

D2N2 CAPITAL GROWTH FUND

1.0. Context

EMB (the accountable body) has been awarded funding to deliver the Capital Growth Fund in the D2N2 area i.e. Derby, Derbyshire, Nottingham and Nottinghamshire.

This programme is funded by the European Regional Development Fund (ERDF).

ERDF is specifically focused on investment to support economic growth and job creation in order to reduce intra and inter regional economic disparities within the EU.

2.0. What is the Capital Growth Fund?

This programme offers discretionary capital grant support to businesses investing in the Derby, Derbyshire, Nottingham & Nottinghamshire areas, and offers funding ranging from £1,500 to £10,000 up to a maximum of 30% of eligible project costs. The Investment Panel reserve the right to impose lower intervention ceilings where they deem appropriate.

The Capital Growth Fund can support purchases of capital equipment – this can include plant and machinery, equipment and we would expect these items to be on your asset register, and appear on the balance sheet of the applicant business. The Fund cannot support the purchase of vehicles, nor can it fund revenue expenditure – for example: wages, consultancy, rental costs or marketing expenditure.

Grants will only be available where the business can demonstrate that it has exhausted all other private sector funding sources and that the grant would enable one or more of the following to be achieved:

- a) Accelerate the implementation of the project,
- b) Increase its scale or scope.
- c) Increase the size or spend
- d) Or that the project would not have taken place in the location concerned without the support.

The applicant must also demonstrate that the investment will not displace jobs from elsewhere in the region, and that the same job outcomes would not be likely to occur without the grant support.

The grant support must be matched with private financial investment and must lead to the creation of new, sustainable jobs. As a benchmark, applications of up to £5,000 should create at least 0.5 new FTE jobs (i.e. a position contracted to at least 18 hours per week); applications for more than £5,000 up to £10,000 of grant funding should create at least one full time equivalent (FTE) job within

the applicant company. However, should the level of applications exceed the amount of funding available, the Investment Panel will consider the applications that offer the better return, amongst other factors.

3.0. Which businesses may be eligible (the beneficiaries)?

The Capital Growth Fund aims to provide the stimulus required to unlock private investment amongst small and medium sized enterprises (SMEs), in the Derby, Derbyshire, Nottingham and Nottinghamshire areas to grow, thereby creating new jobs and increasing economic activity. Those businesses that do not meet the definition of an SME **are not** eligible for support from the programme.

The investment location must be in the geographic area defined by the Derby, Derbyshire, Nottingham City and Nottinghamshire local authorities.

The fund cannot support Undertakings in Difficulty. Please refer to Appendix A for the definition.

Small and Medium sized enterprises are defined as:

- Less than 250 FTE employees;
- Ownership (must be an autonomous enterprise. Must not be more than 25% owned by another company, or group of companies that is in itself not an SME). Full definition:

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

And:

- Turnover not greater than €50 million; or
- Total balance sheet (Fixed and current assets) not exceeding €43 million;

Legal status - a "business" can include all legal vehicles for carrying on business (including partnerships, limited liability partnerships, sole traders and companies registered in other jurisdictions as well as limited liability companies registered in Great Britain) unless the context dictates otherwise.

3.1 Ineligible sectors

State Aid rules mean that the Capital Growth Fund cannot be used to provide aid that favours 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 coal sector;
 - The steel sector;
 - The shipbuilding sector;
 - The synthetic fibres sector.

In the road transport sector, most general State aid rules apply (including the de minimis regulation, although there are a number of exceptions (e.g. transport equipment is in general not eligible for aid, aid for the acquisition of road freight transport vehicles is excluded from the de minimis regulation and the de minimis ceiling is decreased to €100 000 for the road transport sector). Sector-specific State aid rules apply in the other transport sectors (rail, air, inland waterways and maritime transport).

In addition to the EC Sectoral restrictions, the following are not eligible for Capital Growth Fund support:

- Provision of local social welfare facilities e.g. hospitals, nursing homes, fire stations, child-minding facilities, sports facilities, parks, public libraries;
- Financial service sector businesses – e.g. banks, insurance companies, financial advisers;
- Coastal protection, soil conservation and infrastructures; all with an exclusively agricultural bias, reforestation and prevention of forest fires;
- Establishments providing generalised (school age) education;
- Purchase, building, and renovation of property for residential use (i.e. commercial property development activities);
- Major infrastructure in ports (on the grounds that port developments and port operations should not need public subsidy);
- Decommissioning of nuclear power stations;
- Primary agricultural and food manufacturing relating to farm diversification;
- Exclusions include the retail sector – retail sector businesses can access revenue funded advice and support only.

4.0. Conditions

- This fund cannot offer support which may constitute unlawful State Aid. In particular, all grant offers must comply with the De Minimis regulation (EU 1407/2013 of 18 December 2013), which allows a single undertaking to receive up to EUR 200,000 of De Minimis Aid over three fiscal years (including the fiscal year in which the grant of De Minimis Aid is to be given). The ceiling for De Minimis Aid for undertakings involved in road transport is EUR 100,000.
- Items purchased with the aid of asset finance are not eligible for support.
- The full payment, including VAT (where applicable), for each item of eligible expenditure must be evidenced as having being paid through the applicant's business bank account.
- The fund does not cover wages costs associated with a capital investment project.
- If you have already started your project, then it is not eligible for financial support. You must submit an SME Enrolment, Full Application and have received a Grant Offer before work on the project can commence.
- The project will be assessed individually and in comparison with other applicants to ensure the best return on the fund as measured by:
 - Job creation
 - Leverage of private funding
 - Deliverability and risk
 - Forecast assumptions
- Completed applications that have been appraised will be presented to and considered by the Investment Panel, whose decision as to whether the project will be supported and by how much, is final. Successful applications will then receive a formal Grant Offer Letter.
- Jobs have to be directly employed by the applicant business and be permanent employees. (A full time equivalent is 36 or more hours per week; part time employees recorded on a pro rata basis). Note that apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff.
- Jobs must be created within six months of the date of the grant offer letter.



- Should the jobs not be created, East Midlands Business Ltd reserves the right to reclaim any grant funding which has been paid to the applicant.
- The assets purchased with grant support have to be owned by the applicant business and remain in the business and in the Derby, Derbyshire, Nottingham and Nottinghamshire area and cannot be sold, transferred or otherwise disposed of without the prior consent of the East Midlands Business Ltd.
- Certain capital purchases and activities are not permitted under ERDF funding, e.g. purchase of vehicles.
- There must be no other public financial assistance funding the same project costs.
- The applicant has to demonstrate that the grant requested is the minimum required and that the client has exhausted all other private sector funding opportunities.
- The applicant must confirm that the required amount of private sector funding has been secured.
- The applicant must provide three written quotes for each item for which grant funding support is sought. These quotations must be submitted to accompany your application for grant funding. Please note that expenditure with any one supplier must not exceed £24,999 in value.
- The beneficiary will permit EMB to contact and visit the business and facilitate any reasonable analysis in support of the job creation.
- EMB reserves the right to withhold, vary or reclaim funding if any of the information supplied proves to be inaccurate or if the projected outcomes are not achieved.
- The applicant must at all times comply with the Equalities Act 2010.

5.0 Application Process

The first stage of the process is to complete an SME Enrolment Form. This helps applicants to determine if they meet the minimum criteria, and helps the Fund's initial evaluation procedure in order to determine whether a full application may have merit. The SME enrolment form is a preliminary check against the eligibility criteria. If successful, the applicant will be invited to submit a Full Application

form, but you should note that this does not constitute a grant offer. There is also no guarantee that the application will be successful.

6.0 Our commitment

The Fund will operate to the following service levels:

- Receipt of SME Enrolment - EMB will confirm receipt of the SME Enrolment within five working days. If eligible, EMB will then issue a link for the completion of the full application form.
- Receipt of full application – EMB will confirm receipt of full applications within five working days.
- Subject to all requested information being provided by the applicant, grant applications will be appraised in readiness for the Investment Panel within 10 working days.
- The Investment Panel will review and assess these appraisals quarterly. Applicants will be advised of the date that their application will be considered by the Investment Panel.
- The Investment Panel’s decision will be communicated to the applicant and, if successful, a Grant Offer Letter will be issued within five working days.
- Grant Payment – EMB will make payment to applicants within 30 days of receiving a claim for payment, subject to all necessary supporting evidence accompanying the claim.

7.0 Financial Irregularities

If you have any grounds for suspecting any financial irregularity in the use of any amount paid under the Grant Offer Letter, you must notify EMB. You should explain what steps are being taken to investigate the suspicion, and keep EMB informed about the progress of the investigation. For these purposes “financial irregularity” includes fraud or other impropriety; mismanagement; use of Grant for improper purposes; and failure to comply with the requirements set out in this Grant Offer Letter.

EMB or its representatives shall be entitled to interview your employees if fraud or other financial irregularity is suspected by EMB on your part.

8.0 Inspection requirements

As this Fund is supported by the European Regional Development Fund, you will be subject to the following Terms and Conditions:

1. Claims for grant reimbursement will only include actual defrayed expenditure. By "actual defray expenditure", this means expenditure which has been defrayed from your business bank account and which can be evidenced via a business bank statement;
2. All evidence submitted in support of your claim for grant reimbursement will be certified as a "true original copy" using the template stickers appended to this offer letter.
3. In order to comply with ERDF regulations, you must keep original copies of all documentation related to this grant award until at least 31st December 2033, or until East Midlands Business Ltd confirm otherwise in writing. This includes:
 - Your original Offer Letter (this document);
 - The Supplier quotations that you obtained to support your application, along with any rationale that you used to select your chosen Supplier(s);
 - Invoices from your Supplier(s);
 - Evidence of how you paid your Supplier(s);
 - Bank statement showing the transaction leaving your Company bank account.
4. In the event that you cease trading prior to 31st December 2033, you are required to pass copies of the above listed original documents to East Midlands Business Ltd, who will retain them on your behalf in accordance with ERDF document retention requirements.

You shall maintain full and accurate accounts and documentary evidence for the Project and you shall permit EMB and persons authorised by EMB (including for example the Ministry for Housing, Communities and Local Government, European Commission and European Court of Auditors staff) to have access to your Premises and records at all reasonable hours to inspect, audit and take copies of all reports, books, accounting records, and vouchers which EMB properly considers relevant to the Project.

You shall provide EMB with such other information as they may require in connection with the Project and the Project Activities, including the following:

- Serial or identification numbers;
- Location of the title deeds (where relevant);
- Date and proceeds (net of VAT) of any disposal; and
- The name and address of any person to whom a disposal is made.

9.0 Disposals of the Assets

You must not sell, transfer or dispose of any interest in any asset without the prior written consent of the EMB. If the EMB gives consent to the disposal, such consent may be subject to satisfaction of certain preconditions.

All disposals must be for a consideration which is the best that can reasonably be obtained in the open market, on an arms-length basis, on normal market terms, at the time of such disposal.

Where you dispose of any interest in any asset without the prior written consent of EMB, then the proceeds of the disposal (limited to the total amount paid by EMB to you under the Grant) shall be immediately payable to EMB and may be recovered as a contractual debt if not paid within 20 Working Days of the date on which the proceeds of the disposal are received.

10.0 Good Faith and Cooperation

You covenant with EMB that:

- You shall at all times act with the utmost good faith towards EMB, and will at all times co-operate with EMB and its representatives;
- You will comply with all EMB's reasonable requirements in relation to the Project from time to time; and
- You will not do anything which will put EMB in breach of any of its obligations in relation to the Capital Growth Fund, or its funders.

11.0 Transfer and Assignment

You may not assign or transfer any right or interests under any grant offer made.

Appendix A: Definition of an Undertaking in Difficulty

Undertakings in difficulty, as defined under the State Aid rules, should not be supported, in accordance with Article 3.3 (d) of the ERDF Regulation (EU) No 1301/2013.

The definition under State Aid rules that should be used when assessing whether an undertaking constitutes an undertaking in difficulty is set out in the General Block Exemption Regulation (GNER), No 651/2014, Article 2, paragraph 18:

“Undertaking in difficulty’ means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, ‘limited liability company’ refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and ‘share capital’ includes, where relevant, any share premium.*
- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, ‘a company where at least some members have unlimited liability for the debt of the company’ refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.*
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.*



- (d) *Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.*

- (e) *In the case of undertaking that is not an SME, where, for the past two years:*
 - a. *The undertaking's book debt to equity ratio has been greater than 7.5, and*
 - b. *The undertaking's EBITDA interest coverage ratio has been below 1.0."*