitting an application template, applicants check that they meet the eligibility criteria and supporting information contained in this section.

Failure to meet these criteria will mean that the application will not be progressed.

Applicants should note that eligibility for Solent LEP funds does not in any way indicate that an application will be awarded funding.

5.1 Geography

Proposals must be delivered in the Solent LEP area with clear evidence that the direct outputs (i.e. new private sector investment, new direct jobs, new housing, new employment space, new educational / learning space, apprenticeships, etc.) delivered as a result of your project being located in the Solent LEP area.

See map of the Solent LEP area on page 2.

The LEP may exceptionally consider applications for projects outside of the Solent LEP area where there is clear evidence that the direct outputs (i.e. new private sector investment, new direct jobs, new housing, new employment space, new educational / learning space, apprenticeships, etc.) will deliver direct productivity and growth outcomes in the Solent LEP area. For the avoidance of doubt, induced benefits or indirect outcomes are less favoured than direct benefits. Equally, the LEP may consider projects whose outputs are outside the Solent LEP area, but where there is clear evidence that the project will directly benefit residents and businesses within the Solent LEP area.

The Solent LEP is keen to work with our neighbouring LEPs* on projects. If you have a project that has the potential to deliver benefits within another LEP area, or you are based outside of the Solent LEP geography, you will need to speak with the relevant LEP and a member of the Solent LEP Executive Team.

5.2 Other Investment

The amount sought from this fund must contribute to a project alongside confirmed and secured match funding. Private sector match funding will be preferential and funding leveraged in as match funding needs to demonstrate a real stake in the outcome of the project or programme. The expectation will be clear, demonstrable leverage.

Please note that the local contribution percentages outlined in this guidance are the minimum level to ensure your bid is eligible. Bids which demonstrate that they can leverage more match funding will be considered stronger.

Contributions of services donated in-kind can qualify as a match funding. However, contributions in-kind will need to prove additionality; that the in-kind contribution would not materialise without support from the Solent LEP fund to the project. For competitive purposes, this will be judged by the panel. For example, if two projects were in all other ways similar and one had a cash contribution and the other had a contribution labelled as labour and expertise and not monetised, the former would be favoured.

Applications that do not demonstrate that other investment is in place cannot be considered.

* Coast to Capital, Dorset, Enterprise M3

5. General eligibility criteria – Continued

5.3 Alternative Funding

Projects will be expected to demonstrate in their application that no other funding mechanism is available to provide gap funding.

Applicants to the Solent LEP are also required to declare whether their proposal is in receipt of funding from other sources or whether their proposal is under consideration for other funding support and the timeline for consideration and approval.

5.4 Costs

This is a capital fund and all funding sought must be for capital investment only in the period 2018/19 to 2020/21. Projects that can deliver earlier will be favoured. We will consider the following forms of support:

- Grant;
- Loan
- Forward funding

Revenue requests cannot be considered.

In addition, the LEP is making available loan funding in the period 2021/22, for projects that may deliver later. If this relates to your project please discuss with the Solent LEP Executive Team on 02392 688924.

5.5 State Aid

All funding awarded under this fund must be compatible with state aid regulations.

Public funding will only be available where it is compatible with EU State aid regulations and applicants should be aware that their proposal will be scrutinised accordingly. Potential applicants should take account of this when considering the development of proposals. The applicant will be required to demonstrate that their proposal is compatible with EU State aid regulations and applicants are required to submit independent expert state aid advice alongside their business case. The Department for Business Energy and Industrial Strategy (BEIS) has provided information on state aid on its website, which may be helpful.

Specific State Aid eligibility criteria for this funding route is provided in section 6.

5.6 Deliverability

This fund is only open to projects that are able to start on site by 31st March 2020 at the very latest and commit fully that they are capable of spending all funds awarded by 31st March 2021. For multi-year projects with a project completion date post 31 March 2021, the scheme lead will need to confirm date of completion and that all funding and relevant consents are in place to complete the project and deliver the required outputs. In the event that multi-year projects stall or fail to deliver the outputs beyond 31 March 2021, any Solent LEP funding that has been expended will be repayable in full. On an exceptional basis for large scale and more complex projects the LEP will have loan funds available in the period up to 31st March 2022. For projects seeking loan funding support in the period 2021/22, you will be required to seek further advice from the LEP executive in advance of furthering your application (contact info@solentlep.org.uk). We will be unable to progress such applications if you do not speak to us. Speculative applications where there has not been such dialogue cannot be considered.

All applications will be required to demonstrate that they have all the necessary and relevant regulatory consents and funding in place. For the avoidance of doubt all such consents should be unconditional with no reserved matters and all funding must be in place and secured. Schemes that are not able to provide this will not be eligible for consideration.



5. General eligibility criteria – Continued

5.7 Project and Programme Applications

Only proposals for discrete and definable projects, with clear links to outcomes (as defined in section 11) will be considered. Applications for a programme of activity cannot be considered.



Future technology now: The £11m University of Portsmouth Future Technology Centre provides engineering and science students with hands-on experience of new and emerging technologies in an industrial-standard training environment. At the same time, companies can take advantage of the Centre's advanced facilities and specialist equipment for research and development, so translating innovation into business growth.

5.8 Governance and Management

All projects seeking funding support will be required to identify a scheme promoter who will need to confirm that they will underwrite any cost increases or risks to delivery of the scheme. In addition the scheme promoter will be required to identify a Senior Responsible Officer or lead manager who is accountable for the implementation of the project. This individual must be senior and must take personal responsibility for the delivery of the project and should be recognised as the owner of the project through the organisation. Where applications do not provide this evidence, they will be considered ineligible and they cannot be progressed.

All organisations seeking funding support must have in place an effective framework to provide an appropriate level of assurance for their project. Applicants will be required to set out evidence including details of the governance arrangements and key personnel and management of key processes including business planning, investment appraisal, project management, risk management, procurement, and service and contract management as appropriate. Where applications do not provide this evidence, they will be considered ineligible and they cannot be progressed.

Further information on the application process and supporting information for this funding route is available in section 6.

5.9 Additionality

Applicants will need to demonstrate clear added value in relation to any project to be funded. This will include demonstrating that the proposal will not come forward at all, or within a timely manner or at a similar scale, if funding is not secured (sometimes referred to as deadweight). In addition, the project should not represent a displacement of the economic activity from elsewhere in the UK.

5.10 Decision Making

The advice of the Large Project Advisory Panel and the decisions of the LEP Board are final, and there is no right of appeal.

6. Application process: Large Projects

6.1 Application Requirements

In addition to the general eligibility criteria (where applicable) set out in section 5, applicants are advised to refer to the glossary in section 11 and will need to have due regard to the following requirements as part of their application. Failure to meet these requirements will mean that the application cannot be progressed.

6.1.1 Applicants

Applications are through an open call for capital projects. Applications may be from private or public sector organisations, as well as from private / public partnerships.

Clarity must be provided in terms of the lead applicant. All submissions must be signed-off by a senior representative from the lead organisation.

6.1.2 Project Costs

This is a capital fund and all funding applied for must be for capital investment only in the period 2018/19 to 2020/21.

Revenue requests cannot be considered.

In addition, the LEP is making available loan funding in the period 2021/22, for projects that may deliver later. If this relates to your project please discuss with the Solent LEP Executive Team on 02392 688924.

All costs must be clearly shown by financial year, with contributions split by each funding partner and also identifying your funding request from this fund by financial year. You must also set out the basis on which the costs have been calculated (i.e. pre-feasibility, outline design, detailed design...).

You must clearly state how much funding you are seeking from the fund and on what basis (Grant; Loan; Forward Funding or a mix).

This route is ordinarily offered as loan funding. Any grant request will be subject to a viability and need assessment and evidence will need to be provided to support this.

Projects must have all their local funding contributions in place and must spend the LEP funding by 31st March 2021 (or by 31st March 2022 if seeking loan funding in the period 2021/22).

6.1.3 Funding Thresholds

The minimum funding request threshold for Large Project applications is set at £500,000 and the maximum funding request threshold is set at £14m. The upper limit on funding requests aims to ensure that the benefits of the Fund can be spread across a range of projects.

6.1.4 Local Contribution to Total Project Costs

The amount of funding sought through this funding route must contribute directly to a project alongside confirmed and secured investment.

Funding leveraged directly into the project needs to demonstrate a real stake in the outcome of the project and private sector investment unlocked must be clearly evidenced. The expectation will be clear, demonstrable, leverage.

For private sector projects, a maximum grant contribution of 20% (subject to state aid) can be made available. Therefore, a £10,000,000 private sector project would be able to seek a maximum grant contribution of £2,000,000.

For Public Sector infrastructure and Skills infrastructure projects the maximum LEP grant funding contribution is 70% (subject to state aid). Therefore, a £10,000,000 public sector infrastructure or skills infrastructure project would be able to seek a maximum grant contribution of £7,000,000. Local contributions of greater than 30% will be preferred.

There is no percentage figure on the amount of loan a project may request. However, it is expected that any LEP loan would contribute alongside local funding for the project. The LEP would not expect to fund 100% of project costs through either a loan or a grant.

Central government contributions to project costs are not considered as local funding contributions.

In very exceptional circumstances, where there is a clear failure of the market to provide an intervention critical to supporting the LEP's Growth Strategy, the LEP may look at a lower rate of local contribution. In these circumstances you are strongly advised to contact the LEP Executive on 023 9268 8924 before submitting your application template.

6.1.5 Private Sector Leverage

In addition to any local contribution, there is a clear expectation that the fund contribution will unlock wider additional private sector investment at a minimum ratio of 4:1 (£4 for each £1 of LEP funding), which may draw from wider economic impacts flowing from the proposal. Projects that have the potential to unlock higher levels of private sector investment will be favoured. The project must demonstrate that it will bring in additional private sector investment in the order of 4:1. Please note that this wider leverage is separate to local contributions to project costs.

6. Application process:

Large Projects – Continued

6.1.6 Consents

Projects must demonstrate within the full business case that they have all relevant regulatory consents in place, including full planning consents (with all reserved matters cleared) and any environmental and regulatory consents. Schemes that are not able to provide this cannot be considered.

6.1.7 Deliverability

Applications must provide clarity on the route and timeline for delivery. Greater clarity in this regard will provide the LEP with greater confidence of deliverability. A high level project plan will not be considered sufficient.

For some, transformational proposals, the deadline for defrayal of LEP funding may be extended to 31st March 2022 and for such projects, only loan funding will be made available.

6.1.8 State Aid

Public funding will only be available where it is compatible with EU State aid regulations and applicants should be aware that their proposal will be scrutinised accordingly. Potential applicants should take account of this when considering the development of proposals. The applicant will be required to demonstrate that their proposal is compatible with EU State aid regulations and applicants are required to submit independent expert state aid opinion alongside their business case. The Department for Business Energy and Industrial Strategy (BEIS) has provided information on state aid on its website, which may be helpful.

6.2 Application Process

All applications to the Large Projects route of the fund must complete the Application Template Form and submit for consideration. This template broadly captures the information that would be expected to be included within a HM Treasury Green Book compliant Outline Business Case. Therefore, only projects that are very well-developed will be able to complete the form and apply for funding.

Application Template Forms will be assessed by independent expertise, and their report will be considered by the Large Project Advisory Panel, who will make recommendations to the LEP Board on short-listing. The LEP Board will then make a final decision on short-listing and successful projects

will be invited to co-develop a HM Treasury Green Book compliant Full Business Case with the Solent LEP. Advice to scheme promoters on developing a Full Business Case is available at <https://solentlep.org.uk/what-we-do/solent-growth-deal/project-selection/>

For the avoidance of doubt, the Full Business Case will be owned and developed by the scheme proposer and all costs must be borne by the scheme proposer. Co-development with the LEP does not indicate that funding will be provided.

Following receipt of the Full Business Case, it will be independently assessed and a report providing advice will be considered by the LEP Board, who will make a final investment decision.

All aspects of the business case are important; however, their size will vary from proposal to proposal depending upon its nature and complexity and we will expect those projects seeking large funding awards to provide an enhanced level of detail.

Projects that cannot provide the necessary information required to satisfy HM Treasury Full Business Case guidance and provide the required supporting documentation should not apply.

The business case is a management tool and is developed over time as a living document as the proposal develops. The Business Case keeps together and summarises the results of all the necessary research and analysis needed to support decision making in a transparent way. In its final form it becomes the key document of record for the proposal, also summarising objectives, the key features of implementation management and arrangements for post implementation evaluation.

Business cases can be broken down into 5 different aspects which are interconnected but distinct (namely, the strategic, economic, financial, commercial and management aspects of the case). The business case should enable Treasury and other stakeholders to ascertain that proposals:

- are supported by a robust Case for Change – the Strategic Case;
- optimise Value for Money – the Economic Case;
- are commercially viable – the Commercial Case;
- are financially affordable – the Financial Case; and,
- can be delivered successfully – the Management Case.

6. Application process:

Large Projects – Continued

A HM Treasury Green Book Full Business Case (FBC) is the detailed final phase and takes place within the procurement phase of the project, following detailed negotiations with potential service providers/suppliers prior to the formal signing of contracts and the procurement of goods and services. This is usually the stage at which final approval is required.

The purpose of the FBC is to revisit the Outline Business Case (which will be captured in the Application Template Form) and record the findings of the subsequent procurement activities; together with the recommendation for an affordable solution which continues to optimise value for money, and detailed arrangements for the successful delivery of required goods and implementation of services from the recommended supplier/s.

Advice on developing a HM Treasury Green Book consistent Full Business Case is available in the Advice note to scheme promoters on the development of full business cases.

6.2.1 Application Support

The LEP will be holding workshops that aim to provide a summary of the Fund, provide an opportunity to ask questions, and general bid-writing support. Please refer to the Solent LEP website for further details.

6.2.2 Submitting the Application Template Form

Completed Application Template Forms will need to be submitted electronically to: pipeline@solentlep.org.uk

Deadline dates for the submission of applications can be found on the Solent LEP website.

Applications deadlines will continue until all funding is allocated.

The LEP is not be obliged to consider applications received after the relevant deadline.

Completed Application Template Forms must be submitted by the closing date as published on the Solent LEP website in order to be considered. Any applications received after this time will be considered in the following round if funding remains.

The LEP can only discuss the detail of applications with the named lead contact on the application form, unless permission is provided by the applicant to discuss more broadly.

6.3 Assessment of Applications

Application Templates will be considered by independent experts, who will produce a report that will be considered by the Solent LEP Large Project Advisory Panel (LPAP), who will provide advice to the Solent LEP Board. The LPAP will have regard for, and act in accordance with, the agreed scheme of delegation and the Solent LEP Assurance Framework.

Further information regarding the LPAP can be found on the Solent LEP website.

Full Business Cases will also be independently reviewed by experts and a report providing advice will be considered by the LEP Board, who will make a final investment decision.



A £4,832,000 Local Growth Deal investment from the Solent LEP at The Hard interchange in Portsmouth is providing a safe and efficient method of passenger interchange between several modes of transport, allowing for improved connectivity to key city destinations including as Gunwharf Quays and Portsmouth Dockyard.

6. Application process:

Large Projects – Continued

6.3.1 Assessment Criteria

All eligible Application Template Forms and Full Business Cases will be assessed against the prioritisation matrix set out below, and in terms of their consistency with HM Treasury Green Book advice for the development of business cases (as referred to in the Solent LEP Advice note to scheme promoters on the development of full business cases. Visit

<https://solentlep.org.uk/what-we-do/solent-growth-deal/project-selection/>

CORE CRITERIA	
Strategic Fit	<p>The ability of the project to raise productivity levels in the Solent economy, be transformational, and deliver one or more of the following outputs:</p> <ul style="list-style-type: none"> ● Enabling / unlocking housing delivery; ● SME Growth; ● Improved productivity in priority sectors; ● Connecting communities and businesses (digital and transport) ● Employment growth ● Developing skills and talent; ● Pioneering innovation and research
Deliverability	<p>The ability to demonstrate that the project is deliverable including: the extent to which it has planning permissions (and has resolved any planning conditions) and other relevant consents in place; the adequacy of the funding package; the financial standing of the delivery partners; an appreciation of the range of risks to timely delivery and appropriate mitigation strategy; demonstration that the delivery body has put in place the capacity and competence to deliver the project; that appropriate project governance and project management resources are in place.</p>
Start Dates	<p>Applicants should identify when the project is expected to come forward. Only applications that commence on site by 31st March 2020 at the very latest and commit fully that they are capable of spending all funds awarded by 31st March 2021 will be considered. On an exceptional basis for large scale and more complex projects the LEP will have loan funds available in the period up to 31st March 2022.</p>
Private Sector / Other Leverage	<p>The ability to lever other funding, in particular, private sector funding and the scale of the investment.</p>
Jobs	<p>The value (quality i.e. permanent vs. temporary jobs) and number of the direct jobs created (where applicable).</p>

6. Application process:

Large Projects – Continued

CORE CRITERIA – Continued	
Homes	Delivery of at least 200 new houses (where applicable).
Skills	Delivery of skills outcomes such as education / training floorspace, apprenticeships, learners, etc (where applicable). Evidence that the proposal is employer led (priority given to applications that come forward with a private sector contribution) and that it addresses an identified skills shortage need in an industry and/or sector. Clear evidence how the proposal will respond to the development of new technical routes to meet industry needs in the Solent, including the completion of high quality work placements.
Additionality	The extent to which a project's benefits will be realised without the funding (deadweight); the impact of the funding on the speed of delivery of the economic benefits; and the extent to which the funding will shift economic activity from other areas (displacement).
SUPPLEMENTARY CRITERIA	
Wider Economic Impacts	The wider impact on the economy of the Solent LEP area (i.e. will it help unlock or bring forward other development sites or economic activity; will it help grow the priority sectors; spill-over impacts to other companies in a supply-chain; or induced benefits).
Social Impact	The extent to which the project will have wider social or environmental benefits to the Solent (e.g. providing employment opportunities in deprived city areas, supporting people into work through apprenticeships and other access to employment routes).
Equalities	Projects will need to demonstrate compliance with the obligations under the Equality Act 2010 and in particular the impact of the proposals on groups with protected characteristics.

6. Application process:

Large Projects – Continued

6.3.2 Publication of Full Business Case

Please note that the LEP is required to consult on large scale projects and applicants will be required to provide a publishable version of the business case, which will be published on the LEP website. Ordinarily, a 12 week consultation will be opened up for each business case and a summary of consultation responses will also be published on the LEP website.

6.3.3 Due Diligence

Eligible projects will undergo an independent technical due diligence review. Projects will need to satisfactorily complete the process before a final decision on funding can be made.

Accordingly business cases, including any confidential information contained therein, will be shared with the LEP's appointed independent consultant in order for them to undertake full due diligence. It is likely that the consultant will need to engage with the lead project contact to resolve any areas of clarification, and responses to clarification questions are compulsory. Failure to engage with the consultant proactively will mean that the application cannot be taken further.

There will be three stages to the process:

Financial appraisal

The Solent LEP will not fund projects which would still be funded and be able to proceed on the same timeline without investment from the Solent Growth Fund. In other words, the LEP's funding must not replace other funding options, and applicants must demonstrate the need they have for investment from this fund. The Solent LEP will also provide only the minimum funding required to allow the project to progress. The financial appraisal stage, therefore, will seek to:

- Appraise the project's financial position and test underlying assumptions;
- Identify the minimum funding needed to unlock the development;
- Consider the most appropriate form of investment (grant, loan, forward funding);
- Evaluate the potential for recovery of the Solent LEP's investment through loan repayment, interest, share of returns, overage, or other models (where applicable);
- Understand pricing and marketing strategies for the project; and
- Understand and consider the financial, commercial and market risks associated with the project;

The Solent LEP reserves the right to request additional financial information. The Solent LEP will also, where appropriate, enter into a three-way dialogue with the applicant and other parties in order to discuss the viability of a project (for example, with the local planning authority, where the viability of a scheme is impacted by the scale of the planning obligations).

Financial standing

Applicants will be required to undergo a thorough review of their financial standing.

The Solent LEP may also consider the most appropriate form of security for its investment. This may involve the use of charges and guarantees as well as negotiation with existing financiers. An assessment of credit worthiness and collateralisation (for loan or forward financing) will be required for all projects. The Solent LEP reserves the right to request additional financial information from any applicant. The Solent LEP also reserves the right to take account of an applicant's track record on investment recovery.

Deliverability

The Solent LEP will undertake a risk assessment for each shortlisted project. This will review risks in relation to:

- The ability to (re)start on site including a review of title, planning and site constraints;
- The development programme and underlying assumptions; and
- The sales/revenue programme and underlying assumptions; and
- The funding assumptions and evidence that all funding contributions are secured and in place; and
- Mitigation of potential cost increases; and
- Defrayal by agreed deadlines.
- The ability to start the project in a timely fashion;
- The business plan for the project;
- The likelihood of the stated outputs being achieved.

7. Types of funding

Any request for a grant will be subject to a viability test and need assessment, and evidence will need to be provided to support this. This will determine the type of funding support the LEP may be able to consider.

7.1 Grants

Funding may be sought in the form of a capital grant, alongside confirmed and secured other investment.

7.2 Loans

Loans may be requested at market rates and will be required to be repaid on a basis agreed during the due diligence stage with a longstop date of March 2020, may be requested. Exceptionally, the LEP may consider a longstop date beyond this where a proposal will generate high levels of jobs, or leverage significant additional private sector investment. If you intend to provide a longstop date on the basis of exceptional circumstances / outputs, it is strongly recommended that you contact the Solent LEP first in order to discuss this.

For private sector applicants the market interest rate will be calculated using the EC Reference Rate plus a margin calculated on the basis of an assessment, by the Solent LEP as part of the due diligence process, of creditworthiness and collateralisation. An interest rate matrix using the latest EC Reference Rate, as at 1st August 2018, is published separately, and is set out below.

For most loans to Local Authorities or other Public Sector applicants, subject to state aid regulations, there will be no market interest rate applied. However, an administration fee will be charged for each loan made and will be deducted from the initial advance made to the loan recipient. The one-off fixed fee will be 2.5% of the total loan amount.

However, if the funding is for a solely commercial venture that does not fall within a permitted activity as set out within State Aid legislation then a commercial interest rate will apply. This would be calculated as would a loan to a private sector applicant as set out below.

In order to avoid direct arrangements with projects constituting a State Aid, the Solent LEP (in common with most other LEPs) has decided that a commercial rate of interest will be payable on any loans provided to the private sector. Interest rates will be calculated using the EC Reference Rate plus a margin calculated on the basis of an assessment by the Solent LEP and Portsmouth City Council, as part of the due diligence process, of creditworthiness and collateralisation.

Interest rates are assessed using European Commission guidance as set out in the Communication which can be found at:

http://ec.europa.eu/competition/state_aid/legislation/reference_rates.html

At the time of writing, the EC Reference rate is used as the variable rate and has been set at 0.86% from 1st August 2018. Applicants should refer to the link above for the latest rate, as this is subject to change. This rate is then increased by a margin (to reflect the creditworthiness of the borrower and the level of collateral offered). A summary matrix outlining these margins is included below:

Rating Category	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	0.6%	0.75%	1%
Good (BBB)	0.75%	1%	2.2%
Satisfactory (BB)	1%	2.2%	4%
Weak (B)	2.2%	4%	6.5%
Bad / Financial Difficulties (CCC and below)	4%	6.5%	10%

Full information in relation to the margin increases applied is available at:

http://ec.europa.eu/competition/state_aid/legislation/reference_rates.html

Assessment of interest rates will be carried out by the Solent LEP and Portsmouth City Council as part of the due diligence process and decisions made are final.

For loans to Local Authorities or other Public Sector applicants, there will be no market interest rate applied unless the funding is being sought for a solely commercial venture. If this is the case then a commercial interest rate will apply. If this is not the case then, an administration fee will be charged for each loan made and will be deducted from the initial advance made to the loan recipient. The one-off fixed fee will be 2.5% of the total loan amount.

For both public sector and private sector applicants, loans must be repaid on a basis agreed during the due diligence stage with a longstop date of March 2020. Exceptionally, the Panel may consider a longstop date beyond this where a proposal will generate high levels of jobs, housing or leverage significant additional private sector investment. If you intend to provide a longstop date on the basis of exceptional circumstances / outputs, it is strongly recommended that you contact the Solent LEP first in order to discuss this.

7. Types of funding

– Continued

7.3 Forward funding

Where the Solent LEP provides funding against planning obligations that project leads have agreed to make toward the provision of infrastructure needed to unlock projects, the funding agreement would be with the Local Planning Authority who would recoup the investment through the planning obligations process and re-pay the Solent LEP.

The state aid rules do not apply if financial support is from one public body to another public body to undertake activity that is for public benefit. Forward funding for infrastructure works to a Local Planning Authority through this Fund would not, in principle, be classed as State Aid if the aid is not to assist with an economic activity, it does not confer an advantage on a particular economic undertaking nor does it distort competition. The Accountable body (Portsmouth City Council) will need to satisfy itself in relation to S106 agreements. These tests will be considered when the Solent LEP is considering proposals.

In addition, an administration fee will be charged for projects financed through forward funding arrangements. This fee will be deducted from the advance payment made to the recipient. The one-off fixed fee will be 2.5% of the total forward funding amount.

7.4 General Information

The amount and type of funding ultimately offered to any project will reflect the Solent LEP's assessment of the minimum support needed for the project to proceed and the level of risk involved. The Solent LEP and Portsmouth City Council as Accountable Body for the fund may require security in the form of charges against assets or future asset values in order to satisfy the due diligence process.

The Solent LEP needs to satisfy Portsmouth City Council as Accountable Body for the Fund about the project and assistance meeting State Aid regulations. This will also be part of the due diligence process (see Section 6.3.3). Portsmouth City Council, as Accountable body for the fund, will enter into all funding agreements on behalf of the Solent LEP. The Solent LEP's liability will always be limited to the value of its agreed investment.

For specific details – including aid intensities, the incentive effect and eligible costs – applicants must refer to the relevant part of the Regulations. Further information is available at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/15279/The_English_Risk_Capital_Investment_State_Aid_Scheme.pdf



Growth catalyst: We invested £4.5m to bring forward an essential link road for the Dunsbury Park business campus in Havant, a critical piece of infrastructure that is creating employment space for an expected 3,400 new jobs. Since our investment, clothing brand Fat Face has established itself as the first tenant with a new UK distribution centre at the site.

8. Other information

8.1 Equalities Act 2010

In developing applications, applicants must be very mindful of the obligations under the Equality Act 2010 and in particular the impact of the proposals on groups with protected characteristics. Consideration of the requirements of the Act should be demonstrated within the business case.

Further information on Equalities Impact Assessment can be found here:

[www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-\(eia\)](http://www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-(eia))

8.2 Monitoring and Evaluation

Monitoring and evaluation are a core component of the Local Growth Fund (LGF), which is the funding substantively contributing to this fund, and funding beneficiaries will be required to provide progress updates through a monitoring report on a quarterly basis and all funding claims will need to also be accompanied by a monitoring report.

Expenditure for which claims are made must have been defrayed (unless otherwise agreed with the LEP), recorded in the organisations accounts and, if requested by the Accountable Body, available for audit.

Project promoters will be expected to ensure that their monitoring and evaluation framework can support the wider monitoring and evaluation of the Solent LEP for the Solent Growth Deal. It is expected that all funded projects will also be required to produce an evaluation plan, which will need to include an evaluation of the LGF intervention and a summary analysis of the outcomes that the project / programme has delivered. Further information will be made available as part of the funding agreement between the scheme lead delivery body and the accountable body for the Solent LEP, which is Portsmouth City Council.

Promoters should also expect to provide periodic submissions of an up to date risk log.

Beneficiaries will be required to provide evidence that they do have enough skills and resources to manage the project post completion (i.e. operation) including a statement of continuity for key personnel.

Where changes have occurred to a project, when compared to the project and its outputs as set out in the original application, beneficiaries will be required to demonstrate that they do not compromise any requirement or associated outputs for the project and will be required to provide evidence of any new changes to their delivery. Ongoing monitoring of value for money and performance and management of stakeholder relationships will be required.

Business cases are developed at the risk and cost of the project promoter. Submission of a business case does not in any way secure funding from Solent LEP for a project and there is no right of appeal on decisions of the LEP Board.

In relation to Large Projects all funded projects will be required to undertake a post-project review of projects realisation that will be repeated at regular interval during the lifetime of the project. This post project implementation review will look to evaluate the outputs and benefits of the project.

Beneficiaries will be required to provide evidence that they do have enough skills and resources to manage the project post completion (i.e. operation) including a statement of continuity for key personnel.

8.3 Post Project Review

All projects will be required to undertake a post-project review of operations and benefits realisation to consider whether the benefits set out in the Business Case are being achieved and that the operational service or facility (if applicable) is running smoothly. The review should:

- Assess whether the Business Case justification for the project Investment decision was realistic
- Confirm that there is still a business need for the investment
- Assess whether the benefits anticipated at this stage are actually being delivered
- Assess the effectiveness of the ongoing contract management processes
- Confirm that the client side continues to have the necessary resources to manage the contract successfully
- Confirm continuity of key personnel involved in contract management/'intelligent customer' roles
- Where changes have been agreed, check that they do not compromise the original delivery strategy
- Assess the ongoing requirement for the contract to meet business need. Ensure that if circumstances have changed, the service delivery and contract are adapting to the new situation. Changing circumstances could affect: partner management; relationship management; service management; change management; contract management; benefits management; performance management
- Check that there is ongoing contract development to improve value for money
- Confirm that there are plans to manage the contract to its conclusion
- Where applicable, confirm the validity of exit strategy and arrangements for re-competition
- Evaluation of actions taken to implement recommendations made in any earlier assessment of deliverability.

9. Activity Timetable and Decision Making Process

This Fund launched in August 2018. The Fund will remain open until all funding is allocated, and will broadly accept and consider applications on a bi-monthly basis.

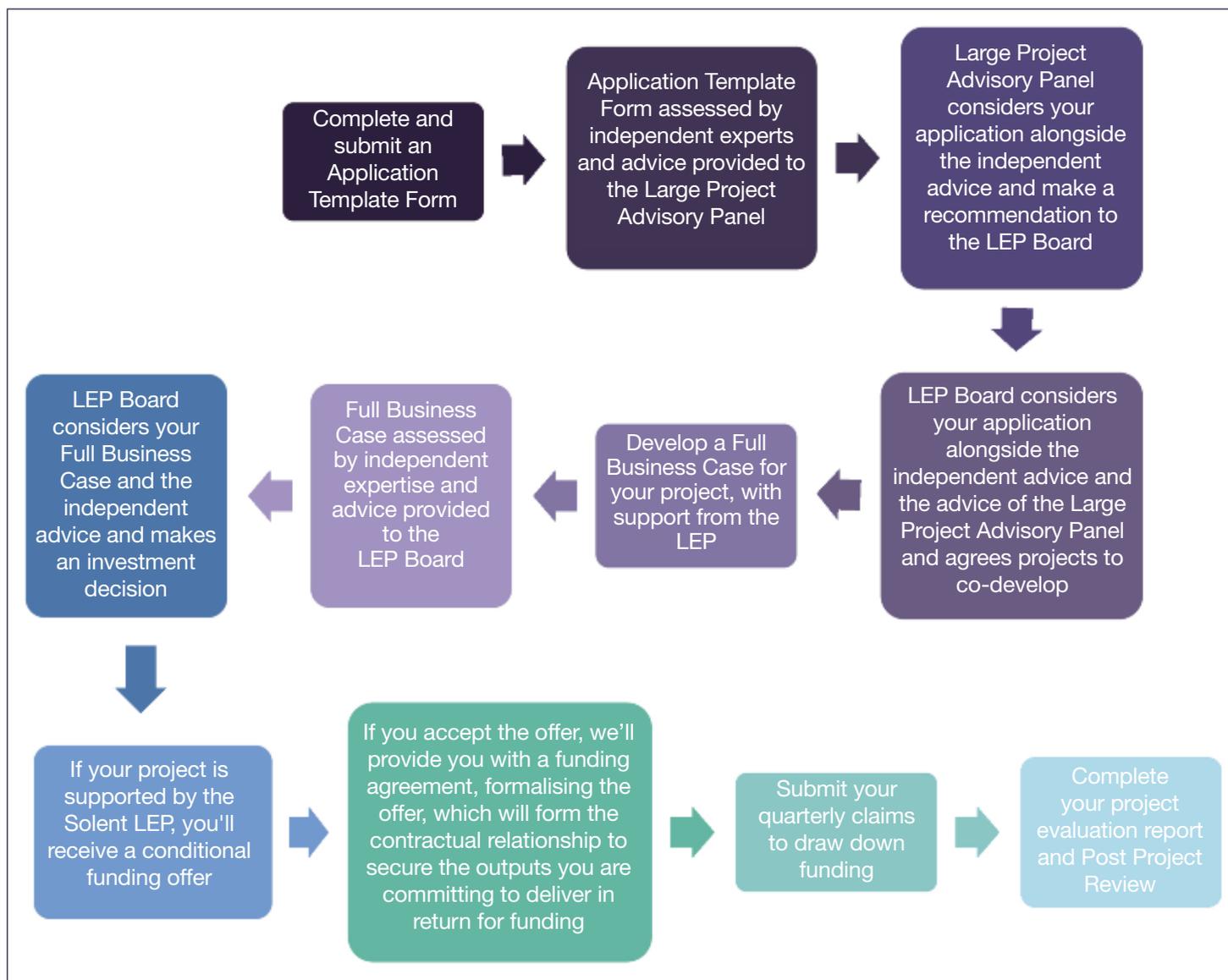
The Large Project Advisory Panel will meet on a frequent basis. The deadlines for submission of applications is provided below and is updated on the Solent LEP website, solentlep.org.uk

Activity	Timeframe / Deadline
Launch of Solent Prosperity Fund	10 August 2018
Deadlines for submission of Applications during 2018	
Round One	28 September 2018
Round Two	2 November 2018
Other timeframes related to the fund	
Solent LEP Board meeting to consider applications	Board dates to be notified
Notification of outcomes to applicants	Within 10 working days of Board meeting
Conditional funding offer letter issued	Within 30 working days of notification of successful outcome
Progress reports to be issued to the LEP until the final report deadline	Quarterly for the duration of the project
Fund closes for final applications	30 September 2020
Deadline for creation of all contracted project outputs	31 March 2021
Deadline for final claim submission	15 April 2021
Deadline for final evaluation report submission	15 April 2021
Deadline for final accountants report	15 April 2021
Please note that the Solent LEP and Portsmouth City Council will be under no obligation to make payment against claims received after this date.	

Further deadlines for 2019 will be published in the autumn of 2018

9. Timetable – Continued

The diagram below shows the application process through to successful funding award.



10. Contact Information

Should you have any questions in relation to the content of this document please contact the Solent LEP on:

Email: info@solentlep.org.uk

Telephone: 02392 688924

11. Glossary

11.1 Small Business and Small and Medium Sized Enterprise (SME)

In order to apply under the Small Business Acceleration funding route, a business must qualify as an SME as per the EU definition summarised in the text and table below. In addition, it is a requirement that any funding recipient remains as a SME for the duration of the delivery of the project.

For the purpose of the Fund, SMEs are defined under the "SME" definition in Annex I of Commission Regulation (EC) No 651/2014 of 17 June 2014 declaring certain categories of

aid compatible with the common market in application of Articles 107 and 108 of the Treaty (the "General block exemption Regulation"). The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

The definitions of SMEs are summarised in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-Sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Further information is available from the following web link:

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

11.2 High Growth Start-Up Businesses

AA start-up business is defined as one that is at an early stage in the life cycle of an enterprise where the enterprise moves from the idea stage to securing financing, laying down the basis and structure of the business, and is considering initiating operations or trading. If you are applying as a start-up business, in order to bid to the Fund your business must be registered with Companies House but not have begun trading at the time of application. Please note that any business that has been registered with Companies House for over a year cannot be considered as a start-up business even if they have not commenced trading. Finally your business must demonstrate credible evidence that it has potential to grow quickly

using the generally accepted OECD definition of high growth businesses, which is as follows:

"All enterprises with average annualised growth greater than 20% per annum, over a three year period should be considered as high-growth enterprises. Growth can be measured by the number of employees or by turnover."

High growth start-ups are new companies that quickly and effectively scale and expand their operations, with a business model that is designed to be repeatable and scalable. HGSBs will need to provide a business plan that shows how they will realise annualised growth greater than 20% per annum, over a three year period.

The Solent is not as productive as it should be, when benchmarked against the wider south east. Business can apply for funding to support improvements in productivity through new processes / products / services, which may include new equipment or new business premises. Applications should explain how the investment will improve the productivity of their business and how this will help the business grow

11.3 High-Growth Businesses

Applications under the Small Business Acceleration funding route will need to demonstrate how their proposal meets the high growth focus of this Fund. The Fund will be

11. Glossary – Continued

11.4 Sector Focus

The Solent LEP area has a diverse economy, but does exhibit significant sectoral strengths. Only bids from SMEs which are directly operating within the sectors below will be considered:

- Marine and Maritime;
- Advanced Manufacturing (including photonics and advanced materials);
- Aerospace;
- Defence;
- Life Sciences and healthcare;
- Digital Technologies;
- Digital Creative Industries;
- Oil and Gas;
- Information Economy;
- Construction;
- Clean / Green Technology.

11.5 Developing New Products

It is recognised that some businesses may have identified new opportunities to introduce new products to existing markets or new markets. Businesses who are seeking funding to support new product development should explain the nature of the products they are seeking to develop, and quantify (as best as possible) the scale of the new market opportunities that will be accessed, setting out the measures the business will undertake to develop the opportunity.

11.6 Developing New Markets

Following the EU referendum outcome, it is recognised that whilst there are short term opportunities to trade overseas, supported by a fall in the value of Sterling, in the medium to longer term businesses in the UK will need to consider new and different international trade markets. Businesses who are seeking funding to support trading activity should explain the nature of the market they are seeking to develop, and quantify (as best as possible) the scale of that market, setting out the measures the business will undertake to develop the opportunity.

11.7 Challenging Trading Conditions

Exceptionally the LEP Board may consider projects that are seeking to safeguard key industries that are subject to challenging trading conditions, subject to affordability. If you are seeking funding for a project of this nature you are advised to contact the Solent LEP.

It is recognised that the EU referendum outcome and the fluctuations in the price of oil and gas are having impacts on businesses in the Solent. It is also recognised that there are instances of business re-structuring and stalled investment, which are also having an economic impact and resulting in challenging trading conditions.

For example, a fall in the value of sterling may provide a short-term boost to exports, but in the longer term this advantage may give way to increased exporting costs to the EU, and there may be a need for businesses to reduce costs to become more productive and competitive, and develop new markets.

It is expected that very few applications will fall into this category, and it is reserved for those businesses that are able to clearly evidence and articulate the impact of challenging trading conditions on their performance.

11.8 Employment Growth

Businesses are encouraged to demonstrate the direct creation of new or safeguarding of existing, sustainable private sector full time jobs. For the purposes of this fund, a full time job is one of 36 or more hours a week. Two part time jobs of 18 or more hours a week count as equivalent to one full time job. Please note that only staff employed by the applicant business and on the payroll of the applicant business will be considered as eligible.

Any jobs safeguarded must be equivalent full time employees on the payroll of the applicant businesses whose positions are genuinely at risk and, if funding is not secured, would most likely be lost within the following 12 months.

Jobs directly created or safeguarded would need to be retained for a minimum of two years after the project is completed.

Bids which demonstrate that they create a higher number of new jobs directly will be considered stronger. Applicants should also note that the Investment Panel will look closely at the cost per job as part of their consideration of each application. Over the previous rounds of Solent LEP business support funds, the average cost per job has been in the region of £6,000 of Solent LEP funding per job created. It is recognised that in some technical areas of activity the cost per job will be higher.

Should you have any questions
in relation to the content of this
document please contact the
Solent LEP team at:

Email: info@solentlep.org.uk

Telephone: 02392 688924



**SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP**

TOGETHER. STRONGER