



Department for
Communities and
Local Government

East Midlands Competitiveness Programme 2007-13

Nottingham City

Nottingham City's updated Local Investment Plan sets out the priorities for investment under Priority Axis 2 of the ERDF Competitiveness Programme. The Local Investment Plan provides financial support for areas with high levels of deprivation and low levels of economic and enterprise activity in order to increase and sustain this type of activity.

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EUROPEAN UNION
Investing in Your Future
European Regional
Development Fund 2007-13



Nottingham
City Council

Nottingham Local Investment Plan for ERDF 2011-13

Priority Axis 2: Sustainable Economic and Enterprise Activity in Disadvantaged Communities

◀Enterprising and Innovative Neighbourhoods▶

◀Connected Communities▶

◀Quality Places▶

1. Introduction	3
2. Interim Programme Assessment	3
3. The Economy of Nottingham.....	4
4. Alignment with local, sub-regional and regional plans	6
5. Priorities for investment	8
6. Support for the Operational Programme and indicative actions covered.....	12
7. Process for selection of projects / recommendations for appraisal.....	12
8. Contribution to programme outputs and results.....	13
9. Contribution to the Cross Cutting Themes	14
10. Governance and implementation.....	15
Appendix 1 – Lisbon Jobs and Growth Agenda.....	16
Appendix 2 – East Midlands ERDF Competitiveness Operational Programme ...	17
Appendix 3 – Additional rules for supporting premises for enterprises.....	18
Appendix 4 – State Aid implications.....	18

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1. Introduction

This updated Local Investment Plan (LIP) sets out priorities for investment in the Nottingham City area under the ERDF Competitiveness Programme 2011-13¹, Priority Axis 2 (PA2)². PA2 is focused on local authority districts with significant concentrations of people disadvantaged in the employment market.

The plan will provide financial support for areas with high levels of deprivation and low levels of economic and enterprise activity in order to increase and sustain this type of activity. In particular, we want to support the city's disadvantaged communities to:

- Increase the size and diversity of the enterprise base
- Increase the level of private sector investment in disadvantaged communities
- Improve access (physical and digital) to employment opportunities
- Improve the physical (green and built) environments and attractiveness of deprived areas

There are three key themes we intend to address:

- **Enterprising and Innovative Neighbourhoods**
- **Connected Communities**
- **Quality Places**

An indicative programme of activity is proposed to address these themes and will include:

- Support to develop space for businesses, in identified growth sectors, to start up and grow;
- Improved ICT connectivity to develop economic opportunities in disadvantaged areas of the city;
- Support for new and growing businesses, especially social enterprises, in the local economy;
- Improvements to the physical environment in key local areas to attract further investment.

2. Interim Programme Assessment

An interim assessment was carried out in 2010 into the East Midlands ERDF programme.³ This found that Nottingham City was still the most disadvantaged district in the region.

It recommended retaining the balance of funding between Priority Axes 1 and 2 and noted that, though take-up had started slowly under PA2 (the district allocations), it was catching up. The low take-up early on was largely caused by the late approval of the regional programme.

It recommended retaining the spatial focus of PA2, targeting it on the most disadvantaged districts using similar economic criteria as in the earlier part of the programme.

Maximum ERDF intervention rates might also increase as match funding becomes harder to access.

Because the programme ends in December 2013 it is likely that there will be one final call for projects in September or October 2012. It is also possible that any funds unallocated by the PA2 districts by January 2013 will be brought together in a regional 'challenge fund' open to bidding from all PA2 districts.

¹ The full ERDF Programme runs from 2007-2013 but funding was initially only allocated until 2010.

² Resources under Priority Axis 1 are targeted at the region's key sectors and high growth businesses.

³ East Midlands ERDF Competitiveness Programme 2007-13 Interim Programme Assessment Report July 2010

3. The Economy of Nottingham

Since the publication of the first Local Investment Plan for ERDF in 2008, the national and local economies have been hit by a severe recession from which we are only just beginning to recover. However, the effects in Nottingham will be felt for longer as public sector investment is reduced: In 2012, 31% of jobs in the city were in the public sector (against a figure of 21% for the UK).

- Nottingham is still the most deprived district in the region as measured by the Index of Multiple Deprivation.
- Nottingham has a strong economy in some sectors, but too many residents are disconnected from the benefits.
- Over 30% of the population lives in areas which rank amongst the 10% most deprived in England.
- The City unemployment rate is high: 6.3% against 3.8% in England and 3.7% in the East Midlands (July 2012)

The high proportion of lower income households in the City is reflected in the relatively high levels of deprivation. The Index of Multiple Deprivation (IMD) is a reflection of how the population experiences life across seven key domains: income, employment, health, education, barriers to housing and services, crime and the environment. Using this measure Nottingham City ranked as the 13th most deprived local authority in the country and 4th out of the eight Core Cities.⁴

Nottingham core city does have pockets of higher earning areas but is not unlike many other historical cities in having concentrations of lower-skilled workers living closer to the centre. Earnings and skill levels tend to increase the further away you get from the city centre. The city's economy can only develop if everyone benefits from the opportunities growth has to offer.

In terms of unemployment, the wider Nottingham economic area has the third lowest rate behind Bristol and Leeds. However, these figures also demonstrate the disparity between the city and its wider economic area, as analysis of just the core city area shows Nottingham as having a lower employment rate and higher levels of unemployment. This shows that, although the wider city economy is comparable to the other major cities, the core city area contains a disproportionate amount of the most deprived communities that are struggling to enter the labour market. This suggests that elements of its employment structure and the skills profile of its residents have made it particularly vulnerable, meaning that the city needs to restructure its economy in order to broaden its economic base.

Nottingham has a mixed economy with fewer than average manufacturing jobs and greater than average service sector jobs. In recent years the manufacturing sector has declined at a greater than average rate.

However, the science and technology sector is growing and we are one of six national 'Science Cities'. BioCity Nottingham, a groundbreaking healthcare and bioscience innovation and incubation centre, has fostered local start-ups and is now attracting inward investors and relocations. There are over 6,000 jobs in the creative industries, a sector with strong links to the universities. Computing and software is the largest and fastest growth area within this sector, and Nottingham is establishing a high profile in the development of computer games.

The City has seen an increasing number of business start-ups although rates remain comparatively low. However, this is likely to increase as jobs are lost in the public sector and people consider self-employment as an option. Business birth rates in Nottingham were relatively stable prior to 2008 and

⁴ England's eight largest city economies outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield

then declined sharply due to the recession to below the UK average. Prior to the recession, business failure rates fell across the core cities, but since 2008 they have increased sharply – at a higher rate in Nottingham than nationally.

Although business birth and business failure rates provide a partial picture of the changing business stock, how long a business survives can also provide an indication of the health of the local business community. Nottingham has the lowest one year business survival rate among the core cities, but the fourth highest five-year survival rate, suggesting a weakness in supporting companies through their early stages of development.

Despite the competitive strengths and opportunities Nottingham has to offer, many people remain cut off from them. The proportion of people of working age who are economically active is comparatively low. This disconnection of some City residents from the economic opportunities is evident in the characteristics of the labour market. For commuters, accessibility using public transport is good to the city centre and, increasingly, other key employment sites such as the two large hospitals, and the airport. However, there remain some parts of the City that are less well connected both to the city centre and to other neighbourhoods.

The level of satisfaction with ICT infrastructure varies, reflecting its increasing importance in some sectors. Provision of high speed broadband connectivity is still patchy across the city and cost of this remains an issue. Although this is the case throughout much of the UK, we are increasingly slipping behind other EU and international competitors.

The relatively weak performance of enterprise in some sectors has partly been because of poor infrastructure and the number of new businesses confining their plans to local, limited markets. The first part of the ERDF PA2 programme has begun to address provision of start-up space but this is still an issue.

Economic and continued employment growth will present a challenge to environmental sustainability. This will place increased pressure on the transport infrastructure. Business practices will have to become more environmentally sound, and local expertise in environmental technology (e.g. in the Universities) presents a significant opportunity.

The key challenge for the Local Investment Plan is to work in conjunction with other initiatives to ensure that those who suffer from economic exclusion are able to benefit from economic opportunities available in their localities. This will be addressed through programmes that will address the particular needs of communities in the areas of enterprise, access to finance and improved access to employment opportunities. The provision of match funding opportunities has significantly worsened since 2007, with recent packages such as the Regional Growth Fund (RGF) and Growing Place Fund not particularly well aligned with ERDF and very little local authority funding available.

4. Alignment with local and sub-regional plans

This plan is consistent with and aims to support the main objectives set out by local and sub-regional plans for economic development.

- Nottingham City Council Plan 2012-15
- The Nottingham Growth Plan
- Derby/Derbyshire/Nottingham/Nottinghamshire (D₂N₂) Local Enterprise Partnership

Alignment with Nottingham City Council Plan 2012-15

Priorities relevant to LIP:

- Cut unemployment by a quarter
- Nottingham is a good place to do business, invest and create jobs

The City Council Plan supports initiatives that encourage economic growth by attracting and retaining more business and investment, working with partners to deliver the priorities described in the Nottingham Plan to 2020, breaking the cycle of poverty and making sure local people benefit from the city's wealth. The Nottingham Plan was developed by partners in One Nottingham, our local communities, businesses and citizens. It sets out what Nottingham should look like in the future and how we can make it happen.

Alignment with the Nottingham Growth Plan

Priorities relevant to LIP:

The Nottingham Growth Plan, launched in July 2012, sets out a programme of measures to promote job creation and economic growth in the city over the next five to ten years.

Actions in the Growth Plan are focused around three areas:

- Fostering enterprise – including making available investment capital, technology grants and business rate support; assisting entrepreneurs with appropriate training and mentoring; working to generate investment and sales opportunities nationally and internationally.
- Developing a skilled workforce – includes ensuring the workforce has the right skills to meet the needs of emerging industries.
- Building a 21st century infrastructure – includes developing ultraband and wireless connectivity in the city; stimulating land development; creating hubs where emerging sector companies can grow alongside each other; expanding the green energy supply.

Alignment with D₂N₂ Local Enterprise Partnership

Priorities relevant to LIP:

D2N2 is the Local Enterprise Partnership (LEP) that includes the Nottingham area. It has defined four high level strategic priorities: Business Skills, Innovation, Finance and Infrastructure. It has also defined six areas of economic focus specific to the LEP geographical area:

- Transport equipment manufacturing
- Medical/Bio-science
- Food and drink manufacturing
- Construction
- Visitor economy
- Low carbon environmental goods and services

5. Priorities for investment

The Nottingham LIP will prioritise the following themes:

- **Enterprising and Innovative Neighbourhoods**
- **Connected Communities**
- **Quality Places**

Enterprising and Innovative Neighbourhoods

This theme will aim to encourage enterprise and innovation in the most deprived neighbourhoods.

Research on developing neighbourhood enterprise strategy found that start-ups had grown within the City of Nottingham, but these were not translating to an increase in sustainable businesses which could generate employment. Nottingham has a poor record of enterprise at this level, and particularly in its most disadvantaged communities.

In the initial part of the programme up to 2012 we have supported several projects including *Enterprise Ecologies* and *Shield*, both of which aim to stimulate enterprise in disadvantaged communities through targeted support for business ideas. The thrust of this approach is that differing types of areas are likely to experience different combinations of deprivation so that enterprise policy should be adapted accordingly. We have also supported projects by nationally recognised organisations like the Prince's Trust to deliver specific local programmes of business support.

The Local Investment Plan has helped to develop new and refurbished space for businesses to grow in disadvantaged areas of the city, for example through Nottinghamshire Business Venture's *Incubation and Networking Expansion*; and First Enterprise's *Centre for Enterprise*. This is a theme that we want to continue to prioritise, particularly where specialised facilities aimed at key sectors can provide added value for businesses to grow in a mutually supportive environment. This approach has worked particularly well in projects such as BioCity and in the first phase of Southglade Food Park (both supported under a previous ERDF programme).

Priorities for the second half of the programme will be broadly similar and include:

- Support for growth sectors including working with partners on the provision of workspace to create an effective ladder of accommodation (Indicative Action 2a-3, 2a-4)⁵
- Business incubation units in areas where these are needed (2a-4)
- Business support that targets disadvantaged areas appropriately. (2a-1, 2a-2, 2a-3, 2a-4, 2b-1, 2b-2)

⁵ Indicative Actions refer to the East Midlands Operational programme – more details are at the end of this section.

Connected Communities

The development of faster ICT connectivity for businesses in disadvantaged areas was a priority in the first half of the programme which led to the *Ultraband* project – an important pilot to promote enterprise and innovation activity as an integral part of regeneration. The availability of the most flexible and affordable ICT infrastructure combined with skilled people are key foundations for economic development. We will be closely monitoring the progress of the project to look for lessons and to see if it can be a model for further developments.

Although local projects came forward under the theme of physical accessibility, the type of projects which have been suggested so far have had difficulty meeting the eligibility criteria. In fact only one public transport related project was supported in the whole PA2 programme regionally, so, although we are still open to projects under this theme, we would need to look at any lessons we can learn.

Priorities for the second half of the programme will include:

- Further development of next generation connectivity to support SMEs in disadvantaged areas (2c-1)
- Travel initiatives where these can be shown to increase the competitiveness of disadvantaged areas (2c-1)

Quality Places

A major project to develop the Sneinton Market area (*Sneinton Gateway – People and Places*), linking up disadvantaged areas of the city with the city centre, improving pedestrian access and the public realm was supported in the first half of the programme.

Regeneration of disadvantaged areas, encouraging businesses to move in and grow, and supporting employment, is still a theme of the programme. This is, however, limited by the 'Lisbon' targets, which mean that a maximum of 23% of the programme can be spent on projects not providing direct 'business support' activities. There is still some flexibility left in the programme and this may mean that one further project under this theme could come forward.

Priorities include:

- Environmental improvements in key development areas (2d-1)

This table indicates how the priorities above will fit with the Operational Programme's Indicative Actions as well as the need and rationale for the priority.

Indicative Action (East Midlands Operational Programme)	Theme	Priority	Need & Rationale
2a-1: Enhanced enterprise and start-up initiatives including enterprise awareness coaching, mentoring provision and initiatives to support enterprise in target communities.	Enterprising & Innovative neighbourhoods	Growth sector enterprise support	Business ideas need support and advice especially at very early stages where they are at particular risk of not progressing. Disadvantaged areas often have strong entrepreneurial possibilities which can be supported through appropriate intervention.
2a-2: Bespoke business support initiatives for businesses and social enterprises to develop and enter new markets, including those concerned with waste minimisation, renewable energies and resource efficiency opportunities, including financial assistance and consultancy support.	Enterprising & Innovative neighbourhoods	Growth sector enterprise support	This was particularly supported by certain grants in the first part of the programme (e.g. Grants for Business Investment) which are no longer available. We will look into a possible replacement mechanism for this.
2a-3: Developing the capacity of local business and social enterprises to access local procurement opportunities	Enterprising & Innovative neighbourhoods	Growth sector enterprise support	Within the process of business support simplification, support will be available for local businesses, especially in accessing public procurement opportunities.
2a-4: Creation and refurbishment of premises, employment sites and small scale enterprise facilities	Enterprising & Innovative neighbourhoods	Growth sector workspace	The provision of low-cost premises for businesses in target areas is still essential to allow start-ups and developing businesses to establish themselves and grow.

Indicative Action	Theme	Priority	Need & Rationale
2b-1: Development and provision of appropriate financial instruments, including Community Development Finance Instruments (CDFI)	Enterprising & Innovative neighbourhoods	Growth sector enterprise support	This was particularly supported by certain grants in the first part of the programme which may no longer be available. We will look into a possible replacement mechanism for this.
2b-2: Access to finance and investor readiness support	Enterprising & Innovative neighbourhoods	Growth sector enterprise support	This was particularly supported by certain grants in the first part of the programme which may no longer be available. We will look into a possible replacement mechanism for this.
2c-1: Developing and improving access to employment opportunities, including local transport initiatives, connectivity (including ICT) and accessibility.	Connected communities	Improved access to employment for residents	Connectivity between areas of high unemployment and employment sites needs to be improved to help people in these areas access employment opportunities.
	Connected communities	Supporting the development of ICT connectivity	Improved ICT connectivity is becoming increasingly important for small businesses to grow.
2d-1: Rehabilitation and development of local environments to create more attractive places for communities and investors	Quality places	Improvement of the local environment to attract investment	Improvements to local environments can help attract investment from businesses and support employment in disadvantaged areas.

6. Support for the Operational Programme and indicative actions covered

The Nottingham LIP supports the East Midlands ERDF Competitiveness Operational Programme Priority Axis 2: ***Sustainable economic and enterprise activity in disadvantaged communities*** (see Appendix 2).

The ERDF intervention rate wouldn't usually exceed 62.72%, which means that match funding of at least 37.28% will support the programme. However, some projects may be supported at a higher ERDF rate as long as the overall programme does not exceed this.

In terms of Programme delivery, the aim is to provide fewer, more strategic investments; therefore larger projects that will achieve a greater impact are encouraged. However, smaller or pilot projects that can equally demonstrate a significant contribution to the objectives and results of Priority Axis 2 may also be considered. Each project will be evaluated on a case by case basis to identify those that can demonstrate significant contributions towards the objectives in this plan and in the Operational Programme at a reasonable cost.

A minimum of 77% of PA2 allocated funding for each District will be required to make a contribution to the Lisbon Jobs and Growth Agenda (see Appendix 1).

7. Process for selection of projects / recommendations for appraisal

In order to be eligible for assistance through the East Midlands 2007-13 ERDF Programme, all projects must:

- Deliver against the objectives of the ERDF Operational Programme;
- Form part of a Key Activity or Programme of Investment identified in the (regional) Investment Framework;
- As a general rule, be located within the programme area and demonstrate that the outputs will be delivered in, and impact on, the programme area;
- Identify expected outputs and results and provide details of clear and attainable targets;
- Demonstrate an additional and sustainable benefit to the socio-economic development of the area;
- Demonstrate acceptable value for money in terms of outputs/results and benefits returned on the investment;
- Have a sound funding package in place, identifying the recipient of the funds and the sources of match funding;
- Not duplicate existing activity (but could extend such activity) and must not be a substitute for existing or planned domestic expenditure;
- Undertake an options analysis to ensure their proposals are the best way of achieving the desired outputs/results;
- Demonstrate full consideration of the cross cutting themes of environmental sustainability and equalities at project design stage; and
- Demonstrate that they have fully considered procurement and state aid issues.

All projects (irrespective of Priority Axis or 'route to market') will be required to first submit an Outline Application form, and demonstrate they meet the core selection criteria given above along with the ERDF eligibility conditions. If this is approved, projects will then submit a full application.

Open bidding is preferred as it is the most transparent and accountable method, but we will consider limited bidding and non-competitive selection. These will only be used where an open bidding process would be unnecessary and inappropriate as a project could only be delivered by a restricted range of providers; or where open bidding has failed to produce an appropriate delivery body.

8. Contribution to programme outputs and results

All projects are expected to make some contribution to programme outputs and results. These are:

Outputs

- Businesses assisted to improve performance
- Public and private investment leveraged (€)
- Sq metres of new/upgraded floor space
- People assisted to start a business
- Brownfield land reclaimed or redeveloped (ha.)

Outputs are measurable activities expected to be achieved during the lifetime of the project.

Results

- Jobs created
- Businesses improving performance
- GVA from businesses improving performance (€)
- New businesses created and new businesses attracted to the region

Results are measurable activities that are expected to be achieved through project activity, but generally counted after the project has been completed.

9. Contribution to the Cross Cutting Themes

Equalities

The OP states that the principal objective of the Equalities CCT is:

- To reduce economic and social inequalities by ensuring that opportunities generated by the programme are available to everyone (regardless of their Gender, Disability, Race, Age, Sexual Orientation or Religion/Belief).

This cross cutting theme supports the aim of the Achieving Equality strand of the Regional Economic Strategy:

- To reduce economic inequalities and increase productivity by ensuring that everyone has the opportunity to contribute to and benefit from the region's sustainable economic growth.

All projects submitted for support through the Nottingham LIP will need to:

- Ensure the needs of all potential beneficiaries are considered at project design stage in order that the service is appropriately delivered;
- Ensure that community consultation is undertaken to ensure that the proposed project is designed to meet the needs of all;
- Ensure all communication mechanisms are accessible for all i.e. events, websites, promotional materials; and
- Ensure all physical regeneration i.e. new buildings and upgrading existing premises is subject to Inclusive Design Principles.

Environmental Sustainability

The OP states that the objective of the Environmental Sustainability (ES) CCT is:

- To minimise environmental and resource impact, respect environmental capacities, and maximise the potential for the environment as an economic driver.

All projects submitted for support through the Nottingham LIP will need to promote mitigation and adaptation approaches to climate change and contribute to a more resource efficient regional economy by:

- Minimising the need to travel, and where necessary, taking steps to minimise the environmental impact of travel & transport (including procurement measures which allow locally produced/sustainably sourced goods and services to compete on equivalent terms);
- Wherever practicable, Products/Programmes of Activity should, through the consumables they buy and use, seek to minimise environmental impact(s) and maximise cost savings through the efficient use of resources;
- Undertake to reduce, reuse, recycle or reclaim wastes and surplus materials wherever possible;
- Require subcontractors, and encourage clients and collaborators, to do the same; and
- Consider opportunities for related social and economic benefits (e.g. involvement of local groups/volunteers).

Projects involving capital investments in land and/or buildings should:

- Prioritise existing buildings and brownfield land as development sites (where local conditions permit);
- Achieve BREEAM “Excellent rating” for new build projects (unless site constraints or project objectives mean that this requirement conflicts with the obligation to achieve value for money) or BREEAM “Very Good rating” for refurbishment projects. Where alternative environmental assessment methods are used (E.g. EcoHomes, Code for Sustainable Homes) an equivalence rating should be achieved;
- Have regard to the conservation of biodiversity; and
- Incorporate climate change adaptation measures at design stage.

10. Governance and implementation

The Local Investment Plan will be managed by Nottingham City Council. A local commissioning group of members with remits and experience of economic and social regeneration work and enterprise knowledge will oversee the process. Organisations will be given opportunities to submit outline applications for projects at various points in the programme. Each outline application will be scored by two assessors in accordance with current guidelines. A quality threshold, based on scores that assess the project in relation to how well it fulfils ERDF criteria and outputs and addresses the key strategies of the LIP, needs to be reached for each outline application.

The commissioning group will then, depending on funding available, prioritise projects and make recommendations to invite organisations to submit full applications to be appraised by the regional ERDF team, under the Department for Communities and Local Government.

Outline applications are finally subject to initial due diligence checks by the regional ERDF team who will then formally invite organisations to submit full applications.

Full applications will be given additional scrutiny and further information is usually required from project applicants during this process. If projects are approved a contract is drawn up to agree the required outputs and payment schedules.

The East Midlands ERDF Competitiveness Programme is managed by a voluntary Local Management Committee (LMC) consisting of representatives of stakeholders including local authorities, universities and the third sector. The LMC has the final decision on project approvals and the strategic direction of the programme.

Appendix 1 – Lisbon Jobs and Growth Agenda

“Lisbon-eligible” activities (meeting the objectives of the Integrated Guidelines for Growth and Jobs) for Competitiveness and Employment Objective areas (ERDF/ESF 2007-13)

A minimum of 77% of the funds in PA2 have to be spent on the following types of project:

- R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology
- Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, postsecondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)
- Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
- Advanced support services for firms and groups of firms
- Assistance to SMEs for the promotion of environmentally friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)
- Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)
- Other investment in firms
- Other measures to stimulate research and innovation and entrepreneurship in SMEs

- ❖ More information on the Lisbon Jobs and Growth Agenda is available from http://ec.europa.eu/archives/growthandjobs_2009

Appendix 2 – East Midlands ERDF Competitiveness Operational Programme

This plan will support the following indicative actions of the Operational Programme:

2a) Enterprise Support:

2a-1 – Enhanced enterprise and start-up initiatives including enterprise awareness coaching, mentoring provision and initiatives to support enterprise in target communities.

2a-2 – Bespoke business support initiatives for businesses and social enterprises to develop and enter new markets, including those concerned with waste minimisation, renewable energies and resource efficiency opportunities, including financial assistance and consultancy support.

2a-3 – Developing the capacity of local businesses and social enterprises to access local procurement opportunities.

2a-4 – Creation and refurbishment of premises, employment sites and small scale enterprise facilities.

2b) Access to Finance

2b-1 – Development and provision of appropriate financial instruments, including Community Development Finance Instruments (CDFI)

2b-2 – Access to finance and investor readiness support

2c) Access to Resources and Support

2c-1 – Developing and improving access to employment opportunities, including local transport initiatives, connectivity (including ICT) and accessibility.

2d) Reviving Local Infrastructure and Environments

2d-1 – Rehabilitation and development of local environments to create more attractive places for communities and investors.

- ❖ More information on the East Midlands ERDF Competitiveness Operational Programme is available from www.eastmidlandserdf.org.uk

Appendix 3 – Additional rules for supporting premises for enterprises

The following rules apply to ERDF support for the development of premises for enterprises:

- i. the rent requested from the tenants should be at the prevailing market rate in the area;
- ii. Where it is proposed that there will be a mix of large firms and SMEs in occupation, there is a need to demonstrate how the presence of large firms will benefit the SME community and that there will be no State Aid or anti-competitiveness implications;
- iii. the premises should not be constructed to meet the specific requirements of a single user for the economic life time of the investment;
- iv. Productive activities which enable the creation or maintenance of permanent jobs are eligible as tenants. Non-productive activities, such as retail facilities or the provision of services to the public for payment, are ineligible;
- v. Demand within the programme area, in terms of size and type of premises, must be demonstrated either by evidence on market failure in the eligible area, full occupancy of similar units in the area or by enquiries from potential occupiers; and
- vi. It must be recognised, however, that it may be difficult to judge beforehand the type and size of companies that will move into the site. If the applicant is unable to give clear assurances, such factors as previous usage - if the site is being modernised, the facilities being made available and the type of location will need to be considered. This will need to be judged at the appraisal stage, but in many cases the outcome will need to be checked during monitoring.

It should also be noted that for projects over €1 million, revenue generation (e.g. from rental income) is taken into account and deducted from eligible ERDF.

Appendix 4 – State Aid implications

Where a project or scheme contains State Aid within the meaning of Article 87 of the EC Treaty, then appropriate legal cover is required. The European Commission has recently approved a new General Block Exemption Regulation and there are also a number of new areas where the Commission has judged aid to be compatible, without the need for approval, if a number of criteria are met.

- ❖ More information on the ERDF guidelines for enterprise premises and state aid is available from www.eastmidlandserdf.org.uk