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# Isle of Wight Rural Business Resilience Fund

## Technical Guidance for Applicants

May 2020



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# 1 Introduction

## 1.1 Coronavirus (COVID-19)

In response to the 2020 Coronavirus (COVID -19) outbreak an initial £25k fund has been established to help provide Business Resilience to rural SME's on the Isle of Wight. This funding forms part of the Isle of Wight Rural SME Fund.

## 1.2 Isle of Wight Rural SME Fund

In the absence of LEADER funding the Solent LEP and Natural Enterprise are already running a fund to continue the positive work of LEADER in supporting the Isle of Wight's rural economy.

The Isle of Wight Rural SME Fund was launched in January 2016. The first round allocated £150,000 of funding to rural businesses on the Isle of Wight. This funding together with subsequent rounds has helped to create and safeguard over 195 jobs and directly supported over 46 businesses on the Isle of Wight.

The IW Rural Fund is a competitive annual programme, managed by Natural Enterprise on behalf of the Solent Local Enterprise Partnership (LEP) that seeks to support the Solent's economy by providing grants to rural small and medium sized businesses that require capital investment with potential for economic growth, leveraging in private sector investment, creating or protecting jobs and assisting the rural sector on the Isle of Wight.

You will not be eligible to apply for this fund if your business has already received funding from the Solent LEP, this comprises funding direct from Solent LEP including Solent LEP Crowdfunder Pay It Forward, or Isle of Wight Rural Fund, which is still live (i.e. has LEP funds yet to be drawn down or contracted outputs yet to be delivered).

# 2 The Partners

## 2.1 Natural Enterprise

Based on the Isle of Wight Natural Enterprise provides a wide range of services, both locally and regionally to support local businesses, community groups and organisations.

Its activities include business investment advice, project management and delivery, managing domestic and European grant programmes, undertaking environmental improvement work and operating a rural broadband initiative. As a charity, Natural Enterprise's surpluses are reinvested for the sole benefit of the Isle of Wight, its communities and countryside.

Natural Enterprise is a catalyst for positive change and bridges the different perspectives of the public and private sectors and the economy and the natural environment. With an extensive partner network there is a clear focus on delivering value.

## 2.2 The Solent Local Enterprise Partnership

The Solent Local Enterprise Partnership (Solent LEP) is a partnership organisation between the business community, the further and higher education sector, three unitary authorities, eight district councils and one county council, all of whom are actively working together to secure a more prosperous and sustainable future for the Solent area.

*Transforming Solent* is our Strategic Economic Plan. It sets out a plan for growth which will see us build on our strengths and plan towards a more ambitious future. We believe that this plan holds the key to successfully growing the Solent economy in the period ahead and will place us on a new growth trajectory. *Transforming Solent* recognises and builds on our current strengths, harnesses the drivers for growth and addresses the barriers which, if not addressed, could constrain growth.

*Transforming Solent* can be downloaded from

[https://solentlep.org.uk/media/1508/transforming\\_solent\\_growth\\_strategy\\_-\\_jan\\_2015.pdf](https://solentlep.org.uk/media/1508/transforming_solent_growth_strategy_-_jan_2015.pdf)

**The Solent LEP has six strategic priorities:**

- Supporting new businesses, **enterprise** and ensuring SME survival and growth.
- Enabling **infrastructure** priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.
- Establishing a single **inward investment** model to encourage companies to open new sites in the region, supported by effective marketing.
- Investing in **skills** to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth.
- Developing **strategic sectors** and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses,
- Building on our substantial knowledge assets to support **innovation** and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.

Further information on the Solent LEP and progress in other areas of work can be found at [www.solentlep.org.uk](http://www.solentlep.org.uk).

## 3 The Fund

The Solent LEP is offering business support funds for established Isle of Wight based SMEs in the rural sector to overcome the implications of the Coronavirus (COVID-19) outbreak. The total amount of grant funding currently available is £25,000 up to 30th June 2020. It is expected that further funds will be released if required. Details of the Fund are outlined below.

**The priorities for the Fund are to support:**

- **developing alternative ways of working - IT, new equipment etc.**
- **finding alternative ways of delivering products and services to the market place**
- **extending marketing / communication messages**
- **other resilience measures**

Aimed primarily at the food and drink sector but not precluding other rural businesses.

Applicants to the fund must be established SMEs from the rural sector who are based on the Isle of Wight.

### 3.1 Capital Investment Fund

This fund is a capital fund and is for established SMEs who require capital investment for their project. Applicants will be required to invest a minimum of 50% of the identified project costs in turn which will attract a maximum of a £2,500 grant.

### 3.2 Additional Value

Alongside the grant funding that will be on offer to successful bidders, support has also been secured to offer:

- Guidance and advice from Natural Enterprise
- Publicity for successful bidders from local media & press;
- Business support, networking, mentoring and support in preparing your application may be available through the Solent Growth Hub, a service designed to help business by providing a single point of reference for business support and to help business navigate its way through the complexity of growth initiatives. Whatever your business needs, Solent Growth Hub will seek to signpost through telephone & face to face Navigators that will provide advice on a way forward, and Growth Audits & expert growth advice from mentors.

### 3.3 Activities which can be supported

The funds can only be used to support businesses in the rural sector (see section 4.2 for rural sector definition) - i.e. companies that are able to demonstrate how their project will provide business resilience and benefit the Isle of Wight's rural areas.

If you are unsure as to whether your project costs can be capitalised, you are advised to seek guidance from your accountant prior to submitting your application.

### 3.4 Activities and Sectors which cannot be supported

Applications can only be made for projects seeking capital funding. As such, funding **WILL NOT** be provided to cover businesses working capital or revenue costs. For clarity working capital includes items such as salaries, rent, rates, utilities, stock and raw materials.

Please note that the following activities/sectors **CANNOT** be supported under any circumstances by the Fund:

- undertakings active in the fishery and aquaculture sectors;
- activity in the primary production of agricultural products;
- undertakings active in the processing and marketing of agricultural products 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;
- aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
- aid contingent upon the use of domestic over imported goods;
- undertakings active in the coal sector;
- acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

If you require any further information in relation to any of the above points please contact us using the contact information in section 8 of this document.

### 3.5 When to Apply

Isle of Wight Rural Business Resilience Fund will remain open until 30<sup>th</sup> June 2020 or when all the funding has been allocated. If this occurs consideration will be given to the release of additional funding.

Application forms must be submitted electronically and be accompanied by a copy of the latest available annual trading accounts.

Please note we can only deal with one application from each organisation or individual at any one time. You will not be eligible to apply for this fund if your business has already received funding from the Solent LEP, this comprises funding direct from Solent LEP including Solent LEP Crowdfunder Pay It Forward, or Isle of Wight Rural Fund, which is still live (i.e. has LEP funds yet to be drawn down or contracted outputs yet to be delivered).

### 3.6 Legal

If the EU or Government withdraws, varies or substantially amends the running of the Scheme or its financing then funds will not be available and neither the Solent LEP, Natural Enterprise, nor Portsmouth City Council (acting as the Accountable Body for the scheme) will be liable for any costs associated with applications.

Please note that the Solent LEP, Portsmouth City Council and Natural Enterprise accept no liability for any costs incurred in the submission of Expressions of Interest (EOI) or full Application Forms in relation to The Fund under any circumstances.

Please note that payments from The Fund can only be made to business accounts – not direct to the accounts of any individual. For the purpose of the Fund, SMEs are defined under the “SME” definition in

Annex I of Commission Regulation (EC) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty (the “General block exemption Regulation”). The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

The definitions of SMEs are summarised in the table overleaf. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

| <b>Enterprise category</b> | <b>Headcount</b> | <b>Turnover</b> | <b><u>or</u></b> | <b>Balance sheet total</b> |
|----------------------------|------------------|-----------------|------------------|----------------------------|
| Medium-Sized               | < 250            | ≤ € 50 million  |                  | ≤ € 43 million             |
| Small                      | < 50             | ≤ € 10 million  |                  | ≤ € 10 million             |
| Micro                      | < 10             | ≤ € 2 million   |                  | ≤ € 2 million              |

Further information is available from the following web link:

[https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

# 4 Eligibility Criteria

## 4.1 Geographical Eligibility

Businesses must be based and trade on the Isle of Wight.

It must be confirmed that the jobs to be safeguarded as a result of your application will be located on the Isle of Wight.

## 4.2 Sector Eligibility

Businesses must be able to demonstrate how their project will benefit the Isle of Wight's rural areas.

## 4.3 Existing Business Eligibility

In order to bid for the Fund, your business must qualify as an existing SME as per the criteria in section 3.6 of this document.

## 4.4 Management Buy-Outs (MBOs)

Applications from businesses established by means of a management buy-out will only be eligible for consideration if the purpose of the MBO is to secure jobs which are under threat or at risk of redundancy. Clear evidence of this threat must be provided at the time of application.

## 4.5 Franchises

Applications from businesses established under a franchise will **not** be considered eligible. The process of franchising already confers significant benefits to the franchisee in terms of permitted use of an established brand name, adoption of a tried and tested business model, and in many cases assistance with marketing and reduced start-up costs. This fund is seeking to support as diverse an SME base across the Isle of Wight area as possible; accordingly franchise applications will not be considered eligible.

## 4.6 Creation/Safeguarding of Private Sector Jobs

Bids will need to demonstrate the creation or safeguarding of sustainable and new private sector jobs. Bids which demonstrate that they create or safeguard a higher number of new jobs will be considered stronger.

## 4.7 Bid Thresholds

Bids of up to £2,500 will be considered. If you wish to bid for a higher amount than £2,500 please contact Emma Bloomfield at Natural Enterprise on 01983 201560 as there may be opportunities through the main Isle of Wight Rural Fund.

## 4.8 Private Sector Investment

The amount sought from any of these funds must contribute to a project alongside **confirmed and secured** private sector investment. Funding leveraged in as private sector investment needs to demonstrate a real stake in the outcome of the project or programme. The expectation will be clear, demonstrable, leverage.



Applicants will need to demonstrate a minimum of 50% private sector contribution for grants. For example, if the overall project cost is £5,000, you would be able to bid for a grant of £2,500 from the fund.

Please note that the 50% contribution outlined above is the minimum level to ensure your bid is eligible. Bids which demonstrate that they can leverage more private sector investment will be stronger.

Contributions of services donated in-kind can qualify as a private sector contribution. However, contributions in-kind, while legitimate, will need to prove additionality; that the in-kind contribution would not materialise without support from the fund to the project.

For state aid purposes, private sector leverage is defined by the eligible costs of the exemption under which you are applying (training, R&D, SME or assisted area). For competitive purposes, this will be judged by the panel. For example, if two projects were in all other ways similar and one had a cash contribution and the other had a contribution labelled as labour and expertise and not monetized, the former would be favoured.

## **4.9 State Aid**

Public funding from The Fund will only be available where it is compatible with EU State aid regulations and applicants should be aware that their proposal will be scrutinised accordingly. Potential applicants should take account of this when considering the development of proposals.

### **General**

The European Commission recognises the key role that SMEs play in the economy, but that they suffer from a number of market failures. SMEs often have difficulties in obtaining capital or loans, given the risk averse nature of certain financial markets and the limited collateral that they may be able to offer. Their limited resources may also restrict their access to information, notably regarding new technology and potential markets. To facilitate the development of the economic activities of SMEs, the Regulation therefore exempts certain categories of aid when they are granted in favour of SMEs.

The European Commission monitors and controls state aid in the EU by requiring member states to notify the Commission in advance of proposed state aid in order to ensure compliance.

There are a few exceptions to the notification requirement, namely:

- if the measure falls within the de minimis regulation i.e. you are giving less than 200,000 euros over 3 fiscal years
- measures which are covered under a pre-existing and approved scheme
- measures falling within the General Block Exemption regulation

### **De minimis Aid**

De minimis aid is used to describe small amounts of state aid that do not require European Commission approval.

The European Commission considers that public funding which complies with the de minimis regulation has a negligible impact on trade and competition, and does not require notification and approval..

The maximum de minimis funding any single recipient can receive is €200,000 (cash grant equivalent) over a 3-year fiscal period. The sterling equivalent is calculated using the Commission exchange rate applicable on the written date of offer of the de minimis funding.

This ceiling takes into account all public assistance given as de minimis funding over the previous 3 fiscal years and which can take various forms (grants, loans, subsidised contracts, etc.). Aid given under an approved scheme does not have to be cumulated with de minimis aid.

There are a few things that should be kept in mind with de minimis aid. As follows:

- De minimis aid cannot be given for export related activities (except attendance at trade fairs), agriculture and fisheries or aid favouring domestic over imported products.
- De minimis aid does not affect the level of state aid that a recipient can receive under any other schemes approved by the Commission, i.e. it is cumulated only with other de minimis aid.

This programme is funded from the Solent Growth Deal and is designed to ensure the provision of Scheme Grants to “Beneficiaries”, in support of initiatives that meet the objectives of the Solent Growth Deal, in particular in support of the creation of new, sustainable, private sector jobs on the Isle of Wight and the introduction of private sector leverage. Any offer of financial assistance given to a Beneficiary will be made under De-minimis criteria and will be accompanied by a letter addressed to the Beneficiary stating the amount it is for and will include the following statement:

“Under EC regulation 1998/2006 (de minimis aid regulation), the award is a de minimis aid. There is a ceiling of €200,000 for all de minimis aid provided to any one firm over a 3-year period. Any de minimis aid awarded to you under this offer letter will be relevant if you wish to apply, or have applied, for any other de minimis aid. For the purposes of the de minimis regulation, you must keep this letter for 3 years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter for longer than 3 years for other purposes.)”

Further information in this regard can be found in the updated guidance from Government through the following web links:

<https://www.gov.uk/state-aid>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/325465/bis-14-943-state-aid-general-block-exemption-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325465/bis-14-943-state-aid-general-block-exemption-guidance.pdf)

# 5 Other Information

Please note the aspects below which will be considered by the Approvals Panel when assessing bids. These are NOT eligibility criteria. Individuals of any age or gender may apply to the Isle of Wight Rural SME Fund.

## 5.1 Sector Encouragement

Island geography means the Island's economy faces many challenges including restricted access to markets, increased cost of production, low productivity, restricted business networking and mentoring opportunities and the inability to achieve economies of scale. As a result, productivity levels and wages are amongst the lowest in England and fall below other rural districts, unemployment is significantly higher than the LEP average and employment is highly seasonal, with a 1.7% rise in unemployment on the Island in winter. Therefore we would welcome applications specifically from the rural sector which address one or more to the following:

- stimulates and supports innovation and enterprise – creating new services, new products, new ways of working and new partnerships;
- adds value or lifts quality standards – delivering a greater economic return;
- stimulates and enhances further private sector investment;
- provides a greater investment in people and skills - improving fulltime job opportunities and wage rates;
- aligns to existing strategies and policies to ensure value for money is delivered and the public sector investment is maximised.;
- supports investment in key infrastructure items;
- delivers and supports co-operation and collaboration.

## 5.2 Demographic Focus

Whilst the fund is open to all established, Isle of Wight based SMEs in the rural sector, Natural Enterprise will particularly welcome applications from the following demographic groups:

- Young entrepreneurs aged 16 - 24;
- Female entrepreneurs;
- Individuals who have been unemployed for more than six months.

## 6 Evaluation of Bids

All Funds will be allocated on a competitive basis. Only the best bids will be successful, assessed against the following key measures in relation to one another:

- Impact on the rural economy
- Safeguarding of private sector jobs;
- Amount of private sector investment contributed;

All Full Applications will be evaluated by an Appraisal Officer. Final decisions on the bids to be supported by the Fund will be made by an Approval Panel.

Please note that decisions taken by the Approval Panel in relation to which projects to support are final and there will be no right of appeal.

## 7 How to apply

There is a single stage application process for the Isle of Wight Rural Business Resilience Fund.

### 7.1 Application

The Application form can be found online at the following link: [Isle of Wight Rural Business Resilience Fund :: Natural Enterprise](#) or by contacting [graham.biss@naturalenterprise.co.uk](mailto:graham.biss@naturalenterprise.co.uk)

Once completed, you will need to submit your Application form and a copy of your latest trading accounts electronically to [carol.flux@naturalenterprise.co.uk](mailto:carol.flux@naturalenterprise.co.uk). Natural Enterprise will be in touch within two working days.

## 8 Account Management

Applicants will be notified of the outcome of their application within 3 working days.

Successful applicants will be contacted by the IW Rural Business Resilience Fund Programme Manager, who will act as a single point of contact for any IW Rural Business Resilience Fund related enquiries throughout the project lifetime.

The IW Rural Business Resilience Programme Manager will ensure that due diligence is completed on the proposal and will then issue successful applicants with a contract. Signed contracts must be returned to the Programme Manager before the funds can be released.

The evidence of expenditure (purchase invoices) and an Evaluation Report must be submitted to the Programme Manager within 3 months of the date of the contract. If a shortfall in expenditure occurs the corresponding amount of grant will have to be repaid.

Please note that applicants may be required to submit a further report and evidence beyond the funding period for IW Rural SME Fund evaluation or auditing purposes.

## Contact Information

Should you have any general enquiries on any of the information included in this document, please contact the Natural Enterprise team using the below contact information:

By email: [graham.biss@naturalenterprise.co.uk](mailto:graham.biss@naturalenterprise.co.uk)

By telephone: 07813 065509

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