



dti

REGIONAL INVESTMENT

Developing your business
through regional grants
and other support



The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK.

We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

Strong regions play a vital part in the UK's economic success. To help each achieve its full potential, the Government supports a range of regional development programmes. DTI's business support underpins this by encouraging beneficial investment projects in Assisted Areas.

What's the role of the DTI?

While businesses make their own success, government support can help you meet some of the challenges you face. The business support provided by the DTI is designed to help you become more competitive and profitable.

Strong regional economic performance is vital to the UK's economic success. To help each region achieve its full potential, the Government supports a range of regional development programmes. Encouraging beneficial investment projects in Assisted Areas is a key part of this support.

The DTI is closely involved in regional development and works alongside Regional Development Agencies, Business Link and other key national and regional organisations.

This guide will tell you more about the regional business support that is available through the DTI. It'll also show you how other businesses have benefited.

To contact your local Regional Development Agency, or to speak to a Business Link adviser, please see 'How can I find out more' at the end of this brochure.

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The key is to build on the existing strengths of the regions, while addressing their weaknesses.

What's the aim of Regional Development?

Regional Development is about improving the economic performance of all the English regions and to reduce the persistent gap in growth rates between regions.

Strong regions play a vital part in the UK's overall economic success. However, the productivity of different regions varies widely, so assisting under-performing regions can lead to significant benefits.

For example, if the six least productive regions in England improved their performance to the national average, the average person in the UK would be around £1,000 a year better off.*

Disparities within regions can be as great as those between regions. The key is to build on the existing strengths of the regions, while addressing their weaknesses. In particular, regional productivity is driven by five main factors: skills, investment, innovation, enterprise and competition. Less productive regions tend to face difficulties in several, or sometimes all, of these areas.

Additionally, the factors affecting regional productivity are frequently linked. For example, a region's inability to develop or retain skilled people can impact negatively on business start-ups and expansions. This, in turn, can affect innovation, enterprise and overall competitiveness.

Regional Development focuses on these obstacles to productivity by supporting business growth and new investment.

* Source: Productivity in the UK 3 – The Regional Dimension. HMT/DTI Nov, 2001.

What are Assisted Areas?

These are areas of the English regions that have relatively low levels of economic activity and high and persistent unemployment.

This is often as a result of the decline in traditional manufacturing industries. Assisted areas can be found in all regions of England.

These areas have the potential to benefit from new investment and employment opportunities.

Businesses looking to invest in these areas can receive financial support from DTI through Selective Finance for Investment. The greater the Assisted Area's gains in productivity and skills, the higher the support that may be offered. A list of the Assisted Areas can be found on pages 18 and 19.



What is Selective Finance for Investment in England?

Selective Finance for Investment in England is designed for businesses that are looking at the possibility of investing in an Assisted Area, but need financial help to go ahead.

Support, which is discretionary, normally takes the form of a grant, or occasionally a loan.

This support helps fund new investment projects that lead to long-term improvements in productivity, skills and employment.

To qualify, investment projects must meet certain criteria (these are explained on pages 10 and 11). There is a minimum threshold for applications of £10,000 grant.

Financial support is available to businesses of all sizes located, or planning to locate, in an Assisted Area.

The majority of cases are appraised by the RDAs but a few, because of their size, are appraised by the DTI in London.

To help each region achieve its full potential, the Government supports a range of regional development programmes.

What types of investment projects are supported?

Selective Finance for Investment in England supports investment projects in Assisted Areas that wouldn't otherwise happen. The financial support provided can be used for:

- launching a new business
- modernising, expanding or reorganising your existing business
- upgrading your business: introducing technological, or other innovatory improvements into your manufacturing or other business processes
- taking a new product, service or process from the development stage to production

These examples show how other businesses have benefited from support.

Example 1

An international company manufacturing roller chains and power transmission products has continued to expand its business after being awarded support of £90,000. The business plans to invest almost £1 million over the next three years, installing new assembly machines and extending the existing factory. This investment will establish new facilities that will meet the needs of key customers. In addition to the 34 staff employed at the site, the new investment will create a further 21 full time jobs.

The Government is looking for high quality new investment, in services or manufacturing, to lift regional economic performance.

Example 2

An unprofitable book manufacturing company was using outdated equipment located in a collection of old buildings. It was awarded support of £550,000 to redevelop its main factory and purchase new plant and machinery. This allowed the business to improve manufacturing, productivity and efficiency throughout the factory.

The business is now an extremely successful printing operation. In July 2002 it was recognised as 'Turnaround Company of the Year', an award sponsored by the British Printing Industry Federation.

As part of the package to fund the redevelopment, it sold its old warehouse to a housing developer. Not only were 156 jobs safeguarded, but the project also provided much needed urban regeneration and social housing.

Example 3

One of the UK's largest kitchen worktop manufacturers was forced to look for premises when its site was earmarked for redevelopment. The business took this as an opportunity to accelerate its expansion plans. It was awarded support of £150,000, against capital expenditure of £1,650,000. This allowed the business to purchase land and construct a purpose-built facility, which is designed to meet its current and future needs. As a result of the project, 26 jobs were safeguarded and a further six were created.

Example 4

A UK-based, American-owned research company was awarded support of £2.4 million, allowing a major expansion of its plant. This included a £16 million investment in a new drug discovery research facility. The investment was secured just five months after they began looking for a site to expand. Throughout the project the local Regional Development Agency worked closely with the business on both sides of the Atlantic. The project has now been completed successfully, creating 146 high-tech and high-value jobs.

Example 5

A rapidly expanding internet and telephone-based insurance company was offered support of £1,300,000 in April 2003 to establish a claims and customer contact centre in Manchester. The project is forecast to create 650 new jobs. Without support, the contact centre would have been located overseas.

Example 6

A leading UK confectionery manufacturer received support when investing £8.5 million to redevelop and expand its production site. Upon completion in 2005, this investment project will safeguard 190 existing jobs and create 59 new ones.

Does my investment project qualify for support?

Support is available for businesses investing in manufacturing, as well as businesses in service industries that supply a national rather than local market. Applicants can be companies, partnerships or sole traders. If you apply, your investment project will be assessed against the following criteria:

The location of your project

Your project must be located in an Assisted Area. If you're not sure whether this is the case, please contact your nearest Regional Development Agency or Business Link.

Your need for financial support

Your project must require financial support in order to go ahead as planned. This may also be to reduce the risks associated with the project, or to influence the location of a project in an Assisted Area.

Financial support may also be needed to secure parent company or shareholder approval, allowing the project to meet established investment criteria. Each case is considered on its own merits.

Whether you have made any prior commitment

You should not have made any irrevocable commitment to the project prior to your application; otherwise there will be difficulty in establishing a need for support. Project appraisal must have been completed and a formal offer of support made before you enter into a commitment to go ahead with the project.

The nature and eligibility of your investment

Your project must involve capital expenditure on fixed assets, such as property, plant and machinery. These assets can be purchased outright or by using lease finance or hire purchase. Some property leases may also be eligible. Certain non-recurring costs may also qualify, for example patent rights and professional fees.

The working capital spent on a project does not directly qualify, but may be taken into account when determining the need for support. If support is to be assessed on the basis of new jobs created, eligible expenditure is two years' gross wages.

Your project will be monitored for a minimum of five years through to completion of the investment and beyond to ensure the conditions of the offer have been met.

The type of jobs created or secured

Your project must create new jobs or safeguard existing employment if you are seeking support of £100,000 or more. The more your project increases skills and involves investment in the skills base, the more value will be placed on this criterion when considering support.

Whether your project is viable, competitive and profitable

Your project should be viable and help your business become more competitive. Projects are usually expected to become profitable within three years.

The wider impact of your project will also be assessed, particularly its likely effect on existing businesses in that area and the economy as a whole.

The quality of your project

It is intended that the majority of support should be focused on high-quality, innovative, knowledge-based projects that provide skilled jobs.

Apart from a small proportion of cases that have significant employment benefits, the emphasis is on raising productivity and improvement in the skills base.

Productivity growth will be measured on the basis of Gross Value Added per full time employee and benchmarked against the sector and national averages.

In terms of improving skills, projects will be expected to provide the majority of jobs at NVQ level 2 and above.



The regional and national benefits

Your project should contribute positive benefits to both the regional and national economy. Applications will be assessed for their impact on existing investment within and outside the region.

What else do I need to know?

While the scope for supporting new business investment is broad based, some specific restrictions apply.

What other funding must I find for my project?

The greater part of your project's funding should be provided by your business or come from the private sector. This could include, for example, bank borrowing, hire purchase or lease finance. It may also include equity or loan finance from existing or new shareholders in your business, as well as loans from other organisations and institutions.

Additional public sector financial support may also be available for your project, for example from English Partnerships, Learning and Skills Councils or your local authority. For more information about other public sector support please see pages 14 and 15.

Other finance from public sector sources will be cumulated with Selective Finance for Investment in England support to ensure that the total value of aid for your project complies with European Commission regional aid limits.

What type of project doesn't qualify?

The European Commission restricts aid to certain sectors such as iron and steel, coal, synthetic fibres, vehicles, and agriculture and fisheries.

Similarly, support is not available for projects in sectors of the economy that are already fully served, as this will lead to overcapacity, damaging productivity. Projects which simply transfer jobs from one part of the country to another with no significant increase in employment or growth in output are also ineligible for support. However, projects that deliver new technology and processes to these sectors may be considered on a case-by-case basis.

Support is not available for projects that are likely to lead to displacement of similar employment already present in the Assisted Area. Projects involving local services, for example retail outlets or restaurants, would be considered ineligible for support.

For larger projects, the potential displacement of employment will be considered at a national level.

To ensure your project qualifies, you will need to provide information regarding the size of your market and your existing and expected market share. You will also be asked for details of your main customers and competitors, including their locations.

How much financial support will I receive?

If your application is successful, the amount of support you will be awarded will depend on the specific needs of your project. The minimum grant that can be applied for is £10,000.

Levels of support can be significant and depend on the quality of the project and its impact on productivity and skills. Successful businesses typically receive around 10% -15% of a project's total eligible capital expenditure but support can vary widely either side of these figures depending on the need and quality of the project.

Higher aid ceilings may be available for small to medium sized businesses, see page 18.

Funds are normally payable in instalments on reaching fixed capital expenditure and job targets, which are set out in a formal offer of support. These targets are agreed with you during the appraisal of your application and are usually arranged to coincide with the project's anticipated progress.

Who makes the decision and how long will it take?

Regional Development Agencies administer Selective Finance for Investment in the English regions, including assessing the majority of applications and awarding support. Some larger projects will be assessed by the DTI, in London.

You should receive a decision within 30 days, provided your application is fully completed and accompanied by all the relevant supporting and financial information. Larger and



more complex cases may take longer to assess, but we will aim to take account of your project's needs.

Your application will be handled by an Appraisal Officer who may wish to visit your project's location and discuss your application with you.

At this stage, other Government Departments may be asked to provide advice on your application. For example, checks may be made at Companies House and with the Insolvency service. We may also share information as required with the European Commission.

If your application is successful, you will be allocated a Monitoring Officer from your local Regional Development Agency, who will advise you on the procedures for claiming your instalment payments.

What other help might be available?

In addition to Selective Finance for Investment in England, there are other sources of help available if you are looking to invest in an Assisted Area. These include:

Regional Development Agencies (RDAs)

The role of RDAs is to drive and co-ordinate regional economic development in England. In particular, they aim to improve competitiveness and reduce the imbalances that exist within and between regions.

RDAs have five statutory purposes:

- to further economic development and regeneration
- to promote business efficiency, investment and competitiveness
- to promote employment
- to enhance the development and application of skills relevant to employment
- to contribute to sustainable development.

Contacts for the RDAs are given at the end of this brochure.

English Partnerships

English Partnerships is the Government's national regeneration agency. Its aim is to deliver high quality, sustainable growth in England.

It does this by developing a portfolio of strategic sites and acting as the Government's specialist advisor on brownfield land. It also ensures that surplus public sector assets are used to support wider government objectives, especially those contained in the Sustainable Communities Plan.

English Partnerships helps to create communities where people can afford to live and want to live, and supports the urban renaissance by improving the quality of our towns and cities.

For more information about English Partnerships and its projects and programmes in your area, visit www.englishpartnerships.co.uk.

The Learning and Skills Council

The Learning and Skills Council funds training for people over the age of 16. This support covers training up to, but not including, higher education level.

The Council has a National Office, along with 47 local Learning and Skills Councils. These are organised into nine regions, in line with RDA boundaries.

Funding is paid to employers and training providers by local Learning and Skills Councils. Alternatively, the National Contracts Service works with large, national companies.

Your Local Learning and Skills Council can help you with your training and funding needs (subject to annual budgetary constraints).

For more information or to contact the Learning and Skills Council, the National Contracts Service or your local Council, visit www.lsc.gov.uk

Small Firms Loan Guarantee (SFLG)

The Small Firms Loan Guarantee also helps small to medium sized businesses that need to raise finance. For more information about SFLG, please visit www.dti.gov.uk/sflg



Regional Venture Capital Funds (RVCFs)

RVCFs have been set up to address the 'equity gap' encountered by many small to medium sized businesses that are looking for venture capital investment of up to £500,000.

Experienced venture capital professionals manage the RVCFs, on fully commercial terms. A Fund is operational in each of the nine English Regions with a total of £250.5 million available across the nine funds.

More information about the RVCFs can be found at www.businesslink.gov.uk/regional-venture-capital-fund

How can I find out more?

There are a number of bodies in the regions offering help and advice to business.

Smaller businesses should contact their local Business Link, where an adviser can guide you through the various support available, and help you implement the right solution for your business.

- To locate your nearest Business Link office call 0845 600 9 006
- Visit the Business Link website at **www.businesslink.gov.uk**

Business Link is a national business advice service backed by the DTI, which exists to provide businesses with quick and easy access to the advice, information and support they need to help them achieve their goals.

Larger businesses, or those specifically interested in the Selective Finance for Investment product may want to approach their local RDA directly.

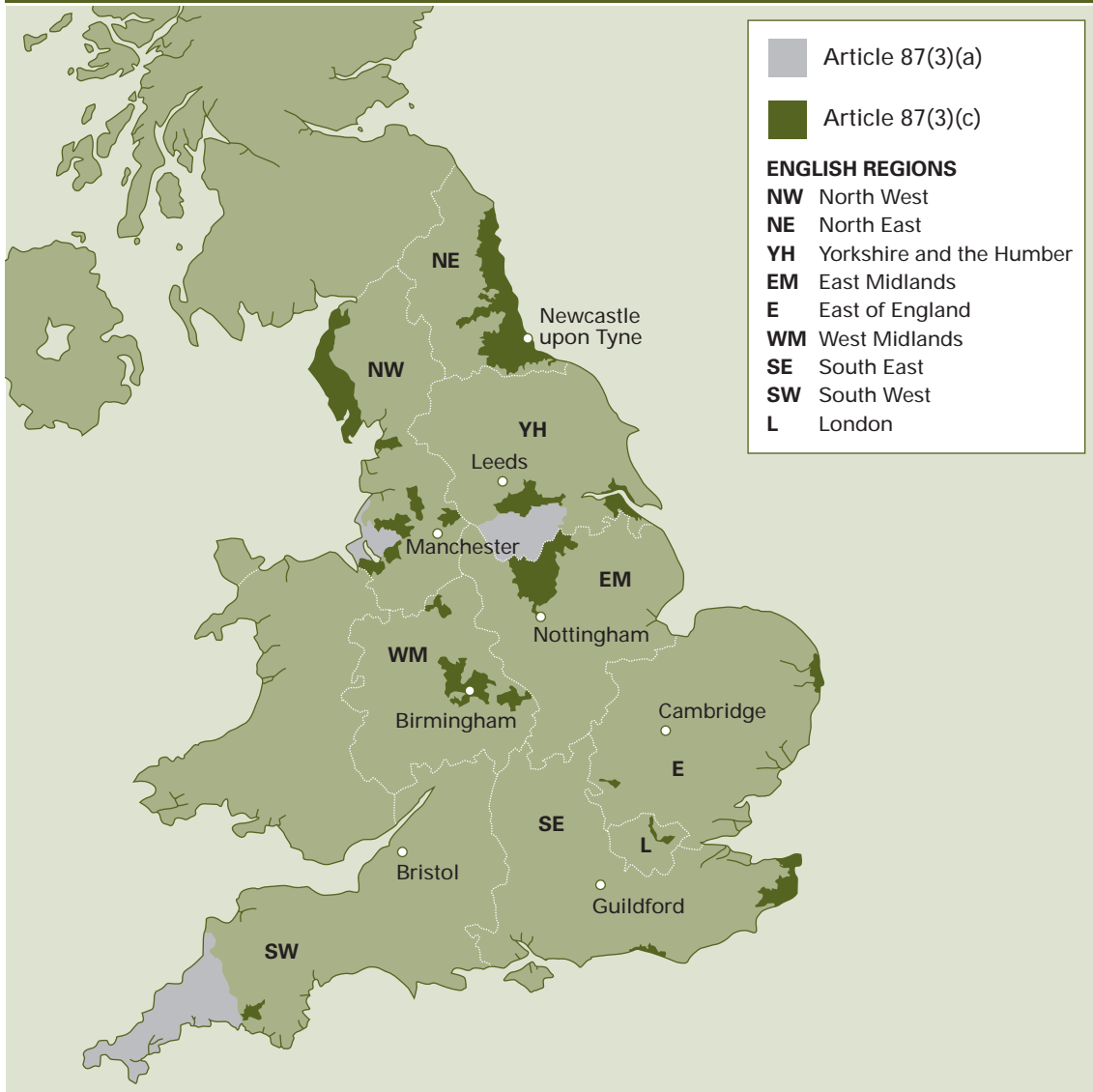
- Information about this and other DTI business support products is also available at **www.dti.gov.uk**, or on 020 7215 5000.



Regional Development Agency (RDA) contact details

Region	Contact details
East England	East of England Development Agency The Business Centre Station Road, Histon, Cambridgeshire CB4 9LQ Tel: 01223 713900 Web: www.eeda.org.uk
East Midlands	East Midlands Development Agency Apex Court, City Link, Nottingham NG2 4LA Tel: 0115 988 8300 Web: www.emda.org.uk
London	London Development Agency Devon House 58-60 St Katherine's Way, London E1W 1JX Tel: 020 7680 2000 Web: www.lda.gov.uk
North East	One North East Stella House, Goldcrest Way, Newburn Riverside Newcastle Upon Tyne NE15 8NY Tel: 0191 229 6200 Web: www.onenortheast.co.uk
North West	North West Development Agency PO Box 37, Renaissance House, Centre Park, Warrington, Cheshire WA1 1XB Tel: 01925 400100 Web: www.nwda.co.uk
South East	South East of England Development Agency Cross Lanes, Guildford GU1 1YA Tel: 01483 484 200 Web: www.seeda.co.uk
South West	South West of England Regional Development Agency North Quay House, Sutton Harbour, Plymouth PL4 0RA Tel: 01752 251071 Web: www.southwestrda.org.uk
West Midlands	Advantage West Midlands 3 Priestley Wharf, Holt Street, Aston Science Park, Birmingham B7 4BN Tel: 0121 380 3500 Web: www.advantagewm.co.uk
Yorkshire	Yorkshire Forward Victoria House, 2 Victoria Place, Leeds LS11 5AE Tel: 0113 3949 600 Web: www.yorkshire-forward.com

Selective Finance for Investment areas in English regions 2000-06



Article 87(3)(a) Aid ceilings in England

	Aid ceiling
Cornwall and the Isles of Scilly	35%
Merseyside	35%
South Yorkshire	35%

Note:

SMEs with projects that meet the criteria of the scheme may be entitled to a supplement in addition to the ceilings above and opposite.

Article 87(3)(c) Aid ceilings in England

Region	1991 Counties	1991 Districts	Aid ceiling
East of England	Bedfordshire	Luton, South Bedfordshire	15%
	Norfolk	Great Yarmouth	15%
	Suffolk	Waveney	15%
East Midlands	Derbyshire	Amber Valley, Bolsover, Chesterfield, North East Derbyshire	15%
	Lincolnshire	West Lindsey	15%
	Nottinghamshire	Ashfield, Bassetlaw, Nottingham	15%
		Gedling, Mansfield, Newark and Sherwood	20%
London	Greater London	Barking and Dagenham, Bexley, Enfield, Greenwich, Hackney, Haringey, Havering, Newham, Tower Hamlets, Waltham Forest	10%
North East	Cleveland	Hartlepool, Langbaugh-on-Tees, Middlesbrough, Stockton-on-Tees	20%
		Chester-le-Street, Derwentside, Durham, Easington, Teesdale, Wear Valley	20%
	Durham	Darlington, Sedgfield	15%
		Alnwick	15%
	Northumberland	Blyth Valley, Castle Morpeth, Wansbeck	20%
		Tyne and Wear	Gateshead, Newcastle upon Tyne, North Tyneside, South Tyneside, Sunderland
North West	Cheshire	Chester, Ellesmere Port and Neston, Halton, Vale Royal, Warrington	15%
	Cumbria	Allerdale, Barrow-in-Furness, Copeland, South Lakeland	20%
	Greater Manchester	Bolton, Manchester, Oldham, Rochdale, Salford, Tameside, Trafford	15%
		Wigan	20%
	Lancashire	Blackburn, Lancaster	15%
		West Lancashire	20%
South East	East Sussex	Brighton, Hove, Lewes	15%
	Kent	Dover, Shepway	15%
		Thanet	20%
	West Sussex	Adur	10%
South West	Devon	Plymouth, South Hams	15%
West Midlands	Hereford and Worcester	Bromsgrove	20%
	Staffordshire	Cannock Chase, Lichfield, Newcastle-under-Lyme, Stafford, Stoke-on-Trent	15%
		South Staffordshire	20%
	Warwickshire	North Warwickshire, Nuneaton and Bedworth, Rugby	10%
	West Midlands Met. County	Birmingham, Wolverhampton	20%
		Coventry, Dudley, Sandwell, Solihull, Walsall	15%
Yorkshire and Humber	Humberside	Boothferry, Cleethorpes, East Yorkshire Borough of Beverley, Glanford, Great Grimsby, Holderness, Kingston-upon-Hull	15%
	North Yorkshire	Selby	15%
	West Yorkshire	Wakefield	15%

The DTI's Business Support Solutions: practical help for your business

The solutions outlined in this brochure are part of the DTI's range of tailored business support. They are designed to meet different stages of your business's development and growth. They are easy to access and use.

The solutions, listed below, are grouped into four themes reflecting the areas in which your business is most likely to need help: innovation, best practice, raising finance and regional financial support.

Information can be obtained from the contacts on page 16, or on line at www.dti.gov.uk/bss or at www.businesslink.gov.uk

Succeeding through innovation			
The product	Who is it for?	What does it provide?	Notes
Knowledge Transfer Networks	All businesses that want to grow by exploiting technology.	A grant to an intermediary to set up a network in a priority technology area, bringing together businesses, universities and others with an interest in technology applications.	1
Collaborative Research and Development	All UK-based businesses wishing to exploit technology.	Funding for collaborative R&D projects between businesses, universities and other potential collaborators.	1
Grant for Investigating an Innovative Idea	Small businesses wishing to exploit an innovative idea.	Reimbursed consultancy to help businesses get advice on the steps needed to implement their ideas.	2
Grant for Research and Development	Small businesses with an innovative product or technology.	A grant to help businesses carry out R&D that could lead to a technologically innovative product or process.	2
Knowledge Transfer Partnerships	All businesses who need expert help to innovate.	A grant to cover part of the cost of using a person to transfer and embed knowledge into a business from the UK knowledge base via a strategic project.	

Achieving best practice in your business

The product	Who is it for?	What does it provide?	Notes
Access to Best Business Practice	All businesses wishing to find out how to improve their performance through better ways of working	Materials on best practice, networking events, organised visits to businesses successfully implementing best practice	
Support to Implement Best Business Practice	Small businesses wanting practical help in implementing best practice. (Also open to larger firms for certain projects.)	A free diagnostic run by a Business Link adviser, with subsidised consultancy for selected projects	2

Raising finance

The product	Who is it for?	What does it provide?	Notes
Small Firms Loan Guarantee	Small businesses with viable proposals unable to obtain conventional loans because of a lack of security	A government guarantee covering 75% of the loan, encouraging commercial lenders to provide loans to businesses lacking security. Borrowers pay DTI a premium of 2% pa in return for the guarantee	3

Regional investment

The product	Who is it for?	What does it provide?	Notes
Selective Finance for Investment in England	All businesses located in or considering relocating to one of the 'Assisted Areas'	A grant towards a project's capital cost, subject to criteria on productivity, job numbers and quality, and need.	2

Notes:

- 1 The DTI is delivering the Technology Strategy and Programme through these products. Applications can only be made in the priority technology areas specified by the Strategy. More details are available at www.dti.gov.uk/technologyprogramme
- 2 Available in England only. In many cases similar schemes are offered by the appropriate organisations in Scotland, Wales and Northern Ireland. All other solutions are UK-wide.
- 3 The DTI also funds various programmes to provide SMEs with better access to venture capital.



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