



SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP



HM Government

Solent Prosperity Fund

Technical Guidance
Small Business
Expansion Fund and
Growth Accelerator
Programme

August 2018



TOGETHER. STRONGER

CONTENTS

Section	Page Number
1. Fund summary	3
2. Background	4
3. Solent Prosperity Fund	7
4. Funding support available	8
5. General eligibility criteria	10
6. Application Process: Expansion Fund and Growth Accelerator Programme	13
7. Types of funding	19
8. Other information	21
9. Activity timetable	22
10. Contact information	24
11. Glossary	25

1. Fund 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 fund aims to provide opportunities for both start-up and existing small businesses 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

If you are an existing small to medium sized business seeking to grow in the Solent, employing 10 to 249 people and have a turnover of between £250k and £25m you may be eligible to apply for support under our Growth Accelerator Programme. Any business interested, must first submit an Enquiry Form to the Solent Growth Hub.

This is an open call for projects that can demonstrate a need for business support, including capital funding support, from the Solent LEP and that are high quality and highly deliverable projects. Capital funding is only available for projects able to commence delivery in 2018/19 or 2020/21. Grant and loan funding is available.

If you have a business growth idea that needs revenue funding, there is alternative support available at <https://solentlep.org.uk/funding-and-support/solent-lep-funds/the-solent-growth-fund-small-business-programme/>

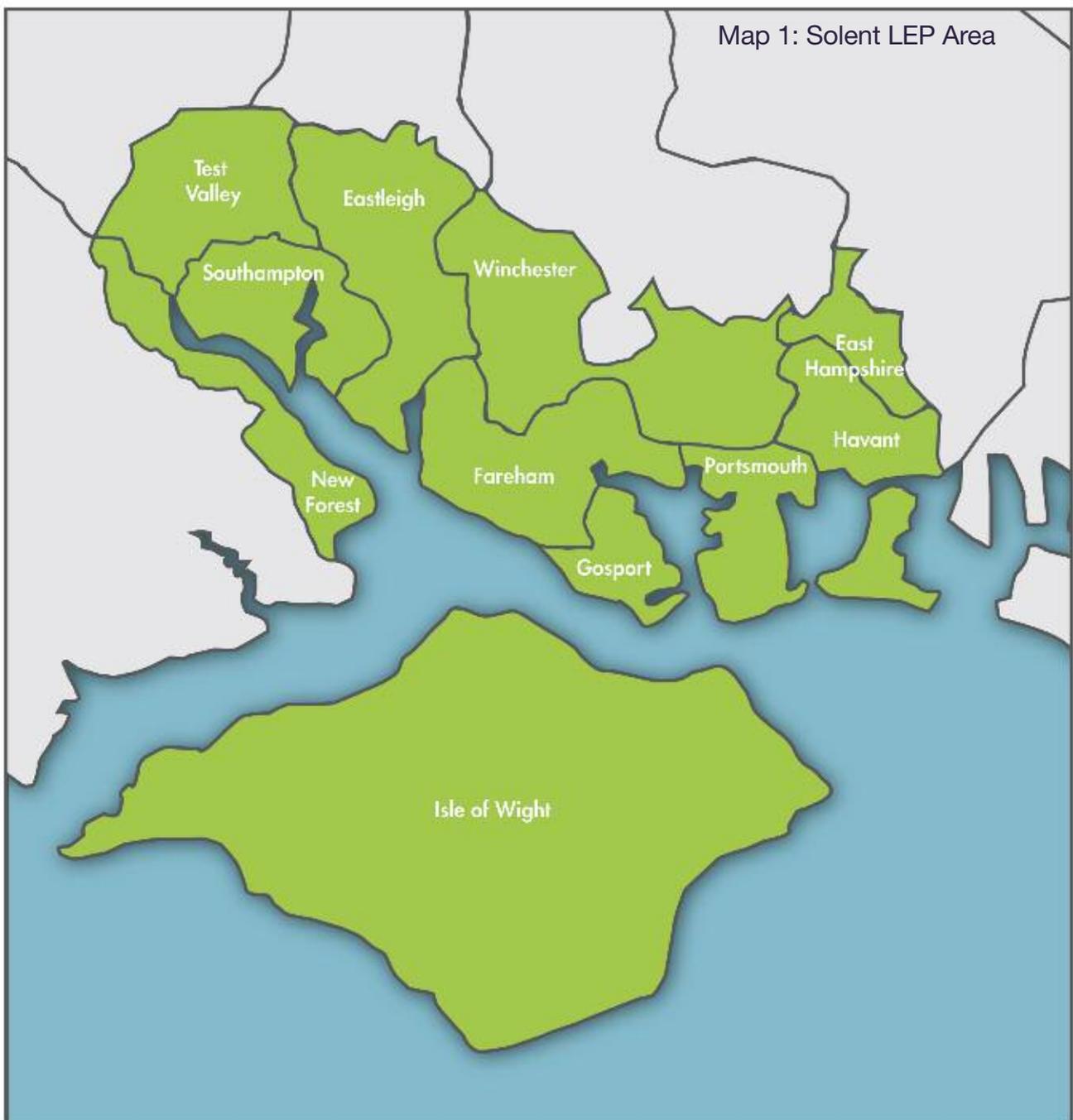
The amount of funding sought from the Solent Prosperity Fund must contribute directly to a project alongside confirmed and secured funding and the project must demonstrate that it will bring in additional private sector investment.

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

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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 and Business Support

The Solent Economy is growing and now generates over £29 billion of GVA. This is up from £25.6 billion in 2010. The SME business base has been a key component in this growth as illustrated in 2016 when 9,100 new enterprises were 'born' in

the Solent LEP area cumulatively, an increase of 69.8% on the number born in 2010. Over the same period the annual rate of enterprise births in the South East increased by 51.6%, falling behind both the Solent LEP area. In addition the Solent LEP area contributed a sizeable 20.5% of the net gain in enterprises recorded in the South East in 2016. These trends have been supported by the LEP's SME programme, which has enabled £10.2 million of grants, supporting 268 businesses, creating 929 jobs and leveraging a further £37.0 million of funding over recent years.

We are seeking to build on this success and this Fund aims to support new business start-up and existing SME businesses seeking to grow and/or expand thereby ensuring that they continue to share in the prosperity and growth of the Solent Economy.





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 2020/21 for SME's seeking to grow by developing new products; and/or exploring new markets; and/or have proposals to support new employment growth.

If you have a business growth idea that needs revenue funding, there is alternative support available at <https://solentlep.org.uk/funding-and-support/solent-lep-funds/the-solent-growth-fund-small-business-programme/>

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 Growth Hub.

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 funding is only available for projects that can start in 2018/19 or 2020/21. As noted above, the LEP is making available loan funding in the period 2021/22, for projects that may deliver later.

The amount of funding sought from the Solent Prosperity 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.

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.



There are three types of Funding Support being made available:

- High Growth Start-up Businesses;
- Small Business Acceleration;
- Large Projects

The fund aims to provide opportunities for both start-up and existing small businesses 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

If you are an existing small to medium sized business seeking to grow in the Solent, employing 10 to 249 people and have a turnover of between £250k and £25m you may be eligible to apply for support under our Growth Accelerator Programme. Any business interested, must first submit an Enquiry Form to the Solent Growth Hub.

Exceptionally, small businesses that are able to evidence that they are experiencing challenging trading conditions (as defined in section 11) may be able to access an enhanced level of funding support, up to 40%. Such businesses must demonstrate that:

- The project is within one of the sectors identified in section 11 of this guidance.
- The project is responding to challenging trading conditions (section 11).

If you believe that your business is experiencing challenging trading conditions, please discuss with the Solent Growth Hub.

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.

The Fund will be run as a rolling call and bi-monthly submission deadlines until such time that the funding has been fully allocated.

4. Funding support available

4.1 Routes to Funding Support

This section describes the business support available to small businesses seeking to grow.

Any business seeking funding from the LEP will be provided with a business support programme from the Solent Growth Hub to help them navigate through the potential routes to grow their business. This may include an opportunity to access funding support to help grow your business. The first step for all small businesses seeking support is to complete and submit an Enquiry Form. This will be reviewed by the Solent Growth Hub team who will call you to better understand your growth plans and the support that may be available to you either through the Solent LEP or other routes

Following your discussions with the Solent Growth Hub, funding support of up to £500,000 may be available to help existing small businesses grow quickly here in the Solent.

There are two dedicated business support programmes for existing small businesses, and these are described below.

4.2 Small Businesses Expansion Fund (Funding request of up to £100,000)

A Small Businesses Expansion Fund, which seeks to support small businesses with grants up to £100,000 for smaller scale proposals. Support is available to help these businesses grow quickly through delivering new processes / products / services, and / or developing new markets.

Definitions of a Small Business and the priority sectors are provided in section 11 (Glossary).

The fund can provide up to 20% of total project costs, up to a maximum capital funding contribution of between £10,000 and £100,000. For example, a project with a total cost of £100,000, would be able to seek up to £20,000 of funding support.

If you have a business growth idea that needs revenue funding, there is alternative support available at <https://solentlep.org.uk/funding-and-support/solent-lep-funds/the-solent-growth-fund-small-business-programme/>

Applicants will need to demonstrate that the project will deliver at least one of the following, which are each defined in section 11 (Glossary):

- Improved Business Productivity
- Developing new products
- Developing new markets
- Direct creation of Private Sector Jobs

Applicants must first submit an Enquiry Form, following receipt of which, a member of the Solent Growth Hub will call you to discuss your proposal.

If your project is considered eligible for funding, you will be provided with a Full Application Form, which you will need to complete and submit. Full applications will be considered for funding by the Solent LEP Business Support Investment Panel.



Gosport firm Tecsew, who make quality canvasses and canopies for yachts, received support and £37,500 grant aid from the Solent LEP to enable a move to bigger, more suitable premises at nearby Daedalus Park in the Solent Enterprise Zone. Staying local has kept its successful team together and bolstered ambitious growth plans.

4. Funding support available

– Continued

4.3 Small Business Growth Accelerator Programme (including funding request of between £100,000 and £500,000)

The Small Business Growth Accelerator Programme has been designed specifically to help small businesses realise their scale-up ambitions. This includes tailored support to help you achieve your potential, including coaching, training and access to finance and funding. This programme provides access to a growth coach who will work with your business to help you with your expansion plans and support you in the development of a growth plan for your business.

Businesses on this programme may have the opportunity to access higher levels of capital funding than offered in the Small Businesses Expansion Programme, noted above, where eligible. All businesses participating in the programme will be provided with an individual action plan, which will signpost wider support that may be available to realise your ambitions.

Definitions of a small business (or SME) and the priority sectors are provided in section 11 (Glossary).

The fund can provide up to 20% of total project costs, up to a maximum capital funding contribution of between £100,000 and £500,000. For example, a project with a total cost of £500,000, would be able to seek up to £100,000 of funding support.



Food packaging specialist KCC used a regional growth fund grant of £100,000 to push through development and production proposals for its compostable products. The involvement of Solent Growth Hub and Solent LEP also helped to centralise the whole business support process for the Eastleigh-based company and provide signposting to other sources of support.

Applicants will need to demonstrate that the project will deliver at least one of the following, which are each defined in section 11:

- Improved Business Productivity
- Developing new products
- Developing new markets
- Direct creation or safeguarding of Private Sector Jobs

Applicants must first submit an Enquiry Form, following receipt of which, a member of the Solent Growth Hub will call you to discuss your business support needs.

If your project is considered eligible for support, you will be provided with a Project Outline Form, which you will need to complete and submit. All eligible projects will receive support to help develop their growth plans through the Growth Accelerator Programme.

For those projects that are being supported by the Growth Accelerator Programme, and which are potentially eligible for Solent LEP funding between £100,000 and £500,000, under this route, a Full Application Form will need to be completed and submitted, prior to consideration for funding support by the Solent LEP Business Support Investment Panel, which will provide advice to the Solent LEP Funding, Finance and Performance Management Group (FFPMG), who will make an investment decision.

4.4 Small Businesses Exceptional Funding (Funding request up to £500,000)

Exceptionally, small businesses that are able to evidence that they are experiencing challenging trading conditions (as defined in section 11) may be able to access an enhanced level of funding support, up to 40%. Such businesses must demonstrate that:

- The project is within one of the sectors identified in section 11 of this guidance.
- The project is responding to challenging trading conditions (section 11).

If you believe that your business is experiencing challenging trading conditions, please discuss with the Solent Growth Hub in the first instance.

5. General eligibility criteria and general supporting information

This section sets out the common criteria across the Fund. Criteria specific to the Small Business Expansion Fund and Growth Accelerator Programme is provided in section 6.

We have the following two options available depending on the level of funding you require:

- Small Business Expansion Fund (funding requests of up to £100,000)
- Small Businesses Growth Accelerator Programme (including funding requests of between £100,000 and £500,000)

These are described more fully in section 4 and the specific application process for each route is described in section 6.

It is imperative that, before submitting a full application, applicants first submit an Enquiry Form, and also check that they meet the eligibility criteria and supporting information contained in this section. Failure to meet these criteria will mean that the application cannot 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 employment 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 employment 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 Growth Hub. A map of all LEPs is available at www.lepnetwork.net/about-leps/location-map

5.2 Other Investment

The amount sought from the fund must contribute to a project alongside confirmed and secured private sector investment. Funding leveraged in as private sector investment 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 private sector investment will be considered stronger.

Contributions of services donated in-kind can qualify as a private sector contribution. 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 will not 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

Revenue requests cannot be considered. However, if you have a business growth idea that needs revenue funding, there is alternative support available at <https://solentlep.org.uk/business-support-and-funding/solent-lep-funds/the-solent-growth-fund-small-business-programme/>

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 Growth Hub.

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 may wish to submit

independent expert state aid advice alongside their full application. 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 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 projects seeking loan funding support in the period between April 2021 and 31st March 2022, you will be required to seek further advice from the Solent Growth Hub in advance of progressing your application. 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. Projects that are not able to provide this will not be eligible for consideration.



Isle of Wight fork lift truck specialist Wight Materials Handling found help and support via the Solent Growth Hub to install training simulation equipment at a new purpose-built facility. The Solent LEP granted £25,000 towards the first stage of installation. It was a major boost to productivity and engaging student drivers and operators from both the Island and the mainland.

5. General eligibility criteria – Continued

5.7 Project and Programme Applications

Only proposals for discrete and definable projects, with clear links to outcomes (i.e. private sector investment, new direct jobs, etc.) will be considered. Applications for a programme of activity will not be considered.

5.8 Governance and Management

All projects seeking funding support 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 through the business.

All businesses 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 decision of the Solent LEP Business Support Investment Panel, the Solent LEP Funding, Finance and Performance Management Group, and the LEP Board are final, and there is no right of appeal.



Havant-based Turbulent Designs, which makes business training applications using 3D animation, has expanded its team and funded the costs of essential software licences using assistance and a £9,000 grant sourced through the Solent Growth Hub. Our input helped the company double its turnover in the following year.

6. Application process: Small Business Expansion Fund and Growth Accelerator Programme

6.1 Application Requirements

In addition to the general eligibility criteria 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.

For businesses seeking over £100k there is a process in place to provide additional support through the Growth Accelerator Programme, which will provide coaching and mentoring to help businesses access the support that is most appropriate for their business. In the event that support options include potential LEP funding the application process set out in sections 6.2.2 - 6.2.8 will apply.

6.1.2 Previous Applicants

Businesses may only apply if they have not previously received funding support from the Solent LEP.

6.1.3 Management Buy-Outs (MBOs) and Company Acquisitions

Projects seeking funding for MBOs and company acquisitions may not apply.

6.1.4 Franchises

Applications from small businesses under a franchise may not apply. The process of franchising already confers significant benefits to the franchisee in terms of permitted use of an established brand name, adoption of a tried and tested business model, and in many cases assistance with marketing and reduced start-up costs. This fund is seeking to support as diverse an SME base across the Solent area as possible; accordingly franchise applications will not be considered eligible.

6.1.5 Bid Thresholds

This funding route will only consider applications for capital funding of between £10,000 and £500,000.

6.1.6 Sectors and activities which cannot be supported

Applications may only be made for new projects seeking capital funding. As such, funding WILL NOT be provided to cover businesses existing working capital or revenue costs, which are not contributing to the delivery of the new project. For clarity this includes items such as salaries, rent, rates, utilities, stock and raw materials.

Please note that any costs incurred prior to the submission of an application will be considered as sunk costs and cannot form part of the project's eligible costs.

Please note that the following activities/sectors CANNOT be supported under any circumstances by the Fund:

- undertakings active in the fishery and aquaculture sectors;
- activity in the primary production of agricultural products;
- undertakings active in the processing and marketing of agricultural products when the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned or when the aid is conditional on being partly or entirely passed on to primary producers;
- aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
- aid contingent upon the use of domestic over imported goods;
- undertakings active in the coal sector;
- acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

If you require any further information in relation to any of the above points please contact us using the contact information in section 7 of this document.

6. Application process: Small Business Expansion Fund and Growth Accelerator Programme – Continued

6.1.7 State Aid

Following the EU referendum outcome, the UK will remain a member of the EU until negotiations have been finalised so currently, and until the formal exit, State Aid rules will still apply.

State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU). The definition of state aid is very broad because 'an advantage' can take many forms. It is anything which an undertaking (an organisation engaged in economic activity) could not get on the open market, such as the funding offered under the Solent Growth Fund.

In principle, state aid is not allowed in the EU. However, some state aid is beneficial to the economy and supports growth and other policy objectives. State aid can be given to support a wide variety of activities including research and development, environmental protection and aid for small to medium-sized businesses. The state aid rules allow for good aid, which is necessary to deliver growth and other important objectives.

The UK complies with the need for effective state aid rules to prevent distortion of competition and to create an open and competitive market in the EU on which UK firms can fairly compete and grow.

Funding awards from the Fund will only be made to businesses with proposals which are compatible with EU state aid regulations, and applicants should be aware that their proposal will be scrutinised accordingly. Applicants should note that the responsibility for ensuring their application for funding is compliant with state aid legislation is theirs, and they may wish to seek advice accordingly. Applicants should refer to the links below for further general information on state aid:

- www.gov.uk/guidance/state-aid
- <https://www.gov.uk/government/publications/state-aid-general-block-exemption-regulation>
- https://ec.europa.eu/competition/state_aid/overview/index_en.html

Projects seeking up to £100,000 will be offered on the basis of De minimis Aid

All grants awarded under this route up to £100,000 will be offered on the basis of De minimis aid only.

De minimis aid is used to describe small amounts of state aid that do not require European Commission approval.

The European Commission considers that public funding which complies with the de minimis regulation has a negligible impact on trade and competition, and does not require notification and approval. The total de minimis aid which can be given to a single recipient is €200,000 over a 3-year fiscal period.

The maximum de minimis funding any single recipient can receive is €200,000 (cash grant equivalent) over a 3-year fiscal period. The sterling equivalent is calculated using the Commission exchange rate applicable on the written date of offer of the de minimis funding.

Small businesses that have reached or are likely to reach the total de minimis aid of €200,000 (cash grant equivalent) over a 3-year fiscal period will not be eligible to apply for a funding award under the Small Business Programme.

This ceiling takes into account all public assistance given as de minimis funding over the previous 3 fiscal years including grants, loans, and subsidised contracts and so on.

Projects seeking over £100,000 will be offered on the basis of General Block Exemption Regulation (GBER)

All grants awarded under this route over £100,000 will be offered on the basis of General Block exemption only.

All funding awarded under the Capital Investment Fund will only be offered on the basis that the funding offered can constitute aid that can be offered under the General Block Exemption Regulation (GBER).

This is because larger funding awards (above €200,000) offered by the Fund would constitute aid that can be offered under the General Block Exemption Regulation (GBER). Unlike the de minimis aid category for the smaller funding awards, the GBER is significantly more complicated, and applicants should refer to the links below for further information:

- www.gov.uk/government/uploads/system/uploads/attachment_data/file/325465/bis-14-943-state-aid-general-block-exemption-guidance.pdf
- <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1404295693570&uri=CELEX:32014R0651>

Projects seeking over £100,000 will be required to provide an independent opinion on State Aid in relation to their project

6. Application process: Small Business Expansion Fund and Growth Accelerator Programme – Continued

6.2 Application Process

The process for assessment of applications differs according to whether a project is seeking up to or over £100,000 funding support.

6.2.1 Small Business Expansion Fund Application Process for businesses seeking up to £100,000 funding

Applicants must first submit an Enquiry Form, following receipt of which, a member of the Solent Growth Hub will call you to discuss your proposal.

If your project is considered eligible for funding, you will need to complete and submit a Full Application Form, which will be considered for funding by the Solent LEP Business Support Investment Panel.

6.2.2 Growth Accelerator Programme Application Process for businesses seeking over £100,000 funding

Applicants must first submit an Enquiry Form, following receipt of which, a member of the Solent Growth Hub will call you to discuss your proposal.

If your project is considered eligible for support, you will need to complete and submit a Project Outline Form, available on our website solentlep.org.uk

For the Growth Accelerator Programme, eligibility will be considered against the following:

- The strength and ambition of your growth proposals;
- Whether your business has between 10 and 249 employees;
- Whether your existing turnover is between £250k and £25m;
- Your proposals to improve Business Productivity, developing new products, developing new markets, or create or safeguard private sector jobs
- Your business should be a limited company with at least a two-year trading history. (Small businesses that are constituted as limited liability partnerships or co-operatives may also be able to access the programme)

If your project meets this criteria, you will gain access to our Growth Accelerator Programme, which will provide coaching and mentoring to help businesses access the support that is most appropriate for their business

For those projects that are being supported by this programme and which are potentially eligible for Solent LEP funding, under this route, a Full Application Form will need to be completed and submitted, prior to consideration by the Solent LEP Business Support Investment Panel, which will provide advice to the Solent LEP Funding, Finance and Performance Management Group (FFPMG), who will make an investment decision.

- Whether your business is looking to grow in the Solent;



6. Application process: Small Business Expansion Fund and Growth Accelerator Programme – Continued

6.2.3 Application Support

For any applicants who wish to discuss their proposal prior to submission, the Solent Growth Hub provides this service, which is free to access.

For further information, please visit www.solentgrowthhub.co.uk, call 01329 820 898 or email info@solentgrowthhub.co.uk

6.2.4 Application

Applicants should note that the full application process requires a level of detail similar to that required in order to access finance provided by the commercial banking sector.

Full application forms will need to be submitted electronically to: funding@solentlep.org.uk

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

6.2.5 When to Apply

The Fund is open for business all year round. The Business Support Investment Panel and Funding, Finance and Performance Management Group will meet regularly during the year to make its investment decisions.

Project Outline Forms and Full Application 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 BSIP and FFPMG will cease to meet as soon as all funding has been allocated. Therefore, applicants are advised to submit their applications at their earliest possible convenience in order to avoid disappointment.

Please note the LEP can only deal with one application from each organisation or individual at any one time.

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.

6.2.6 Assessment of Full Applications

For applications seeking up to £100,000 the full application will be assessed by the Solent LEP Business Support Investment Panel (BSIP), who will make a decision on whether the project is awarded funding.

For applications seeking between £100,000 and £500,000, the Project Outline Form will be used to consider your growth plans against the following:

- The strength and ambition of your growth proposals;
- Whether your business has between 10 and 249 employees
- Whether your existing turnover is between £250k and £25m;
- Your proposals to improve Business Productivity, developing new products, developing new markets, or create or safeguard private sector jobs.
- Your business should be a limited company with at least a two-year trading history. (Small businesses that are constituted as limited liability partnerships or co-operatives may also be able to access the programme)

This will determine whether projects are able to receive support to help develop their growth plans through the Growth Accelerator Programme.

For those projects that are being supported by this programme and seeking funding of over £100,000, under this route, a Full Application Form will need to be completed and submitted, prior to consideration by the Solent LEP Business Support Investment Panel, which will provide advice to the Solent LEP Funding, Finance and Performance Management Group (FFPMG), who will make an investment decision. They will have regard for, and act in accordance with, the agreed scheme of delegation and the Solent LEP Assurance Framework.

Further information regarding the BSIP and FFPMG can be found on the Solent LEP website.

Please note they will not be obliged to consider applications received after the relevant deadline.

The BSIP will use the information provided in the Project Outline Form to make a decision on eligibility to enter the Growth Accelerator Programme, which is offered to support the businesses with their growth plans. To assist with the decision making process some applicants may be offered the opportunity to present their proposals to the Panel. This will depend on the value, complexity and risk associated with each proposal.

The FFPMG will use the information provided in the Full Application Form to make a decision as to whether funding is offered to support the businesses growth plans. To assist with the decision making process some applicants may be offered the opportunity to present their proposals to the Panel. This will depend on the value, complexity and risk associated with each proposal.

- Whether your business is looking to grow in the Solent;

6. Application process:

Small Business Expansion Fund and Growth Accelerator Programme – Continued

6.2.7 Assessment Criteria

All Funds will be allocated on a competitive basis. Only the strongest bids will be successful, assessed against the following key measures, in relation to one another (not all may be relevant for all applications):

Strategic Fit	Fit with the published sector focus criteria of the Fund.
Ability to Grow	The degree to which the proposal demonstrates the ability of the business to grow in the Solent.
Productivity	The degree to which the proposal supports an increase in productivity in the applicant business through the introduction of new processes / products / services.
International Trade	The degree to which the proposal clearly identifies new markets for development or growth in existing markets, and quantifies the scale of that market.
Challenging Trading Conditions	The provision of clear evidence of economic impact on the applicant business (e.g. the decision of the UK to leave the EU; the downturn in the oil and gas industry; the global steel market; restructuring within the supply chain), resulting in challenging trading conditions.
Risk	The degree to which the applicant business has considered, identified and mitigated for project related risks.
Finances	The current and historical trading position of the applicant business, and the deliverability of associated financial projections.
Timing	That the project and associated outcomes are deliverable within the published timeframes of the fund.
Private Sector Investment	The amount and scale (as a percentage of the total project costs) of private sector investment unlocked by the project.
Jobs	The value for money achieved when compared with the fund benchmark, sustainability and total number of jobs directly created in the Solent area.
Additionality	The likely impact of the funding on the speed or scale of outcome delivery and the extent to which the funding could shift economic activity from other areas.
Wider Economic Impact	The inclusion of additional benefits or outcomes which the project may have on Solent area (e.g. indirect employment; growth in LEP priority sectors; supply chain benefits).

Final decisions on the bids up to £100,000 to be supported by the Fund will be made by the BSIP, the Solent LEP and the Accountable body for the scheme, Portsmouth City Council.

Final decisions on the bids £100,000 to £500,000 to be supported by the Fund will be made by FPPMG, the Solent LEP and the Accountable body for the scheme, Portsmouth City Council.

Please note that decisions in relation to which projects to support, or to recommend for support, are final and there will be no right of appeal.

6. Application process: Small Business Expansion Fund and Growth Accelerator Programme – Continued

6.28 Due Diligence

All submitted full applications for funding will be required to undergo a technical due diligence review. Projects will need to satisfactorily complete the process before funding is awarded subject to contract. There will be three stages to the process:

Funding Impact

The Solent LEP will undertake an appraisal of the extent to which a proposal's benefits will be realised without the funding or 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.

Projects that can demonstrate a greater impact as a result of an investment from the Fund, will be looked at more favourably.

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 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, equity 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;
- Understand and consider the financial, commercial and market risks associated with the project;
- Review the level of optimism bias contained in the costings; and
- Gain comfort around deliverability / defrayal of funding within specified timescales.

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).

The Solent LEP reserves the right to request additional financial information

Financial standing

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

An assessment of credit worthiness will be required for all applications.

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 financial track record.

Where funding has been advanced other than in the form of a grant, the Solent LEP will 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, equity 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 start the project, including where applicable start on site/acquisition of premises including a review of title, planning and site constraints;
- The supporting development programme and underlying assumptions;
- The sales/revenue programme and underlying assumptions;
- 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.

The Solent LEP also reserves the right to request further information or evidence from any applicant.

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 funding.

7.2 Loans

Loans, at market rates will be required to be repaid on a basis agreed during the due diligence stage with a longstop date of March 2021, 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 2021. 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 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 6.2.6).

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



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 our funds and funding beneficiaries will be required to provide progress updates through a monitoring report on a quarterly basis. 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.

Business beneficiaries 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 Fund 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.

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

Applications are developed at the risk and cost of the applicant. Submission of an application 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.

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.



Commercial furniture provider *The Meeting Pod Company* was signposted to the financial support necessary to upscale its *Isle of Wight* manufacturing facility and accelerate product development. Demand for the company's composite-based 'flexible working zones' has grown dramatically with installations being completed across the UK. Solent LEP provided £28,000 towards upscaling its manufacturing facility.

9. Activity Timetable and Decision Making Process

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

The deadlines for submission of applications 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	
Investment Panel meeting to consider applications	Panel dates to be notified
Notification of outcomes to applicants	Within 10 working days of panel 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
<p>BSIP is the Business Support Investment Panel which considers all funding applications from SMEs. For applications seeking over £100,000 of LEP funding, the role of BSIP is advisory, making recommendations to FPPMG, who are the investment panel considering applications from SMEs seeking £100,000 - £500,000..</p> <p>Please note that the Solent LEP and Portsmouth City Council will be under no obligation to make payment against claims received after this date.</p>	
Further deadlines for 2019 will be published in the autumn of 2018	

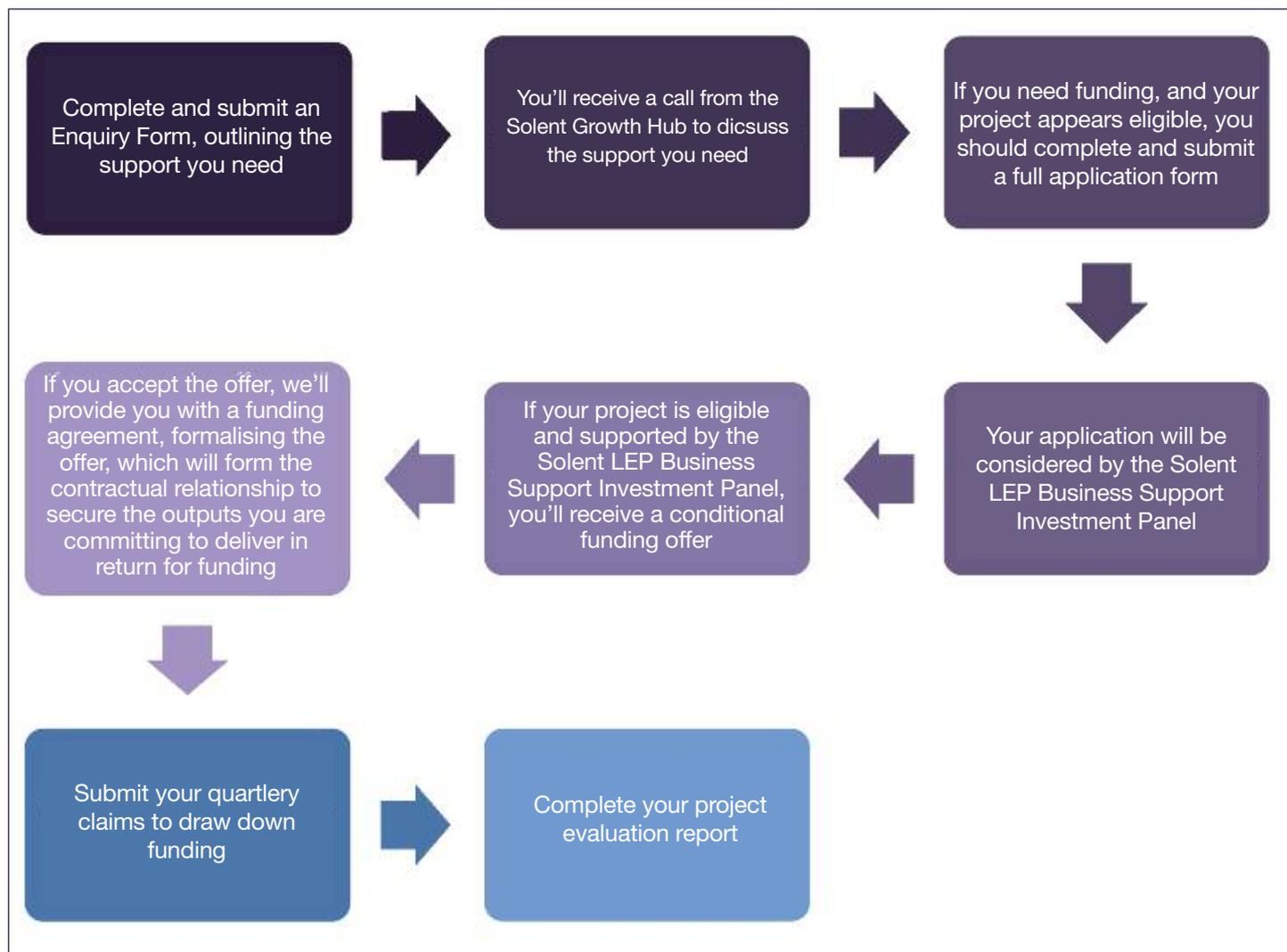
9. Timetable – Continued

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

The Business Support Investment Panel and Funding, Finance and Performance Management Group broadly meet on a bi-monthly basis. The deadlines for submission of applications is updated on the Solent LEP website solentlep.org.uk

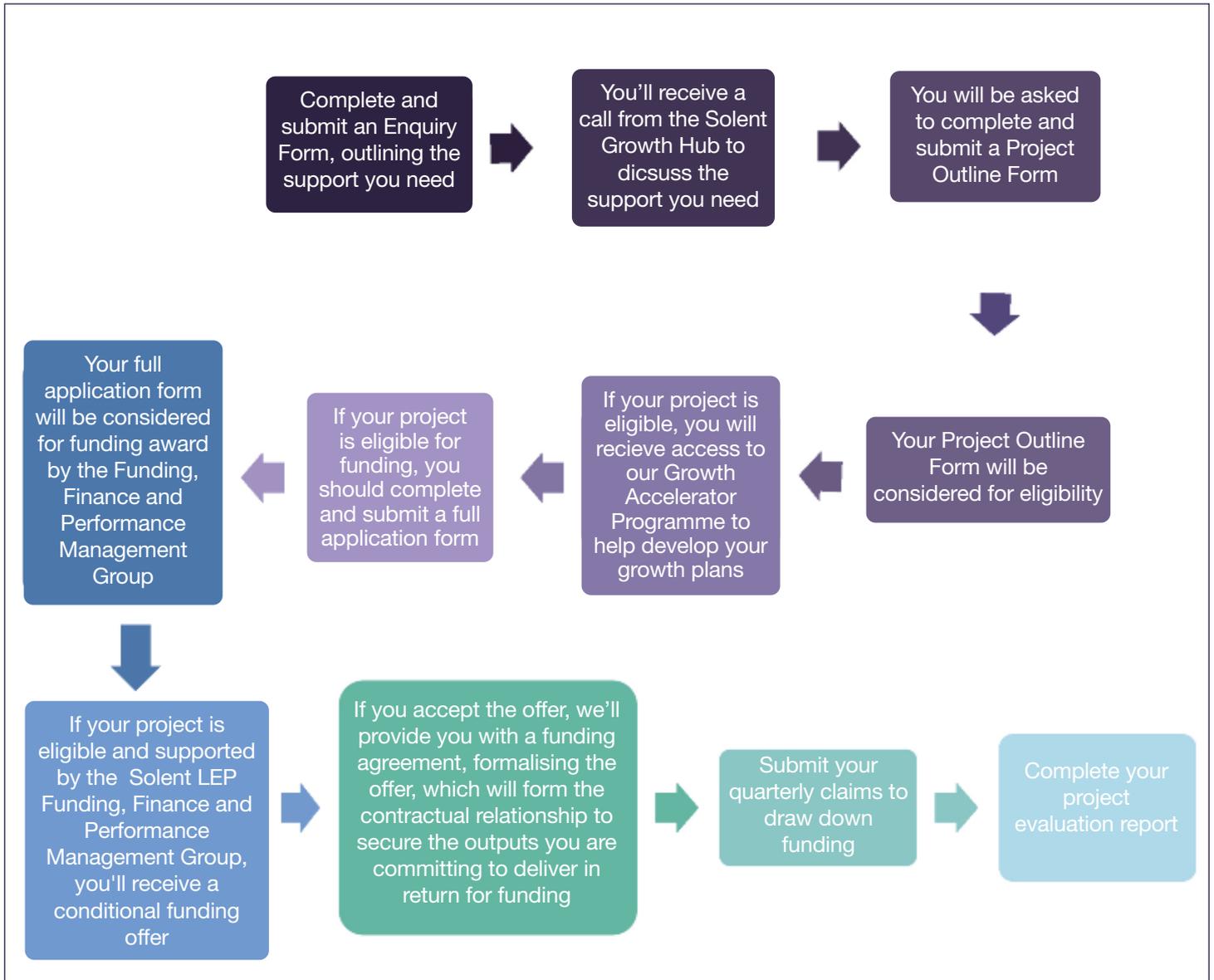
The diagram below shows the application process through to successful funding award.

9.1 Small Business Expansion Fund to grow and seeking up to £100,000 Funding Support



9. Timetable – Continued

9.2 Small Business Growth Accelerator Programme and projects seeking between £100,000 and £500,000 Funding Support



10. Contact Information

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

Email: info@solentgrowthhub.co.uk

Telephone: 02392 68 8924

11. Glossary

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

In order to apply under the Small Business Acceleration 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:

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

11.2 Start-Up Businesses seeking to grow

A 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.

"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 from established small businesses (or SMEs) seeking to grow will need to demonstrate how their proposal meets the high growth focus of this Fund. The Fund will be using the generally accepted OECD definition of high growth businesses, which is as follows:

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 Growth Hub team at:

Email: info@solentgrowthhub.co.uk

Telephone: 01329 820 898



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