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& Staffordshire**

# **Stoke on Trent and Staffordshire Grants for Growth – Applicant Guidance**

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## 1. Introduction

Stoke on Trent and Staffordshire Grants for Growth provides Small and Medium Sized Enterprises (SME's) within the Stoke on Trent and Staffordshire area grant funding to cover eligible capital and revenue investment that will allow you to grow in the market place and subsequently create new jobs.

Grants provided will cover both capital and revenue with a minimum grant level at £10,000 to a maximum of £160,000 for Capital items and £1,000 for Revenue items. Applicants must pay for any costs not covered by the grant with private funding, such as savings or a bank loan. Please note as an applicant you cannot combine revenue and capital grants together. Grants for Growth can only provide one grant per applicant.

The project will be delivered within Stoke on Trent and Staffordshire. (see section 2.12 Location)

The application window will operate from 13 September 2016 until 28 February 2022. Qualifying applicants will under de-minimis be able to secure grant funding up to €200,000 in any three year period. Applicants securing grant under General Block Exemption Regulations (GBER) will be able to apply for a maximum of £160,000. The Programme Team will be on hand to offer applicants advice and guidance on completing the application and associated paperwork.

Grant intervention rates will vary up to 30% for Capital Grants and 60% for Revenue Grants the final amount will be dependent on the project value, the tested gap in finances, state aid intervention rates and the number of jobs created. Funding will be offered at the minimum deemed necessary for the project to proceed, but in any event the average programme grant funding will not exceed £8,920 per job created.

Applications will be assessed and scored according to their strategic fit, deliverability within set timescales, state aid compliance and eligibility, project impact in the local economy and regeneration potential.

During the programme lifetime it is expected that £3.9 million grant will be distributed, leveraging £9.1 million private match to the area, assisting 250 SME's and creating 426 FTE jobs that are expected to last at least 12 months or 3 years (Dependant on the State Aid Solution); supporting the Stoke on Trent and Staffordshire Local Enterprise Partnership (LEP) Vision and Priorities 2014 – 2030 50:50:10, to grow the economy by 70% and generate 50,000 new jobs in 10 years.

Stoke on Trent and Staffordshire Grants for Growth is part funded by the European Regional Development Fund (ERDF)

# Before Applying

## 2. Check the business is eligible

### 2.1 Business Sector

Stoke on Trent and Staffordshire Grants for Growth is open to all sectors apart from those outlined below. These sectors are not eligible due to State Aid rules:

- Aid to fisheries and aquaculture and primary agricultural production.
- Aid towards the processing and marketing of agricultural products which assistance is passed to primary production.
- Aid to the coal sector except for the purpose of training aid, research and development and environment aid.
- Regional aid to the steel sector, shipbuilding and synthetic fibres sectors and transport.

In addition to the restrictions listed above applications from the following sectors are unlikely to be approved for a grant due to the risk of negative impact on existing jobs and business. However, all applications will be considered on their overall merit.

- Retail
- Tourism (including hotels and leisure facilities)
- Passenger Transport
- Warehousing
- Education
- Health Service (including medical services and residential care)
- Public Sector
- Infrastructure
- Franchise operations
- Ministry of Defence Funded Contracts
- Residential property development and investment
- Financial Services (including banks, insurance companies and insurance brokers)
- Professional Services

### 2.2 Type of Business

Grants are available for SME's within eligible sectors that have been trading for at least 12 months and who qualify as a commercial activity (at least 70% of income must be derived from business trading).

### 2.3 Size of a Business

Grants for Growth are only available to SME's within Stoke on Trent and Staffordshire. Use the table to find out how a business size is defined for these grants.

The size of the business depends on the number of full-time equivalent (FTE) employees and its financial performance, and if it is linked to any other business. All businesses must

meet the FTE employee limits as well as either the turnover or balance sheet totals to be an SME.

The data to apply to the headcount of employees and the financial accounts are those relating to the last approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding VAT and other indirect taxes.

Use the table to check the size of a business.

Company category	Number of FTE employees		Turnover		Balance sheet total
Micro	Under 10	AND	€2m (about £1.7 million*) or less	OR	€2m (about £1.7 million*) or less
Small	Under 50		€10m (about £8.5 million*) or less		€10m (about £8.5 million*) or less
Medium-sized	Under 250		€50m (about £42.5 million*) or less		€43m (about £36 million*) or less

\*Please note exchange rates will vary. A check will be made by the Programme Team on the date of the last audited business accounts using the following website [euro exchange rates](#)

## 2.4 What is an FTE employee?

Anyone who works a minimum of 35 hours per week counts as 1FTE employee.

A person working 35 hours for 3 months of the year would be 0.25FTE employee.

$(1\text{FTE} \div 12 \text{ (months in a year)} \times 3 \text{ (months contacted)}) = 0.25 \text{ FTE}$

FTEs include business partners and directors.

If any person, including a business partner or director, works more than 35 hours per week they still count as 1FTE employee.

Not included in the staff headcount:

- Apprentices or students who are engaged in vocational training and have apprenticeship or vocational contracts.
- Employees on maternity or parental leave.

## 2.5 Linked Businesses

If an SME is part of a group or where company directors' have interests in other companies this needs to be taken into consideration when deciding on the size of the company. The applicant will need to give information about those businesses too.

This might mean a business isn't eligible for a grant because their overall size is too big. If you are unsure about whether your business qualifies for Grants for Growth please refer to appendix 1 of this guide or contact the Programme Team on 01782 231586.

## 2.6 State Aid

Applicants will be required to fulfil the eligibility criteria detailed in this section to apply for a grant and to confirm that they qualify for State Aid under de minimis or the General Block Exemption Regulations (GBER) in force from 1 July 2014. Full details of GBER can be found on the website via the link below. Note that this link and information given on the website may be subject to change.

This link provides an introduction to GBER: [GBER Introduction](#)

The full GBER regulations can be found directly via this link: [Full GBER Guidance](#)

State Aid rules are very complex; potential applicants are therefore invited to speak to the Grants for Growth Programme Team to determine whether the grant sought is compliant under de minimis or GBER State Aid regulations.

Under the de minimis rule State Aid is not notifiable if aid to a business over 3 fiscal years is below the threshold of €200,000. An overall maximum of £160,000 is allowed for the purpose of providing the assistance using GBER.

As a guide to applicants categories of aid applicable under the GBER for which grant applications can be considered include:

- Regional Aid
- Aid to small and medium sized enterprises

The above policies can be found using the following [link](#)

The percentage of grant available for each type of activity varies according to the aid intensity for each measure, the size of your business and the identified gap in funding.

Capital expenditure that cannot be clearly demonstrated as directly related to the delivery of an activity may not be included as an eligible cost. This includes buildings that are not directly linked to the cost and purpose of the operation and second-hand equipment that has been previously purchased with ERDF grants.

## 2.7 Business Viability

The applicant proposing the project must be viable and the project must have a good chance of being self-sustaining by the completion of the investment. Grant sought under de minimis or GBER cannot be used to support undertakings or firms in difficulty. A definition of what constitutes an SME in difficulty is included as part of the General Block Exemption Regulation (GBER) No 651/2014 Article 2 para 18 See the relevant extract detailed below and in Appendix 2. The full regulation can be found via this link - [GBER 651/2014 Article 2](#) Under this framework the Commission defines “a firm in difficulty” as considered to be in difficulty when, without intervention by the State, it will almost certainly be condemned to going out of business in the short or medium term. Therefore, an undertaking is considered to be in difficulty if at least one of the following circumstances occurs:

- a) In the case of a limited liability company (other than a SME that has been in existence for less than three years or, for the purpose 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 purpose 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 a SME that has been in existence for less than three years or, for the purpose 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.



## **2.8 Use of Grant**

Applicants must be able to cash flow their proposed project in the short term, as grant payments will only be made in arrears.

Eligible costs can include:-

Purchase of capital equipment

Purchase of premises

Installation

Improvements in systems or processes

Expansion of existing premises

New product development

Business Consultancy fees to develop a new product

Please Note

Investment in Fixed Assets (property, land, plant, fixtures) or Major Assets i.e. any substantial pieces of equipment whose value at the time of purchase exceeds £5,000 must be maintained in Staffordshire for their useful economic life. The useful economic life of a Fixed or Major Asset will be determined by the Programme Team and could be defined as between three to five years. The timescale will be detailed as a condition in any Grant Agreement. The useful economic life of an asset will take into consideration depreciation, the purpose of the grant and Structural Funds legislation and case law.

If you are unsure if your project costs would be eligible, please contact the Programme Team on 01782 231586.

## **2.9 Non eligible costs**

The following will not be considered eligible for a grant under the Stoke on Trent and Staffordshire Grants for Growth.

- Routine investment, including routine upgrading of products with a short lifespan. There will also be a presumption against giving assistance in response to repeated applications relating to one establishment.
- Expenditure on the purchase of moveable assets (for example lorries and cars) is not eligible for support.
- Projects which are required by law or to meet a legal requirement.
- Grants to businesses solely for the purposes of site decontamination. Grants which include site decontamination must also include investment towards productive and eligible end use of the business premises.

## **2.10 Leased Assets**

Costs related to the acquisition of assets under lease, other than land and buildings, shall only be taken into consideration if the lease takes the form of financial leasing and contains an obligation to purchase the asset at the expiry of the term of the lease. For clarity, Hire Purchase ("HP") agreements must include an option to purchase the asset at the end of the term in order to be considered as eligible spend. Full evidence of defrayed expenditure will need to be provided and therefore grant will be provided at your agreed intervention rate against evidence of instalment payments. Please note grant can only be claimed up to the

programme end date 30 June 2022. Funding the items using this method could result in the applicant being unable to draw down the maximum grant entitlement.

EU State Aid rules specify that for a capitalised lease of land and buildings to be regarded as eligible expenditure it must continue for at least three years after the anticipated date of the completion of the project.

Land and building leases should not normally be capitalised for longer than the minimum period specified by State Aid rules, nor should a land and building lease be capitalised over a period where the company has an option to terminate the lease. In unusual situations where it is desirable to capitalise a land and building lease for longer than the minimum specified by EU State Aid rules then the phasing of grant (and therefore the conditions period) should be extended by an equal amount.

### **2.11 Amount of Grant**

The grant application must be for a minimum of £10,000 up to a maximum of £160,000 for Capital items and £1,000 for Revenue items. The maximum percentage of grant aid allowable will depend upon the specific State Aid scheme applied.

The Grant Appraisal Panels will consider the % grant aid sought against the regulations, size of the business and the balance of investment being in place. As a guide grant aid will not exceed 30% of the total project spend for capital and 60% for revenue grants. For the purposes of calculating aid intensity, all figures used shall be taken before any deduction of tax or other charge.

Applicants' can only apply for one grant during the programme period.

### **2.12 Location**

Applications will be accepted from businesses that are either based in or relocating to Staffordshire. For example; all businesses paying their business rates to any local authority listed including:

- Cannock Chase District Council\*
- East Staffordshire Borough Council\*
- Lichfield District Council\*
- Newcastle-under-Lyme Borough Council
- South Staffordshire Borough Council
- Stafford Borough Council
- Staffordshire County Council
- Staffordshire Moorlands District Council
- Stoke on Trent City Council
- Tamworth Borough Council\*

\*Also included in other LEP areas

If in doubt postcodes will be checked on the Staffordshire County Council website to check where business rates are paid [Staffordshire Boundaries](#)

### **2.13 Job Creation**

All projects must create new sustainable jobs within the applicant business as a result of activity supported by the Grants for Growth Programme. New means it should not have existed with the applicant before assistance from the Grants for Growth Programme. Indirect jobs created within the supply chain will not be taken into account as part of the contracted outputs. Projects which are likely to create over-capacity and/or displace jobs from other areas in the United Kingdom do not qualify for aid.

The Grants for Growth Programme has a jobs target for the total amount of grant available. Grant paid per job created needs to average £8,920 for the Programme to achieve its overall target of 426 new jobs. The ratio of grant to jobs created will be taken into account in assessing value for money.

Applications will be appraised for total number of sustainable jobs created against the amount of grant requested.

It will be necessary to show that the jobs created are permanent with a minimum of 36 hours per week (part time jobs should be treated on a pro-rotas basis) and have an intended life expectancy of 12 months to 3 years (dependant on the State Aid Solution). The Grants for Growth Programme Team can advise on this matter. Please note apprenticeships, agency staff and graduate placements cannot be claimed as jobs created.

In order to evidence job creation the applicant will need to provide a copy of each new employee contract and sign a declaration confirming the creation of the post was a result of the support provided from Grants for Growth. Additional information on Gender, Age, Disability and Ethnicity will also need to be provided. The Grants for Growth Programme Team will only use this information for the purpose of statistical analysis. If it is shared with government bodies, it will be disclosed on an anonymised basis.

Assistance is not available for projects which involve the transfer of jobs from one part of Great Britain to another with no net increase in jobs.

### **2.14 Project Timescales**

The Programme has a fixed end date of 30 June 2022 and a limit on the amount of grant available each year 2019, 2020, 2021 and 2022. All payments for invoices must be defrayed by 30 June 2022.

### **2.15 Previous Financial Assistance and State Aid limits**

Applicants need to confirm the amount of State Aid assistance received in the last 36 months.

Under the de minimis rule State Aid is not notifiable if aid to a business over 3 fiscal years is below the threshold of €200,000. An overall maximum of £160,000 is allowed for the purpose of providing the assistance using GBER.

State Aid includes the following forms of aid:

- Rent free periods on publicly owned facilities. If the value of the annual rental is not known, an estimate should be made. The value of the rental may be discounted;

- Loans from any public body at below commercial rates (in this case, the amount of aid is equivalent to the interest saving to the company);
- Local Authority assistance, such as capital grants and loans at below commercial rates; loan guarantees which lower the cost of capital of the applicant business and rent free periods; and/or
- Lottery funding (very exceptionally where a project does not involve commercial competition, it may not be necessary to cumulate).

You will be required to complete a State Aid declaration form as part of the application process.

### **2.16 Additionality**

Stoke on Trent and Staffordshire Grants for Growth should only support projects that would not otherwise proceed or would only proceed without support on a smaller scale and provide value for money job creation. Applicants will be asked to prove that the whole grant is needed for the project to proceed and cannot be funded from elsewhere.

### **2.17 Incentive Effect**

It is a requirement of European Commission State Aid law that funding may only be awarded when it produces an incentive effect enabling the applicant to carry out activities or a project which would not have been carried out as such in the absence of the aid. The grant is also considered to have an incentive effect if, in the absence of the aid, the investment project would not have been carried out in the Assisted Area concerned.

### **2.18 No Prior start**

An application for grant assistance must be submitted and an offer made before work and expenditure 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 programme has decided whether assistance is justified, this would nullify the additionality case. Whilst each application must be treated on its merits, in most cases such work commitments or expenditure demonstrate the intention to carry out the project irrespective of assistance and should result in the application being rejected.

Applicants cannot commence work on the project until the Grant Funding Agreement is signed by both the applicant and Stoke on Trent City Council.

## **3. Appraisal**

Appraisal will be a one/two/three stage process (dependent on grant type and amount).

### **3.1 Stage One – Grant Appraisal Panel (GAP)**

Applications will be initially reviewed and considered against the areas listed below by the specialist GAP. This will ensure programme integrity by providing a separation between applicant facing and investment decision making roles. The GAP will then either decline those applications not found to meet the criteria, request further information or recommend the application to move forward for further consideration for Capital Grants.

- Please note Revenue Grants are a one stage process, and approval, request further information or decline will be provided at this stage.

### **3.2 Stage Two – Stoke on Trent and Staffordshire Local Enterprise Partnership (LEP) Audit and Finance Group (Capital Grants Only)**

For applications approved the GAP will prepare a summary report of their findings, including a recommendation to the LEP Audit and Finance Group. Its members will review the individual grant applications forwarded, note the GAP's recommendation and appraise each bid against the criteria as detailed in the section below.

The purpose of project appraisal is to ensure that grants are only provided to projects that are eligible within the programmes guidelines, have a chance of becoming sustainable and that provide a net benefit to the wider economy.

Assessment will be made on an individual basis against the criteria set out in these guidelines. An initial appraisal will be made when the application is received, however this may not identify all possible issues which could result in a project being ineligible for support. Therefore due diligence will be carried out on all projects, in-house prior to appraisal and externally (if applicable) after a panel decision.

The Grants for Growth Programme Team aims to process applications from receipt of completed application forms through the two stage appraisal process to a LEP Audit & Finance Group decision in no longer than 30 working days, due to unforeseen circumstances this may take longer. For example; if exceptionally high levels of applications are received or the grant requested is over £100,000 and further approval is required.

Where applications are rejected by the GAP or declined by the LEP Audit and Finance Group no appeals are allowed.

### **3.3 Stage Three – European Structure Investment Fund (ESIF) Committee**

For all grant applications of £100,000 and above an approval from the ESIF committee will be sought.

### **3.4 How Applications are Assessed**

The quality of applications and accompanying documentation including accounts will be reviewed and the areas listed below will be considered on a proportional basis to the size of grant requested.

- Past performance of the business;
- Credibility and accuracy of financial projections and timescales;
- How the project will grow the business and the number of new jobs it will create;
- The market need for the project and the demand that has been identified;
- Value for money – how much funding the applicant is requesting compared to how much the business will grow and the number of new jobs it will create;
- Whether the project is deliverable within the permitted timescales;
- Forecast for the future of the business based on the project proceeding;

- Evidence of funding from other sources provided and that overall project costs look realistic;
- Skills and experience of delivering projects for the directors and key personnel;
- Can the project evidence a compliant procurement plan for the project's works and services;
- Past performance of the business in relation to previous financial aid schemes;
- What environmental sustainability measures will be taken; and
- That the project has taken equality and diversity into account.

The Grants for Growth Programme team will also assess all applications on the extent to which they may displace the economic activity of other businesses. This means they will check to see if the proposed project will have a negative effect on the profit of any other businesses in the area.

Caution will be exercised when handling applications from "phoenix" companies (a commercial entity which has emerged from the collapse of another through insolvency). Reasons for failure of the previous business will be investigated and special attention paid to the viability of the new operation. Checks via Equifax or equivalent will be made into the financial history of the directors involved in the new business.

Checks will be made by the Grants for Growth Programme team to ensure no outstanding debt is owed to the relevant local authority in which the business is located.

When an offer is accepted by a subsidiary within a Group, the subsidiary undertakes obligations to repay any assistance if it defaults on the conditions set out in the offer letter. Although the obligations in the offer letter are for the subsidiary it is standard practice to obtain a parental guarantee where the grant recipient is a subsidiary company.

#### **4. Other Benefits & Considerations**

The following areas will also be considered when appraising applications:

- Strategic alignment with the Stoke on Trent and Staffordshire Local Enterprise Partnership vision and priorities;
- The level of private sector investment that will be made if the grant is approved;
- If the Project is value for (public) money? We will consider if the project would proceed without the grant or would only proceed on a smaller scale providing less jobs (Incentive effect);
- If there is a requirement for this type of project in the area?
- The impact of the project on other businesses and jobs in the area (Supply Chain effect); and
- Regeneration and development of brownfield sites.

## 5. Due Diligence

Due Diligence will be split over a two tiered process dependent on the amount of grant the applicant is applying for. The following checks, along with any additional areas highlighted by the LEP Audit and Finance Group, will be carried out on all applications prior to approval.

### 5.1 Grants of £125,000 and under

For all applications of grant £125,000 and under, Due Diligence will be performed by a qualified accountant on the Grants for Growth Programme Team these checks together with all information gathered in the appraisal process will be reviewed against the sections documented below.

- Companies House Search;
- Credit check on the shareholders of the business to be carried out using Equifax or an equivalent report;
- Review past performance of the business;
- Review credibility and accuracy of financial projections and timescales;
- Review the number of sustainable jobs created;
- Consider where the business growth is from;
- Risk associated with the business sector;
- Evidence of funding from other sources is provided and is credible;
- Evidence of a compliant procurement plan;
- Confirmation that work on the project did not begin before the date on which the business was informed that the aid would be given;
- Whether costs are eligible under GBER or de minimis and are within the limits as set out within the State Aid section of this document;
- Confirmation that aid is not being provided to a firm in financial difficulties; and
- That the project is not in a restricted sector as set out in the eligibility section of this document.

### 5.2 Grants over £125,000

Independent due diligence will need to be undertaken by a specialist consultancy firm. The Grants for Growth Programme Team will supply the applicant a specification of the due diligence report requirements and it will be the applicants responsibility to procure and pay for a due diligence specialist to prepare the report. A charge will therefore be incurred by the applicant before the application can continue. The applicant may decide not to proceed with the application if they do not wish to pay this fee. Once the report has been produced the applicant will submit this for review and dependent on the findings the Grants for Growth Programme will recommend approval or decline the Grant application.

In addition to the in-house Due Diligence (outlined above), the following checks will be made:

- High level review of internal controls, management, reporting, corporate governance and general accounting policies;
- Review accounts and identify main sources of income and categories of expenditure to investigate trends and economic assumption underlying the projections; and

- Review management accounts to investigate if current budgeting / forecasting is reliable and realistic.

Following receipt of recommendations from the LEP Audit and Finance Group, Grants for Growth Programme Team and External Due Diligence (If applicable), the Senior Responsible Officer at Stoke on Trent City Council will, having taken into account the recommendations either:

- Give approval to the recommendation to the grant of funding in accordance with the approvals given by the LEP Audit and Finance Group and Grants for Growth Team; or
- Not give approval to the said recommendation.

Applications will not be deemed to have been approved until all stages of the approval process have been completed and the Grant Funding Agreement is signed by the Senior Responsible Officer of Stoke on Trent City Council and the applicant.

## **6. How to Apply**

There are two stages to the application process – an Expression of Interest and a Full Application. Applications are assessed at both stages.

### **6.1 Stage 1 - Expression of Interest (Capital Grants Only)**

The Grants for Growth Programme team will supply the applicant with an Expression of Interest form.

Applicants need to provide enough information to clearly explain the project, but supporting documents are not needed at this stage.

### **6.2 Stage 2 – Full Application**

Being invited to submit a full application is not guarantee of grant funding.

If an Expression of Interest is successfully endorsed, the applicant will be sent a Full Application and Guidance Document. The form asks for more detail about the project, building on the information given at the Expression of Interest stage.

At this stage applicants will be given a Grants for Growth named contact, who can assist with completing the application form, offer guidance and answer any questions.

\* Please note for a revenue grant you only complete the full application.

### **6.3 Evidence to send with a Full Application**

- Copy of last three years (2 years for a revenue grant) statutory audited / unaudited draft accounts (as appropriate);
- Copy of the latest group accounts (if appropriate);
- Latest management accounts (together with group if appropriate);
- Copy of business plan; (Capital Grant Only)
- Equifax report for each Director with at least 20% shareholding in the business;
- Evidence of match funding already secured;
- Property details (if appropriate); (Capital Grant Only)



- Planning Applications (if appropriate); (Capital Grant Only) and
- Details of the named project lead and relevant experience.

#### **6.4 Accounts for the Applicant Business**

The applicant must send copies of accounts for the business or organisation applying for the grant

- If available the accounts should cover the 3 (2 for revenue grant) most recent consecutive years and be a full copy including all of the following:
  - Title and introduction pages;
  - Profit and loss;
  - Balance sheets; and
  - All notes to the accounts.

#### **6.5 Permission, Consent and Licences**

If a project needs specific permission, consents and licences for the proposal to go ahead, these must be submitted with the full application.

This includes:

- Planning permission – applicants should talk to their local planning department to find out if this is needed;
- Consent and licences;
- Landlord’s permission, if required, or proof that the project is permitted under the terms of any tenancy agreement.

If the applicant’s local authority confirms that full planning permission for a project is not needed, they should include written proof of this with the application.

Applicants will not be offered a grant without evidence or licences required for their project.

#### **6.6 Proof of Tenancy (Capital Only)**

Written evidence of the tenancy agreement must also be provided, including the duration of the agreement remaining if it’s a fixed term arrangement.

#### **6.8 Procurement**

Applicants need to prove they will comply with European Regional Development Fund legislation and will get the best value when buying goods and services that they intend to claim for as part of their project.

A table explaining what the thresholds are and what processes need to be in place is outlined in Appendix 3. Further guidance on procurement can be obtained from the programme team.

Tenders are quotes that suppliers put together within an identified time frame and follow a detailed and itemised specification provided by the applicant.

Quotes or tenders must come from different suppliers that trade as standalone businesses and are not linked to the applicant’s business through shared ownership or control.

To meet National Rules grant recipients procurement processes must:

- 1/ Provide sufficient information to the market about the tender opportunity to enable interested bidders to apply;
- 2/ Put in place processes to manage potential conflicts of interest;
- 3/ Impartially assess each bid against the same criteria; and
- 4/ Select the winning bidder on merit.

The quotes or tenders must include:

- A detailed and itemised breakdown of costs;
- The supplier's address, telephone number and contact name;
- The VAT number (if the supplier is VAT registered and VAT is charged on the quote); and
- The supplier's company registration number (if they are a limited company).

The quotes or tenders must be:

- Comparable with each other in terms of quality, size, quantity, units and specification for every item; and
- Made out to the same business name and address as on the application form – any online quotes should also quote this address.

If resultant to the prescribed level of advertisement insufficient quotations or tenders is received the applicant must in the first instance contact the Programme Team. Support will then be given to obtain Single Tender Justification permission from the Ministry of Housing, Communities and Local Government.

Applicants will need to provide a detailed justification if they haven't used the best value quotes.

The following are not acceptable reasons for using a more expensive quote:

- The location of the supplier;
- The fact that the applicant has bought from a supplier before; or
- Any offers the supplier makes to the applicant about future services or maintenance of equipment.

Failure to follow European Regional Development Fund legislation when procuring project items will result in loss of grant funding for those purchases.

The Programme Team will check and approve - quotations or tenders submitted to ensure financial probity.

### **6.9 Second-hand Equipment**

For second-hand equipment, applicants must provide a declaration from the seller that proves:

- Original proof of purchase;
- It hasn't been bought using public funds in the last 10 years;
- It meets current relevant legislation (for example health and safety);
- It has at least 5 years' useful life remaining from the date of the final grant payment; and
- It doesn't cost more than the market value for the equivalent new equipment.

Assistance with compiling compliant procurement and ensuring this is followed can be obtained from the Grants for Growth Programme Team.

## **7. If a Full Application is Successful**

Applicants can be told on the telephone that their application has been approved prior to the issue of the funding agreement. The funding agreement will be issued as soon as practicable after this conversation. The Grants for Growth Programme will indicate the level of assistance and draw attention to the conditions associated with the grant.

### **7.1 Funding Agreement**

The payment of Grants for Growth will be linked to the achievement of specific project outputs, milestones, match funding and adherence to European Regional Development Fund procedures and policies. The triggers for payments will be negotiated by Stoke on Trent City Council and set out in the funding agreement. With aid for investment the triggers will be related to the disbursement of capital / revenue expenditure and the creation of jobs. At no stage of the project should payment of grant exceed the maximum intensity level documented in the funding agreement.

The funding agreement template provides a standardised structure and text. This text is non-negotiable, although it is frequently necessary to add clauses to ensure that all of the conditions associated with the grant are accurately reflected in the funding agreement.

### **7.2 Responding to the Grant Funding Agreement**

Grants for Growth will send two copies of the grant funding agreement. If the applicant decides they can meet all timings, terms and conditions in the funding agreement, they should sign both copies and return these back to the programme team.

The applicant will receive a signed copy back, once this has been authorised by a Stoke on Trent City Council representative (the City Council's Director of Place, Growth and Prosperity / Section 151 Officer). They should keep this copy and use the detail in it to help with managing the project and making grant claims.

The applicant will normally be expected to meet with the Grants for Growth Programme Team to go through the grant funding agreement in detail, and in particular the grant claim process.

### **7.3 Claiming the Grant**

The Grants for Growth Programme Team will send a claim form and instructions on how to make grant claims.

When submitting a grant claim form, beneficiaries must send:

- Invoices that match the items stated in the grant funding agreement;
- Bank statement or printouts of online bank account pages which show the business name who signed the grant funding agreement and the date and amount of payments leaving the account;
- Photographs of the completed project, activity or equipment;

- Evidence of any procurement exercises (if applicable);
- A list of all items (an asset register) for which a grant has contributed (Capital Only); and
- Copies of contracts and signed declarations for new jobs created as a result of assistance from the Grants for Growth Programme (Capital Only).

Grants are claimable in arrears, the Grants for Growth Programme Team will review the grant claim form and accompanying evidence to verify that the money is being invested in accordance with the application; the project is on target to spend the entire grant and will achieve performance objectives. All claims must be certified and duly signed by an authorised director/s of the beneficiary's company.

On approval, grant funding for the expenditure relating to the claim will be disbursed to the beneficiary business bank account via a BACS payment.

#### **7.4 Meeting the Terms of a Grant Funding Agreement**

The beneficiary must meet the terms set out in the grant funding agreement. This means you must:

- Follow the timescale set out in the grant funding agreement;
- Follow the grant funding agreement terms and conditions for the time specified
- Make sure they meet any minimum grant amount.

If the beneficiary fails to meet the terms and conditions of the grant funding agreement, Stoke on Trent City Council as the accountable body can apply a penalty and/or:

- Terminate the grant agreement;
- Withhold future grant payments;
- Deduct payment from the grant;
- Withhold or offset payments under other grants or Basic Payment Scheme payments payable to the beneficiary; or
- Reclaim some or all of any grant already paid.

#### **7.5 Site visits and inspections**

A variety of bodies are entitled to inspect projects and project documentation at any time.

These include:

- Stoke on Trent City Council;
- European Commission; and
- Ministry for Housing, Communities and Local Government

In an inspection, they'll check that the project meets all terms, conditions and timings from the grant funding agreement. This is a condition of any grant funding agreement.

Notice will normally be given at least 48 hours in advance of a visit.

#### **7.6 Publicising the Grant**

The grant funding offer will explain how the beneficiary must publicise the grant (this is a requirement of EU regulations).

The beneficiary will have to:

- Mention it in any press releases or when communicating with customers, for example in newsletters and on their website (if applicable); and
- Display a poster or plaque, including EU logos. Poster formats will be supplied by the Grants for Growth Programme team.

If the beneficiary does not do this, Stoke on Trent City Council as the accountable body may have to apply a penalty by deducting payment from the grant.

### **7.7 Changes during the Grant Period and Afterwards**

Grants for Growth expect the beneficiary to use items bought with grant money in line with the proposals set out in their application.

If during the grant period the applicant needs to change the conditions of the grant funding agreement, they must first apply to the Grants for Growth Programme team. They should do this as soon as possible, to give Grants for Growth time to consider the change.

The beneficiary must tell the Grants for Growth Programme team about any proposed changes to the project, for example if they expect to:

- Change the use of buildings, equipment or other assets bought with the grant;
- Dispose of, sell any of the assets; or
- Close, sell or transfer the business that's associated with the grant.

This is applied for the duration of the project and for the number of years specified in the Grant Agreement after the payment of the final claim. Agreement to a change is not automatic. If the beneficiary makes a change that Grants for Growth has not agreed the beneficiary may be obliged to repay the grant, or Grants for Growth may withhold some or the entire remaining grant.

## **8. If an Application is Unsuccessful**

Where applications are rejected by the GAP or declined by the LEP Audit and Finance Group no appeals are allowed. An applicant can submit another application to the programme that relates to a different project. If an application is unsuccessful, the Grants for Growth Programme team will send the applicant a letter to explain why.

If the applicants wish to complain against the decision they are required to do so in writing within 30 days of receiving the rejection letter; to the Stoke on Trent City Council Customer Feedback team:

You can make a complaint either:

- in person at one of our customer access points;
- in writing to Customer Feedback Team, Floor 2, Civic Centre, Stoke-on-Trent ST4 1HH;
- by email to [customer.feedback@stoke.gov.uk](mailto:customer.feedback@stoke.gov.uk).
- Or, [you can fill in our online form by following this link](#).

We aim to respond to you within 10 working days. If the complaint is more complicated we may take longer to sort it out but we will keep you informed.

To read about Stoke on Trent City Councils complaints and appeals procedure follow [Stoke on Trent City Council Complaints Procedure](#)

## **Appendix 1 SME Linked Business Explanatory Note**

### **Types of Businesses**

The definition of an SME recognises three types of business, according to their relationship with other businesses in terms of holdings of capital or voting rights or the right to exercise a dominant influence.

#### **Type 1: Autonomous Business**

This is applied to all businesses which are not one of the two other types of business (Type 2: partner or Type 3: linked)

An applicant business is autonomous if it:

- Does not have a holding of 25% or more in any other business; and
- Is not 25% or more owned by any business or public body or jointly by several linked businesses or public bodies, apart from some exceptions <sup>(1)</sup>; and
- Does not draw up consolidated accounts and is not included in the accounts of a business which draws up consolidated accounts and is thus not a linked business.

#### **Type 2: Partner Business**

This represents the situation of businesses which establish major financial partnership with other businesses, without one exercising effective direct or indirect control over the other. Partners are businesses that are not autonomous but which are not linked to one another.

The applicant business is a partner of another business if:

- It has holding or voting rights equal to or greater than 25% in the other business, or the other business has a holding or voting rights equal to or greater than 25% in the applicant business.
- The businesses are not linked businesses within the meaning defined below, which means, among other things, that the voting rights of one in the other do not exceed 50%.
- The applicant business does not draw up consolidated accounts which include the other business by consolidation, and is not included by consolidation in the accounts of the other business or of a business linked to it.

#### **Type 3: Linked Business**

Two or more businesses are linked when they have any of the following relationships:

- One business holds a majority of the shareholders' or members' voting rights in another.
- One business is entitled to appoint or remove a majority of the administrative, management or supervisory body of another.

- A contract between the businesses, or a provision in the memorandum or articles of association of one of the businesses, enables one to exercise a dominant influence over the other.
- One business is able, by agreement, to exercise sole control over a majority of shareholders' or members' voting rights in another.

In order to avoid difficulties of interpretation for businesses, the EU Commission has defined this type of business by taking over – 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 applied for many years.

Therefore a business generally knows immediately that it is linked, since it is already required under that Directive to draw up consolidated accounts or is included by consolidation on the accounts of a business which is required to draw up such consolidated accounts.

The only two cases, which are however not very frequent, in which a business can be considered linked although it is not already required to draw up consolidated accounts, are described in the first two indents of endnote <sup>(2)</sup> of this explanatory note. In those cases, the business should check whether it meets one or other of the conditions set out in Article 3 paragraph of the Definition.

- (1) A business may continue being considered as autonomous when this 25% threshold is reached or exceeded, if that percentage is held by the following categories of investors (provided that those are not linked with the applicant business)
  - a) Public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ("business angels"), provided the total of those business angels in the same business is less than €1,250,000.
  - b) Universities or non-profit research centres.
  - c) Institutional investors, including regional development funds.
  - d) Autonomous local authorities with an annual budget of less than €10 million and less than 5,000 inhabitants.

- (2) If the registered office of the business is situated in a Member State which has provided for an exception to the requirement to draw up such accounts pursuant the Seventh Council Directive 83/349/EEC of June 1983, the business should nevertheless check specifically whether it does not meet one or other of the conditions laid down in Article 3 paragraph 3 of the definition.

There are also some very rare cases in which a business may be considered linked to another business through a person or a group of natural person acting jointly (Definition, Article 3, Paragraph 3)

Conversely, there are very few cases of businesses drawing up consolidated accounts voluntarily, without being required to do so under the Seventh Directive. In that case, the business is not necessarily linked and can consider itself only a partner.

To determine whether the business is linked or not, in each of the three situations it should consider whether or not the business meets one or other of the conditions laid out in Article 3 paragraph of the definition, where applicable through a natural person or group of natural persons acting jointly.



## **Appendix 2 – General Block Exemption Regulation (GBER) No 651/2014**

### Article 2 Paragraph 18 Definition of undertaking in Difficulty

'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 an undertaking that is not an SME, where, for the past two years:
  - (1) the undertaking's book debt to equity ratio has been greater than 7,5 and
  - (2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

### Appendix 3 - Stoke on Trent and Staffordshire Grants for Growth - Procurement Process 'National Rules'

Value Range (excluding VAT)	Required Procurement Route
£0 - £25,000**	<p>Obtain three written quotes from an independent supplier. If you are struggling to obtain three quotes please speak to the Grants For Growth Programme Team.</p> <p>Evidence to be provided by the grant applicant:</p> <ul style="list-style-type: none"> <li>• Copy of the quotations received; and</li> <li>• The quotation evaluation.</li> <li>• Notification of the award decision to the successful and unsuccessful bidders.</li> </ul>
£25,000 - £200,000 for services and supplies and £4.5m for works**	<p>Obtain at least three written quotations from independent suppliers and advertise the opportunity on your website for 10 working days.</p> <p>Evidence to be provided by the grant applicant:</p> <ul style="list-style-type: none"> <li>• Copy of advert. A screen shot of the advert on your website would suffice.</li> <li>• Copy of the invitation to quote documentation including the brief.</li> <li>• Copy of each of the quotations received.</li> <li>• The quotation evaluation showing the scores of each of the bidders; and</li> <li>• Notification of the award decision to the successful and unsuccessful bidders.</li> </ul>
Over £200,000 for services and supplies and £4.5m for works**	<p>Advertise the tender opportunity on the grant applicants website for 10 working days</p> <p>Conduct a full tendering process which:</p> <ol style="list-style-type: none"> <li>1) Provides sufficient information to the market to enable interested bidders to apply.*</li> <li>2) Includes processes to manage potential conflicts of interest.</li> <li>3) Impartially assesses each bid against criteria laid down at the outset.</li> <li>4) Selects the winning bidder on merit and in accordance with the procedure laid down at the outset; and</li> <li>5) Provides feedback to all bidders on the outcome of the process.</li> </ol> <p>*As a minimum the advertisement must include a short description of the contract and the award criteria with details of where the interested party may obtain further information.</p> <p>The Grant recipient is required to put in place a process which assesses the merits of the bids on an impartial basis this involves:</p> <ul style="list-style-type: none"> <li>• A contract description should be non-discriminatory: it is not permitted to refer to a particular brand, qualification, certification, a specific origin or trademarks, for the purposes of demonstrating mutual recognition is to necessary to make it clear that equivalents will be equally valid.</li> <li>• Designing the process so there is no direct or indirect discrimination of bidders from Member States.</li> <li>• Making available the same information about the contract opportunity to all interested partners (including responses to questions from interested bidders).</li> <li>• Putting in place appropriate time limits to allow bidders to consider the contract and submit a meaningful bid.</li> <li>• Managing potential conflicts of interest.</li> <li>• Ensuring the applicable rules of the bidding process are communicated to potential bidders at the outset.</li> <li>• Applying the communicated bidding process rules in the same way to all applicants throughout the process; and</li> <li>• Awarding the contract to a bidder on the merit of their bid and in line with the procedural rules set out at the start of the process.</li> </ul> <p>Evidence to be provided by the grant applicant:</p> <ul style="list-style-type: none"> <li>• Copy of all adverts.</li> <li>• Copy of the invitation to tender documentation including the specification, suitability assessment questions and the award criteria based on the most economically advantageous tender (MEAT).</li> <li>• Copy of each of the tenders received.</li> <li>• The appraisal of the suitability assessment questions for contracts or selection stage evaluation on a pass / fail gate for contracts.</li> <li>• The award stage evaluation based on the most economically advantageous tender (MEAT) showing the scores of each of the tenderers.</li> <li>• Award decision.</li> <li>• Notification of the award decision to the successful and unsuccessful tenderers.</li> <li>• Copy of the legal contract entered into.</li> </ul>

\*\*Thresholds refer to the total project value item inclusive of any grant provided