

Advancing Manufacturing Challenge Fund

Guidance for Applicants

May 2020

1.0 Important Information

The 2014-2020 European Regional Development Fund (ERDF) programme is structured around specific themes known as Strategic Interventions, administered by Lead Partners. On behalf of Scottish Government and Highlands and Islands Enterprise, Scottish Enterprise is the Lead Partner for the Innovation Challenge Funds Strategic Intervention and the mechanism for delivery is the Scottish Programme for Research, Innovation and Technology Eco-System (SPRITE). The overall aim of SPRITE is to improve the innovation performance of Scotland's Small and Medium-sized Enterprises (SMEs) and stimulate greater coordination between stakeholders and partner organisations to help businesses capitalise on new economic and public-sector innovation opportunities. Programme activities will focus on competitive Challenge Funds and procurement of Cluster-Building Services.

The Advancing Manufacturing Challenge Fund (AMCF) is one of the competitive Challenge Funds being delivered through SPRITE and ERDF funding will be distributed, on a competitive basis, to projects delivered in Scotland. The eligibility criteria, guidance and application process will be reviewed periodically and, therefore, may be subject to change. The Applicant should make sure that they refer to the most up to date guidance at the time of application. This guidance is available at www.scottish-enterprise.com/AMCF.

The AMCF can contribute up to 50% of the eligible costs of each project delivered in the Lowland & Upland Scotland area (LUPs), and up to 70% in the Highlands & Islands (HI) area. The intervention rate applicable will depend on where project activities take place. The Applicant can refer to the European Commission's [map](#) to determine the geographical classification for their project.

The balance of funding required to deliver the project (usually referred to as match funding) must be found by Applicants from other sources, which must **NOT** include any other EU funding. Match funding must be in the form of a direct cash contribution and/or expenditure incurred e.g. actual costs for the procurement of capital equipment and/or direct staff costs. Match funding cannot be linked to the achievement of outputs for other projects and activities.

Funding decisions will be based on factors including, but not limited to, (i) the availability of ERDF funding, (ii) how well the project matches the AMCF priorities, (iii) the project's contribution to AMCF outcomes and (iv) our assessment of deliverability against the European Structural Investment Fund (ESIF) [National Rules on Eligibility of Expenditure](#) (referred to as National Rules) and AMCF timescales. Scottish Enterprise reserves the right not to award any support at all under this programme.

The rules governing the ERDF programme are set out within the ESIF [National Rules](#), [State Aid Guidance](#), [State Aid Rules](#) and [Publicity Requirements](#). The European Union (EU) and the Scottish Government reserve the right to amend these National Rules.

2.0 Data Protection

Any personal data provided in the application will be processed by Scottish Enterprise in accordance with Data Protection Laws and held in accordance with Scottish Enterprise's privacy notice, which can be found at <https://www.scottish-enterprise.com/help/privacy-notice>. Individuals can also use this link to find information on their rights in respect of the personal data we hold.

The information provided in the application forms may be shared and used by Scottish Enterprise, The Scottish Government, Highlands and Islands Enterprise and other associated bodies such as; local delivery organisations, consultants and agents collectively referred to as 'the Agencies', to assess suitability for support. If the application is successful, the Agencies will use the information provided in the application form for administration and management purposes, including carrying out appropriate checks and audits. Some information may also be passed to independent auditors, the European Commission or its agents for administrative purposes.

The transfer of personal data between the Applicant and Scottish Enterprise is on a Controller to Controller basis. Scottish Enterprise and the Applicant shall each comply with their respective obligations under Data Protection Laws. The Applicant will be responsible for ensuring that all collaborative partners (if applicable) ensure that relevant staff are provided with appropriate privacy notices informing them that their employment information may be shared.

Where the Applicant discloses personal data to Scottish Enterprise in relation to this application, such disclosure must be fair, transparent and lawful and not contravene Data Protection Laws.

Applicants should note that the rules governing the ERDF programme require the provision of personal data to evidence staff costs and meet the eligibility criteria for a claim. Applicants should consider the eligibility criteria set out in the [National Rules](#) when applying for funding.

Please note that all links within this guidance document are considered accurate as at the date of publication but that we take no responsibility for the accuracy or compliance of third party links.

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3.0 The Advancing Manufacturing Challenge Fund (AMCF)

The AMCF aims to create a national network of regionally-based initiatives to stimulate and improve the innovation performance of small and medium-sized enterprises (SMEs). It will complement the new National Manufacturing Institute for Scotland (NMIS) by providing local access to complementary support and services. This will ensure that SMEs are positioned to fully capitalise on advancing manufacturing opportunities presented by this national resource irrespective of location, ultimately improving productivity and helping to create sustainable growth.

Up to £14m of grant funding is currently available, with scope to increase the funds to £18m depending on the level of demand. Grant funding will be awarded on a competitive basis, to public, academic and/or third sector organisations looking to:

- support Scottish businesses in identifying solutions to common challenges and to take advantage of growth opportunities;
- provide individual SMEs with access to support for projects identified within their business plan, develop new partnerships, access knowledge and enhance skills, build their capacity for innovation and collaboration, helping address current challenges and develop market opportunities; and
- make it as easy as possible for SMEs to access knowledge and skills support in relation to technology adoption supporting them to become more innovative as a result.

Projects must be of a scale and level of ambition to have a significant impact on advancing the manufacturing capabilities of SMEs within Scotland and lead to long-term transformational change. ERDF funding is conditional on projects providing SMEs with access to services and/or equipment free of charge.

Applicants should consider carefully how their project might connect with, and enhance, the work and services provided by [NMIS](#), [Innovation Centres](#), Local Authorities, Regional Partners, Scottish Enterprise and/or Highlands and Islands Enterprise.

3.1 [Themes](#)

The AMCF is consistent with the Scottish Government's manufacturing policy which aims to boost productivity among manufacturing firms including through the stimulation of innovation and investment to help firms compete globally.

AMCF projects should contribute towards one or more of the following themes:

- [Re-invent the workforce](#)
 - developing and encouraging SME leaders and/or senior management to take proactive steps to develop a culture that 'future-proof's' their business by focusing on the other themes listed below. For example: by investing in new manufacturing processes and improving manufacturing performance; increasing the capacity and diversity of the workforce; creating a culture of continuous learning to foster innovation and creativity within the business and making the manufacturing industry an attractive career choice for all, in particular, women and young people.

- Adoption
 - of new technology and processes, including investment in SMART Manufacturing and progress towards Industry 4.0, which is defined as “*the integration of digital based technologies and platforms that connect-up the product, people, plant, business and supply chain together, to create intelligent and proactive manufacturing systems that create value for the organisation*”.
- Innovation
 - supporting SMEs to invest in the development of new products, services and/or processes to the market or to the firm
 - improving energy efficiency and decarbonising the industry
 - increasing Business Expenditure on Research and Development (BERD)
- Supply chains
 - strengthening existing supply chains
 - identifying new opportunities e.g. circular economy, blockchain technology
- Encourage growth
 - increasing productivity, expanding into new markets, exporting opportunities, attracting foreign direct investment

3.2 Horizontal Themes

Horizontal Themes have been set by the ERDF and Applicants are required to demonstrate and measure:

- how they will promote sustainable development through the work of the project
- positive approaches to equal opportunities and non-discrimination
- equality between men and women

For example:

- raising awareness of the business benefits from implementing inclusive and sustainable approaches
- providing SMEs with information about the Scottish Business Pledge
- encouraging more businesses to adopt fair work practices e.g. all jobs created and/or safeguarded as part of the project are paid at least the Real Living Wage (as outlined by The Living Wage Foundation, registered charity number 1107264 at www.livingwage.org.uk), encouraging transparency on gender equal pay and offering a fair and equitable policy for zero-hour contracts
- helping SMEs to address resource efficiency and environmental sustainability as part of their innovation plans, including development of new products and processes
- providing support for collaborative projects to develop new approaches to resource efficiency and exploit new market opportunities offered by the transition to a low carbon economy

Applicants are also required to demonstrate the legacy of the project and how they intend to continue advancing the manufacturing capabilities of SMEs from the end of the project to the end of the auditable period in 2027 and beyond.

3.3 Regional Support

Scotland's regions play a vital role in delivering the priorities of Scotland's Economic Strategy: to increase internationalisation, boost investment and innovation, and support inclusive growth.

The AMCF is providing funding for projects that will:

- improve the economic performance of regions and local areas across Scotland
- target regions with an existing low asset base e.g. local access to academic institutions, research organisations and/or innovation centres; low public-sector support services for advancing SME manufacturing capabilities, and/or where intervention would have a disproportionately high impact on SME productivity
- make a difference to a local area
- provide regionally-based support, joining up services and offering SMEs a seamless journey towards innovation

3.4 The Application Process

The application process is competitive and will comprise a two-stage application and assessment process:

Stage 1: Outline Project Application

Stage 2: Full Project Application

Applicants invited to submit full project applications will present their project to an Assessment Panel prior to recommendations for approval being made.

The Assessment Panel will include representatives from Scottish Enterprise, Scottish Government, Highlands and Islands Enterprise, Scottish Manufacturing Advisory Service and industry.

Depending on the complexity of the project proposal, a site visit may also be required.

3.5 Timeline

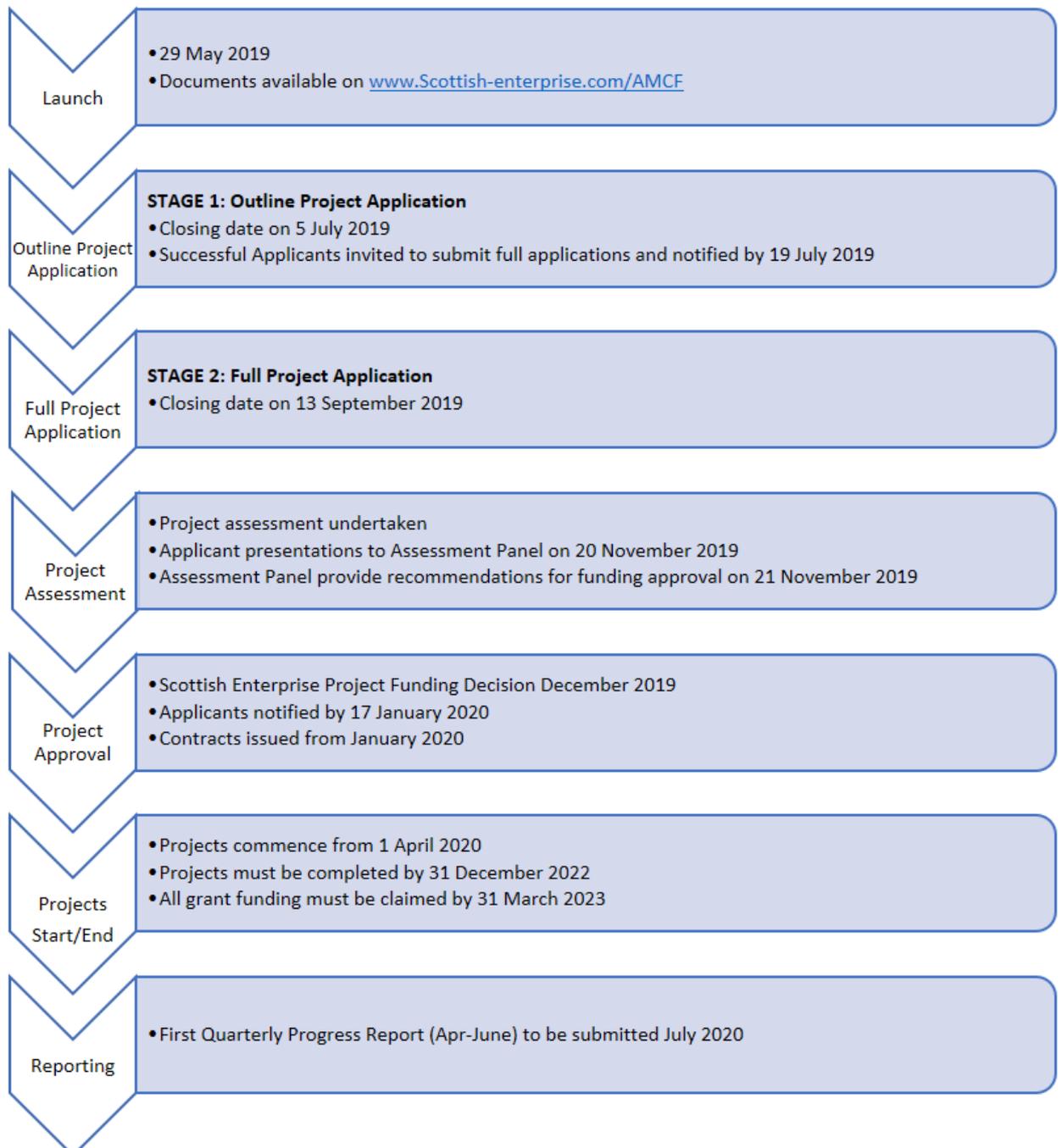
Applicants must submit a Stage 1: Outline Project Application Form to amcf@scotent.co.uk by midnight on Friday, 5 July 2019. The Stage 1: Outline Project Application Form and Guidance documents are available for download from www.scottish-enterprise.com/AMCF. A decision regarding eligibility to proceed to Stage 2: Full Project Application, will be given no later than Friday, 19 July 2019.

Applicants invited to complete a Stage 2: Full Project Application must submit the form by midnight on Friday, 13 September 2019. Additional and/or unsolicited material received after the closing date may be returned to the Applicant and any attempt to influence the assessment will result in disqualification. Stage 2 applications will be subject to independent assessment.

Applicants will receive notification of the funding decision by 5pm on Friday, 17 January 2020.

The earliest a project can start is 1 April 2020. All projects must start before 30 September 2020 and end by 31 December 2022. There is no minimum project duration. No project extension is allowed.

All claims for funding must be submitted to Scottish Enterprise by 31 March 2023.



4.0 Who Can Apply?

- **Public sector organisations:** Public bodies that are funded by the Scottish Government including local authorities and their related agencies in Scotland.
- **Academic institutions:** Scotland's universities, colleges, research and technology organisations (RTOs).
- **Third sector organisations:** charities, not for profit companies, organisations that directly or indirectly receive over 50% of core funding (excluding European funding) from the public sector, co-operatives.

Applicants can apply on an individual basis or in collaboration with other eligible organisations.

Private sector organisations are not eligible to apply and cannot be a member of a consortium. Private sector refers to organisations established and operating for profit where these profits accrue to shareholders, partners or sole traders. This definition also includes companies acting in the public interest.

Lead Applicant organisations must be a legal entity, which is defined as having the legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued, and to be held responsible for its actions.

Lead Applicant organisations are responsible for all aspects of project delivery, monitoring and reporting, including, but not limited to:

- Submission of accurate information as part of the application
- Acceptance of funding from Scottish Enterprise, including any standard or special conditions
- Ensuring state aid compliance in respect of the use of any funding provided
- Cash-flow management, submission of claims
- Monitoring and reporting progress towards the achievement of outputs and outcomes
- Compliance with ERDF rules, including the retention of project documentation until up to, at least, 31 December 2027

5.0 Eligibility Criteria

- Only projects that meet the eligibility criteria for Stage 1: Outline Project Application will be invited to submit a Stage 2: Full Project Application
- The Lead Applicant is a public-sector organisation, third sector organisation or academic institution
- The Lead Applicant can demonstrate that they have sufficient capacity (skills, expertise and relevant experience) to implement and manage the project and have sufficient cash-flow to support any delay in receiving AMCF payments

- Project activities will contribute to the aims and themes (including horizontal themes) of the AMCF
- The project will be delivered in Scotland and support SMEs
- Project activities and costs are eligible (as discussed below)
- The project will be delivered within the timescale set by the AMCF competition
- Suitable match funding has been identified

Details of the full list of eligibility criteria can be found in section 8.1 of this Guidance document.

6.0 Eligible Project Activities, Outputs and Outcomes

The purpose of this guidance is to distinguish clearly between eligible and ineligible activities for the AMCF. In cases of doubt, clarification should be sought from the AMCF Team at amcf@scotent.co.uk.

Organisations are required to act responsibly and reasonably in relation to their application and to ensure compliance throughout their project with (i) this Guidance, (ii) the source rules referred to in this Guidance and (iii) all other relevant rules and legislation applicable to the organisation.

The rules governing the ERDF programme are set out within the ESIF [National Rules](#), [State Aid Guidance](#), [State Aid Rules](#) and [Publicity Requirements](#). The European Union (EU) and the Scottish Government reserve the right to amend these National Rules.

6.1 [Examples of Eligible Activities](#)

ERDF and, therefore, AMCF is outcomes led. There is, therefore, no definitive list of activities which are or are not eligible. Eligibility will be context specific and based on contribution to outcomes. It is only possible to provide the following indicative guidance which is not considered exhaustive:

- Industry-led knowledge exchange activities between academic institutions and SMEs
- Provision of 1-2-1 technical and/or business support to SMEs
- Provision of continuing professional development (CPD) opportunities for SMEs and/or supporting SMEs to attract and retain talent
- Brokering engagement between SMEs, industry bodies and academic institutions
- Undertaking research, development and innovation (RD&I) projects with SMEs
- Supporting new and/or existing collaborative projects or initiating collaborations between SMEs and other organisations
- Providing access to academic research, expertise and support

- Providing access to research laboratories and equipment for training and/or testing purposes to de-risk new technologies, products and/or business processes. This must be provided free of charge

For all fixed assets and any other assets over the value of £2,500 which have either been bought or built using the ERDF funding, the lead organisation must set up and maintain an Asset Register. Guidance on what must be included in the Asset Register can be found in the *Audit, Publicity and Compliance Guidance* at section 3.2.

Projects can focus on SMEs within a specific sector or provide services to benefit SMEs across multiple sectors.

Where possible, Applicants should also demonstrate the complementarity of their project activities with other public-sector services and programmes. Examples include (but are not limited to):

- Account management services provided by the Enterprise Agencies
- Support and reviews provided by the Scottish Manufacturing Advisory Service (SMAS)
- AMCF Cluster Building services, which will be available from January 2020. This activity will support collaboration and business partnerships across Scotland by developing and expanding strong, integrated clusters of companies which are equipped to work collaboratively to tackle innovation and capitalise on business growth opportunities. Applicants should consider how to engage with these clusters as part of the outreach and promotion of their facilities and services.

6.2 Ineligible Activities

There are some activities which are ineligible even where they might otherwise be capable of demonstrating a contribution to any of the AMCF outcomes:

- Staff posts spending less than 40% of time dedicated to the project
- Any commercial activities (the buying, selling or trading of goods and services with the aim of making a profit)
- The development of a physical building
- Cluster building activities
- Projects leading to the development and/or award of a formal qualification e.g. SQA qualifications, Higher and/or Further Education Qualifications
- Apprenticeships
- Academic research
- Feasibility studies
- Website Development (*)

(*) exceptions are application or platform development which benefits SMEs.

6.3 Outputs and Outcomes

Project outputs and outcomes will be used to assess the contribution the project will make to the AMCF aims, themes and horizontal themes. They also form part of Scottish Enterprise's formal reporting requirements to the Scottish Government and the European Commission.

- 'Outputs' are the expected results of project activities, what the project aims to achieve e.g. number of R&D projects supported, number of SMEs accessing research and testing equipment.
- 'Outcomes' are the changes achieved as a result of the support provided to SMEs e.g. increased productivity, adoption of new technology and processes.

Outputs must be measurable, and Applicants should demonstrate how they intend to monitor and measure progress towards the achievement of outputs and outcomes.

The AMCF performance indicators are:

Output Indicators

- **Number of SMEs attending events**
This type of support includes information, diagnostic advice/guidance and signposting to individual SMEs delivered in the context of a meeting, workshop, conference or webinar over a period of 2-hours or more. The event needs to be specific, focused on a market opportunity or a theme, such as innovation in a market context. Activities should support the project's objectives and be directed towards ultimately improving the performance of the SME.
- **Number of SMEs supported**
Support can be provided across a range of activity including: management / leadership support, access to new supply chains and markets, innovation and commercialisation of R&D etc. This list is not exhaustive, any support can be counted if this complies with the National Rules.
- **Number of Projects with SMEs (one-to-one support)**
These may be established to commercialise knowledge/IP or exploit a market opportunity. This should comprise of 1 day (7 hours) of active consultancy support.
- **Number of collaborations between SMEs and research institutes**
This type of support comprises SMEs that collaborate with research institutions in research and development projects. These may be established to achieve technology transfer or commercialisation of knowledge/IP between two or more organisations, to bid for collaborative research funding through for example Innovate UK or EU framework programmes or to exploit a market opportunity.

Outcome Indicators

- **Business Enterprise expenditure on Research & Development (BERD)**
The total amount of project related expenditure incurred by SMEs and other organisations on research and development (R&D) projects that have been assisted by AMCF. This indicator will capture the total value of R&D, collaborative R&D, SBRI grants and other contributions which have been verified within the financial year.
- **Number of SMEs supported to introduce new products to the market**
Support must be for an SME to introduce a product, process or service. It includes process innovation if the process contributes to the development of the product. A product is new to the market if there is no other product available in the market that offers the same functionality, or the technology that the new product uses is fundamentally different from the technology of already existing products. Products can be tangible or intangible (incl. services).
- **Number of SMEs supported to introduce new products to the firm**
Support must be for an SME to introduce a product, process or service. It includes process innovation if the process contributes to the development of the product. A product is new to the SME if there is no other product within the business that offers the same functionality, design or the technology that the new product uses is fundamentally different from the design or technology of already existing products. Products can be tangible or intangible (incl. services).

The definitions of the performance indicators and the evidence to be collected to validate a claim are set out in the *AMCF Monitoring Template Guidance*. This document will be made available for the Stage 2: Full Project Application process.

Note: not all of the AMCF performance indicators will be relevant for all AMCF funded projects. The indicators which are relevant to each project should be set out in the Stage 1: Outline Project Application and subsequently agreed between the Grant Recipient and Scottish Enterprise.

As [defined](#) by the European Commission, a small and medium-sized enterprise (SME) is an enterprise which employs fewer than 250 persons and which has an annual turnover not exceeding 50 million Euro, and/or has an annual balance sheet total not exceeding 43 million Euro. More information can be found at https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

6.4 Assessment of Ineligible Elements

If the overall project contains ineligible elements, the Applicant must distinguish between eligible and ineligible activities within the application form. Only eligible activities will be considered for funding support.

7.0 **What Funding is Available:**

The AMCF will distribute up to £14m of ERDF funding, on a competitive basis, to projects delivered in Scotland. There is scope to increase the funds to £18m depending on the level of demand.

The AMCF can contribute up to 50% of the eligible costs of each project delivered in the Lowland & Upland Scotland area (LUPs), and up to 70% in the Highlands & Islands (HI) area. The intervention rate applicable will depend on where project activities take place. The Applicant can refer to the European Commission's [map](#) to determine the geographical classification for their project.

Scottish Enterprise anticipates supporting between 10 and 20 projects. There is no defined minimum size of project. However, for guidance we have estimated for the maximum project duration possible (1 April 2020 to 31 December 2022), a small project will have an average project value of c.£400k and a large project will have an average project value of c.£4m. (Project value = ERDF funding plus match funding.)

- Please note ERDF funding available in the H&I area is limited and therefore projects will be considered on a case by case depending on the availability of ERDF funding.
- Scottish Enterprise will consider projects of scale on a case by case basis, which exceed the estimated project value of £4m in the LUPS area. Applicants should however note these projects must demonstrate significant impact on SMEs, making a greater contribution towards achieving the AMCF outputs e.g. if the project is seeking an ERDF grant award of £7m, Scottish Enterprise would expect the project to contribute towards achieving 50% of the AMCF outputs.

7.1 Match Funding

Applicant organisations need to ensure that the AMCF is the most appropriate funding source to support their ambitions.

ERDF funding is funding of last resort and Applicants should explain why funding is needed for their project. The ERDF funding contribution should be the minimum amount required to allow the project to proceed. To this end, additionality must be clearly evidenced for each project. Additionality is the extent to which something happens as a result of an intervention and/or that would not have occurred in the absence of the intervention e.g. additional activities and outputs, increased number of participants, improvements to the quality of activities undertaken etc.

ERDF is a 'gap' fund. This means that if the Applicant reduces the scale of their project (from the point of award to project end), they may not be able to draw down the full amount of funding awarded. If costs reduce, the ERDF funding will reduce accordingly.

Other additional funding committed to a project supported by the AMCF after approval will reduce the ERDF funding, so we would recommend that any additional funding received and/or applied for post-AMCF approval should be associated with an increase in total budget and scope of the project or, for additional activities not supported by AMCF.

Match funding is the amount of funding secured by the Applicant to deliver the project and must be in the form of a direct cash contribution or expenditure incurred e.g. actual costs for the procurement of capital equipment and/or direct staff costs.

Match funding cannot be linked to the achievement of outputs linked to other projects and activities.

The following sources of match funding are **NOT** eligible:

- European Funding of any kind;
- Corporate and private sector match funding (i.e. contributions from companies that have shareholders who are paid out dividends etc. on profits or receive direct personal benefits);
- In-kind contributions.

At Stage 1: Outline Project Application stage, match funding must be identified but does not need to be confirmed. It should be noted that complex match funding packages may face extra scrutiny at Stage 2: Full Project Application stage. Match funding for successful applications must be confirmed before the project is due to start.

Underwriting a gap whilst continuing to seek confirmation of funding is not acceptable, the rationale being that if the organisation can underwrite the gap, the organisation can afford to pay for it.

Scottish Government may provide discretionary match funding up to a maximum of 10% for projects which target regions with an existing low asset base e.g. local access to academic institutions, research organisations and/or innovation centres; a low number of public-sector support services for advancing SME manufacturing capabilities, and/or where intervention would have a disproportionately high impact on SME productivity.

Scottish Government discretionary match funding is subject to availability and organisations invited to complete a Stage 2: Full Project Application will be required to provide a strong business case, with clear evidence to support why the specified region is considered to have a low asset base, for additional funding. Scottish Government reserves the right not to award any discretionary match funding at all under this programme.

7.2 Eligible Costs

Full details of the ERDF cost models can be found in the [National Rules](#). Please note that for the AMCF, only two cost models may be used:

1. Direct Staff Cost + 15% Flat Rate
2. Procurement (refer to section 7.3 for more information)

Projects can use one of, or a combination of, these two cost models.

The Fund can support the costs of staff directly involved in delivery of the project if they spend 40% or more of their contracted time on the project. Time spent on the project will need to be evidenced by using the single operation timesheet template supplied at <https://www.gov.scot/publications/esif-eligibility-expenditure/>. Timesheets are not required for staff who spend 100% of their contracted time on the project. A job description and contract (or letter) which details that staff are spending 100% of their contracted time on the intervention, must be retained and made available for audit purposes.

Staff costs attract an additional 15% Flat Rate as a contribution to indirect costs generated by the project. In other words, staff may be funded at the rate of:

Eligible Staff Costs = 50% (LUPS) or 70% (H&I) x (Staff Cost +15%)

Example 1	£'s
Eligible Staff Costs	20,000
15% Flat Rate	3,000
Total	23,000
LUPS AMCF Funding (50%) =	11,500

Example 2	£'s
Eligible Staff Costs	20,000
15% Flat Rate	3,000
Total	23,000
H&I AMCF Funding (70%) =	16,100

Indirect costs are costs which are not or cannot be connected directly and exclusively to an individual activity of the entity in question. Such costs would include administrative expenses for which it is difficult to determine precisely the amount attributable to a specific activity. Although no claim evidence is required for the 15% Flat Rate, the Applicant may need to monitor the Flat Rate against the expenditure incurred to ensure it is justified, if not for audit purposes then for internal financial management.

Staff costs incurred through contracts for services such as consultancy services are not considered eligible under these flat rate options. These would be covered under the procurement option and paid as actual costs.

When the Applicant submits a claim for Staff costs the Applicant will be required to submit evidence as set out in Annex 1 of the 'Claims Process and Reporting Requirements' guidance.

7.3 Procurement

All items purchased for use in the project must be procured following the Applicant's own procurement policy, supported by a full audit trail as well as comply with the requirements of ERDF funding. This includes meeting the European Union Directives relating to procurement, Scottish public-sector legislation and regulatory framework and any internal procurement procedures and policy in force at the time of tender. Successful Applicants will be required to follow procurement principles (Open or Restricted tender or suitable Framework Agreement) for all elements of the work including the provision of works, materials and/or services. Procured contracts below the EU thresholds must ensure that they are advertised, fairly and equally treated, and transparent. Anything below EU threshold and above £50K must be procured in line with Scottish Government Procurement Regulations 2016 and advertised via Public Contracts Scotland.

Using another public body to do the work is acceptable if the procurement was held in a fair and open manner. Delivery of procured elements by the Applicant is acceptable if all work is again tendered in a fair and open manner using fully costed market rates.

Please note the Applicant cannot reimburse another department within their organisation for any work undertaken using internal invoicing. The department must have tendered for the work in the same manner as external organisations and if successful, must submit an invoice to the Applicant in the same way as an external organisation.

Further information regarding procurement can be found in the National Rules and Scottish Government's website at:

- The National Rules, Section 1.8
<https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2018/03/esif-eligibility-expenditure/documents/national-rules-eligibility-expenditure-version-6-01-march-2018-pdf/national-rules-eligibility-expenditure-version-6-01-march-2018-pdf/govscot%3Adocument/National%20rules%20on%20eligibility%20of%20expenditure.version%206.01%20March%202018.pdf>
- Public Procurement Guidance for Practitioners
<http://www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/ProgrammeDocumentation/Publicprocurementguidance>
- Public Sector Procurement in Scotland
<http://www.gov.scot/Topics/Government/Procurement>
- Procurement Journey
<https://www.procurementjourney.scot/>

When submitting a claim for items purchased through procurement the Applicant will need to supply the following as evidence with their claim form:

- Copy of all procurement records relating to the transaction – should align to the Application. We recommend Applicants use the Procurement Register within the *AMCF Audit, Publicity & Compliance Guidance*.
- An Invoice showing Net cost, VAT and Total cost, Invoice Dates etc and Description of Goods / Services provided
- Bank Statement which shows the Total of the Supplier BACS leaving the Applicant's bank account

Grant Recipients should adhere to the conditions within the *Claims Process and Reporting Guidance* available at www.scottish-enterprise.com/AMCF when completing their Claim Form.

7.4 Ineligible Costs

The following costs are not eligible for ERDF funding (this list is not exhaustive).

- Reimbursement of goods / services already purchased prior to the date of issue of a Grant Agreement
- Repayment of existing loans or debts
- Any items where the Applicant already has, or intends to get, EU or national funding
- Recoverable VAT
- Project costs which are eligible for EU funding from other programmes
- Anything previously funded by the EU or currently receiving EU funding
- Although the employment of staff who are at least 40% dedicated to the AMCF programme is eligible, the following elements are not:
 - Statutory sick leave
 - Maternity, paternity, adoption and parental leave
 - Staff training
 - Redundancy payments
 - Unfunded pensions
 - First aid or key holder allowances
 - Bonus or commission payments
 - Subscriptions or memberships of trade or professional organisations
- Any expenditure defrayed out with the eligible programme period
- In-kind costs
- Gifts
- Accounting costs and year-end auditing
- Costs related to legal or statutory responsibilities
- Bank charges
- Project feasibility studies
- Purchase of vehicles or furniture
- Purchase of IT equipment e.g. laptops, mobile phones

7.5 [Claims Process and Reporting Requirements](#)

Claims are to be submitted electronically to the relevant Scottish Enterprise Project Manager on a quarterly basis in arrears together with a quarterly progress report providing details of the progress achieved during the claim period identified. In addition, a monthly expenditure summary should be submitted within 20 working days of month end, detailing relevant defrayed (incurred and paid) expenditure for the period identified. Only eligible expenditure defrayed by the end of that period can be included in the claim for reimbursement.

The claim will only be processed for payment once Scottish Enterprise is satisfied that all information is present and complete and complies with the terms and conditions of the Grant Agreement and the [National Rules](#).

Further information on the claims and reporting requirements can be found in the *AMCF Claims Process and Reporting Requirements* guidance available at www.scottish-enterprise.com/AMCF.

7.6 [Audit, Publicity and Compliance](#)

Audit, compliance and monitoring will be carried out to ensure projects are making satisfactory progress towards the achievement of project outputs and contribution to the aims and themes (including horizontal themes) of the AMCF in compliance with ERDF regulations.

The Grant Recipient is responsible for meeting the management and administration requirements in compliance with ERDF regulations and ensuring that all supporting documentation is kept and made available. For further information and advice can be found in the *AMCF Audit, Publicity & Compliance* guidance available at www.scottish-enterprise.com/AMCF provides an overview of the audit and compliance requirements for Grant Recipients.

All communications and publicity materials relating to the project should acknowledge the support of the ERDF and display the ERDF logo and/or display the following boilerplate: *"The [insert project name] project is part-funded by the 2014–2020 European Structural and Investment Fund"*.

The Grant Recipient must ensure they adhere to the [ESIF 2014-2020 Publicity Requirements](#) for all communications and publicity materials.

7.7 [State Aid](#)

State aid is a European Commission term which refers to forms of public assistance, given to undertakings on a discretionary basis, which have the potential to distort competition and affect trade between Member States and the EU.

An undertaking is defined as any entity, regardless of legal status, which is engaged in economic (commercial / competitive) activity. Economic activity is defined as offering goods and/or services on a given market and which could, at least in principle, be carried out by a private sector operator for remuneration to make profits.

ERDF funding is conditional on projects providing SMEs with access to services and/or equipment free of charge. This means that there may be State Aid present. Where this is the case, Grant Recipients must ensure that robust processes are in place to ensure compliance with European Commission State Aid Rules.

It is anticipated the project activities carried out by the Grant Recipient (and their suppliers) will primarily be activities which do not amount to State Aid to any particular recipient (e.g. one-to-many events) or, where more targeted support is being provided to particular recipients, will be delivered as de minimis aid.

This advice is not exhaustive, it is the responsibility of the Grant Recipient to ensure that the State aid position is reflected in their applications and any subsequent award of support to an SME does not exceed what is permissible.

Please refer to the following website for further guidance on State Aid and the four key tests: <https://www.gov.scot/publications/esif-state-aid-guidance/>.

8.0 Project Assessment

8.1 Stage 1: Outline Project Application

Applications will be assessed on a competitive basis and assessments will be based on the overall feasibility of the project. The following checklist will be used to assess the eligibility of the proposed application. For an Outline Project Application to be successful it must score positively for each of these eligibility questions.

No.	Eligibility Criteria
1.	Is the lead Applicant a public or third sector organisation or academic institution?
2.	Is the lead Applicant a legal entity?
3.	If it is a collaborative application, are all partners public or third sector organisations or academic institutions?
4.	Does the application provide primary contact details for the lead Applicant? (If it is a collaborative application, contact details for a named individual with the authority to confirm their organisation's commitment to the project must be provided for each partner.)
5.	Has a senior person with authorisation to approve the application on behalf of the lead organisation signed and dated the declaration?
6.	For collaborative applications, has the lead Applicant confirmed that they accept responsibility for the overall management and delivery of the project, including the flow of funding between partners, the provision of evidence to support claims, quarterly progress reporting and the retention of project information until at least the end of 2027?
7.	For projects delivered in the LUPs area, is the intervention rate requested no more than 50% of eligible costs?
8.	For projects delivered in the H&I area, is the intervention rate requested no more than 70% of eligible costs?
9.	Are all the activities and costs for which the Lead Applicant is requesting funding eligible? (For AMCF, only flat rate direct staff costs + 15% and procurement costs are eligible.)

10.	Has the Lead Applicant confirmed that all staff for whom they wish to claim costs will be committed to spending at least 40% of their time on the project?
11.	Has the Lead Applicant confirmed that any procurement activities will comply with public procurement procedures and rules (EU and Scottish Government national procurement rules)?
12.	Is the match funding for the project identified and/or confirmed?
13.	Is the source(s) of match funding eligible i.e. does not include other EU or in-kind contributions or private/commercial funding?
14.	Has the Lead Applicant demonstrated that all other funding options have been explored and the scale of the project (as it is described in the application) could not go ahead without ERDF funding?
15.	Has the Lead Applicant confirmed that the project is new and will not start before 1 April 2020?
16.	Has the Lead Applicant demonstrated that all project activities will be delivered by 31 December 2022?
17.	Has the Lead Applicant demonstrated the added value project activities they will deliver to SMEs?
18.	Has the Lead Applicant provided evidence of SME demand for the project?
19.	Has the Lead Applicant demonstrated that they have the necessary skills and sufficient administrative and financial capacity to carry out the project?
20.	Has the Lead Applicant demonstrated that the project and activities contribute to the aims of the AMCF and one or more themes?
21.	Has the Lead Applicant demonstrated that the project and activities contribute to the horizontal themes?
22.	Has the Lead Applicant confirmed that state aid rules have been considered in terms of the flow through benefits to SMEs (3 rd party recipients) supported through the project and where relevant that they will be complied with?
23.	Has the Lead Applicant demonstrated that monitoring requirements will be complied with?
24.	Has the Lead Applicant provided evidence of their organisation's equal opportunities policy?
25.	Has the Lead Applicant provided evidence of their organisation's sustainability policy?

8.2 Stage 2: Full Project Application

Applications will be verified to ensure that the eligibility check already done at Stage 1 is still valid.

Applications will then be assessed on a competitive basis and assessments will be based on the overall feasibility of the project considering all the criteria discussed in this guidance. The following checklist will be used as part of the assessment of the merits of the proposed project. For an application to be successful it must score positively for each of these assessment questions. Scottish Enterprise will also take into consideration the geographical spread of projects across Scotland.

Additionally, an independent assessment of applications will be undertaken, and lead Applicants will be required to present their project to an Assessment Panel.

No.	Assessment Criteria	Stage 2 Question	Weighting
1.	Does the Lead Applicant clearly explain the roles and responsibilities of each partner and how they will manage the delivery of partner activities and the collection of evidence for claims?	4.1	5%
2.	To what extent has the Lead Applicant demonstrated the project benefits for SMEs and the added value of the project?	5.3.1, 5.3.2, 5.7.1 and 5.8	11%
3.	Does the project target regions with an existing low asset base, low public-sector support services and/or where intervention would have a disproportionately high impact on productivity?	5.3.3, 5.4 and 5.7.3	5%
4.	To what extent does the project meet the aims of the AMCF?	5.3.4	10%
5.	To what extent does the project contribute to one or more of the themes identified within the AMCF guidance?	5.3.5	10%
6.	To what extent does the Lead Applicant demonstrate how they will promote sustainable development through the work of the project and how they will monitor progress?	5.3.6.1	2%
7.	To what extent does the Lead Applicant demonstrate the inclusion of positive approaches to equal opportunities and inclusive growth through the work of the project and how they will monitor progress?	5.3.6.2 and 5.3.6.3	2%
8.	To what extent does the Lead Applicant demonstrate a strong understanding of SME requirements and provide evidence of demand/support for the project?	5.4	8%
9.	Has the Lead Applicant clearly identified project outputs and outcomes and do these align with the aims of the AMCF?	5.5	11%
10.	Does the Lead Applicant demonstrate a clear plan for managing project delivery, including monitoring progress, within the project timeline and is the budget realistic?	5.6, 5.7, 5.9, 5.10, 5.11, 5.12 and 5.13	9%
11.	How well has the Lead Applicant demonstrated that the project cannot proceed without ERDF funding?	5.7.1	6%
12.	Has the Lead Applicant identified risks to successful project delivery and provided a plan to manage these risks?	5.11	5%

13.	Does the Lead Applicant clearly explain how they will engage with SMEs and communicate details about their project?	5.13	7%
14.	To what extent has the Lead Applicant demonstrated that they have the necessary skills and sufficient administrative and financial capacity to carry out the project?	5.14	9%

Each of the assessment criteria will be scored using the following scale:

- 0 = No Evidence: The response fails to address the assessment criteria outlined e.g. the response is flawed and/or is unclearly written and therefore cannot be properly assessed or is duplicative of other work.
- 1 = Weak: The response is partially relevant but weak. The response addresses some elements of the assessment criteria outlined but contains insufficient/limited evidence.
- 2 = Relevant: The response is relevant and acceptable. The response demonstrates a link to the AMCF priorities and is likely to contribute to the AMCF objectives but may lack sufficient evidence on how this will be fulfilled.
- 3 = Good: The response is relevant and good. The proposed project is aligned to one or more of the AMCF priorities and is therefore likely to make a significant and lasting contribution to achieving the AMCF objectives.
- 4 = Strong: The response is relevant and excellent overall. The proposed project is strongly aligned with one or more of the AMCF priorities and is therefore likely to make a highly significant and lasting contribution to achieving the AMCF objectives.

An integral part of the assessment will be the Applicants' demonstrated ability to answer questions openly, concisely and persuasively.

Each of the assessment criteria is allocated a percentage weighting (weightings total 100%) and the maximum score for each criterion is 4. Therefore, the total marks available is 400. The mark for each criterion is calculated as follows:

A score of 4 and a weighting of 5% = $4 \times 5 = 20$ marks.

The evaluation panel will hold a consensus meeting to discuss and agree on a consensus score for each criterion as stated above. A ranked list of applications will be produced based on the final total marks. Lead applicants will be asked to present their project to the Assessment Panel prior to final recommendations for approval being made.