

**DRAFT – CONFIDENTIAL, NOT FOR WIDER CIRCULATION**

**COVID 19 – ADDITIONAL ERDF TO SUPPORT SME RESTART & RECOVERY AND KICKSTARTING TOURISM PACKAGE**

**PROJECT CHANGE REQUEST SPECIFICATION**

1. **Introduction**

Businesses are currently facing unprecedented change and impact due to the current economic crisis caused by the COVID 19 global pandemic. One quarter of companies in the UK have temporarily closed because of the coronavirus lockdown and the majority of those still operating have reported lower turnover, according to the ONS[[1]](#footnote-2).

Whilst Government has introduced a number of financial measures to support businesses in response to the impact of COVID 19 to minimise business failure and to support businesses in retaining staff until the control measures are alleviated, a numbers of businesses are seeking specialist advice to further mitigate the impacts in order to build in resilience within their business or address potential new opportunities and require ongoing support to innovate, scale or meet their own growth path.

Responding to the immediate effects of COVID 19 is a national priority for both Government and the Growth Hubs[[2]](#footnote-3) who are playing a key role in supporting businesses and have seen a significant increase in numbers of businesses requesting advice be it directing businesses to the right sources of support, providing practical advice or adapting quickly to new business operating models. Due to social distancing requirements, the Growth Hubs are continuing to deliver activity on a virtual basis and have received an unprecedented level of enquiries for support.

In addition to the core funding from BEIS which Growth Hubs receive on an annual basis (£12m for 38 LEP Growth Hubs), an additional £10m was agreed at Budget for LEPs for their Growth Hubs for 2020-21 taking the total funding envelope up to £22m for 2020-21, of which £2.5m has been agreed by Treasury to support immediate measures in response to COVID 19 with the current priority to be on business safeguarding and survival. BEIS will provide LEPs with funding for additional advice, diagnostics and running costs, but it cannot be used to make direct grants to business to secure specialist external advice related to COVID-19 impacts. These needs are being addressed through this specification.

1. **Scope of Support**

Following national policy, additional ERDF is being made available to existing ERDF projects who will align with the BEIS funded Growth Hubs under European Regional Development Fund, Priority Axis 3, ‘Enhancing the Competitiveness of small and medium sized enterprises’ to respond to the additional demand for business support due to the impact of COVID 19.

The offer of additional funding will include:

* £10m support to the Visitor Economy\*; and
* £20m support for the wider economy.

*\*SMEs in scope for the visitor economy grant scheme*

*Growth Hubs / ERDF projects should consider whether an SME is eligible for the visitor economy grant scheme by determining if the business is dependent on visitors for income* (both leisure and business visitors). *A range of SIC codes is provided in Annex A, however these are not exhaustive and Growth Hubs / ERDF projects should apply their own judgement. A retailer of goods or food and beverages (or a supplier to such a service [e.g. a micro business that makes local products or gifts that are sold via local cafes/shops etc in visitor areas]) may be in scope where it is located in a tourist area and dependent on visitors; equally it may be out of scope where the business is located in an area that is not predominantly frequented by visitors.*

Grant recipients who apply for this additional funding via a project change request must be:

1. an existing ERDF project which is currently delivering Growth Hub activity; or
2. an existing ERDF project to support a Growth Hub to administer the grant (which could include a Growth Hub Cluster Lead or a nominated existing PA3 ERDF project). If the Growth Hub uses this option, the Grant Recipient must provide an overview of the proposed offer and suite of support. The Growth Hub may be nominated as a delivery partner to the project. It is proposed that in such circumstances, it is possible for:
* another Growth Hub e.g. an existing ERDF project which could be a Cluster Lead, to support on the administration and disbursement of the grant. The grant recipient will need to have suitable written confirmation or an SLA from each of the associated Growth Hubs. In addition, they may wish to propose them as a delivery partner. In such cases, additional M&A costs can be included but this should be kept to a minimum; or
* an existing ERDF business support project to be nominated by the LEP / Growth Hub which may be delivering SME grant activity and has the capacity to administer the SME grants (which could include the Growth Hub as a delivery partner) ; or
* an existing Growth Hub to propose a delivery partner who has the experience and expertise on delivery SME grants.

Only one project change request per LEP area will be supported.

1. **Proposed Activity**

Stakeholders have requested additional ERDF support for SMEs to respond to the immediate crisis and this has been aligned with the Government’s priority to provide LEP Areas with additional funding for Growth Hubs in response to the impact of COVID 19. The priorities for funding activity should demonstrate that the proposed support is in direct response to the impact of COVID 19 and can include the following:

* where this is not already provided by Growth Hubs, the provision of one-to-many events providing guidance and support in response to COVID 19 e.g. working with legal and professional sector partners, webinars etc.
* a grant scheme for SME support, offering grants typically in the range of £1,000 - £3,000, although on an exceptional basis the grant recipient may be able to grant up to a maximum of £5,000.  These grants will typically support:
	+ 1-2-1 specialist advice which SMEs could call on to address their immediate needs in response to the impact of COVID 19 e.g. HR, accountants, legal, financial, H&S, IT / digital or sector specialists etc.
	+ For the visitor economy, this could also include supporting SMEs with productivity improvements such as enhanced use of digital tools such as yield management software, mentoring, networking or other measures.  It could also support to develop innovative delivery in a socially distanced economy – for example, new ways of delivering cultural events and festivals that are so critical to the visitor experience; and / or
	+ purchase of minor equipment to adapt or adopt new technology in order to continue to deliver business activity or diversify in response to COVID 19.

Please note that:

* grant recipients will need to work with the LEP to demonstrate how they align with the additional BEIS funding for Growth Hubs 20-21 (to support immediate measures in response to COVID 19 with the current priority to be on business safeguarding and survival);
* grant recipients should also demonstrate how the additional funds will be considered to be legal for state aid purposes[[3]](#footnote-4);
* Aid may be granted to undertakings that were not in difficulty (within the meaning of Article 2(18) of the General Block Exemption Regulation in Annex C) on 31 December 2019, but that faced difficulties or entered in difficulty thereafter as a result of the Covid-19 outbreak.
* It is recommended that projects follow the process set out in Annex B and C of the BEIS Guidance on the Covid-19 Temporary Framework for UK Public Authorities with regards to putting in place a declaration process for SMEs in receipt of support to ensure compliance with the requirements relating to undertakings in difficulty.
* ERDF will be granted on a revenue basis on a 100% ERDF intervention rate basis;
* the grant recipient’s proposed management and administration (M&A) costs should be kept to a minimum – need to demonstrate that as much of the ERDF as is reasonably possible is directed to the benefit of the SMEs (please include a breakdown of the posts required (FTE / PTE) and associated costs;
* additional ERDF funding for project activity to be completed (including grants to be committed) by 28 February 2021 and financial activity to be completed by 31 March 2021. Funding will not be allowed to roll forward or reallocated to other elements of the existing project activity.
* the Managing Authority will review progress in October 2020, with a view to reallocate if grants are not being committed / claimed in line with their monthly profile (see below);
* additional funding may be granted to grant recipients who commit their grants by October 2020.

The grant recipient will need to ensure that they address the following within the project change request:

* ensure that the proposed activity is in response to COVID 19 and they capture the above proposed activity and requirements;
* provide a SME gateway criteria (i.e. as applicable, how will they prioritise SME for this grant scheme as opposed to another grant offer within their LEP area?) and provide a menu of business support which will be provided for the additional ERDF;
* provide an overview of the current business support within the LEP area and the proposed referral mechanism to determine how SMEs will get the appropriate support within their LEP area;
* if the provision of SME grant activity is new to the project, they will need to provide an overview of how they will implement and manage this; **OR** if there is already existing SME grant activity within the project, highlight the proposed changes they’ll introduce to administer the new SME grant offer;
* an estimate of the number and range of value of grants to be committed and claimed on a monthly basis;
* they will need to demonstrate demand for the grants (please use any supplementary evidence to support this e.g. the MI information provided to BEIS which confirm number of enquires, type of support requested etc in response to COVID 19;
* how they will manage the pipeline of grant applications from SMEs to ensure the time from application to funds disbursement is kept as short as possible, to enable grants to be disbursed rapidly;
* how they will support SMEs in the process (end to end);
* provide a copy of the proposed forms / templates;
* how through the SME grant administration they will ensure that they comply with the [National ESIF Procurement Requirements](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/825719/ESIF-GN-1-001_ESIF_National_Procurement_Requirements_v6.pdf) and manage [conflict of interest](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785528/ESIF-GN-1-027_Guidance_on_Identifying_Managing_and_Monitoring_Conflicts_of_Interest_ERDF_and_ESF_v1__1_.odt);
* if there are any proposed changes to the state aid approach;
* if they are proposing to include additional delivery partners to administer the grant administration;
* if they are proposing to include an additional LEP areas and/or a different category of region;
* confirm the proposed outputs and outcomes (which should highlight the number of potential SMEs which they will treat as repeat interventions as an SME can only counted once under a project)

Grant recipients should note that the project change request cannot include:

* activities not eligible under the project’s Priority Axis or activities covered by other Priority Axes (although expenditure for operations for fostering crisis response capacities shall be eligible);
* use of ERDF funding to support businesses with working capital;
* funding to businesses for the payment of wage subsidies except where such arrangements are already agreed activities under the project, for example as part of a defined knowledge transfer/ graduate placement or comparable project workstream;
* purchase of equipment and consumables associated with PPE and social distancing measures;
* activities which would contradict, duplicate or undermine HM Government domestic initiatives.
1. **Required Outputs**

|  |  |
| --- | --- |
| C1 | Number of enterprises receiving support |
| C2 | Number of enterprises receiving grants |
| C4 | Number of enterprises receiving non-financial support |
| C5 | Number of new enterprises supported |
| C8 | Employment increase in supported enterprises |
| C28 | Number of enterprises supported to introduce new to the market products (3a) |
| C29 | Number of enterprises supported to introduce new to the firm products (3c/d) |
| P13 | Number of enterprises receiving Information, Diagnostic and Brokerage support |

It is anticipated that SMEs which have been previously supported by an existing ERDF project will request such support. Projects can take into account repeat interventions and should estimate the number they anticipate they will support. These should be continued to be monitored and report on those repeat interventions through the quarterly monitoring reports (QMR).  Whilst we anticipate that there will be limited employment increase in supported enterprises, there could be a proportion of SMEs who will be successful at adapting in meeting some of the demand in services and supplies which have emerged due to COVID 19, for example in response to the health care crisis or adoption of IT to enable businesses to continue to operate and trade.

1. **Required Outcomes**

In addition, projects should monitor jobs safeguarded[[4]](#footnote-5) and businesses safeguarded (i.e. how many of those businesses which were supported under this additional support are still trading at the end of the existing ERDF project). These should be captured as part of the summative assessment.

1. **Case Studies**

Projects should provide case studies of SMEs who have benefited from this additional funding, in accordance with the [ESIF Branding and Publicity Requirements](https://www.gov.uk/government/publications/european-structural-and-investment-funds-programme-guidance).

**ANNEX A – VISITOR ECONOMY**

|  |  |  |
| --- | --- | --- |
| **SIC** | **Description** | **Tourism Sector** |
| 49.1 | Passenger rail transport, interurban | Railway passenger transport services |
| 49.32 | Taxi operation | Road passenger transport services |
| 49.39 | Other passenger land transport n.e.c. | Road passenger transport services |
| 50.1 | Sea and costal passenger water transport | Water passenger transport services |
| 50.3 | Inland passenger water transport | Water passenger transport services |
| 51.1 | Passenger air transport | Air passenger transport services |
| 55.1 | Accommodation | Accommodation services for visitors |
| 55.2 | Accommodation | Accommodation services for visitors |
| 55.3 | Accommodation | Accommodation services for visitors |
| 55.9 | Accommodation | Accommodation services for visitors |
| 56.1 | Food and beverage service activities | Food and beverage serving activities |
| 56.21 | Food and beverage service activities | Food and beverage serving activities |
| 56.29 | Food and beverage service activities | Food and beverage serving activities |
| 56.3 | Food and beverage service activities | Food and beverage serving activities |
| 68.2 | Renting and operating of own or leased real estate | Exhibitions & Conferences etc |
| 77.11 | Renting and leasing of cars and light motor vehicles | Transport equipment rental services |
| 77.21 | Renting and leasing of recreational and sports goods  | Sport and recreation activities |
| 77.34 | Renting and leasing of water transport equipment | Transport equipment rental services |
| 77.35 | Renting and leasing of air transport equipment | Transport equipment rental services |
| 79.11 | Travel agency and tour operator activities | Travel agencies & other reservation services |
| 79.12 | Travel agency and tour operator activities | Travel agencies & other reservation services |
| 79.9 | Other reservation service and related activities | Travel agencies & other reservation services |
| 82.3 | Organisation of conventions and trade shows | Exhibitions & Conferences etc |
| 90.01 | Performing arts | Cultural activities |
| 90.02 | Support activities to performing arts | Cultural activities |
| 90.03 | Artistic creation | Cultural activities |
| 90.04 | Operation of arts facilities | Cultural activities |
| 91.02 | Museum activities | Cultural activities |
| 91.03 | Operation of historical sites and buildings and similar visitor attractions | Cultural activities |
| 91.04 | Botanical and zoological gardens and nature reserve activities | Cultural activities |
| 92 | Gambling and betting activities | Sport and recreation activities |
| 93.11 | Operation of sports facilities | Sport and recreation activities |
| 93.19 | Other sports activities | Sport and recreation activities |
| 93.21 | Activities of amusement parks and theme parks | Sport and recreation activities |
| 93.29 | Other amusement and recreation activities | Sport and recreation activities |

1. [*Coronavirus and the economic impacts on the UK, 23 April 2020*](https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/23april2020)*, ONS* [↑](#footnote-ref-2)
2. *There are 38 LEP-led, Government governed Hubs Each LEP has a Growth Hub, they are established and provides a single point of contact for businesses to get support.* [*https://www.lepnetwork.net/growth-hubs/*](https://www.lepnetwork.net/growth-hubs/) [↑](#footnote-ref-3)
3. *This should also include ensuring that undertakings are not in difficulty (within the meaning of Article 2(18) of the General Block Exemption Regulation) on 31 December 2019 as per the* [*EC’s Temporary Framework for State Aid Measures*](https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_2nd_amendment_temporary_framework_en.pdf) [↑](#footnote-ref-4)
4. *As per the updated ESIF-Form-1-013 ERDF Summative Assessment Data Monitoring Template v3* [↑](#footnote-ref-5)