



APPLICATION AND APPRAISAL GUIDANCE NOTES

Part 1: General Guidance

What is Invest to Grow?

Invest to Grow is a programme designed to support private sector businesses across the East Midlands to innovate, grow and create jobs. The programme aims to generate economic activity by investing in enterprise growth and to promote the creation of new jobs and the safeguarding of existing jobs.

Invest to Grow is a fund of last resort. Projects will need to demonstrate that other avenues of support and funding have been explored and why Invest to Grow funding is vital to the project going ahead. All projects will be required to demonstrate that funding support will achieve two or more of the following criteria:

- An increase in the size of your company activity i.e. more jobs, employees etc., due to the fund's investment
- An increase in the scope of your company activity due to the fund's investment
- An increase in the amount of money spent on your company activity due to the fund's investment
- An increase in the speed in which you deliver your company activities due to the fund's investment
- That the project delivered through this Fund would not have taken place without support.

Invest to Grow Funding

Invest to Grow is primarily aimed at SME companies, social enterprises as well as sole traders and partnerships located in the East Midlands. Any large companies considering an application should discuss their proposal with an Invest to Grow Fund Manager prior to submitting an application.

Definition of SME (Small to Medium Enterprise)

The abbreviation "SME" is used in the European Union based on the **number of employees** and either **turnover** or **balance sheet total** as below:

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Funding is available for projects that will create new jobs that can be sustained for a **minimum** of 3 years.

In particular, projects are welcomed that create higher skilled jobs (i.e. require knowledge and skills at or above NVQ level 4).

The types of project that Invest to Grow may support include (this list is not exhaustive):

- Companies wanting to develop or improve their products and related services.
- Companies looking to expand the business due to operating at capacity and having to turn away potential customers.
- Innovation in products, processes and systems that will result in business and supply chain efficiency, resilience, growth and profitability.

The programme is aimed at priority growth sectors such as transport equipment manufacturing, medicine/bio-science, construction, food and drink manufacturing, logistics, engineering and low carbon.

Enterprise Expansion funding

Financial assistance may also be sought in the form of loans or grants for the following items of expenditure:

- Support with costs of relocation from abroad
- Support with costs of relocation from within the UK, but only in circumstances where there is new investment and jobs, and not displacement
- Investment in development activity that will facilitate additional trade in the UK and/or abroad
- Investment in capital equipment
- Investment in site / building infrastructure

Eligible expenditure will include:

- Land and building costs (this will only be funded predominantly by a loan, please also note the University will require security to be taken)
- Equipment and machinery costs
- Operating costs, including costs of materials, supplies and similar products incurred directly as a result of the project
- Staff costs, i.e. researchers, technicians and other supporting staff employed on the project
- Costs associated with training the workforce to introduce the innovation into the production process of the company – including trainers' personnel costs, materials & supplies, travel expenses, tools and equipment used for the training, cost of guidance and counselling services
- Cost for research or technical knowledge
- Additional overheads incurred directly as a result of project

Please note that all project costs must be **exclusive of VAT**.

Research and Development (R&D)

For projects solely concentrating on R&D the following outlines the different types of research, development and innovation that are eligible for support:

Industrial research: Planned research or critical investigation aimed at the acquisition of new knowledge or skills for developing new products, processes or services or bringing about a significant improvement in existing products, processes or services;

Experimental development: The acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services (including the creation of a commercially usable prototype or pilot projects under certain conditions)

For industrial research activities, the application for grant shall not exceed 75 % of the eligible costs for studies preparatory to industrial research activities and 45% of the eligible costs for studies preparatory to experimental development activities.

What funding is available?

The Invest to Grow programme has been allocated funds from the Government's Regional Growth Fund RGF) to support companies to grow and create new jobs. The minimum award size is £15,000 and the minimum total project cost is £50,000. Maximum award size is £250k although higher awards can be considered for projects which offer exceptional value for money. Grants and loans are available (or a blend of both). The Fund is intended to be a re-circulating finance scheme to ensure sustainability beyond the duration of Regional Growth Fund. Therefore applications for loans will be judged favourably compared to grants.

Loans will be provided at an interest rate determined by the creditworthiness of the applicant and the level of collateral (security) offered against the loan. The EC Reference rate is used as the variable rate and has been set at 0.78% from 1 January 2017. This rate is then increased by a margin (to reflect the creditworthiness of the borrower and the level of collateral offered), which produces the overall rates as set out below:

Creditworthiness	Collateralisation		
	High	Normal	Low
Strong	1.38%	1.53%	1.78%
Good	1.53%	1.78%	3.04%
Satisfactory	1.78%	2.98%	4.78%
Weak	2.98%	4.78%	7.28%
Potential Financial Difficulties	4.78%	7.28%	10.78%



Assessment and finalisation of interest rates will be carried out as part of the final due diligence process prior to contracting.

Applications for Grants

Applications involving requests for grants will be required to provide a strong business case as to why applicants cannot apply for a loan.

Do I have to secure match funding?

All applications for grants will be assessed against RGF/Invest to Grow criteria with each applicant normally required to provide at least 70% of the total project costs. All match funding must be evidenced during the final due diligence exercise as explained below.

Project commencement date

If work on a project has started then it is ineligible for financial support. An application to the Invest to Grow Fund must be submitted and an in principle offer made before work on the project is started. "Start of work" means either the start of construction work, the first legally binding commitment to order equipment, or the final offer on a property, or the recruitment of new starters.

Project delivery deadlines

We are currently looking to fund projects which must be completed in terms of expenditure within 12 months following the start of the project. Jobs are expected to be created within a reasonable timeframe of the investment.

How and when will projects be assessed?

Projects will be objectively appraised following the submission of a full application to ensure:

- Compliance with Invest to Grow criteria
- Eligible status of applicant
- State Aid compliance
- Adequate number of new, sustainable private sector jobs created
- Adequate private sector leverage
- Additionality
- Economic impact – growth not displacement
- Deliverability
- Suitable risk management procedures are in place
- Value for public money

The appraisal process is likely to require further dialogue between the applicant and the Invest to Grow Team and may require the applicant to provide further information in support of their application. The Invest to Grow Team may also invite comments on applications from partner organisations.

A recommendation on whether a project should receive support will be made by the Invest to Grow team. The final decision on whether a project should receive support will be made by the Strategic Investment Panel.

Subject to receiving approval for support from the Strategic Investment Panel, projects will be subject to further legal, financial and project specific due diligence assessments. The Invest to Grow Fund reserves the right to withhold, vary or withdraw offers for funding if any of the information supplied proves to be inaccurate or new details come to light that the Fund were previously unaware of.

Submitting your application

Applications should be made using the application form provided and with reference to these guidance notes. We also require the Appendices completing in full to detail project costs, project risk analysis, financial forecasts, job creation forecasts and market information. Please ensure application forms are emailed to investtogrow@derby.ac.uk.

We are currently operating Invest to Grow as a rolling programme, which means that applications can be submitted at any time.

When submitting electronic files please ensure that the name of the project is included as part of the file name.

Due Diligence

Successful projects will be required to submit additional information (e.g. evidence of match funding having been secured, corporate governance arrangements, job creation and claim forecasts) as part of the final due diligence assessment, prior to entering into formal funding contracts with the University of Derby (the Accountable Body for the fund).

For all high value project requests (generally those seeking over £100k or more from Invest to Grow) due diligence is undertaken by an external company and is subject to a fee. This is payable by the applicant in advance of the due diligence commencing. Applicants will be provided with a list of approved firms whom they may appoint to conduct the due diligence exercise.

For lower value requests the due diligence exercise will usually be completed internally by the Invest to Grow team. However, in exceptional cases where the terms or the award are likely to be complex we reserve the right to require an external due diligence, the cost of which will be borne by the applicant.

The form and content of funding contracts will depend on the nature and complexity of the project but for loans will include provisions for repayment of funding and for both grants and loans, clawback provisions should projects not progress as anticipated.

Part 2: Completing the Application Form

Please note that proposals will be assessed on the basis of information contained within the application form and appendices. Any supplementary information should be kept to a minimum and must be directly related to the application.

SECTION A

For questions 1, 2 and 3 please provide a project name and the location where project activity will take place. Please provide all contact details for the company, the primary bank used by the business, most recent turnover figures, tenure information for where the business is currently trading (e.g. family-owned, business-owned, freehold, leased premises) and the lead contact person for the project. Please indicate the relationship between the lead contact and applicant organisation if appropriate.

For question 4 please indicate the sector in which you operate. For further information to assist with this question, please visit:

<http://www.companieshouse.gov.uk/infoAndGuide/sic/sic2007.shtml>

As a minimum, all applicants should select one of the following sectors:

A – Agriculture, Forestry & Fishing		L – Real Estate Activities
B – Mining & Quarrying		M – Professional scientific & technical activities
C – Manufacturing		N – Administrative & support service activities
D – Electricity, gas, steam & air conditioning supply		O – Public administration & defence; compulsory social security
E – Water Supply, sewerage waste management & remediation services		P – Education
F – Construction		Q – Human health & social work activities
G – Wholesale & Retail trade; repair of motor vehicles & motorcycles		R – Arts, entertainment & recreation
H – Transportation & Storage		S – Other service activities
J – Information & Communication		T – Activities of households as employers; undifferentiated goods & services producing activities for households own use
K – Financial & Insurance activities		U – Activities of extraterritorial organisations & bodies



For question **5 Number of employees Box A** please outline the number of people employed both part time and full time within your enterprise.

For question **5 Number of employees Box B** please include the total number of hours per week worked by the part time employees in your workforce. This will be used to calculate your full time equivalent workforce numbers.

If you are currently a company operating outside of the East Midlands or within but with part of your organisation operating at one or more sites (across the UK or internationally) please outline the numbers of employees operating within the East Midlands. Also provide the total employment figure for the company outside of the East Midlands.

6, Project Timescale and Deliverability. Assuming your project is approved, please outline when the project will start and finish. Please note that projects are unable to begin (either in terms of firm orders or expenditure) until the final contract has been awarded, unless approval has been sought from the Invest to Grow team for the project to begin earlier at an applicants' own risk.

Please set out what other approvals are required before the project can start (e.g. planning permission, Highways Agency and Environment Agency approvals etc.), set out the lead-in / mobilisation period and identify any barriers to scheme delivery. Where approvals have not yet been secured, please confirm the date by which these are expected to be in place.



SECTION B

1. Project Description

Please provide a brief description of your project, what the loan / grant will enable you to do and if relevant provide a location plan and show land interests.

2. Project Delivery Plan

Please describe how you will carry out the project (e.g. internally, contracted out, procurement methods) including key milestones and the dates associated with each of these. These milestones will be detailed in the final contracts and used to negotiate the triggers for issuing funding should your application be successful so please ensure they are as detailed and accurate as possible.

3. Project Business Case

Please outline how the project will add value to your company activities, fits with your strategic plans and will enable growth within the business. Additionally, please state why this project is the best option to deliver growth within your company.

The business case presents the justification for undertaking the project and in the manner proposed. This assessment should be based upon a robust, realistic and objective analysis. This justification must demonstrate why the benefits outweigh the costs and risks and how undertaking the project in the manner proposed offers the optimum way of realising these benefits.

Please describe how the project will stimulate economic growth and private sector employment.

4. Market Information

Please provide details relating to the market with which your organisation operates, including the size of the market (both in the UK and abroad), the level of competition (in the region, UK and abroad) and what market share your business currently has, and aspires to achieve, as a result of the successful delivery of the project.

Whether the project involves the launch of a new product(s) or is simply general business expansion activity, information should be provided in this section to evidence the market requirement and/or demand to support the need for the project and provide reassurances that it will be a success.

5. Job Outputs

We need to understand in more detail what the job outputs of the project will be, the type of jobs to be created and over what period. Please note that job creation is treated more favourably than the safeguarding of existing positions within the business. For safeguarded jobs to be counted a strong justification(s) must be provided to demonstrate the jobs will be lost within 12 months should the project not go ahead.

Any additional outputs or outcomes emanating from the project should be detailed at the bottom of the table. Some examples are given below:

- Ability to contribute to GVA
- Training opportunities
- Inward Investment
- Site de-risking /area of land bought forward
- Investor Confidence

6. Assistance Required

a) Applicants must clearly set out the entire costs for the project. Please ensure that the figures match with those provided in Appendix 1. Where the project involves costs attributable to Research and Development activity please ensure these are clearly distinguishable from all other project costs.

When finalising project costs as part of the full application submission, please only include those where it can be clearly demonstrated how supporting these costs will directly support the creation of new jobs and business growth.

b) Outline the exact level of Invest to Grow funding sought, how this will be used to support the project and whether a loan and/or grant is required. Please note, Invest to Grow is intended to be a recirculating fund to ensure sustainability beyond the duration of the initial Regional Growth Funding. Therefore, **applications where the loan amount requested is greater than the grant amount will be given priority**. If requesting a grant, please outline why you cannot apply for a loan, outlining factors such as your enterprise reaching your maximum credit limit. We will at the due diligence stage be seeking evidence of this. Applicants should note that the Strategic Investment Panel overseeing the Invest to Grow Fund has the final decision about the type and value of investment the Fund will make into any project.

If a loan is being considered, the detail on the interest rate applied, repayment proposals and timescales will be negotiated during the project due diligence. Applicants may include initial proposals in this application form, however, this may be subject to change during the appraisal and due diligence process.

c) This should include details of funding from other sources (e.g. bank, asset finance, equity or other investment) totalling the entire costs of the project minus what is being sought from Invest to Grow. Applicants should set out the status of the funding, i.e. whether other funding is still to be approved and if Invest to Grow will help secure additional funding / private sector investment. Evidence should be supplied where available. At this stage we expect all applicants to have a good understanding where all other project funding will be sourced from, even if it is yet to be secured.

Provide evidence that you are entitled to use the intellectual assets involved in your project; for example, a copy of a patent in your company's name, a licensing agreement, or details of your own patent search. State how you intend to protect any intellectual property that is generated specifically as a result of this project and who will own any Intellectual Assets generated.

SECTION C

1. Invest to Grow is a fund of last resort

The panel needs to be convinced that all other avenues of support and funding have been explored and why Invest to Grow is vital to the project going ahead. All projects will be required to demonstrate that funding support will achieve one or more of the following criteria:

- An increase in the size of your company activity due to the fund's investment
- An increase in the scope of your company activity due to the fund's investment
- An increase in the amount of money spent on your company activity due to the fund's investment
- An increase in the speed in which you deliver your company activities due to the fund's investment
- That the project delivered through this fund would not have taken place without support

2. State Aid

This fund cannot offer support which may constitute unlawful State Aid. This is a complex area and applicants should satisfy themselves that the investment sought does not constitute unlawful state aid and where appropriate seek specialist advice. Before funding contracts are entered into, the Invest to Grow Team may require further details from the applicant.

For more information please see Annex A and Annex B. Information can also be found at:

www.gov.uk/government/publications/state-aid-the-basics

3. Describe the additional benefits of the project on the local economy / environment /community

We are keen to ensure all projects have the maximum impact upon the local economy / environment and community. We will expect successful applicants to work with local partners to maximise training and employment opportunities for local residents, and those in priority groups (e.g. young people and unemployed people).

Also, please enter details of any additional impacts your project may create. These may include local jobs created outside of your organisation, increased supply chain resilience, positive environmental impacts, community engagement, and infrastructure improvements etc.

4. Risks and Mitigation

We need to understand the risks associated with the project. Detailed risk assessments may not yet be available but please set out what you believe to be the key risks for the project (physical and financial), the likelihood, impact and possible mitigation for these measures (include for example other funding approvals required, regulatory approvals, cost increases, state aid, market conditions etc.). Please ensure these match the risks identified in Appendix 2 of the Excel spreadsheet.

5. Equality

In order to comply with the Equality Act 2010 it is required that we monitor any disproportionate impacts the RGF has on protected groups.

6. Commercial Confidentiality

The information provided will be made available to the Invest to Grow Strategic Investment Panel and partner organisations in arriving at funding decisions. Please let us know if any information is commercially sensitive or confidential.

SECTION D

Please ensure that those submitting the application have the appropriate authority.

Annex A: State Aid Regulations

Levels of Assistance available

The level of assistance that is permissible under the EU State Aid Regulations varies depending on the size of the enterprise, its location and the types of activities that are proposed. The maximum levels of assistance available for Small and Medium Sized Enterprises and Large Enterprises is outlined below. The maximum aid ceiling is stated in Euros.

The maximum levels of support that are currently available through the Regional Growth Fund under each of the eligible State Aid Block Exemptions are available to view at:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0651&qid=1415368403404>

Applications for financial assistance from the Invest to Grow Fund will be assessed on a case by case basis in the context of the overall Fund outputs and investment ratios. The appraisal and amount of grant awarded will ensure that the overall programme maintains its approved intervention rate of 30% Invest to Grow Fund to 70% match funding and that it will create the required number of jobs by March 2017. As a result, maximum grant levels allowable through the state aid block exemptions outlined are not guaranteed to be awarded for every case assessed.



Annex B: De Minimis

Any offer of financial assistance given to an Invest to Grow project as “de minimis” aid under the De Minimis Regulation will be accompanied by a letter stating the amount it is for and that it “constitutes State Aid as defined under Articles 107 and 108 of the Treaty of the Functioning of the European Union and is being granted as de minimis aid under Commission Regulation (EU) No 1407/2013 (the “de minimis” aid regulation).

European Commission rules prohibit any undertaking from receiving more than €200,000 ‘de minimis’ aid (€100,000 if the aid relates to the road transport sector) over any period of three fiscal years. Any ‘de minimis’ aid granted over the €200,000 limit (€100,000 if the aid relates to the road transport sector) may be subject to repayment with interest.

The ceiling for the aid covered by the de minimis rule is in general EUR 200,000 (cash grant equivalent) over any three fiscal year period. The relevant period of three years has a mobile character, so that for each new grant of de minimis, the total amount of de minimis aid granted during three consecutive fiscal years (including the then current fiscal year) needs to be determined. Information on all aid received under the de minimis regulation must be provided by the applicant as part of the application process.

The ceiling will apply to the total of all public assistance considered to be de minimis aid. It will not affect the possibility of the recipient obtaining other State aid under schemes approved by the Commission, without prejudice to the cumulation rule described below. The ceiling applies to aid of all kinds, irrespective of the form it takes or the objective pursued. The only type of aid which is excluded from the benefit of the de minimis rule is export aid.

The regulation only applies to “transparent” forms of aid which means aid for which it is possible to determine in advance the gross grant equivalent without needing to undertake a risk assessment. This implies a certain number of restrictions on certain forms of aid like, for example, guarantees. Only guarantees lower than EUR 1.5 million can be covered by the Regulation.

The above ceiling (EUR 200,000 of de minimis aid over a three fiscal year period) applies to the total amount of de minimis aid granted to a single company. The amount is lowered to EUR 100,000 in the road transport sector. When granting a de minimis aid to a particular undertaking, the Member State concerned must check whether the new aid will not raise the total amount of de minimis aid received by that undertaking during the relevant three year period above the EUR 200,000 (or EUR 100,000, as applicable) ceiling. State aid guidance available: Beginner’s guide

<https://www.gov.uk/government/publications/state-aid-the-basics>

<https://www.gov.uk/government/publications/state-aid-frequently-asked-questions>

Annex C: Project Costs, Claims and Monitoring

All businesses will need to submit quarterly claims to Invest to Grow, evidencing that the costs associated with their project have been spent in accordance with the terms of their award. Providing the need is demonstrated via a written declaration, loans can be advanced to the beneficiary once contracting is complete. Grant payments are paid in arrears and are payable against evidenced project expenditure submitted with each claim, at the contracted intervention rate (i.e. the proportion of ITG grant awarded as a percentage of the overall eligible project costs). All match funding for both Loan and Grant awards will need to be evidenced through quarterly claims.

External costs incurred by the business

For all goods and services purchased, copies of invoices, receipts and bank statements showing the payments leaving the company's bank account will be required. Financial lease agreements (those agreements where the asset sits on the applicants' balance sheet and is owned by the applicant at the end of the lease period) may be capitalised once the signed agreement has been evidenced, meaning the full cost can be included in a claim, even though the monies may not have been defrayed.

Salaries

For salaries there are two methods of evidencing expenditure that can be used:

- 1) Businesses can claim the amount paid directly to the staff member in question. This is the easier of the two options if the company's bank statements show payments direct to the employees on individual transactions (rather than a full payroll amount transaction amount). If the staff member is working part time on the project, a timesheet should be provided and their salary apportioned correctly to the project.
- 2) Businesses can claim the gross amount to the Employee + Employers National Insurance contributions + Employers Pension Contributions. To evidence this, in the first instance, the payroll breakdown will need to be provided as well as bank statements. Please note that bonus payments cannot be included. Expenses can only be included if the relevance to the project can be clearly justified. Again, if the staff member is working part time on the project, a timesheet should be provided and their salary apportioned correctly to the project.

Overheads

The following costs incurred by a business are allowable providing that they are related to the completion of the project. These costs will also need to be evidenced through invoices, bank statements etc.

Rent, rates, utilities, phones, broadband, computer software and maintenance.

Unless otherwise agreed with the Invest to Grow team, overheads should be apportioned Pro Rata to the number of staff working on the project.

Monitoring requirements

Monitoring visits will be carried out by a member of the Invest to Grow team. These will usually take place every 6 months during the project period or as required by Invest to Grow.

Projects will be monitored for 3 years (5 years for large organisations) after the last job has been created. Companies will be required to submit quarterly monitoring reports to update the Invest to Grow team on the progress and impact of the project.

Management accounts will also need to be submitted, usually on a quarterly basis.

At the end of the company's financial year, for the duration of the project monitoring period, Invest to Grow will require an independently audited copy of the company's accounts together with a separate accountants report specifically for the Invest to Grow project, for which a template will be provided within the final agreements.

For all jobs created a copy of the signed contract of employment will be required.

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