Operational Excellence Offer

Supporting the Transformation of Irish Business

Cáipéis Tagartha – Reference Document

29th May 2018
1. Introduction

1.1 Background

Building a Competitiveness Agenda for EI Clients is a central element of the delivery of Enterprise Ireland’s 2017-2020 Strategy. Competitiveness is a strategic imperative for the Enterprise Ireland client base given the small and open nature of the Irish economy. In addition, the business environment our clients are operating in continues in a state of uncertainty which increases the urgency of EI’s drive to build client competitiveness. Companies must continually:

1. innovate to keep pace with macroeconomic and technological changes;
2. diversify into new markets in order to grow more sales; and
3. compete through increased capability, productivity, and innovative approaches to business

Co-funded by the European Regional Development Fund, Enterprise Ireland’s Operational Excellence Offer addresses this third strand in increasing client’s competitiveness.

1.2 Aims of the Operational Excellence Offer

The offer is designed to incentivise established Irish based export oriented companies (SME and Large) to address their operational challenges and opportunities through a transformation project that would include investment in capital equipment where applicable, capability building through training and in the implementation of innovative production, delivery or organisational methods in the business.

The intention is to address a company’s needs across key aspects of their value chain and business operations; from supply chain management, internal business and production operations, and through to logistics and distribution networks.

Projects approved under this offer will:

- address critical cost factors in the company’s value chain whether in response to new opportunities or in the face of a challenging marketplace/competitor environment
- demonstrate the potential to increase output by way of productivity or value add while maintaining or increasing employment in the company in the longer term; and
- clearly show how the company plans to undertake the project, particularly in relation to the resources required to develop the project.

Note that funding support is provided only in the context of an agreed growth plan between a company and the funding agency (Enterprise Ireland or Údarás na Gaeltachta).

1.3 Eligible Companies

The Operational Excellence Offer is open to companies who:

- are existing and potential clients of Enterprise Ireland & Údarás na Gaeltachta subject to the prevailing policies of those agencies. The Operational Excellence offer is not available to clients of Local Enterprise Offices.
- employ 10 or more full time people (or full time equivalent) in the State at the time of application.
- have been incorporated and trading for at least 5 years at the date of application
- have sustainable annual revenues of at least €500K and are EBITDA positive in previous accounting period or; for at least the previous nine months prior to application and can demonstrate sustainable future EBITDA.

EBITDA negative companies may apply for funding on applications up to €150k spend but applicants must display sufficient level of financial resources to undertake and implement the project and realise the commercial benefits. Note that Enterprise Ireland’s policy on providing grant support to companies is that where a company has not
reached a revenue generation stage in its development phase, or where its revenue is not covering its costs and the risk of the company remains high, then Enterprise Ireland's support by means of equity is more appropriate than a grant.

1.4 Eligible Activities

The Operational Excellence Offer will support activities which enable a transformative step change in the operations of the company. This must be built around an identifiable project plan which can include support for one or more of the following activities:

- Business Innovation, which involves the implementation of new production, delivery or organisational methods in the company
- Capability Building/Training to support the plan
- Capital Expenditure for Production/Operations, where applicable

Where the bundled offer outlined above is not appropriate for a company, individual supports continue to be available under existing offers.

1.5 Funding: Expenditure/Grant Limits

Funding support is by way of a grant.

In line with the goal of having a transformative effect on the company, the minimum expenditure level expected is set at €100k per application, although it could typically be much higher.

Maximum grant levels will depend on prevailing policy limits of the funding agencies (Enterprise Ireland or Údarás na Gaeltachta) and will include criteria such as the value for money for the state as well as EU State Aid limits/Regional Aid Guidelines. Further details on Grant Categories and Rates in Section 3.

1.6 Legal Basis

The Operational Excellence Offer is administered in accordance with the following Irish legislation:

3. Training: Industrial Development Act, 1986, Section 28

1.7 State Aid Basis

The EU State Aid basis for the fund is:

2. Business Model and Process Innovation Implementation:
   b. Large Co’s: de minimis aid guidelines subject to a cumulative max per company of €200k in de minimis aid over a 3 year period. Published in the Official Journal L 352/1, ii 18th Dec 2013, Commission Regulation (EU) No 1407/2013.

2. Application, Assessment and Approval process

2.1 Application Process

Applications may be submitted at any time to Enterprise Ireland (i.e. there is no set call close date). However, applications **must** be discussed with the assigned Development Advisor prior to submission. Enterprise Ireland clients should use [this link](http://www.enterprise-ireland.com) to find their Development Advisor in order to discuss their proposed project. With the agreement of the assigned Development Advisor, applications can be made to the Grant Applications Department of Enterprise Ireland via email to [GA@enterprise-ireland.com](mailto:GA@enterprise-ireland.com).

The required documentation for a full and formal application include:

1. Part 1: Business Plan (Word doc)
2. Part 2: Project Plan (Word doc)
3. Part 3: Project Costs (Excel)
4. Financial Data Sheet (Excel) *for applications where grant sought is >= €150k.*

Additional information required for the Assessment process includes:

<table>
<thead>
<tr>
<th><strong>Projected Monthly Cash Flows</strong></th>
<th>Monthly cash flows covering the next twelve months. It can be provided in the relevant section of the FDS or separately.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Financial Projections</strong></td>
<td>The company’s own full financial projections (on which the FDS projections are based).</td>
</tr>
<tr>
<td><strong>Audited Accounts</strong></td>
<td>The latest signed Audited accounts including notes (The key figures should correspond to the submitted FDS). Consolidated accounts for the Group if part of a group.</td>
</tr>
<tr>
<td><strong>Latest Management Accounts (P&amp;L and Balance Sheet)</strong></td>
<td>To facilitate the assessment of current year projections.</td>
</tr>
<tr>
<td><strong>Organisation Chart</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Group Structure</strong></td>
<td></td>
</tr>
</tbody>
</table>

Application forms, guidelines and supporting documents are available on the Enterprise Ireland website.

2.2 Assessment of Applications

Application evaluation will consist of a commercial assessment and a technical assessment which together with the application documents will form the proposal that will be circulated to Enterprise Ireland’s Investment Committee for approval. The Investment Committee will be presented with an assessment of the application, which incorporates comments on the following criteria:

- Value for money for the State taking into account the performance against targets set in previous investments,
- The overall amount of State funding received by the company in the last seven years,
- How the plan is an integral part of the strategic development plan of the company,
- The financial track record of the company,
- The development needs of the company,
- Previous track record in implementing any previously State funded projects,
- That the costs to be approved are reasonable and required for the project(s).
3. Grant Categories & Rates

The **maximum** applicable grant rate per expenditure category is outlined in the table below;

<table>
<thead>
<tr>
<th>Company size (Small, Medium, Large)</th>
<th>Capital</th>
<th>Business Innovation</th>
<th>Training Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unassisted regions</td>
<td>S 20%</td>
<td>M 10%</td>
<td>L 0%</td>
</tr>
<tr>
<td>Assisted regions</td>
<td>S 30%</td>
<td>M 20%</td>
<td>L 10%*</td>
</tr>
</tbody>
</table>

Where;
- Company size is as defined by the EU commission\(^1\)
- Unassisted regions are: Cork, Dublin, Kildare (excl Athy), Meath (excl Kells), Wicklow (excl Arklow).
- Assisted regions are all other counties within the Republic of Ireland (as well as Athy, Kells & Arklow).
- * Capital support for large companies, even in assisted regions, is only applicable where the site will be operating under a new NACE code or the company is moving to an alternative location in an assisted area.
- $ Business Innovation for large companies is supported at 50% under De Minimis Aid.
- ^ In line with existing EI policy maximum expenditure of €300k per application results in a max grant of €150k.

If any expenditure is incurred before the date of application the entire project will be ineligible for support. This includes the payment of deposits or where contracts are entered into by the applicant company.

ERDF requirements apply to SME Capital grants if they are carried out in the following counties: Cavan, Donegal, Galway, Laois, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath.

Note that Enterprise Ireland or Údarás na Gaeltachta reserve the right to offer less than the maximum grant rate in support for a project, based on prevailing policies for supporting companies.

4. Cost Eligibility

4.1 Capital Expenditure

Eligible costs are for the purchase of assets that include:
- New or second-hand equipment including reasonable installation costs. Second hand equipment must be less than 7 years old and more than €10,000 in value. Refurbished equipment will be evaluated on a case by case basis by Enterprise Ireland Assessors.
- Computers and perpetual software licenses used in the production process and in the Services Industry where the service is internationally traded.

Ineligible costs include:
- Expenditure on buildings, building modifications, mobile assets, transport and office equipment e.g. desks, chairs, filing cabinets, computers for administration, forklifts, cleanrooms, insulated panels and doors, refrigeration and building services. (This list is not exhaustive but reflects some of the key items that are not eligible).

- Software costs directly relevant to routine business activities e.g. payroll systems, standalone accountancy packages.
- External Consultancy costs
- Training or Salary costs for company personnel.

**NOTE:** The grant claim is based on the costs of equipment excluding VAT.

**Purchase of Eligible Assets:**

- Where the grant-aided assets are purchased by the Company, the grant may be claimed when verified eligible expenditure has been incurred and paid by the grantee. In this instance, the equipment claimed must be installed in the company premises and the company must hold valid title to the assets. It is not permitted to subsequently lease assets on which a capital grant has been paid to a grantee.

**Leasing & Hire Purchase**

- If the company wishes to lease the capital assets from a lending institution or enter into a hire purchase agreement, the costs (principal only, excluding interest and any other costs) will be regarded as eligible expenditure.
- If the title to the asset does not transfer to the company at the end of the lease period any grant payment made must be repaid to Enterprise Ireland.
- The grant payment of the lease and hire purchase to be paid in arrears (that is, after repayment costs have been made by the company) and the company can make a maximum of one grant claim per year.
- The terms of allowable leasing and hire purchase are set out below:

**Financial Leasing**

Where the Company leases capital equipment from a lending institution, the Company shall purchase the capital equipment upon or before the expiry of the term of the lease, and shall furnish evidence satisfactory to Enterprise Ireland that it has done so. The Company shall furnish a copy of the leasing contract to Enterprise Ireland prior to grant payments commencing.

The eligible expenditure shall be the lesser of (a) the amount (if any) specified for such expenditure in the Table at the start of this Schedule or (b) a sum equivalent to the cost of the capital equipment to the lending institution. The Company shall provide evidence satisfactory to Enterprise Ireland of this cost.

**Hire Purchase**

Where the Company purchases capital equipment under a Hire Purchase contract, the Company shall make all payments due under the said contract and shall furnish evidence satisfactory to Enterprise Ireland that it has done so. The Company shall furnish a copy of the hire purchase contract to Enterprise Ireland prior to grant payments commencing.

The eligible expenditure shall be the lesser of (a) the amount (if any) specified for such expenditure in the Table at the start of this Schedule or (b) a sum equivalent to what it would have cost the Company to purchase the equipment not using hire purchase at the time it entered the hire purchase contract. The Company shall provide evidence satisfactory to Enterprise Ireland of what this cost would have been.
4.2 Business Model and Process Innovation Implementation

The Business Innovation component is based on two elements of the EU State Aid framework;
- **process innovation**: the implementation of a new or significantly improved production or delivery method, and;
- **organisational innovation**: the implementation of a new organisational method, which is focussed on business model changes.

EI’s Business Innovation Initiative (BII) provides support for business-wide projects in contrast to R&D supports which are focussed on technical/R&D teams. Supports in this respect may occur in parallel with R&D projects that are addressing technical uncertainty. However, the implementation of new operations processes to make use of that new technology is supported through BII.

**Eligible costs include:**
- Salaries – personnel costs for company staff working directly on the project. The first €80,000 of actual base salaries is supported (exclusive of employer’s PRSI contributions). Note that pension contributions and bonuses are not eligible as salary costs.
- Additional overheads incurred directly as a result of the project. This is calculated as a fixed percentage of salaries and is limited to 30% (including employers PRSI),
- Consultancy – costs to the company of availing of consultancy support directly related to the project,
- Materials and other operating expenses directly related to the project (including prototype/design costs, travel and subsistence, certification testing).

**Ineligible costs include:**
- Routine business activities as defined in definitions contained in the document “Framework for state aid for research and development and innovation”, 21.5.2014

4.3 Training

A training programme in the Operational Excellence Offer may be completed by an external business development training team or internal trainers that meet the requirements of the company to embed learning that leads to the establishment of a cost competitive basis for continuous improvement and skills development.

**Eligible costs/activities**
- External Trainers: Maximum of €900 per/day inclusive of expenses
- Course cost by accredited Institution
- Internal Trainers/Trainees Costs: direct salary for eligible training days. The maximum daily rate is calculated on the first €80,000 of actual salaries (exclusive of employer’s PRSI contributions) 3
- Trainees must be direct employees of the Grantee and on the books and records of the Company

---

2 *organisational innovation* means the implementation of a new organisational method in an undertaking’s business practices, workplace organisation or external relations, excluding changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

*process innovation* means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

3 Eligible salary max of €80,500 equates to a maximum daily rate of €350 based on 232 working days PA.
- Trainee Costs and associated trainer costs are only to cover Irish based employees.

  Combined trainee wage costs shall not exceed combined trainer costs in the ratio of 3:1.

Ineligible costs/activities

- Support is only available for classroom training as action learning/on the job training is not eligible for support.
- Only eligible costs submitted in the application and approved by Enterprise Ireland will be considered for funding.