



Department for
Communities and
Local Government



Building Foundations for Growth: Enterprise Zone Capital Grant Fund

Bidding Guidance

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1. Summary

The Enterprise Zones Capital Grant Fund is a £100 million fund being made available in the financial year 2014/2015 to accelerate development in Enterprise Zones.

To date, Enterprise Zones have been given the opportunity to access finance to unlock viable sites but this has been on a recoverable basis, e.g. through Growing Places Fund and Local Infrastructure Fund. However, Government recognises that some Enterprise Zone sites require direct grant support to make them commercially viable for development.

Unlike the recent Local Infrastructure Fund, this fund is available on a grant basis. It is available to support capital projects that will overcome barriers to Enterprise Zone development and in particular to overcome market failures that are preventing development on Enterprise Zone sites. Government in particular wishes to see practical ideas for using the funding to bring forward development in the short term whilst additionally providing financial sustainability in the long term for the Enterprise Zone.

The Enterprise Zone Grant Fund therefore provides an opportunity for Zones to bid for funds to unlock those sites that are being held back by market failure, but nonetheless have strong potential to deliver private investment and jobs in the short term.

2. Objectives

The aim of the Enterprise Zone Grant Fund is to accelerate delivery of projects and schemes within an Enterprise Zone.

Individual project proposals should:

- Address barriers identified within action plans;
- Tackle specific market failures that are holding back site development;
- Unlock sustainable private investment and employment within Enterprise Zones sites that would otherwise not see development before 2015;
- Provide value for money investment proposals that can be accelerated or scaled up;
- Provide evidence of demand for the site from both developers and occupiers;
- Claim and legally commit funding in 2014/15;
- Demonstrate physical progress by 2015; and
- Demonstrate long term financial sustainability with a clear understanding of risks.

3. Eligibility

The fund will operate in England and is only available to Government recognised Enterprise Zones (this includes London Royal Docks and the Liverpool City Enterprise Zones). Projects must be in the geographical boundaries of the Enterprise Zone.

Each Enterprise Zone can submit up to one project each. All bids must be submitted by the Local Enterprise Partnership and should demonstrate they have the support of all partners to the Enterprise Zone including key land owners. Private sector partners may not bid directly to the fund.

The bid should be led by the Local Enterprise Partnership and all grant funding must be claimed and legally committed by the accountable body in the financial year 2014/15. The proposed project is expected to start on site in 2014/15 or earlier, and be able to demonstrate achievement of agreed milestones by early 2015. Priority will be given to projects where there is confidence that rapid delivery will be achieved. Bidders will need to show how they are going to procure and contract the project.

A maximum of one project can be submitted per Zone – either a large or a small project. Zones may choose not to bid. Projects can cover multiple sites in an Enterprise Zone and will be defined as small or large on the basis of the amount of funding requested.

Bidders should consider the following when choosing the project to put forward:

- a) The proposed project will have a clear link to an identified barrier in the EZ action plan.
- b) Other funds (private, public, including European, or both) will be leveraged by the project, and there is confidence that the funding will be sufficient to trigger further private investment to deliver the site.
- c) Funding will produce tangible results in terms of infrastructure, buildings; or additional employment floorspace.
- d) There is a clear justification as to why the project needs grant funding and cannot be funded on an investment and return basis.
- e) Projects are ready to deliver with all necessary planning permissions in place. Projects will need to demonstrate they can get the necessary sign off in place and spend the money in 2014 / 15.
- f) Support from relevant LEP, Local Authorities and key parties such as land owner(s) is in place.
- g) There is suitable evidence of developer and occupier demand for the development in question.
- h) Projects must be financially sustainable and demonstrate how they help achieve long term commercial success for the Enterprise Zone.
- i) Bids must be State Aid compliant. It is the responsibility of bidders to ensure that proposed use of the grant funds are compliant with State Aid regulations.

Projects that are currently under due diligence for the Enterprise Zones Local Infrastructure Fund cannot be withdrawn and resubmitted to the Grant Fund. If they are they will not be considered.

4. Assessment process / criteria

Bids will be assessed by Government on the basis of the assessment criteria outlined below. In the event that there are more bids that meet the criteria than can be funded, priority will be given to those bids that demonstrate the best fit.

Government intends to focus the funding on a small number of larger strategic projects which will boost sites with significant growth potential.

Government will also make funding available to some smaller projects (costing between £1m and £5m each) where there is a clear case that this will be able to lead to development in the short term.

A larger project can be made up of a series of smaller projects, provided there is a clear rationale connecting these projects to unblock development. However, if a larger bid is unsuccessful, it does not follow that any of its component sub-projects will be considered for funding as a smaller project.

The assessment criteria to select successful projects are:

- a) Rationale – the need to demonstrate clear market failure as defined in HM Treasury’s Green Book¹.
- b) Deliverability – the ability to achieve development activity pre 2015.
- c) Strategic fit - the fit with overall LEP / area ambitions.
- d) Private investment leverage - the amount of funding that private partners will commit as a result of the funding
- e) Value for money - the outputs delivered for public costs.
- f) Sufficiency - the ability of the project to be delivered in full without the need for further public support.
- g) Demand - the evidence of demand for the project from developers and future occupiers.
- h) Affordability – the project is financially secure in the short term and financially sustainable in the longer term.

5. Examples of projects that could be awarded Grant Funding

Government is not restricting the specific type of funded activity on the Zone which can be put forward as part of grant applications, aside from them being for capital works. However, Government does expect that all projects will tackle market failure. The type of projects going should address one or more of the following:

- Abnormal costs (e.g. site remediation).
- Public infrastructure costs.
- Land assembly.

¹ Market failures are typically defined in terms of public goods, externalities, imperfect information and market power. See Annex I of https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf for a full description of market failures.

6. Monitoring

Funding recipients will need to be confident the project will deliver on time. Funds will be provided to successful bidders on a grant basis. The money will be paid in instalments through a Section 31 Grant Determination of the Local Government Act 2003 to the nominated accountable body. Government will release each instalment only on the basis of an agreed financial profile and satisfactory progress being made against milestones.

Should Government assess there to be insufficient progress against agreed milestones, Government may decide to withdraw funding instalments. No funding is available after 31 March 2015.

Funding recipients will need to submit regular updates on progress including an update on spend through the Enterprise Zone quarterly monitoring return.

7. Documentation to be submitted

Bidders must complete the '*Building Foundations for Growth*' Application Form template, highlighting how the bid meets the criteria.

Initial applications should also include a signed letter from the Chief Executive or Chief Finance Officer of accountable body who will receive the funding.

8. Timing

The closing date for submitting bids is 5pm on the **18th of November 2013**. Bids should be submitted by email to EnterpriseZones@communities.gsi.gov.uk.

Government expects to announce shortlisted successful bids before January 2014, with grant payments beginning in April 2014.

Successful shortlisted bids will be required to work with their DCLG contacts to develop a full business case which will require DCLG and (for larger projects) HMT approval before grant funding is paid out.

9. Contact

To discuss prospective bids, please contact your usual DCLG Enterprise Zone area lead. Alternatively, queries can be emailed to EnterpriseZones@communities.gsi.gov.uk.