



Department for
Business, Energy
& Industrial Strategy

Guidance for Applicants

**Advanced Manufacturing Supply
Chain Initiative (Recycled) Fund**

MAY 2022



INDEX

	Page
Introduction	3
The Application / Assessment Process	5
The Approval Process	10
The Project Management Process	12

INTRODUCTION

1. To help deliver the Government's industrial strategy of growing the UK's industrial capacity, capabilities, productivity, competitiveness and resilience and to create new jobs as well as safeguard existing jobs across England, it launched in 2012 the Advanced Manufacturing Supply Chain Initiative (AMSCI).
2. Building upon the success of AMSCI and to provide ongoing support, the Advanced Manufacturing Supply Chain Initiative (AMSCI) Recycled Fund ("the Fund") has been established using recycled AMSCI funding to continue to address market failures and meet these same objectives.
3. It is targeted at those manufacturers, suppliers and innovators, particularly small and medium sized enterprises (SMEs), across the whole of the advanced manufacturing supply chain that use innovative technologies and methodologies. Such businesses play a crucial role in delivering the growth and improved competitiveness of the UK's advanced manufacturing sector and where market failure is likely to be the greatest and funding justifications at its highest.
4. By market failure we mean that the market by itself produces outcomes which do not deliver the maximum possible benefits to businesses, consumers, the wider economy and society, and therefore government intervention and support can be justified.
5. The Fund is jointly administered by the Department for Business, Energy and Industrial Strategy (BEIS) and Birmingham City Council (BCC) who have been appointed as the accountable body. BCC in turn has appointed Frontier Development Capital Ltd (FDC) as their delivery agent responsible for managing the delivery of the Fund.
6. The Fund recognises that while some investment projects can be delivered relatively quickly with low risk and limited funding requirements, others are higher risk with uncertain and perhaps longer pay back periods which require a number of years of funding in order to develop and progress new ideas, technologies or products / services.
7. The Fund will work alongside businesses to bring forward their investment plans.
8. This Guidance for Applicants has been prepared to help explain the Fund, how a business can request funding from it, the assessment and approval process as well as what happens when an investment project is approved for funding.
9. Requests for funding from the Fund ("funding") will need to demonstrate how their investment project ("the Project") meets at least the following key eligible requirements:
 - Is to be based in England and delivered by a single UK based company ("the Applicant") who will have a minimum of two years of trading. Consortium type applications should be discussed with FDC in the first instance and a programme based application is not eligible.

- All funding to be spent towards contributing towards increasing the Applicant's capabilities, capacity, competitiveness, innovation and technological development.
- Funding needs to be aligned to technology readiness levels TRLs (see below).
- Has a clear funding route of bringing the Project to market in a reasonable timescale (1-2 years) and able to show how and when private sector funding will contribute towards this outcome.
- Creates new jobs and/or safeguards jobs located in England and created directly by the Applicant.
- Requests a minimum funding of £0.5m (this may be reduced in exceptional circumstances where a good rationale exists).
- Would not otherwise go ahead, be significantly delayed, or would be of a lesser scale, without requested funding.
- Loans are for a maximum period of five years and that all loan drawdowns and grant claims will be completed by 31/3/27.

10. The table below provides guidance on potential available funding from the Fund

TRL	Description of TRLs	Grant	Loan
1	The idea – initial exploitation of new ideas	X	X
2	Invention through exploration of potential through structured experimentation to provide understanding of key technical / technological advances	X	X
3	Proof of concept using existing methodologies to enable proof of concept to be undertaken	X	X
4	Development of asset / technology into tangible entity similar to its perceived end state	X	X
5	Validation through trials for use in its intended environment	X	X
6	Demonstration of prototype in a realistic, representative and operational environment	√*	√
7	Qualification and verification of assets / technology in appropriate operational environment	√*	√
8	Deployment into operational environment	X	√
9	Production with development and evolution	X	√

*Can include training related to the delivery of the Project

11. It is expected that most requests for funding will be for loans for Projects in a late TRL stage which may not have yet reached the point of commercialisation but are near to market and the request for funding is about expanding their capacity, capability and competitiveness.

12. The Fund can consider providing funding as a mixture of both loan and grant funding in exceptional circumstances. This recognises that different Applicants may need different combinations of funding to help them to deliver their Project which can be dependent on the maturity of their business and the type of Project and its risks. The inclusion of any proposed management costs for managing the Project should be discussed with FDC in the first instance.

13. Those Applicants seeking grant funding, up to a maximum of 20% of the total funding being sought, will need to explain in detail their reasons as to why their Projects need such funding to reach commercial success. It may be that they need to undertake a technological development stage of their Project. FDC will discuss the timing of grant drawdowns (on a defrayed basis) with the Applicant which will always be made available alongside appropriately timed loan funding.
14. The Fund has limited financial resources, so the assessment and approval process will consider the level of direct job benefits to be delivered by a Project and the level and type of funding being sought. For guidance purposes an Applicant should aim at a grant level of £10,000 and a loan level of £25,000 for each job to be directly created or safeguarded by the Project.
15. Applications can be submitted from 1/4/2022 with funding available on a first come first served basis.

THE APPLICATION / ASSESSMENT PROCESS

16. Outline of the key components of the application / assessment process:
- Each funding request will be dealt with by a FDC Investment Director from the Fund (“FDC”).
 - Initial guidance on an application can be obtained by contacting FDC on 0345 3194528 or by emailing marketing@frontierdevelopmentcapital.com – a follow up virtual or meeting at FDC or at the Applicant’s premises may be appropriate at this stage.
 - Applicant emails their business case and supporting documentation (submitted documentation) to FDC.
 - FDC will undertake an initial assessment which may lead to a follow up meeting if necessary and/or request for further information to enable the preparation of an investment proposal paper on the Project to the Fund’s Investment Board.
 - Part of the assessment process will include appropriate due diligence covering the Applicant, Project, financials and commercial information.
17. The Applicant will complete and submit a business case which consists of the following key sections:
- Applicant background and Project details
 - Project outcomes
 - Management and risk information
 - Commercial information
 - Financial information (including financial forecasts)
18. The Applicant will also submit the following supporting documentation:
- Three years statutory (full details, not abridged) year-end financial statements and up to date management accounts.
 - Project plan (if appropriate).

- Project risk analysis.
- Environmental, Social and Governance (ESG) Information Request (a copy will be provided to the Applicant).

Applicant Background and Project Details

19. This should provide the Applicant's contact and address details, an overview of the business including its recent history, details of its main activities and a clear articulation of the overall aims of the Project, its main activities and expected outputs.

Project Outcomes

20. A detailed justification for the Project receiving funding which is predominantly going to be based on the following:

- The number of directly created and safeguarded jobs in England.
- The identification any other benefits such as inward investment (including reshoring), exporting or diversification where relevant. Conversely, if investment and/or jobs are in danger of going overseas in the absence of funding the Applicant should explain these circumstances.
- How it addresses market failure i.e. the market by itself is not leading to an efficient outcome and government intervention can be justified.
- Supporting the rebalancing of the economy and contribution towards economic growth.
- Its ability to increase UK's advanced manufacturing capacity, capability and competitiveness.

Management and Risk Information

21. This should provide an explanation of by whom and how the Project will be managed and delivered ("the Project Team"). It should show that the Project Team have sufficient technical, commercial, financial and management skills and experience to successfully deliver the Project. It should specifically address the risk that the Project's expected job benefits will not be achieved in the quantities as outlined in the business case.

22. The Applicant should provide detailed information and evidence on the following when appropriate:

- A Project plan with references to timetable, milestones and outcomes. This could be a GANTT chart or similar showing tasks which collectively show their relationship / dependencies and a Project's critical path. The Applicant may wish to submit posted images or a PDF of a Microsoft file or excel spreadsheet.
- Pen profiles of key members of the Project Team responsible for the delivery of the Project. To include evidence of skills, experience (e.g. previous experience of managing similar projects, working together etc).

- Risk analysis to include all technical, commercial, organisational and environmental risks and include aspects that may jeopardise Project progress with description of mitigating actions to help ensure successful Project delivery. Each risk should be scored on a sliding scale of 1 to 5 (5 being the most serious) for its likelihood and for its impact.
23. The Applicant should confirm that the Project's expected job benefits will not occur without the funding being provided (additionality) and that no jobs will be lost by other England based companies who do not receive funding (displacement).
24. If a Project is in receipt of, or is applying for, multiple sources of public funding the Applicant should make this clear in their business case. Failure to do so could invalidate any offer of funding made.
25. The Applicant will directly create, or safeguard jobs based in England. A job created is a new job that will be directly attributed to the Project which will endure for a minimum of 12 months. A job safeguarded is one that would be directly attributed to the Project which would be made redundant in 12 months without funding. In other words, our funding allows a job to be retained for a minimum of 12 months. Consideration may be given as to the impact that any funding will have on other UK based businesses, i.e. indirect jobs created and/or safeguarded.
26. All job numbers should be provided on a full time equivalent (FTE) basis recording part-time workers as 0.5 FTE and show their current / expected salary levels and the postcode as to where they will be located. FTE is 30 hours or more per week.
27. The Applicant should provide evidence for jobs safeguarded. It is important for the Applicant to differentiate between those jobs that would be lost if the Project does not proceed in the absence of funding, and those that would be reallocated within an Applicant to support other projects. This assessment will only consider jobs lost because of the Project not proceeding.
28. It will consider the risk of non-delivery of forecasted job benefits. Depending on the evidence provided this may lead to forecasted job numbers being revised down which may impact on the level and type of funding being sought. It will also consider the risk of displacing other existing jobs.
29. Failure to deliver these job numbers could lead to a breach of contract potentially leading to a suspension, withdrawal or immediate repayment of grant and/or loan funding that has been made.

Commercial Information

30. This should provide an understanding of the Project in terms of its design, development and delivery. It should include details of its technical approach and a commercial justification for the Project. This should show that the Project is viable, its outcomes deliverable, outline the commercial opportunities, how these are to

be secured and how funding, as well as other sources of funding, will contribute to its success. Dependent on the level of technical information provided FDC may seek assistance from independent third party experts at no cost to the Applicant.

31. The Applicant will need to show that the Project is feasible and has commercial viability by providing detailed information and evidence on the following:

- Sufficient details to understand the tasks involved and the timing of key milestones, outcomes and outputs.
- The level of resources (access to facilities i.e. test facilities, equipment etc.) that are being provided and the level of commitment to undertake and complete the Project.
- Rationale for any collaborative links particularly with universities or shared research centres e.g. Catapults.
- To what extent can innovations be protected using intellectual property rights or employment contracts?
- Who will own the intellectual property rights of the technologies and processes developed as part of the Project.
- The Project's TRLs, the links and dependencies between the different TRL phases of the Project and the likelihood of its commercial success.
- The scale, geographic (e.g. UK, Europe etc.) and dynamics of the targeted market and market opportunity being pursued (e.g. is it growing, are there increasing or decreasing levels of competition) and information on competing products / services and the Applicant's relative size / share.
- Who are the competitors and what might be their response to this Project?
- The readiness and timeliness of the Project to meet the needs of the target market.
- What is the Project's route to market and its timing?
- What will be its pricing strategy and expected sales volumes?
- Who will be the Project's potential customers and what progress has been achieved in securing such customers?
- Potential applications of the developed technology.
- Does the technology have multiple applications across several sectors, users or products?
- Does the technology lead to the development of new industry standards, its potential impact and the role the technology plays?
- How would the Project approach offer a better outcome, compared to rival technologies and alternative strategies?
- How would the Project increase the capacity and capabilities of the UK's advanced manufacturing sector?
- Letters of support from current / potential customers / orders if available.

Financial Information

32. This should provide an understanding of the financial aspects of the Project and a financial justification for the amount and type of funding being requested. It should demonstrate financial affordability showing how the Project will be funded to reach commercial success and by whom (this should include the Applicant's ability to make their own financial contributions to the Project), as well as financial

information on the Applicant. Part of the assessment process will be a consideration of the Applicant's own direct private sector funding to the Project.

33. The Applicant needs to provide a detailed justification as to why the requested funding is the minimum amount needed to deliver the Project which might include one of the following reasons:

- The Applicant is unable to raise finance from other sources. They should provide information on the cost gap and evidence that requests for private funding have been rejected or will only be provided at an unreasonable cost. In the case of the latter, the Applicant should define what they mean by unreasonable.
- The Project and/or jobs are in danger of going overseas in the absence of funding. The Applicant should provide evidence concerning the relative attractiveness of different locations, including cashflow or internal rate of return analysis for the different location options. Information on any offers of support from foreign governments should be provided if this is the rationale for locating potentially a Project overseas.

34. The Applicant will need to provide the following in the form of financial forecasts to include explanations when required:

- A breakdown of capital / operational costs to a sufficient level, with justifications, to show that they are appropriate to delivering the Project and of any current and future revenue streams. This should include a breakdown by:
 - Capital costs, broken down into constitute parts
 - Activity type (e.g. labour, materials, other major expenses, subcontractors etc.
 - Customers
 - Time (monthly / quarterly)
- Ability to cash flow the requirements of delivering the Project and its outcomes, service and repay loan funding and to defray the nature of any grant funding.
- Ability to make their own financial contributions (such as additional equity / loan support) to the Project so that the Project will be funded to reach commercial success, by whom and what is the process for this funding to be secured and its likely success.

35. The Applicant will provide a set of statutory accounts (not abridged) for the last three years and monthly management accounts for the period between the last statutory accounts and the date of their application. This will be used to help assess their financial strength.

Terms and Security

36. During FDC's work on its investment proposal paper to the Investment Board it will discuss with the Applicant the following:

- How the Fund intends to provide funding to the Project, indicative terms and conditions that might be applicable to the funding being provided. For loan

funding this will include the expected prevailing rate of interest, a schedule for the payment of interest and the repayment of capital (on a quarterly basis). It would also include any pre-drawdown and post draw down conditions that need to be met before and during any funding can be drawn down. Loans will normally be drawn down in tranches with grants claimed quarterly in arrears on a defrayed basis.

- Appropriate type of security that may need to be taken (not including any personal guarantees to be provided), typically, this will cover a debenture and/or charges over specific assets that may need to be purchased with the funding provided and/or parental guarantee or parental undertaking.

37. These discussions being subject to the Project being approved for funding and indicative terms being approved or as varied by the Investment Board.

Subsidy Control

38. Funding made available from 11pm on 31 January 2020 onwards is predominately subject to the UK subsidy control regime which ensures compliance with the UK-EU Trade & Cooperation Agreement 2020 ("TCA") and other UK international trade commitments. The Subsidy Control Act 2022 ("the Act") builds upon the UK's obligations set out in the TCA and received royal assent on 28 April 2022. Part 1 of the Act has immediate effect, which includes the definition of what is a subsidy.

39. The provision of loan by the Fund is not considered to constitute a subsidy as it will be designed and tested to be delivered as commercial finance to the borrower and thus not providing an economic advantage to an enterprise as per Part 1 of the Act, for which further information may be sought from Applicants in order to be satisfied of compliance. This means a loan will be designed in line with normal market conditions so that they may be provided in a commercial way and at a commercial rate of interest.

40. As the level of grant funding provided to a Project is not expected to exceed £300,000 per Applicant it is intended to be covered by the Minimal Financial Assistance threshold of £315,000 per enterprise in any three fiscal year period as set out in Part 3 of the Act, for which further information may be sought from Applicants in order to be satisfied of compliance.

41. It is the responsibility of the Applicant to satisfy itself of UK Subsidy Control compliance in respect of any funding from the Fund. Further guidance is available on the government website www.gov.uk

THE APPROVAL PROCESS

The Investment Board (IB)

42. The IB is made up of independent voting members who will review FDC's prepared investment proposal paper on the Project. It will decide whether to recommend approving a Project for funding or may seek further information / clarifications. If deferred the Applicant may be asked to attend a future meeting

and make a presentation followed by a Q&A session. The IB's decision is full and final.

43. The IB may set specific terms and conditions applicable to the funding, specify specific areas which it wants to be covered in further details as part of the due diligence process and any specific pre-drawdown and post drawdown conditions that need to be included in Funding Offer Letter to the successful Applicant.
44. Unsuccessful Applicants will receive feedback on their application.

Funding Offer Letter (FOL)

45. Successful Applicants will receive a FOL, which will provide further details on the funding to be provided, which will need to be signed and returned to FDC. The FOL will cover the following:
- Confirm how funding will be provided to the Project.
 - The terms and conditions applicable to the funding.
 - All pre-drawdown and post drawdown conditions that need to be met before and during the funding period.
 - Security
 - Financial / covenant monitoring requirements.
 - For loan funding this will include the prevailing rate of interest, a schedule for the payment of interest and the repayment of capital (on a quarterly basis).
 - For grant funding this will include the basis and timing of how it will be claimed.
46. The provision of funding will be subject to the payment of a minimum arrangement fee of 2% of the total amount of funding (loan and grant funding) to be provided. It will also be subject to a 1% annual monitoring fee on the actual drawn down amounts of the loan facility.

Due Diligence Process

47. Due diligence will primarily be completed ahead of the IB with any further requirements being detailed as a pre-drawdown condition. If FDC decides to engage an external third party of their choice to undertake any element of its due diligence work (such as ensuring that an approved level of grant funding is compliant with State subsidy control guidelines) the scope of this work and circumstances, parameters and costs will be discussed in advanced with the Applicant.

Compliance with UK Anti-Money Laundering Regulations (AML)

48. To ensure that the Applicant meets the requirements of the UK's AML regulations FDC will undertake appropriate anti-money laundering checks and Know Your Customer checks which will include the identification of the people recorded as statutory Directors, key shareholders and beneficial owners. This work will be fully detailed within the FOL and will normally begin following the receipt of the Applicant's signed acceptance of the FOL.

Security Documentation

49. Complete appropriate security documentation to give effect to that agreed previously with the Applicant or as may be varied by the IB.

PROJECT MANAGEMENT PROCESS

50. FDC will work with the Applicant on an ongoing basis to ensure that they complete the following:

- Meet all pre-drawdown and post drawdown conditions.
- Drawing down of loan funding and claiming grant funding.
- Review any Applicant's wish to publicise the funding received for their Project. An Applicant wishing to release any publicity material on their funded Project must first contact FDC before doing so and email any publicity plans, press releases and articles etc. to it for prior approval.

51. FDC will also undertake regular performance monitoring of the Project through regular monitoring meetings and visits to the Applicant. This work will include reviewing quarterly management / financial information i.e. showing evidence of Project performance, meeting milestones and outcomes - meeting jobs created and/or jobs safeguarded against forecasts as well as meeting any additional information as detailed in the FOL.

52. FDC will work with the Applicant to ensure that they comply with all the terms and conditions as set out in the FOL and to help them, as far as possible, successfully deliver the Project and its outcomes.

53. Draw down of loan funding and claims of grant funding will continue so long as FDC is confident that the Project remains on track to be fully delivered as forecasted and that they comply with all the terms and conditions of the FOL.