

Micro & Small Business Fund (MSBF)

European Agricultural Fund for Rural Development (EAFRD)

Guidance Note

1. Introduction

This document provides guidance on the Welsh Government's Micro & Small Business Fund (MSBF) which was launched in 2017 and is open for applications **until 2021**. MSBF is a *capital* fund supported through the Welsh Government Rural Communities – Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development, and Welsh Government.

This fund is available for micro to small size businesses with fewer than 50 FTE employees throughout Wales for eligible capital investment projects in the tourism sector. Support ranging from £25,000 and £500,000 will be considered for either upgrading existing or creating new high quality product in order to:

- Create and safeguard jobs.
- Realise economic benefit and growth.
- Deliver quality, innovation and a sense of place.

Successful applications will excel in quality, in terms of grade, visitor experience, service, innovation, and adding value. We want to find ambitious proposals from micro and small tourism businesses looking to make a difference, whether as a perception changing product, or as part of a cluster of products helping to build a destination. In all cases we are looking for distinctive stand out projects, and the greater this is represented, the stronger the case will be.

2. Purpose of Fund

The purpose is to develop quality sustainable tourism products which create jobs and stimulate growth in new and existing markets. The Welsh Government's [Tourism Strategy – Partnership for Growth](#) aims to grow tourism earnings in Wales by 10% or more by 2020. The strategy adopts a product-led approach intended to deliver compelling reasons to visit and discover Wales by creating 'best in class' product experiences.

This is a discretionary capital investment fund supporting those objectives by developing quality sustainable experiences through investment in tourism products led by the Private and Third Sector.

2.1 Strategic fit with the Welsh Government Rural Communities Rural Development Programme 2014-2020

The fund will contribute to the achievement of the strategic priorities outlined in the European Rural Development Plan by:

- Promoting social inclusion, poverty reduction and economic development in rural areas.
- Facilitating diversification, creation and development of small enterprises, as well as job creation.
- Fostering local development in rural areas.

Please see full guidance details on the [Welsh Government Rural Communities Rural Development Programme 2014-2020](#).

3. Priorities

The fund priorities include (this list is not exhaustive):

- High quality, innovative, reputation changing tourism products.
- Luxury hotels (existing expansions, upgrades and new hotels).
- All weather, all year, attractions.
- Flagship attractions.
- Innovative Activity experiences.
- Distinctively Welsh visitor focussed food experiences.
- Top end and innovative Glamping & Camping experiences will only be considered in the most outstanding of cases.
- Distinctive & exceptional high quality inns, B&B's, Guest Accommodation products may only be considered.
- Spa & high quality leisure facilities.
- Innovative Cultural or Heritage related projects.
- Unusual places to stay.

Example Projects

Serviced Sector (B&B's to Hotels)

Preference will be given to those targeting a 4 or 5 Star of exceptional high quality. However, if there is no increase in grade, but there is an 'obvious' facility improvement (e.g. a spa or conference space / business tourism use), applications may still be considered.

Self-Catering

Proposals will be considered where the business has or will achieve a cluster of accommodation (as a guideline a minimum 3 units or 12 bed spaces). Priority projects are most likely to be those where there is a quality shift to a 4 or 5 Star, an addition to capacity or a central facility such as leisure or activity products, or an exceptionally distinctive heritage or innovative offer. The level of innovation, quality, and evidence of demand for the product will be critical. A single unit or small numbers of units of self-catering accommodation are not a priority.

Caravan & Camping (Top end and innovative Glamping & Camping experiences will only be considered in the most outstanding of cases.)

Proposals will be considered where a minimum 4 Star or 5 Star quality is achieved, and where there is added value, such as leisure or activity products. Exceptional schemes that are distinctive, different, or have significant environmental strengths will be prioritised. Small numbers of glamping units or other similar type accommodation are not a priority.

Other Accommodation

For the most part, this includes hostels, private sector activity centres or bunkhouse accommodation. Proposals will be considered for upgrades that achieve a minimum 4 or 5 Star quality or Alternative Accommodation grade. Activity Centre projects (private sector led) can include improvements and additions to the activity offer, and need to be accredited.

Restaurants with Rooms / Restaurants

Accommodation must be to a 4 or 5 Star quality. Restaurants must evidence sense of place, location, sourcing of local foods, and a 'quality', distinctive visitor focussed product. Particular priority will be given to those schemes that can achieve a suitable accreditation for food quality and service (e.g. AA Rosette, Michelin Star). Regarding stand alone Restaurants, on occasions a particular location, sense of place, or destination status / high profile chef, could mean that the project has sufficient 'tourism credentials' to be worthy of consideration.

Golf Tourism

Proposals will be considered for on-site accommodation at golf clubs that offer an 18 hole course and that are focussed on visiting golfers. In these cases a minimum 4 Star accommodation grade should be achieved. The development of clubhouse facilities can be considered at other 18 hole courses if this forms part of an accommodation led project. Hotel / Serviced accommodation is preferred. Investment can also be considered in new or existing 4/5 star golf resort developments in strategic locations.

Attractions & Activities

The eligible works cover a range of capital expenditure, and can include creating new elements as well as upgrading existing facilities. Innovative content that can support growth in visitor spend is particularly important.

4. Eligibility

Who can apply & when:

Applications can be received from **micro and small businesses** only. The category of micro & small enterprises has fewer than 50 employees and an annual turnover or balance sheet below €10 million. Eligible entities throughout Wales, are:

- Private Sector businesses (Existing and Start Ups).
- Social Enterprises or Charitable Organisations (Third Sector).

What can be funded?

This is a capital fund only. Revenue costs will not be considered. Support under this scheme can cover tangible assets such as land, buildings, machinery and equipment and intangible assets such as computer software, patent rights and licences and technical and consultancy fees:

- The construction, acquisition, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of the total eligible costs of the investment project.
- The purchase of machinery and equipment up to the market value of the asset.
- General costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability to an extent not exceeding 12% of the total eligible costs of the investment project.
- Acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.

Consultant's and architect's fees, other technical design costs, site surveys and professional fees; planning application fees and costs; fees incurred for statutory permissions, licences and consents are also eligible even if they have been completed and paid for prior to approval provided they are essential for the delivery of the project.

Second hand equipment is eligible (for SMEs only) where the applicant can demonstrate the following:

- It complies with current health and safety legislation.
- Is fit for purpose, and;
- Has at least five years life expectancy remaining.

What cannot be funded?

The following activities / content would not be considered (this list is not exhaustive):

- General repairs & maintenance work.
- Revenue costs such as marketing, overheads and staff time.
- Consumable & low cost items such as linen, crockery, cutlery etc.
- New infrastructure projects that do not create jobs.
- Product where displacement is a high risk (no gap in the market).
- Improvement projects where the required job output is not achievable.
- Branded budget accommodation.
- Expenditure incurred during the preparation, submission or assessment of the application.
- Expenditure prior to the **project start date** cannot be included, unless relating to eligible professional fees (and only then by agreement).
- Any expenditure which has not been procured in line with the requirements detailed in the [competitive tendering and public procurement requirements](#).
- Zero hour contracts will not be supported as part of the application and you will need to demonstrate commitment to working to reduce any existing zero hour contracts within your organisation as part of the economic contract.

5. Enquiry & Application Process

All projects will be considered in two stages:

Stage 1: Following submission of the Micro and Small Business Fund (MSBF) [Expressions of Interest \(EOI\) form](#), checks will be undertaken to ensure that eligibility and priority criteria have been met. Only projects meeting these requirements, and achieving a pass score, will be invited to submit a full application.

Stage 2: Full applications received will then be appraised internally by a case officer and reviewed by an investment panel in line with the appraisal criteria noted below. Successful projects will be recommended for Ministerial consideration and decision.

6. Assessment

Indicators

Support will be measured against the following indicators, which the applicant will be required to report upon (where applicable):

- The number of jobs created and safeguarded including beneficiaries receiving support for investments in non-agricultural activities in rural areas. (no zero hour contracts will be supported).
- The number of employees supported as (a) Young People (age 15 to 24), (b) Women, and (c) Welsh Speakers.
- The total intervention and match funding.
- The number of holdings / beneficiaries receiving support for investments in non-agricultural activities in rural areas.
- The number of operations supported.
- The project meets with the fund priorities and reinforces the Wales nation brand, reflects the core values and approach and in particular, delivers against the core brand objectives:
 - Elevates Wales' status.
 - Surprises and inspires.
 - Reinforces positive perceptions.
 - Does good things.
 - Is unmistakably 'Wales'.

Please see further information on the [Wales brand](#).

Alignment with the principles of the Wales brand has been included as part of the assessment criteria to enable us to interpret how the project contributes towards our broader vision for promoting Wales as a tourism destination to the UK and international markets. For example, we are looking for proposals that convey a strong sense of place and a more immersive local, authentic experience for visitors. We are also looking for innovative and internationally outstanding projects with the potential to help elevate Wales' status as a tourism destination.

Criteria & Outputs

The principle criteria and points to note are:

- The usual minimum level of support will be from £25,000. In exceptional cases some flexibility can be applied which will mean that lower value cases can be considered, for example, where there is a significant return in terms of jobs, or significant economic benefit, or an exceptional product.
- Support cannot exceed 40% of eligible capital costs.
- The maximum level of support is £500,000 per investment project.
- The amount of funding per full time equivalent job (FTE), created or safeguarded, can be up to £10,000. There may be some flexibility in exceptional cases where a more significant, strategic and economic case can be justified. (no zero hour contracts will be supported).
- In cases where the support level is up to £100,000 the funding will be non repayable. In cases where the support level is above £100,000 there may be a discretionary element (minimum 30%) of repayable business finance, on a case by case basis.
- This is an All Wales fund. However, in Non Assisted Areas and where the funding requested is above 20% the support level will be limited by the de minimis aid ceiling, and so will not exceed the cumulative equivalent of 200,000 euros over the current and previous two fiscal years (see Section 9 of this note).

Description (Where applicable)	Measure
Visit Wales – X star grading.	To be achieved before Payment and to be maintained throughout the grant conditions period. Visit Wales report.
You provide an environmental policy, with energy saving and renewable energy targets.	To be evidenced before final payment is issued.
You commit to complete the confidential Visit Wales monthly occupancy surveys until the end of the conditions period.	Commitment before final payment is issued.
Other (as necessary) <ul style="list-style-type: none"> • Jobs Safeguarded. • Total number of employees supported. • Employees supported – Young People. • Employees supported – Women. • Employees supported – Welsh Speakers. 	

Stage 1 – Enquiry Eligibility Criteria

The Expression of Interest (EOI) will be assessed against the following criteria:

- Is the organisation a legal entity and eligible to apply?
- Is planning approval in place, or will likely be in place at the point of offer?
- Can the project be delivered by March 2021?
- Is the amount requested in line with the scheme guidelines?
- Can the amount of funding requested be provided within State Aid rules?
- Is the project a tourism priority and aligned to the Wales brand?

Stage 2 – Assessment Criteria

Application Appraisal & Scoring

At the application stage, the case officer will write a case paper which will assess the project from a number of perspectives, including quality, value for money, and market need. The key appraisal criteria as appropriate are summarised below:

Appraisal Criteria	
1	Strategic Fit <ul style="list-style-type: none">• Fit with the MSBF objectives• Identified priority• In line with Visit Wales product-led thematic year approach (i.e. Years of)• Fit with the needs of Visit Wales' market segments• Aligned with the Wales brand
2	Project <ul style="list-style-type: none">• Overall quality of application and description of proposal• Benefit and impact (e.g. does it deliver measurable benefits for tourism businesses in the destination)• Innovation & experiential qualities• Environmental considerations• Aligned with the Well Being and Future Generations Act 2015, Tackling Poverty, Equal Opportunities & Gender Mainstreaming, Welsh Language standards.
3	Evidence of Need <ul style="list-style-type: none">• Reasons for undertaking the activity• References to the activity stated in the Destination Management Plan• Evidence & Research regarding market need
4	Risk Assessment & Project Delivery <ul style="list-style-type: none">• Project plan and team• Risk assessment & mitigation• Management Team Structure• Project collaboration and agreements• Cost & funding evidence• Delivery
5	Project deliverables <ul style="list-style-type: none">• Quality of project targets• Outputs & deliverables, used to measure the success of the project• Detailed information on how these will be measured• Meets the scheme tourism priorities, outputs and RDP indicators
6	Project Costs & Value for Money <ul style="list-style-type: none">• Overall proposal represents value for money• Activity and associated costs represent realistic and best value quotes• Project costs are reasonable• Expected benefits are proportionate with costs• Long term sustainability acceptable• Ability to have an impact in the market place over a longer period of time• Additionality case is clear

7. Approval & Decision

Once reviewed by the Panel, recommendations will be submitted to Welsh Government Ministers for consideration and decision. You will then be informed of the final decision and if successful an award of funding offer letter will be issued. Offer letters will need to be signed, and one copy returned to Welsh Government. 'Start of work' on the project (including the procurement process), or a formal commitment, must not occur prior to the project start date which is advised by the case officer. This date can precede the formal decision on your application, through the issue of an 'at risk' letter to you by an official. In this event the start of the project prior to receipt of a formal offer of support is at your own risk. Welsh Government is not responsible or liable for any costs incurred in the preparation of an application, or otherwise.

8. Claims Process, Delivery and Monitoring

The payment profile will be set out in an offer letter. If additional claim periods are required, a request can be made in writing to the Monitoring Team setting out the reasons for the amendment. The decision of the Monitoring Team is final. Project payment conditions will need to be met as set out in an offer letter.

The Welsh Government reserves the right to review the award of funding if the agreed payment profile as set out in the offer is not met. The Welsh Government policy is to make payments in arrears. Welsh Government recognises however that most Third Sector organisations do not hold large reserves and do not have the resources to undertake work and receive payment afterwards. In the case of Third Sector applicants, if your organisation requires an advance payment you should indicate this at an early stage, and a form will be issued to you. This should be completed and returned so we can decide if this kind of support may be offered.

Each project will have a set timeframe to be achieved; this will be outlined in the offer letter. Expert project management is highly important as funding will be lost to the project if the offer timescale is not adhered to. Claim forms can be submitted electronically but will not be processed until full evidence has been submitted and has been assessed. Once authorised, payment is usually made within 4 working days. Progress reports and evidence must be submitted with each claim, and it is estimated that a claim will take some 30 days to be processed from receipt of a complete claim to authorisation.

If successful, as a beneficiary of the above scheme, you **must** obtain an individual Customer Reference Number (CRN) for your organisation which is a requirement under the grant scheme in order for project claims to be processed. Further guidance will be included in the agreed offer letter. Until this CRN number is received no claims will be processed for payment.

Post Completion Monitoring

Delivery and achievement against agreed outputs will continue to be recorded and monitored (as a condition of offer) for 5 years following completion of the project.

9. State Aid

This scheme is compliant with the requirements of Article 19 of Regulation (EU) 1305 / 2013 (Rural Development Regulation).

Grants provided under this scheme will fully comply with the Welsh Government Capital Investment Aid and Employment Aid Scheme – State aid reference no: SA.49662

Grants provided under this scheme for those activities that fall outside the scope of the above scheme will be compliant aid pursuant to Commission Regulation (EU) No 1407/2013 (General De Minimis Regulation).

http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf

For Assisted Area locations see: <http://www.ukassistedareasmap.com/ieindex.html>.

10. EU Procurement

COMPETITIVE TENDERING AND PROCUREMENT REQUIREMENTS

The European Commission (EC) Procurement Directives apply to contracts that are financed or part financed by EU Funds. Full Public Procurement rules apply to all public bodies and commercial enterprises in the private sector who receive grant support of 50% or more of total project costs, exclusive of VAT. As your **MSBF** grant support does **not exceed 40%**, the public procurement rules do not apply to you, you will therefore be required to follow the **Competitive Tendering process** outlined below:

There are three key aims of competitive tendering:

- To demonstrate fairness for suppliers to make a contribution to EU funded investment activities.
- To improve the competitiveness of suppliers.
- To demonstrate reasonable project costs.

Please see full details on [competitive tendering and public procurement requirements](#).

You must demonstrate you have used open and fair practices by using a competitive tendering exercise for all works, goods and services that are included in the project for which you intend to claim grant support.

The correct competitive tendering requirements must be undertaken and the time needed to do this must be factored into the project delivery plan. The threshold for the value of the goods or services is determined by the **final invoice price** and not the initial values given in an estimate or quotation (exclusive of VAT). For example, the quote is £4,990 but the invoiced amount is £5,020, then the competitive tendering requirement would be **at least 3 written quotes**.

The following requirements **must be** followed according to the total value of the goods or services purchased **exclusive of VAT**.

Final Value to be purchased	Competitive Tendering Requirement	Action
Less than £5,000	One written quote	It is recommended to use suppliers that are registered on www.sell2wales.gov.wales
More than £5,000	At least three written quotes	It is recommended to use suppliers that are registered on www.sell2wales.gov.wales

Open Competition

You must put in place a process which assesses the merits of the quotes on an impartial basis: (business case, with a genuine pre-estimate of cost and need).

The contract description must be non-discriminatory; you cannot refer to a particular brand, qualification, certification, specific origin or trademark.

You must make it clear that equivalents will be equally valid. You must ensure there is no direct or indirect discrimination of bidders from other Member States.

All Information must be provided up front, including estimated value where possible, in the instructions to bidders / specification / advert / contract notice. You must make available the same information about the contract opportunity to all interested parties.

Suppliers

Evidence **must** be provided that demonstrates which suppliers were approached and asked to quote; this must include the date they were contacted and who in the company the enquiry was sent to. The quotation documents **must** contain all the necessary information for the supplier to be identified including address, contact details and Company Registration Number (VAT Number if applicable). The cost of an item procured from the supplier cannot be broken down into smaller amounts to avoid using the correct competitive tendering requirement. An agreed contract or a submitted quotation cannot be split and individual items taken out of the contract or out of the quotation to be provided separately. This becomes a new purchase and the competitive tendering requirements **must** be applied again.

Conflict of Interest

Any perceived or actual conflicts of interest between you and the suppliers that are asked to provide quotes - for example getting quotes from related companies, **must be explained in the competitive tendering supporting documentation. Where conflicts potentially exist mitigating action must be taken and documented.**

Quotes

A minimum of three quotes will be required when a purchase is £5,000 or more. Only one quote is required when the purchase is under £5,000. There may be rare occurrences where you are unable to obtain three quotes, such as highly specialised works/services. If you believe there are less than 3 suppliers available you should contact RPW Online before entering into any agreement to seek advice for a lower number of quotes. If the work is not specialised but you are struggling to find suppliers who are willing to provide quotes you should retain detailed evidence of who you have requested quotes from, and when. While you are only required to submit 3 quotes, it is expected you approach more than 3 suppliers if you are unsuccessful in obtaining quotes.

Selection Process

Quotations received must be considered fairly and the reason(s) why a particular supplier was chosen must be recorded in writing.

We would expect you to select the cheapest quote. If, in exceptional circumstances, you do not use the cheapest of the three competitive quotes you **must** provide a written explanation setting out the rationale and reasons why the selected supplier has been chosen. Welsh Government may cap the grant to the value of the lowest quote.

A Competitive Tendering Register & Record Documentation

You **must** document all competitive tendering using the Welsh Government [Competitive Tendering Register & Record](#).

Corrections and Sanctions

You are responsible for ensuring the competitive tendering process is followed correctly, fully documented and the documentation is available upon request. There is a significant risk the grant could be recovered in full or in part if the competitive tendering process is not followed correctly and supporting documentation is not retained.

Any publicity must be in accordance with the [Rural Development Programme 2014-2020 Information and Publicity Guidelines](#). This means that use of Sell to Wales or request for quotations should make clear that the project is to be funded RDP scheme specifically as noted in this guidance.

The period for contracts to be offered is not specified but should be proportionate and reasonable. A 21 day minimum period is suggested.

11. Welsh Language Standards

Applicants should seek early advice regarding the bilingual requirements of their projects and ensure that all aspects have been costed and included in their proposals. Welsh Language requirements will be specified in an offer document and might include (as appropriate):

- Bilingual signage, educational, interactive and interpretative materials.
- Bilingual marketing print, unless targeting audiences located outside of Wales only.
- Bilingual website.
- Bilingual social media unless it is used for anticipated audiences that are located outside Wales.
- Training and People Development opportunities regarding the Welsh Language.
- Bilingual Job advertisements.
- A Welsh Language Action Plan & Policy.

12. Publicity

You will need to acknowledge the support on all publicity, press releases and marketing material produced as being from the Welsh Government Rural Communities – Rural Development Programme 2014 -2020, which is funded by the European Agricultural Fund for Rural Development, and Welsh Government. Such acknowledgement must be in a form approved by us and must comply with the Welsh Government branding guidelines, which will be advised when accepting the funding offer. Any publicity must be in accordance with the [Rural Development Programme 2014-2020 Information and Publicity Guidelines](#).

13. The Well-being of Future Generations (Wales) Act 2015

The objectives of the Act show how each public body will work to achieve the vision for Wales set out in the [well-being goals](#). The seven well-being goals show the kind of Wales we want to see. The Act makes it clear that the listed public bodies must work to achieve all

of the goals, not just one or two. Reference to and explanation as to how your project meets these goals will be important in the assessment of an application.

14. Data Protection Privacy Statement

General Data Protection Regulation (GDPR) Privacy Statement

Welsh Government is the data controller for any personal information you provide. The information that you provide will be used by Welsh Government to process this application. It is necessary for us to collect this information in order for us to comply with our legal obligations under the scheme.

Failure to provide all the required information may result in us being unable to undertake a full assessment of the application. The data collected is shared with organisations contracted by Welsh Government to solely deliver Welsh Government sponsored business support associated to the content of the Micro and Small Business Fund.

The collected information will be accessible by Welsh Government support service teams and its system technical administrators who support the I.T. system. System technical administrators will not use your details in any way.

The information provided in the expression of interest form and full application form is subject to the [Rural Development Programme 2014-2020 Privacy Notice](#). Further information for the data that we will hold is available in the Privacy Notice which explains the Welsh Government's processing and use of your personal data and your rights under the General Data Protection Regulation (GDPR).

The information we have collected from you may be shared with fraud prevention agencies who will use it to prevent fraud and money-laundering and to verify your identity. If fraud is detected, you could be refused certain services, finance or employment in future. Further details of how your information will be used by us and these fraud prevention agencies, and your data protection rights, can be found by contacting Data.ProtectionOfficer@gov.wales.

15. Conditions of funding

As part of the funding you will need to:

- Participate in the Visit Wales Grading Scheme for the compliance period.
- Participate in the Visit Wales Occupancy Scheme for the compliance period.
- Provide realistic costings and evidence as to how the figures have been calculated.
- Understand that the Welsh Government shall not be held liable for any expense incurred by you during the preparation, submission or assessment of the application.
- Understand that any costs incurred or defrayed prior to the **project start date** are not eligible and cannot be included, unless relating to eligible professional fees (and only then by agreement).
- Understand that all costs contained within this application MUST be procured in line with the requirements detailed in the competitive tendering and [public procurement requirements](#).
- Understand that evidence must be provided as to how the costs will be procured (i.e. the procurement strategy), including how any related company 'conflict of interest' will be managed and to be agreed by Welsh Government.
- Understand that all documentation relating to competitive tendering must be recorded using the Welsh Government [Competitive Tendering Register & Record](#).

- Understand that failure to carry out proper procurement will mean you will be penalised resulting in a reduced grant payment and you will not be able to receive the grant awarded in its entirety.
- Understand that spend must have commenced within 6 months of the offer and be fully defrayed and claimed by December 2022.
- Agree to acknowledge and refer to the support from the Welsh Government Rural Communities – Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development, and Welsh Government in all publicity and media related to the project.

16. Contacts for Further Information

Regional Case Officer	Location	Email Address	Telephone No
Phil Griffiths	North / Mid	Phil.griffiths@gov.wales	0300 062 5397
John Woodward	South / Mid	John.woodward@gov.wales	0300 062 2413