

## NORTH EAST RURAL GROWTH NETWORK

### STRATEGIC ECONOMIC INFRASTRUCTURE FUND (SEIF)

### PROJECT CALL GUIDANCE - Expression of Interest (Stage 1)

Date: May 2017

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## You won't automatically get a grant

It is a competitive process. When you apply for a grant you are competing with other applicants within your LEP area

All applications are assessed to see how well they fit the priorities for funding and which projects provide best value for taxpayers' money

1. This is an open call for capital projects for the Strategic Economic Infrastructure Fund (SEIF) and Rural Business Growth Fund (RBGF) with funding provided from the North East Local Enterprise Partnership (NE LEP).
2. The RGN grant programme had an original allocation of £5.52m through to 2019/20. Over £4.3m has already been committed to SEIF and RBGF projects. This call will release £1.2m, the remaining budget from the overall programme.
3. If you wish to apply to RBGF there is a separate guidance document which you should refer to.
4. Expression of Interest applications are welcomed for SEIF projects that are a strong fit with the scheme guidelines. Please refer to the guidance in section 5 and also the project assessment criteria provided in appendix 4.
5. We expect to be able to support up to 6 to 8 SEIF projects in this round.
6. Please consider carefully your eligibility for grant and the level and amount of grant you may be able to apply for. Refer to section 3 and 5 on State Aid. You should seek independent advice on how state aid regulations may impact on the percent and amount of grant aid you can apply for.
7. The deadline for Stage 1 applications is **Midnight 31<sup>st</sup> January 2018** although applications can be submitted in advance of this.
8. We will prioritise projects that can progress quickly if selected, through to Stage 2 and that can start and make significant progress on site in 2017/18.
9. Applications will be considered on a first come first served basis and will be subject to the availability of funds.
10. For all general enquiries and any requests for clarification regarding this guidance please contact one of the North East Rural Growth Network Implementation Officers : Julie Bullen - email: [julie.bullen@arch-group.co.uk](mailto:julie.bullen@arch-group.co.uk) tel: 01670 528476 or Katy McIntosh email: [katy.mcintosh@arch-group.co.uk](mailto:katy.mcintosh@arch-group.co.uk) tel:01670 528489.
11. The RGN Executive expects applicants to provide realistic timescales for delivery of projects to effectively manage this process. Projects are selected to progress to Stage 2 in good faith based on the information provided.

## 2 Strategic Economic Infrastructure Fund

**Planning to create multiple business units or a significant tourism asset?**

**You might be able to apply for a grant to help you fund it**

This bidding guidance document has been prepared for projects seeking support from the Strategic Economic Infrastructure Fund. Separate guidance is available for the Rural Business Growth Fund. The purpose of this guidance document is to enable potential applicants to better understand:

- The aims, objectives and priorities of the SEIF;
- The SEIF application process and timescales;
- How to complete the Application Form;
- Appraisal, approval process and monitoring requirements for successful projects.

### 2.1 About the Strategic Economic Infrastructure Fund (SEIF)

This Fund will focus investment on the development of business infrastructure in key economic centres in rural areas, including the larger rural hub towns / market towns, industrial and commercial sites, and smaller rural towns and villages.

The key aim is to provide the infrastructure needed to enable businesses in rural areas to trade and grow, including premises for new micro enterprises, small firms needing move-on accommodation, and facilities for larger and growing businesses. This will include enabling infrastructure needed to unlock business sites and premises for follow on private sector investment.

The types of activities and investments to be supported include:

- Development of business workspace / accommodation for multiple end users. This could include refurbishment of existing buildings, bringing redundant buildings back into use, and new build developments.
- Creation of rural enterprise hubs, providing shared managed workspace to accommodate multiple micro enterprises under the same roof.
- Infrastructure works (such as site preparation and access) needed to unlock follow-on investment in sites and premises for commercial, industrial and retail use. These will be called 'Impact sites'. To be eligible, an end user will need to have been secured and be capable of being operational to meet the timescales set out within the guidance.
- Stimulating investment in tourism infrastructure (including attractions and associated quality accommodation and events facilities) where raising the quality of the offer will improve the economic performance of the rural economy by attracting additional, higher spending visitors from outside of the NE LEP area. Projects will need to be of national/regional importance and will be measured in terms of quality of jobs and not be fundable under other grant programmes. Accommodation projects will need to be serviced with a minimum of Visit England 4 star accreditation. To be classed as 'strategic,' projects will need to be included within a relevant Destination Management Plan.

**Tourism infrastructure projects need to demonstrate they will create significant new overnight stays and visitors**

**Small tourism projects will not be suitable to apply to this fund**

## 2.2 The aims of the Strategic Economic Infrastructure Fund

The aims of the NERGN and the Strategic Economic Infrastructure Fund are to:

**You will need to demonstrate how your project will contribute to the SEIF aims**

- Boost economic growth in the rural areas of Northumberland, Durham and Gateshead.
- Improve the economic infrastructure within rural economies to accommodate a greater critical mass of economic activity in key locations and enable businesses to benefit from agglomeration effects.
- Facilitate the development of sites and premises so that accommodation is not a constraint to the growth and retention of rural businesses.
- Stimulate investment in the growth of existing private sector rural SMEs (up to 250 employees), with a specific focus on small and micro enterprises (up to 50 employees).
- Grow the rural business base by stimulating the start-up of new enterprises and the survival of existing firms.
- Develop a more diverse business base by supporting SME's in potential growth sectors including: knowledge intensive business services; high value tourism; food & drink; manufacturing; energy; environmental and retail.
- Enhance and complement the other existing and planned economic growth initiatives in rural areas including LEADER and RDPE Growth Programmes, national business support programmes, and regional business investment funds such as the Let's Grow RGF Programme.
- Deliver on the objectives of North East Local Enterprise Partnership's Strategic Economic Plan (January 2017) by helping to realise new opportunities for economic growth in the rural areas of the North East.

## 2.3 Economic Performance Output Measures

The SEIF Programme has the following overall targets that individual projects will contribute towards:

- To attract £13 million (direct and indirect) private sector funding.
- To lever a further £11 million public sector funding
- To create 12,670 sq. m new / refurbished commercial floorspace
- To create/safeguard 236 new FTE jobs. These include direct and indirect jobs. It is expected that the majority of jobs created through SEIF projects will arise as businesses occupy new / refurbished premises supported by the projects.

More detail about the economic performance measures, including definitions is provided in [Appendix 3](#).

## 3 About the SEIF Fund

**SME and large sized businesses can apply.**

**Applications from private investors are particularly welcomed**

The Strategic Economic Infrastructure Fund will invest in the development of business infrastructure in key locations needed to enable businesses in rural areas to trade and grow. This will include the provision of premises for new start-ups, companies needing 'move-on' accommodation and facilities for larger and growing businesses, as well as the provision of enabling infrastructure to unlock business sites and premises for follow-on private sector investment. This fund will invest in activities undertaken by public, private or third sector organisations that will benefit multiple businesses, although private investments will be favoured to achieve the overall programme outputs.

### 3.1 Eligibility

#### Organisation type and size

The SEIF is not restricted to SMEs. Most legally constituted organisations may apply for funding, including SMEs and large enterprises, public sector and third sector organisations. However, the level of grant organisations may be able to apply for may vary due to State Aid limits. Please see section 3 and web link for further information.

Partnership bids are welcomed where these draw on the strengths and experience of more than one organisation. In such cases there is a need to show a clear lead, accountable, organisation.

#### Sectors

There are some sectors which, due to State Aid regulations, cannot be supported by SEIF. State Aid regulations mean that the SEIF cannot support undertakings active in:

- The fisheries and aquaculture sectors, as covered by Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products as amended by Regulation (EC) No 1759/2006;
- The primary production of agricultural products;
- The processing and marketing of agricultural products, in the following cases:
  - 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;
- The steel, shipbuilding sector or synthetic fibres sectors

Priority will be given to capital projects which support business growth in the following sectors:

**All grants are subject to State Aid regulations**

**Please check section 4 of the guidance to make sure you comply**

- Knowledge Intensive Business Services – especially scientific and technical services.
- Tourism – niche and high quality projects offering direct and also notable indirect benefits for other tourism related businesses.
- Food and Drink Production
- Manufacturing
- Energy products and services ( not energy production )
- Environmental products and services
- Also, exceptionally, strategic commercial / retail infrastructure – where markets are under served and there is clear added value e.g. linked to a town centre regeneration scheme or wider strategic tourism project.

### 3.2 Eligible Activity

The SEIF will support projects which will help to unlock economic growth. Activities which can be supported include:

- Enterprise hubs. There is no formal definition of an ‘enterprise hub’ but these must accommodate multiple businesses and should encourage networking linkages between businesses. For an illustration of enterprise hubs in the rural North East, some of which have been developed with NE RGN pilot programme funding, please visit [www.ruralconnect.biz](http://www.ruralconnect.biz)
- New or re-furnished business accommodation for multiple users, including industrial units, managed workspace and serviced office accommodation
- Site preparation for a developer / end user to bring forward a site that is identified as a strategic ‘impact site’ or employment site.
- Large tourism infrastructure projects of a strategic nature e.g. developments that will have direct and also notable indirect benefits for other tourism related businesses in the rural economy. Tourism projects **must** demonstrate how they will increase the quality of the tourist experience and help to attract more visitors from outside of the NE LEP area and attract more overnight visitors. They should also show how they contribute to gaps in provision and the priorities of the relevant Tourism Destination Management Plan.

#### **Ineligible activities include:**

- Routine building repair / maintenance / investment
- Improvements to a business’ own premises / site which will not be used by other businesses. (Medium sized businesses should consider applying to the Rural Business Growth Fund – RBGF; Micro and small businesses to the Leader or RDPE Growth Programmes for this type of project).
- Land and Building acquisition costs - however, exceptionally projects led by not for profit organisations in the voluntary / community sector may be considered. Where acceptable this would be subject to an

**Grant amounts awarded usually range from £40,000 to £500,000**

**You can only ask for up to a maximum of 40% of your total eligible costs**

**You can check to see if your postcode is eligible by going to :**

[Rural Growth Network Map | Rural Growth Network | Arch Business | Arch Northumberland](#)

independent professional valuation at the cost of the applicant and contribution would be capped at 20% of the value.

- Revenue Costs

Please note that these are not exhaustive lists and you may wish to discuss your project proposal further with the NERGN team.

*Please note that this list may also be updated as the Government or NELEP provide further clarification about what LGF can or cannot support.*

### 3.3 Level of Grant Support

There are no firm minimum and maximum grant thresholds but grant support will be subject to State Aids. However, indicatively projects requiring less than £40,000 will have to clearly demonstrate strategic impact in their community and why other rural funding, including Leader and RDPE Growth Programmes may be unavailable to support such projects. Any project seeking over circa £500,000 would need to be clearly of regional importance to the rural economy and able to offer a range of economic benefits beyond a local level.

### 3.4 Location

Projects must be physically located within the North East RGN operational boundary, although organisations from outside of this area may apply. Please see the NERGN Operational Boundary in [Appendix 1](#). The RGN boundary has been expanded to include the Defra defined 'Rural Hub Towns' of Bishop Auckland, Newton Aycliffe, Consett and Ashington.

If you have any queries about the eligible geographic area, please contact the NERGN Team. In exceptional cases projects outside and nearby the operational area may be considered where they can demonstrate significant economic benefits to the rural economy and provide a rationale as to why they cannot be situated within the rural area.

### 3.5 Eligible Expenditure

Expenditure must be:

- To support eligible activities (as outlined above)
- Capital rather than revenue expenditure. This could include, amongst other items:
  - Ground investigation works
  - Environmental remediation works
  - Demolition and construction
  - Professional services to support the above e.g. architect fees, construction project manager fees (following grant approval)



- Fit-out of premises

**Do not start work, incur costs or place an order before a grant agreement has been issued.**

**This will potentially make your whole project ineligible**

**Please note the 'No prior start' rule.** If work on a project has started then it is ineligible for SEIF support. An application for assistance must be submitted and a grant offer made before any contract is awarded and work on the project is started.

If, during the course of an appraisal, it becomes clear that an applicant has incurred, or wishes to incur, expenditure on a project before the NE RGN Executive Group has decided whether assistance is justified, this would potentially make your project ineligible.

### **3.6 Match Funding**

Grants available from the Strategic Economic Infrastructure Fund contribute towards total eligible project costs. However, all projects must provide 'match funding', contributing the remainder of the funding required to cover the total eligible cost of the project.

The Strategic Economic Infrastructure Fund has a target to attract at least:

- £13 million private sector funding; and
- £11 million other public funding.

Projects must therefore contribute to these overall targets. Applicants must provide a minimum of **60% match funding** for each project.

Both private and public funding is eligible to be matched against grants from the Strategic Economic Infrastructure Fund but private sector funding will be favoured. However, State Aid rules limit the amount of public funding projects can attract, including both SEIF and other public match funding. It is likely therefore that the majority of match funding provided by individual projects will be funding from the private sector.

## **Deadlines:**

**You should aim for your project to be finished and paid for, and complete grant claims submitted by 31 March 2019.**

## 4 State Aid

### 4.1 Introduction

Projects that do not comply with State Aid rules should not apply

State Aid is any public sector financial aid paid to an undertaking (i.e. a business or an organisation behaving like a business) which could distort competition and affect trade by favouring certain businesses or the production of certain goods. State aid includes publicly funded grants and loans to businesses and, in some cases, funding paid to public sector organisations or third sector organisations. In certain circumstances, public sector financial support to businesses and other organisations can be allowed where the activity supported and the amount of aid awarded is consistent with exemptions approved by the European Commission. These exemptions are discussed later.

Any organisation receiving financial support from the public sector (in the form of a grant, loan or other financial instrument) must ensure that the amount of support received is compatible with State Aid regulations. If the project receiving public funding is shown subsequently to fail to meet State Aid requirements, there is a risk that the full amount of funding may need to be repaid. It is the responsibility of the applicant organisation to establish if and how the amount of funding requested complies with State Aid requirements.

Before undertaking detailed work on an Expression of Interest to the SEIF, it is important to establish whether the proposed project activity, and the amount of funding requested, complies in principle with State Aid regulations. **Projects that do not comply with State Aid requirements are not eligible for the SEIF and should not apply.**

You should seek independent legal advice on State Aid prior to submitting a full application

This section of the guidance is intended to assist applicants in reaching a judgement on whether their proposed project complies with State Aid requirements and, if so, which of the State Aid exemptions is likely to be most appropriate to the project. Please note that State Aid is a very complex matter which requires careful consideration. This is intended as general guidance only and applicants should obtain independent legal advice to ensure their project complies with State Aid regulations, prior to submitting a full application.

### 4.2 Summary of the Main State Aid Exemptions

The European Commission is responsible for the regulations governing State Aid across the European Union, including in the UK. The Commission has adopted a series of 'exemptions' which set out the conditions in which organisations can receive public funding in a way that complies with State Aid regulations and is not considered to distort competition. Each exemption includes criteria defining the types of activities and beneficiaries that can receive aid, as well as the 'aid ceiling' (the maximum amount of public funding that can be received). Three broad categories of State Aid exemptions apply in the UK.

- De Minimis Aid.

- General Block Exemption Regulation.
- Other State Aid rulings and decisions.

Applicants to the SEIF should consider each of the exemptions within these categories to identify which one, if any, could best be applied to demonstrate that their project complies with State Aid regulations. A summary of the main State Aid exemptions likely to be relevant to applicants to the SEIF is provided below. Fuller details of each exemption are provided in guidance documents issued by the European Commission and links to the documents can be found on <http://www.northumberland.gov.uk/Default.aspx?page=17521>. Applicants should ensure that they read carefully the relevant sections of the appropriate European Commission guidance documents to ensure that their project is consistent with the chosen exemption.

### 4.3 Process for SEIF Applicants to Establish State Aid Compliance

It is suggested that applicants to the SEIF fund use the following process when considering which, if any, exemptions could best be applied to demonstrate that their project complies with State Aid regulations.

#### Step 1 – De-Minimis

As this is the most straightforward State Aid exemption to apply in practice, it is suggested that applicants begin by testing whether their proposed project is consistent with the de minimis exemption. This involves calculating the value of the public grant to be requested from the SEIF, and the period over which it will be spent. You must then add to the value of the SEIF grant all other de minimis received by the applicant business or linked businesses (see page 20) from all sources and for all purposes in a three year rolling period, including the period in which the SEIF grant will be spent. If the project is seeking other public funding for the same project, then this must be included in the calculations. If the total public funding to be received by the organisation over the rolling three year period is less than 200,000 Euro then the project may use the de minimis aid exemption to demonstrate State Aid compliance. If the value is greater than 200,000 Euro then de minimis will not apply and another State Aid exemption must be identified. Please note, large public sector applicants, such as local authorities and other public agencies, are advised not to consider de minimis. They are unlikely to fall under the 200,000 Euro threshold as they tend to receive very large amounts of public funding, some of which may be considered to be State Aid.

Organisations wishing to use the de minimis aid exemption are required to keep accurate records of all public funding received from all sources in order to demonstrate that the aid ceiling of 200,000 Euro has not been exceeded.

Please note that if the organisation has received public funds under another State Aid exemption (for example, GBER SME Aid or Regional Aid) then this DOES NOT need to be included within the de minimis calculation. If applicants are unsure about whether any public assistance was awarded

**Has your company already had public funding?**

When you apply, we will ask you to tell us if you have had any funding from EU or other public sources and if it was awarded under 'industrial de-minimis'.

If so, we might need to limit the amount of funding you can get to comply with EU State Aid rules

under de minimis or another exemption then we recommend you contact the fund provider. If you are still unable to clarify whether it was de minimis or another exemption, it would be prudent to assume it was awarded under de minimis.

### **Step 2 - Aid for Local Infrastructures (and similar rulings)**

Many of the projects applying to the SEIF will involve investment in business accommodation or infrastructure. Working on the assumption that the 'Aid for Local Infrastructures' exemption may be applied to a broad definition of infrastructure, then most business accommodation or infrastructure projects may be consistent with this exemption. Projects wishing to apply this exemption should prepare the following information. At the Expression of Interest stage, estimates only will be requested. More detailed calculations will be required if the project proceeds to the full application stage.

- Total capital cost of the investment.
- Profit and loss projections, showing the forecast operating profit of the investment over the life of the asset (normally 10 to 15 years).
- The difference between the total investment cost and the total profit generated.

If the operating profit exceeds the total investment cost then the project will not comply with this exemption. In addition, it may be difficult to make a case that a SEIF grant is needed for the project to proceed. The applicant should proceed no further with this exemption. If, however, the total investment cost is greater than the operating profit then the project may be shown to have a funding gap that could potentially be addressed by a SEIF grant. In this case, the amount of public funding to be invested in the project (including the SEIF grant plus any other public funding) must not exceed the difference between the total investment cost and the total operating profit. If these conditions are met, then it is likely that this State Aid Exemption may be applied. If the Aid for Local Infrastructures exemption does not apply, then projects could test at this stage whether other similar rulings could be used to demonstrate State Aid compliance. For instance, business accommodation projects could consider whether the 'German Incubator' ruling may apply, and infrastructure projects delivered by public sector applicants could consider whether the 'German Infrastructure' ruling may apply.

### **Step 3 - Aid for culture and heritage conservation**

Some of the projects applying to the SEIF may be culture and heritage related. Projects wishing to apply this exemption should prepare the following information. At the expression of interest stage, estimates only will be requested. More detailed calculations will be required if the project proceeds to the full application stage.

- For projects where the total public funding required (including the SEIF grant requested and all other sources of public funds) is **less than** £800,000, the maximum public funding allowable can be calculated simply as 80% of eligible project costs. If the value of the 80% is less than £800,000, then the project may be able to apply this exemption.

- For projects where the total public funding required (including the SEIF grant requested and all other sources of public funds) is **greater than** £800,000, the following information will need to be provided.
  - Total capital cost of the investment.
  - Profit and loss projections, showing the forecast operating profit of the investment over the life of the asset (normally 10 to 15 years).
  - The difference between the total investment cost and the total profit generated.

If the operating profit exceeds the total investment cost then the project will not comply with this exemption. In addition, it may be difficult to make a case that a SEIF grant is needed for the project to proceed. The applicant should proceed no further with this exemption. If, however, the total investment cost is greater than the operating project then the project may be shown to have a funding gap that could potentially be addressed by a SEIF grant. In this case, the amount of public funding to be invested in the project (including the SEIF grant plus any other public funding) must not exceed the difference between the total investment cost and the total operating profit. If these conditions are met, then it is likely that this State Aid exemption may be applied.

#### **Step 4 - Regional Aid or Aid for SMEs**

Any projects that are not consistent with any of the previous exemptions should next consider Regional Aid and/or Aid for SMEs. These options will only apply to projects led by private undertakings (private businesses or social enterprises). The exemptions can be applied to projects that involve:

- setting up of a new establishment<sup>1</sup>;
- extension of an existing establishment;
- diversification of output; or
- fundamental change in the production process.

The first step is to consider the project location and the size of the applicant organisation. ***If the project is located in both the NE RGN area and the assisted area of the North East***, then the Regional Aid exemption may apply. To view a map of this area go to: <http://www.ukassistedareasmap.com/ieindex.html>. In this case, small enterprises could qualify for public funding up to a maximum of 30% of eligible project costs, while the maximum for medium enterprises is 20%. At this stage, the applicant should apply the maximum grant rate to the total project cost to identify whether the amount of public funding allowable under the Regional Aid exemption is sufficient to allow the project to proceed. Please note, the maximum allowable public funding (based on the 20% or 30% grant rate) will include the amount of funding requested from the SEIF plus any other public funding to be invested in the project. The remaining 70% or 80% of the total funding package must be private funding. ***If the project is located***

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<sup>1</sup> Establishment refers to a single business site

*in the NE RGN area but outside the assisted area of the North East*, then the Aid to SMEs exemption may apply. In this case, small enterprises could qualify for public funding up to a maximum of 20% of eligible project costs, while the maximum for medium enterprises is 10%. Applicants should follow a similar process to identify whether the value of SEIF funding arising from these maximum grant rates would be sufficient for the project to proceed.

#### **Step 5 - Initial decision on State Aid exemption**

At this point, the applicant should be in a position to decide which, if any, of the State Aid exemptions will apply to the project. When completing an Expression of Interest or Full Application, projects should explain in the relevant sections of the form the State Aid exemption that applies and the justification. If none of the previous exemptions apply, then the conclusion may be that the project does not comply with State Aid rules. In this case, an Expression of Interest / Full Application to the SEIF should not be submitted.

#### **Step 6 - Independent legal advice**

The final step in the process is for the applicant to satisfy itself that the preferred State Aid exemption is relevant to the project, is being applied correctly, and can be defended should it be challenged. Although NE RGN can provide general guidance, it is ultimately the responsibility of the applicant to satisfy itself that any SEIF grant received complies with State Aid regulations. Before submission of a Stage 2 Full Application, applicants should seek independent, expert legal advice on this matter.

#### **Ongoing advice and guidance**

At any point throughout the project development or application process, applicants may discuss the State Aid treatment of their project with the NE RGN team, who will be able to provide general guidance to help applicants identify the most appropriate State Aid exemption. You will still need to seek independent advice at Stage 2.

**For general  
advice on State  
Aid contact:**

David Baird

01670 623888

david.baird@north  
umberland.gov.uk

## 5 The Application Process

It will help your application if you explain your project clearly.

Tell us exactly what you're doing, what it will deliver, why it is needed and who will benefit

The Strategic Economic Infrastructure Fund is a discretionary fund and involves an open, competitive bidding exercise. An overview of the process is provided in Figure 1 below.

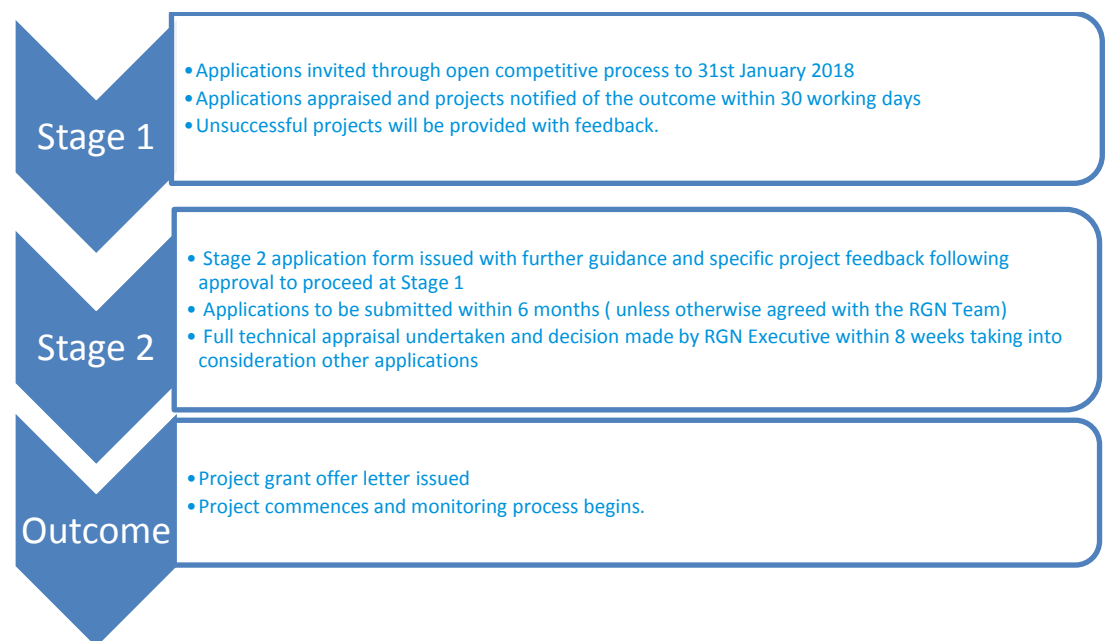
Bidding to the SEIF will be a two stage process:

**Stage 1.** To enable NERGN to make an initial assessment about the eligibility of the project proposal, applicants must complete and submit both parts of the application form i.e. the main form plus the spreadsheets containing Appendices 1 (financial details ) and 2 ( economic performance measure data). Although not essential we would encourage applicants to submit as much supporting information that may help this assessment including a business plan (see checklist in appendix 3 of the application form). This will help evidence the level of current project development and demonstrate the potential to commence delivery in 2017/18. A decision on your application will be made within 30 working days.

**Stage 2.** Projects selected to proceed to Stage 2 will be provided with feedback and further guidance and encouraged to complete and submit a finalised application form with all outstanding information as soon as possible but generally within 6 months of a Stage 1 approval. **The beneficiary of the grant application will be expected to attend at least one face to face meeting with the Implementation Officer to discuss requirements for submission of a Stage 2 application.**

The RGN Executive Group will determine applications following full technical appraisal. All projects at Stage 2 must be supported by a **business plan, full business cash flows and full tendered prices / written quotations** along with all other appropriate documents

**Figure 1: SEIF Application process**



You will be notified of the outcome of your Stage 1 - Expression of Interest within 30 days

It generally takes 8 weeks from submission of a stage 2 for a decision to be made

You should plan this into your timescales

## 5.1 Timescales and Deadlines

It is critical that the NERGN can approve projects which are able to start in 2017/18 and begin to demonstrate some achievements and outputs by 31<sup>st</sup> March 2018 to meet our contractual obligations with the funder.

Stage 1 applications must be submitted by **Midnight 31 January 2018** and are subject to the availability of funding.

Priority will be given to projects that can progress quickly, if selected, through to Stage 2 that can start and make significant progress on site in 2017/18.

Application forms submitted after specified deadlines will not be considered.

The following RGN Executive meetings are currently planned for consideration of Stage 2 Full applications.

RGN Executive Dates 2017/18
15 June 2017
27 July 2017
21 September 2017
16 November 2017
11 January 2018
8 March 2018

***This timetable is indicative only. Whilst the Executive does not intend to depart from the timetable, it reserves the right to do so at any time.***

## 5.2 Appeals Procedure

Rejection at any stage in the selection process can be appealed in writing. Written appeals must be received within two weeks of the initial rejection and addressed to: *Heather Smith, Corporate Programmes and External Funding Manager, County Hall, Morpeth, Northumberland, NE612EF.*

The written appeal must include the reasons for the appeal, additional justification and a rationale for why the project should be reconsidered.

Appeals can only be made where the applicant has evidence that the Executive Group or accountable body has:

- Not followed due process
- Not considered all the information made available in the applicants submission
- Acted in some way to disadvantage the applicant /application.



The appeals panel will offer a fair and impartial second hearing of any rejected application; The panel will meet within 2 weeks of receiving a fully valid appeal request. A decision will be issued within 5 days of the panel meeting.

## 6 Completing the SEIF Expression of Interest Form

### 6.1 Guiding Principles

You should read all the guidance first before you start on your application

Before starting to complete the application form, you may wish to consider the following guiding principles which will help ensure your application is more robust and will stand up to the rigours of appraisal:

- **Read all Fund documentation before you start:** This guidance document provides information about the Fund and what it aims to achieve, how to complete the Stage 1 Application Form and details of the eligibility and selection criteria against which your project will be assessed. You are advised to read this in full before completing the Stage 1 application. If you have any queries please contact NE RGN Programme Team.
- **Make an early start:** Whilst the Application Form has been designed to provide only information that is essential to the appraisal and selection of projects, a considerable amount of information is required. Be sure to leave sufficient time to complete the form fully, providing as much relevant information as possible. Applications submitted after the deadline will not be considered for funding. Whilst the deadline is January 2018, there are limited funds available and this will be committed on a first come first served basis.
- **Provide full answers:** In order to comply with public sector funding requirements, the questions contained within the Application Form relate to some complex issues. Some questions require a response covering multiple, related issues. Unless your responses adequately address all of the issues covered, we will be unable to make an informed assessment of your project against the agreed criteria and your Application will be scored accordingly. Please therefore provide full and accurate responses to each question.
- **Eligibility:** Applicants must demonstrate that the project meets the SEIF eligibility criteria and that it will ultimately contribute to economic growth within the rural areas of the North East Local Enterprise Partnership area.
- **Deliverability:** This Fund has a particular emphasis on unlocking economic activity with immediate effect. Applicants should have match funding in place and be able to start the project once a grant offer has been confirmed. Planning permission, other legal consents and any land ownership issues should also be resolved prior to Stage 2 submission. The project must also be able to demonstrate how it has or will secure private sector investment and/or attract further private sector investment. **All eligible costs must have been procured in accordance with the guidance prior to submission of a Stage 2 application to be considered.**
- **Provide evidence to substantiate your responses:** Wherever possible, your responses should be backed up with evidence and/or information to support your response. Attach an investment appraisal or business plan, technical or feasibility studies and other market research, and provide as much information as you have about the market, potential demand and your potential customer base.

We need to make sure your project can deliver within our timescales

If Planning approval is required you should undertake pre-application and have already submitted an application when you submit your Expression of Interest

## How much funding do you need?

Just because you can ask for up to 40% grant funding doesn't mean you should

Asking for less will make your project better value for tax payers' money

## Projects must create jobs as a result of the intervention

We expect projects to create one job for every £15,000 of grant

Doing better than this will make your project better value

- **Value for Money:** Whilst the Stage 1 Application Form does not require you to provide a detailed response about value for money, this will be an important aspect in the appraisal and selection process. The value for money assessment will consider your project's average cost of creating new FTE jobs. The SEIF grant is looking to secure job creation based on a maximum of £15k grant/job. Projects that can deliver better value for money and higher quality jobs will be favoured. You should therefore consider carefully the impact your project will have on job creation, over time and how much grant support is required for the project to proceed. Your job creation targets must be realistic and achievable.
- **State Aid:** Rules on State Aid compliance limit the amount of public funding that can be awarded to organisations. It is essential therefore that the amount of funding applied for complies with State Aid rules. State Aid is a complex issue and should be considered fully before configuring your project budget and funding profile. Guidance on State Aid is provided at Section 3. More detailed guidance documents are available to download from the European Commission website. To discuss your arrangements for State Aid compliance in advance of submitting your Application, please contact David Baird email: [david.baird@northumberland.gov.uk](mailto:david.baird@northumberland.gov.uk) Please note, however, potential applicants should obtain independent legal advice to ensure their project or programme is eligible in principle before undertaking detailed work on an application. It is not the responsibility of the NE RGN team to carry out this assessment.
- **Restrict Responses to Prescribed Size Limits:** Questions requiring a textual response each have prescribed size limits. Please try to restrict your responses to the prescribed limits. Please note that, as you enter text into response boxes, they will expand as required.

If you have a query in relation to any aspect of the application process or would like to discuss your project, please contact one of the Rural Growth Network Implementation Officers:-

**Julie Bullen** Tel: 01670 528476

**Katy McIntosh** Tel: 01670 528489

Use Section 6.2 to help fill in the application form

Call the RGN Team if you are unsure how to complete any of the questions

## 6.2 How to Complete your Application Form

### Part 1 – Key information

#### Q1a Project summary

Please provide an overview of your project, including:

- Project title. This should clearly reflect the main activity of the project.
- Address / location of the project i.e. the site / building you will develop. The project location must be within the NE RGN eligible area (see map in Appendix 1). If you have any queries as to whether the project is in an eligible area please contact the NE RGN team.
- Post code for the site you plan to develop. This will allow us to confirm that it is in an eligible location.
- Summarise the project in no more than 150 words.

#### Q1b Applicant details

This must include details of the Applicant i.e. the organisation that will be responsible for managing and delivering the project and with whom NE RGN will contract. The Applicant will be the Accountable Body and main point of contact for the project throughout its delivery.

If a grant offer is made the Applicant will be responsible for submitting grant claims and ensuring the financial and output evidence and monitoring records are accurately maintained.

Please include:

- A contact name within the Applicant organisation
- Their position within the organisation
- The main correspondence address and post code
- Contact details, including telephone and email
- The legal status of the organisation

We require the following information to assess your eligibility for funding and to help assess State Aid compliance.

Where applicable please include:

- The company's registration number (This will allow us to identify your company. We may also need to access information from Companies House or other official information sources to confirm the organisation's status as an SME or large enterprise)
- VAT number
- Charity number
- Charity registration number

It is important you declare if your business is 'linked' to another.

This may affect the level of funding you can receive

- Year the organisation was established. If less than one year please state both the month and year it was established
- Number of FTE employees within the company at the date of the application. This will help to establish whether the applicant is an SME or not.
  - A small enterprise has fewer than 50 employees
  - A medium enterprise has fewer than 250 employees.
- Turnover for the last full financial year. Copies of your most recent annual accounts may be required during the appraisal process. This will be used (together with headcount information) to determine if an enterprise is small (annual turnover not exceeding €10m), medium (annual turnover not exceeding €50m) or large enterprise.
- **As part of the Due Diligence process, we normally obtain credit check reports on applicant businesses (if applicable). Please note that these credit searches might be undertaken and can show up in your credit history.**
- We need to know whether your company is an 'autonomous enterprise', 'partner enterprise' or 'linked enterprise'. The definitions attributable to these terms are provided within the guidance document 'The New SME Definition' available from the European Commission's website  
[http://ec.europa.eu/enterprise/policies/sme/files/sme\\_definition/sme\\_user\\_guide\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf)

An enterprise is autonomous if it:

- does not have a holding of 25% or more in another enterprise;
- is not owned 25% or more by an enterprise or public body or jointly by several linked enterprises or public bodies, with a few exceptions;
- does not draw up consolidated accounts and is not included in the accounts of an enterprise which draws up consolidated accounts and is thus not a linked enterprise.

An enterprise may continue to be considered autonomous, even if this 25% ceiling is reached or exceeded, if there are certain categories of investor who play a positive role in business financing and creation, such as "business angels".

An enterprise is a partner of another enterprise if:

- it has a holding of 25% to less than 50% in the other enterprise;
- the other enterprise has a holding of 25% to less than 50% in the applicant enterprise;
- the applicant enterprise does not draw up consolidated accounts which include the other enterprise, and is not included by consolidation in the accounts of the other enterprise or of an enterprise linked to it.

Linked enterprises correspond to the economic situation of enterprises which form a group through the direct or indirect control of the majority of the capital or voting rights (including through agreements or, in certain cases, through individual shareholders), or through the ability to exercise a dominant influence on an enterprise. Such cases are thus less common and very different from the two preceding types. To avoid difficulties of interpretation for enterprises, the European Commission has defined this type of enterprise by adopting - wherever they are suitable for the purposes of the definition - the conditions set out in Article 1 of Council Directive 83/349/EEC on consolidated accounts, which has been in application for several years. An enterprise will thus generally know immediately that it is linked, since it is already required under that Directive to draw up consolidated accounts or is included by consolidation in the accounts of an enterprise which is required to draw up such consolidated accounts

## **Part 2 – About the project**

### **Q2.1 Project description**

Describe what the project is, its aims and objectives. The objectives must be SMART (specific, measurable, relevant and time bound). This will enable you to measure the success of your project. Your overall aim and objectives should be aligned with the aims of the Fund and be consistent with the principles of the Local Growth Fund (i.e. stimulating economic growth and contributing to GVA).

Please provide details of the current use of the site / building and how this will change as result of the project. Identify who owns the site / building and if this will change as a result of the project

Please set out what activities will be undertaken and whether any delivery partners will be involved. Plans/architects drawings should be provided.

Include key stages and deliverables.

### **Q2.2 Rationale for investment**

This is an important question of the application and we recommend you take time to fully consider and explain why SEIF grant is needed, with a particular focus on which market failure(s) it will address. More information about market failures is provided below.

This must be clearly set out and supported with evidence. For example, if your project involves developing new business premises you should explain why you / the market would not do this on its own (e.g. if because, the return on investment is lower in rural areas, there is a funding gap between the level of investment required and the market value of the site, unable to raise the funds you require from a commercial lender etc). But you must also demonstrate that there is a need and demand for the project you are proposing in the particular location – just because the market isn't doing it / won't do it alone does not necessarily mean that the public sector should invest.

**You need to provide sufficient evidence to show there is a demand and need for your project.**

**You are encouraged to attach supporting evidence to your Stage 1 application**

## About market failures

If no market failures exist, markets operate efficiently, delivering efficient amounts of goods and services – most effectively meeting societies needs given the scarce resources.

But market failures prevent markets operating effectively. The public sector should only intervene in activities when markets are not efficient i.e. where there is market failure, and when interventions would improve efficiency.

Therefore you must demonstrate that a market failure exists and that the investment will bring about an improvement.

Some goods and services have specific characteristics which suggest a competitive market will not deliver efficient levels on their own:

- **Public goods.** These are non-rival and non-exclusive in consumption i.e. if one individual uses it, it does not prevent another person using it. And it is impossible to restrict consumption to those who pay for it and so there is no mechanism for making the consumer pay. Public goods include open space, public realm, etc.
- **Externalities.** There may be positive or negative externalities. For example, if an enterprise pollutes, these costs are borne by society but not necessarily by the company causing the pollution. As a result too much pollution may be generated. Or where there are positive externalities not enough may be generated. For example, investing in staff training can potentially have positive externalities – the individual will benefit from additional skills which could be used in other businesses and not just the company who is invested in the training. So may result in insufficient training etc.
- **Information failures.** Uncertainty or a lack of information about future returns may prevent efficient investment decisions. This may be exacerbated by incomplete markets for finance or insurance.
- **Imperfect competition.** This can arise if, for example, a market is controlled by a single supplier (monopoly). However, imperfect competition tends to be regulated by Government.
- **Social justice and equity.** In some instances, market failures may not exist but there may be an argument for intervention for social justice or equity reasons, e.g. to redistribute wealth. In such instances a market failure framework should still be used to inform decisions and to ensure the desired outcome is achieved in the most efficient and effective way.

## Q2.3 Anticipated start date

Insert the date you expect the project to commence. Please note that you **MUST NOT** commence your project prior to the approval of a SEIF grant at Stage 2.

Remember - it takes a number of weeks to process applications

You should consider the timescales of the grant process (Section 5) when putting your project plan together

The RGN is seeking applications that are well advanced.

This means you need to have planning permission or have submitted an application and had this validated by the Local Authority

If you start the project before your grant has been approved, there is a high risk that it will be ineligible and you will not be able to claim your grant.

#### **Q2.4 Anticipated practical completion date**

Please insert the estimated end date for your project. 'End date' refers to the date your project will physically complete. Some job creation outputs resulting from the project, either directly or indirectly, may be achieved after this date. *NB: we expect all delivery activity and expenditure to be complete by the 31<sup>st</sup> March 2019, and all economic performance measures must be reported and achieved by the 31<sup>st</sup> March 2020.*

#### **Q2.5 Anticipated financial completion date**

Please insert the estimated financial completion date for the project. This refers to when all project expenditure will be defrayed. All project expenditure should be complete by the 31<sup>st</sup> March 2019. **Your project end date must therefore be no later than 31<sup>st</sup> March 2019.**

#### **Q2.6 Planning permission/ other statutory Consents**

State whether planning permission has been secured for the project or state if it is not applicable. If you are awaiting the outcome of a planning decision please state when you expect to receive this. You should also provide verification from the Local Planning Authority that planning approval is not required where relevant.

NE RGN needs to know the status of planning permission to help ascertain whether there are any key risks to delivery and to help assess the likelihood of the project starting on the date you specify in Q2.3. At Expression of Interest you should have already undertaken pre-application discussions and submitted any required planning applications. **All relevant planning approvals will need to be in place prior to submission of Stage 2.**

### **Part 3 Strategic Fit**

#### **Q3.1 How does the project fit with the aims and objectives of the Strategic Economic Infrastructure Fund**

Please set out how your project aligns with and will contribute to the aims and objectives of NE RGN and the SEIF. These include:

- **Boost economic growth** in the rural areas of Northumberland, County Durham and Gateshead.
- Improve the **economic infrastructure** within rural economies to accommodate a greater critical mass of economic activity in key locations



- Facilitate the **development of sites and premises** so that accommodation is not a constraint to the growth and retention of rural businesses.
- Stimulate investment in the **growth of existing rural SMEs** (up to 250 employees), with a specific focus on small and micro enterprises (up to 50 employees).
- **Grow the rural business base** by stimulating the start-up of new enterprises
- **Develop a more diverse business base** by supporting SME's in potential growth sectors including: knowledge intensive business services; high value tourism; food & drink; manufacturing; energy; environmental; social enterprise.
- **Enhance and complement** other existing and planned economic growth initiatives in rural areas including LEADER programmes, national business support programmes, and other regional business investment funds.
- Deliver on the objectives of North East Local Enterprise Partnership's Strategic Economic Plan (January 2017) by stimulating **economic growth in the rural areas of the North East**.

The project does not need to make a contribution to all strategic objectives but must set out how it will help boost economic growth in the rural economy and specify which other objectives it will contribute to and how.

## Part 4 Project Management

### Q4.1 How will the project be delivered?

NE RGN needs to have confidence in the management arrangements throughout the life of the project to ensure it can be delivered on time and within your financial constraints. At the same time NE RGN needs assurances that the objectives will be achieved and target outcomes will be delivered.

Please describe the project management arrangements for the project, and at key stages, including: the development stage (i.e. the construction work involved with building the new facility / preparing the site) and operational stage. For example, if there will be a dedicated project manager to oversee the project, if a project manager will be employed for the construction phase, if there will be a dedicated centre manager once the facilities are in operation etc. Provide details of management structures, including roles and responsibilities of key personnel and reporting arrangements. If more than one organisation is involved in delivering the project please set out the decision making structures between organisations and specify what experience partners have of working collaboratively together.

Please include information on the skills, resources and expertise key individuals and your organisation have.

Please also specify the financial management arrangements for delivering the project. And provide details about the financial stability of the organisation and its ability to defray project expenditure in advance of claiming SEIF grant retrospectively.

NE RGN would like to also understand the quality of the organisation's financial arrangements and the policies and procedures to ensure all financial information is complete and accurate.

You should also include reference to your ability to secure the match funding to meet the costs of the project.

#### **Q4.2 Please list any partners involved in project delivery and describe their role**

Explain which other partners will be involved in the project and their roles and responsibilities in the project. It would be useful to include details of their relevant skills and experience with similar projects.

#### **Q4.3 How is the project to be procured? Include details of proposed procurement methods if applicable**

Projects must comply with NE RGN procurement requirements (please see **Appendix 2** of this guidance for details).

When submitting a Stage 1 application, you will need to attach a copy of 3 quotes for each activity / item being procured. For large capital projects which will involve a full tendering exercise we understand this may not be possible / appropriate at Stage 1 application - in this case robust QS cost estimates should be provided. However, we need you to set out how all aspects of the project will be procured.

You must ensure you build in the procurement timescales to your project delivery plan. **We will only accept Stage 2 submissions with full tendered cost prices or quotes.**

Please detail any key cost assumptions that have been made.

#### **Q4.4 Milestones: Identify all the key milestones which will be used to measure the progress of the whole project together with dates of when they will be achieved.**

Milestones are events or deliverables that mark progress towards the achievement of objectives and outputs. They do not occur at the end of the project or at the end of each phase but before the end, in order that corrective action can be taken in light of problems encountered, without the achievement of the project being compromised. As well as indicating progress or distance travelled, milestones can signify a point at which important decisions affecting the future delivery of the project are made. As such, milestones can also indicate the direction of travel.

Use this section of the form to set out the milestones that will mark the progress of your project. Include a target date for the achievement of each milestone.

**When seeking quotes/tenders etc you must follow the procurement rules at appendix 2**

**If you are unsure please get in touch with the RGN Team**

**You are responsible for ensuring compliance with State Aid**  
**You should seek Independent advice at Stage 2**

We wish to understand how quickly you will be in a position to submit a Stage 2 application with all required supporting information and have specified this as a milestone task. Please note we expect Stage 2 applications to be submitted within 6 months of approval of an Expression of Interest. We understand that this might be challenging for larger projects and you are advised to speak to the RGN Team if you are unable to meet this requirement.

You can insert additional rows if required.

#### **Q4.5 Risk assessment: What risks have you considered that could prevent the project being delivered on time or to cost, and how will you mitigate those risks?**

In the table provided, identify any risks, constraints or dependencies that could affect your project and outline your plans for managing them.

Risks could include, amongst others:

- Securing match funding
- Securing planning and other development / legal consents
- Construction delays due to weather
- Cost overruns
- New entrants to the market
- Lack of demand for the facilities

In the left-hand column, provide a succinct explanation of each risk, constraint or dependency identified. In the right-hand column provide a brief explanation of the actions you intend to implement in order to mitigate each risk, constraint or dependency.

NE RGN needs to be satisfied that you have given this sufficient consideration and that you will put in place measures to manage and mitigate risks.

You can insert additional rows if required.

### **Part 5– State Aid**

#### **Q5.1 Please indicate which State Aid exemption you plan to use to deliver your project**

Please refer to Section 3 of this guidance note to help determine which exemption is most appropriate to the project. If you are unsure then please contact the NE RGN Team. If you do not think any exemptions could be applied to the project then it may be that the project is not eligible for public sector assistance. Ensuring compliance with State Aid is the responsibility of the applicant and not the NE RGN team. To discuss your arrangements for State Aid compliance in advance of submitting your Application, please contact David Baird email: [david.baird@northumberland.gov.uk](mailto:david.baird@northumberland.gov.uk)

Please note that if your project is invited to Stage 2 you should seek independent legal advice about State Aid prior to submission of Stage 2 to confirm compliance.

To consider your project we need to understand your project costs and the breakdown  
You should provide enough evidence (quotes QS estimates) to show these are robust

**Q5.2 If you plan to use De Minimis Aid, list other EU or public sector support received in the three years to date?**

You only need to complete this section of the form if you are applying for funding under the de minimis exemption (refer to section 3 of this guidance document for details).

You must list details of all public funding you have received in the past three years where you have been advised by the awarding body that the funding was given under de minimis regulations. You must specify the date it was awarded, the source of funding / name of the scheme. This would include cash grant as well as the value of other support you may have received, e.g. business support / advice or a rent subsidy from a public sector organisation.

If you are unsure whether any aid was awarded under de minimis or another exemption, to be prudent you should assume it was awarded under de minimis.

**Part 6 – Finance**

**In addition to the Application Form you must complete Appendix 1 – Finance spreadsheet**

**Q6.1 How have project costs been calculated?**

\*As a minimum, costs with a clear basis are required at stage one\*.

NE RGN needs to be satisfied during appraisal that the project costs are based on detailed estimates and / or formal quotations or tenders to be satisfied that the project overall is to be delivered as cost effectively as possible and to minimise the potential risk of cost variances.

At Stage 2 Application stage three quotes are required (where available) to support each eligible cost for which grant support is requested. Where a tendering process is the required procurement route you will need to summarise the outcome of any tendering exercises and provide details of the tenders submitted.

Detail whether any assumptions underpin the cost information.

NE RGN encourages projects to incorporate environmentally sustainable construction / purchasing methods and renewable technologies.

**Q6.2 What would happen to the project without the grant support?**

Explain what would happen to the project if it does not secure SEIF grant. For example:

- Would partners seek other funding sources
- Would it go ahead but on a smaller scale

- Would it go ahead but over a longer timescale
- Would it go ahead but be poorer quality
- Would it not go ahead at all

If applicable, please also explain how this would affect any future private sector investment you are expecting to unlock.

### **Q6.3 Why do you require the level of grant support requested?**

Grant support should be the minimum required to enable the project to proceed. Whilst applicants are able to ask for up to 40% of eligible costs, this is a competitive grant programme with a high level of demand. Projects that request lower interventions rates that can demonstrate better value for money will be scored higher.

The appraisal of your application needs to establish the additional activity that SEIF funding will enable. In other words, what activities would your project be able to carry out with SEIF funding that it wouldn't otherwise be able to in the absence of SEIF. This section of the form will allow you to demonstrate that SEIF funding would not displace funding/investment that would otherwise be provided by project partners.

**You must explain why the level of grant requested is the minimum amount needed for the project to go ahead.** You should explain what the constraints and limitations are which are preventing the project from being carried out with SEIF funding and what impact the SEIF grant would have on them.

Your response may include financial analysis to support your statements, for example, a financial assessment showing the return on investment (ROI) of other sites/locations, the organisation's investment policy, market valuations showing if the market value of the premises will be lower than the level of investment etc.

Depending upon the type of project and the State Aid exemption you plan to use, it is likely you will need to submit a cashflow and/or profit and loss forecast for the lifetime of the project but as a minimum 3 years will be required

Please provide details of other sources of funding to which you have applied unsuccessfully and the reasons for your application being rejected. Provide details of the amount of funding applied for and the amount awarded, if any.

### **Q6.4 Does the project include non-recoverable VAT?**

It is expected that most applicants will be VAT registered and will be able to recover VAT. All recoverable VAT must be excluded from project costs.

If there is any non-recoverable VAT, you must explain why this is the case and specify what actions have been taken to minimise VAT liability.

### **Q6.5 Is all your project matched funding confirmed?**

Specify where all sources of project matched funding will come from and state whether this has been formally secured e.g. bank loan agreement. If you are using cash reserves from within your organisation please confirm if a Board / Executive decision has been taken to allocate this resource to the project. For any funds not yet secured / confirmed state the date by which you expect this to be secured.

### **Q6.6 Please explain why you believe this project will be sustainable after three years?**

NE RGN must be satisfied that the project is viable and sustainable and that jobs created will be sustainable.

You should explain how you will fund / finance the project over the longer term.

A business plan can be submitted with the Application at either Stage 1 or 2.

Cash flow forecasts will need to be provided for the project at either Stage 1 or Stage 2. In some instances cash flow forecasts may also be required for the organisation.

Cash flow forecasts should be provided for the lifetime of the project. For some projects a P&L forecast may be required for the economic life of the asset to determine the extent to which any profit will be generated by the facility and what State Aid implications this will have. Please refer to Section 3 of this bidding guidance document for further details about State Aid exemptions and requirements.

For site preparation works (Impact sites) NE RGN needs to be confident that it will immediately secure further private sector investment i.e. that the site is not being prepared speculatively without evidence of end user demand. As such planning permission will also need to be approved for the end user.

#### **Completing Appendix 1**

The Full Application must also be accompanied by Appendix 1 spreadsheet – 'Financial details'.

Please note only capital expenditure is eligible.

Insert the title of your project as well as the project start date in the relevant fields before completing the Expenditure and Funding Tables.

#### **Expenditure profile**

Profile your capital expenditure for year 1 – up to March 2018 quarterly. Future year's expenditure can be profiled annually.

Profile expenditure according to the timing of expenditure defrayed (i.e. paid out of bank account), as opposed to the timing of costs incurred. Please input expenditure and funding figures in **whole pounds only**.

**Remember -  
You must  
complete both  
sections of the  
application -  
the form and  
two  
appendices**

Expenditure should be expressed without VAT unless any VAT is non-recoverable. If you are not VAT registered, VAT should be included in the total eligible costs.

The eligible period for defraying expenditure under this call is **31st March 2019**, although applicants are expected to incur significant expenditure by the **31st March 2018**.

For each of the applicable capital expenditure categories in Column A, provide an estimate of quarterly capital expenditure in each column relating to the particular delivery period of your project. Insert additional expenditure categories to the blank cells within Column A, as required. The spreadsheet will automatically calculate annual totals for each expenditure category, using financial years as the reference period.

### **Funding profile**

The SEIF has a target to attract £13 million private sector investment (through a combination of direct match funding in the project as well as indirect follow-on investment) and to attract a further £11 million public sector match funding.

Eligible match funding for the project will include private match funding and public funding (subject to State Aid thresholds).

**There is a strong preference for private sector match funding.**

It is expected the vast majority of match funding will take the form of cash match funding, e.g. cash contributions to purchase equipment etc.

Profile the funding you will receive from each partner quarterly in 2017/18 and annually for subsequent years.

**Please note that throughout the project period, total expenditure must equate to total funding in each quarter / year.**

### **Part 7 – Economic Performance Measures**

Projects must create economic benefits and contribute to the SEIF overall targets (as set out in section 1.3 of this project call)

There is, however, particular emphasis on projects that will create new FTE jobs, although delivery of indirect jobs will also be recognised.

The project must create/safeguard sufficient jobs and offer other economic benefits to demonstrate value for money. The numbers of jobs to be created must be proportionate to the cost of the project and the amount of SEIF grant you are applying for. The programme is seeking to support projects that can deliver £15,000 or less grant/ job.

In addition to FTE jobs, 'Impact sites' and 'Strategic Tourism Projects' will be expected to deliver significant indirect jobs and this should be estimated using the Homes and Communities Association and Visit England approved methodologies (or similar) for indirect job creation. These can be provided by the Implementation Officer.

'Strategic Tourism Projects' will also need to provide justification and evidence of the numbers of new overnight stays and new day visitors and

how the project meets the priorities set out in the specific Destination Management Plan for the area. Prior to submission, discussion with the relevant Tourism Management Organisation is recommended to verify this. Please contact the RGN Implementation Officer for details.

**You must complete Appendix 2 spreadsheet: Economic Performance Measures and provide targets for all economic measures that relate to your project.**

You may also wish to include other indicators / targets which will help capture the full economic, social and environmental benefits of your project.

**Q7.1 Please provide a rationale for your output targets. Describe the basis on which they have been forecast, and outline for each target how it has been calculated and any assumptions that have been made.**

Economic performance measure definitions are provided in **Appendix 3**.

You should refer to these definitions when calculating your target figures. Other points to note for specific performance measures:

- Jobs created / safeguarded - in addition to the 'number of jobs connected to the intervention' you will also be required to identify how many of these will be new jobs created/ safeguarded and should specify any assumptions about the timing of when the new jobs will come on stream (or jobs will be safeguarded) and any assumptions, e.g. about occupancy rates of premises which may affect the job numbers. (Please note there will be a need to collect information on job titles, salary and skill levels to verify outputs if a project is approved).
- You should specify how you have calculated jobs with reference to the definitions provided in Appendix 3 to this guidance.
- All targets must be realistic and achievable. Grant may be clawed back if you do not deliver the target outputs / outcomes.

You should profile realistic targets for each measure and for each quarter in the first year of delivery and annually for future years.

Only include targets for the indicators that are relevant to your project.

You should factor in time delay between delivering the project and the economic performance targets being achieved.

## **Part 8 - Additional support needs**

### **Q8.1 Any other support required?**

If selected, we need to understand that your organisation has the capacity to proceed promptly to full application stage. Please let us know if you require any assistance to enable you to prepare a robust business case and thereafter to effectively deliver your capital project.



## 7 Appraisal and Approval

Applications will be assessed in two stages:

- Stage 1. Projects will be assessed against the strategic and eligibility criteria of the SEIF. Projects will be scored using criteria set out in Appendix 4. **Projects that fail to meet the location and strategic fit or that score less than 50 will not be invited to proceed to Stage 2.**
- Stage 2. This will involve a thorough appraisal of the finalised project bid. Applicants will be required to supply further supporting information to allow the appraiser to make their assessment. **Full tendered costs are required at this stage to enable appraisal to go ahead.**

If successful, grant applicants will receive a formal grant offer letter contract, which will detail the specifics of the grant offer as well as the conditions of grant. This will include

- Financial information including details of the total project cost, the grant award, the grant intervention rate and the source of the match funding.
- Deliverables, for example, the amount of commercial / industrial floor space created, the number of construction jobs created, and the number of new jobs created once the investment is complete, and the number of businesses supported.
- Compliance issues including the relevant State Aid scheme, the procurement requirements and regulations, and publicity.
- How to claim grant and the evidence requirements e.g. evidence of expenditure; output achievement, and compliance with state aid and procurement requirements.
- Issues of grant withdrawal or claw back

## 8 Monitoring and Reporting

**Please be aware - you will be required to provide monitoring information for a period of 10 Years if successful**

Each successful applicant will be asked to submit a quarterly claim for grant, normally in arrears, based on actual expenditure and activity. The grant claim will be accompanied by a narrative progress report, describing the activity undertaken to date, as well as evidence of expenditure, achievement of economic performance measures and compliance e.g. with procurement and state aid requirements. The Programme Management Team at NCC will process the grant claims, checking them for accuracy and eligibility, and ensuring that all the required evidence is attached.

### **To discuss your project further:-**

**Contact the Rural Growth Network Team based at Arch:**

**Julie Bullen** 01670 528 476 [Julie.Bullen@Arch-Group.co.uk](mailto:Julie.Bullen@Arch-Group.co.uk)

**Katy McIntosh** 01670 528 489 [Katy.McIntosh@Arch-Group.co.uk](mailto:Katy.McIntosh@Arch-Group.co.uk)

North East Rural Growth Network Strategic Economic Infrastructure Fund Eligible Area



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## 10 Appendix 2 – Procurement Guidelines

All projects should comply with current procurement contract values:

<b>a) Estimated Value of Goods or Services</b>	<b>Action Required</b>
Under £10,000	Best practice to obtain 3 comparable quotes or e.g. catalogue prices to demonstrate VFM
£10,00- £50,000	VFM must be demonstrated by obtaining 3 quotes or prices but this need not be done through a formal advertised competition
£50,001 to OJEU threshold of £172,514	Formal invitation to tender process must be followed and the requirement advertised in the press and/or on the internet. The level of advertising must be sufficient to allow a level of competition, potentially from another member state (if the contract award might potentially be of interest to suppliers located in other Member States).
Over OJEU threshold	Full advertisement in OJEU
<b>b) Value of Works</b>	<b>Action Required</b>
Below £429,999	VFM must be demonstrated by obtaining 3 quotes or prices but this need not be done through a formal competition.
Over £430,000 to OJEU threshold of £4,322,012	Formal invitation to tender process must be followed and the requirement advertised in the press and/or on the internet. The level of advertising must be sufficient to allow a level of competition, potentially from another member state (if the contract award might potentially be of interest to suppliers located in other Member States).
Over £4,322,012	Full advertisement in OJEU

Contract thresholds are subject to regular review by the EU. Further details can be found at : <https://www.gov.uk/transposing-eu-procurement-directives>

## 11 Appendix 3 Performance Output Measures

Projects must create job outputs and contribute to the range of other economic performance output measures shown below as required by the North East Local Enterprise Partnership. All projects will be assessed based on their forecast target figures in regards to the definitions provided below. This is subject to review.

### Definition of Economic Performance Measures

Output	Definition
<b>Employment</b>	
1. Gross Jobs connected to the intervention (Direct sites and 'Impact Sites')	<p>Permanent paid full time equivalent jobs that locate on</p> <ul style="list-style-type: none"> <li>an employment site or building that has been created or improved with LGF investment; or</li> <li>on 'impact sites' or Strategic tourism sites'</li> </ul> <p>'Impact sites' are sites that have not directly benefitted from SEIF grant investment but where SEIF investment has demonstrably helped unlock development sites and improved their competitiveness. They include :</p> <ul style="list-style-type: none"> <li>Off-site utility infrastructure investment</li> <li>Off- site transport improvements that can plausibly improve the competitiveness of the site</li> <li>Packaged land deals that enable associated sites to be developed.</li> </ul> <p>FTE means</p> <ul style="list-style-type: none"> <li>paid work of 30 hours or more per week. Convert part time jobs to FTE on a pro rota basis based on hours worked.</li> <li>must have a life expectancy of at least 1 year from the point at which it is created.</li> </ul> <p>Job titles and salary and skill levels will be required to verify outputs.</p>
2. Gross Indirect Jobs as a result of the intervention for 'Strategic Tourism Sites'	<p>Estimate the indirect jobs created as a result of the intervention.</p> <p>The method that Visit England uses to estimate indirect jobs generated, and which has been approved by DCMS, is the Deloitte/Oxford Economics model which estimates £54,000 in additional tourism revenue receipts as the sum required to create one new full time equivalent job in tourism. This model was published in 2013 – 'Tourism: jobs and growth The Economic Contribution of the tourism economy in the UK (Deloitte and Oxford Economics'. <a href="https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/Tourism_Jobs_and_Growth_2013.pdf">https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/Tourism_Jobs_and_Growth_2013.pdf</a></p>
3. New FTE jobs created as a proportion of all jobs in 1 and 2 above.	Estimate the number of jobs that will be newly created

	<p>Must not have existed in the region or with that employer before the intervention.</p> <p>FTE means</p> <ul style="list-style-type: none"> <li>• permanent paid work of 30 hours or more per week. Convert part time jobs to FTE on a pro rata basis based on hours worked.</li> <li>• must have a life expectancy of at least 1 year from the point at which it is created.</li> </ul> <p>Jobs created <b>excludes</b> jobs solely to deliver the intervention e.g. Construction jobs</p>
4. Direct and Indirect Jobs Safeguarded	An existing permanent job which is at risk of being lost at the time of the LGF intervention. At risk is defined as being forecast to be lost within 1 year had it not been for the intervention. i.e. evidenced via redundancy notice.
5. Number of established businesses accommodated	<p>Estimate the number of businesses (all sizes) that will be attracted to and locate on a direct employment site or an impact site.</p> <p>Successful projects will also be expected to monitor the number of these that are new businesses trading from the NELEP area.</p>
6. Commercial floorspace constructed (m2, by class)	The total area of office, industrial or retail floor space completed. A building should be classified as completed once it is on the non-domestic rating list.
7. Commercial floor space refurbished (m2, by class)	The total area of unusable or unattractive commercial floor space refurbished. This could include the conversion of buildings e.g. farm buildings to create new floorspace. Once the building is complete it should be on the non-domestic rating list.
8. Commercial floorspace occupied (m2, by class)	Total area and class of commercial floorspace occupied out of the total floorspace created. You should consider how the space will be let – it is unlikely space will be 100% let immediately
9. Area of site reclaimed, (re)developed or assembled	Area of land directly impacted by the project e.g. through land remediation, utilities installed, service and access roads provided that is now suitable for commercial development where previously it was unattractive to commercial developers.
10. Follow on investment at site	The amount of public, private or third sector investment following financial completion of the SEIF project. Does not include in-kind contributions.
11. Number of Enterprises receiving grant support	Number of SMEs receiving grant funding support with the intention of improving performance. In most cases this will be the applicant – and shown as 1.
12. Private sector leverage (Investment)	<p>This can be direct only or both direct and indirect:</p> <p><b>Direct</b> :Total value of the private contribution matching the public sector grant</p> <p><b>Indirect</b>: Where the project unlocks other investment by the private sector on the development site. This may be over several years following the initial public sector investment</p>

13. Public Investment matching public support to Businesses (grants)	Total value of other direct public contributions in support of the intervention where the form of support is grant. ( SEIF grant should not be included in this)
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## 12 Appendix 4: Stage 1 Project EOI Appraisal

There are two stages to the RGN SEIF application process.

We require projects that are well developed and able to start to spend in 2017/18. The following eligibility criteria will be applied at Expression of Interest (EOI) Stage 1 to identify which projects will be selected to proceed to Stage 2 Full Application. Only projects that pass the location and strategic fit criteria and score at least 50 will be selected to proceed to Stage 2.

We will be unable to apply scoring criteria and will reject any applications that :-

- have not undertaken any pre-planning application advice and/or submitted a planning application that has been verified;
- are incomplete;
- have not adequately demonstrated demand for the project; and
- have not provided a full breakdown of project costs

**Submission of an EOI does not guarantee the approval of any subsequent application to the scheme or the commitment of RGN funds. The process is competitive at stages 1 and 2.**

	<u>Eligibility criteria</u>	<u>Pass/Fail</u>  <u>(Score)</u>
1	<p><b>Location:</b> Is the project located in the RGN eligible area or otherwise (and exceptionally) able to demonstrate significant economic benefits to the rural economy?</p>	<p><u>Pass/Fail</u>  <u>No score</u></p>
2	<p><b>Strategic Fit:</b> Is the project activity consistent with the aims and objectives of the Strategic Economic Investment Fund?</p> <p><b>Type of project</b></p> <ul style="list-style-type: none"> <li>▪ Development of business workspace / accommodation for multiple end users. This could include refurbishment of existing buildings, bringing redundant buildings back into use, and new build developments.</li> <li>▪ Creation of rural enterprise hubs, providing shared managed workspace to accommodate multiple micro enterprises under the same roof.</li> <li>▪ Infrastructure works (such as site preparation and access) needed to unlock follow-on investment in sites and premises for commercial, industrial and retail use. (Is the site identified as a 'strategic impact/economic site' by NE LEP)</li> <li>▪ Tourism infrastructure of strategic importance to the delivery of the relevant destination management plan (including attractions, accommodation and events facilities) which will raise the quality of the offer to benefit the wider tourism economy and help attract additional, higher spending visitors from outside of the NE LEP area.</li> </ul> <p><b>Strategic benefits demonstrated</b></p> <ul style="list-style-type: none"> <li>• Is project within an eligible priority location - key economic centre (hub or market town), on a commercial/industrial site or in small rural town/village</li> <li>• Will it meet a gap in provision</li> </ul>	<p><u>Pass /fail</u>  <u>then 1 – 5</u></p>



	<ul style="list-style-type: none"> <li>• Will project support approved priorities in Local Authority Economic Strategy and/or Tourism Destination Management Plan</li> <li>• Will it provide other strategic benefits</li> </ul>	
3	<p><b>Has the applicant demonstrated a need for public support and at the scale of intervention requested?</b></p> <p>Is there a strong and evidenced business case in place?  Are there likely to be any displacement impacts –adverse impacts on other local rural businesses?  Is the project likely to proceed without intervention at the scale requested?  Is there a clear justification for public support?  Is there evidence of market failure?</p>	<u>1 - 10</u>
4	<p><b>Project Costs:</b></p> <p>Do the project costs appear reasonable and well founded?  Are all costs eligible for grant?  Will any element / phase of the project start prior to SEIF grant approval? If yes, these costs are not eligible for SEIF funding?</p>	<u>1 - 10</u>
5	<p><b>Economic Performance Indicators</b></p> <p>Overall are the range of outputs and targets realistic? Is there a high level of optimism bias?  Will there be significant direct / indirect jobs created in the rural economy in the first 2 years (to 31<sup>st</sup> March 2019)? All outputs need to be delivered by March 2020.</p>	<u>1 - 10</u>
6	<p><b>Value for Money (VFM)</b></p> <ul style="list-style-type: none"> <li>- the range/quantity of quantifiable measures and also where, applicable other non-quantifiable benefits</li> <li>- strategic rural economic benefits against the amount / % of grant sought.</li> <li>- For Strategic Tourism projects <b>ONLY</b> – as well as direct jobs, significant numbers of overnight stays and day visitors generated will need to be demonstrated</li> <li>- What is the cost per job (direct and indirect jobs can be counted on ‘impact sites’ and Strategic Tourism sites) in first 3 yrs  Less than £15,000 - 5 pts  £15,000-20,000 - 3 pts  £20,000- £25,000 - 1pt</li> </ul> <p><b>Projects considered as having unrealistic job output forecasts will score 0</b></p>	<u>1 - 10</u>
7	<p><b>Delivery Timescales :</b></p> <p>How advanced is the project and business case?  If selected, could a full application with all supporting documentation be submitted within 6 months?  Can the project start on site and make significant progress in 2017?  Will the project be fully complete by the 31<sup>st</sup> March 2019?</p>	<u>1 - 15</u>
8	<p><b>Match Funding:</b></p> <p>Is all match funding confirmed and sources clearly specified?  If any identified match funding is not yet secured is this likely to be secured by Stage 2 submission (within 6 months of approval of Stage1)</p>	<u>1 - 10</u>
9	<p><b>Risks to Delivery:</b></p> <p>Has the applicant identified fundamental risks and mitigation that could impact on the timely and successful delivery of the project?  Statutory consents obtained or submitted?</p>	<u>1 - 10</u>

	<p>Any match funding constraints?</p> <p>Any organisational / project management capacity constraints?</p> <p>Any land ownership complications?</p> <p>Likely to comply with public procurement regulations?</p> <p>Seasonal (including weather impacts) etc.</p>	
10	<p><b>State Aid:</b></p> <p>Has the applicant demonstrated an understanding of the relevant state aid implications for their project and taken some initial advice?</p> <p>Has the appropriate State Aid route or exemption for this project been specified?</p> <p>Does the grant intervention rate comply with the requirements of the relevant State Aid exemption?</p> <p>Are the applicant and activities eligible to receive aid under this exemption?</p> <p>Is the applicant likely to need support to understand state aid implications?</p>	<u>1 - 10</u>
11	<p><b>Sustainability and forward strategy</b></p> <p>How likely is the venture to be sustained, after public funding has ended?</p> <p>Is the applicant organisation likely to be financially stable?</p>	<u>1 -10</u>
<b>Max score 100</b>		

Rural Growth Network Team  
Arch Business  
Wansbeck Workspace  
Rotary Parkway  
Ashington  
Northumberland  
NE63 8QZ

**T** 01670 528 476  
**F** 01670 528 440  
**E** [julie.bullen@arch-group.co.uk](mailto:julie.bullen@arch-group.co.uk)  
**W** [www.archnorthumberland.co.uk/arch-business/rural-growth-network](http://www.archnorthumberland.co.uk/arch-business/rural-growth-network)

