



Isle of Wight Rural SME Fund

Technical Guidance for Applicants

June 2025



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1 Introduction

1.1 Isle of Wight Rural Economy

The Isle of Wight has a vibrant and diverse rural economy with rural market towns, natural assets and a heritage that supports an expanding tourism offer, which annually generates £500M of direct and indirect expenditure. The Island has an important and expanding local food sector.

However, Island geography also means the Island's economy faces many challenges including restricted access to markets, increased cost of production, low productivity, restricted business networking and mentoring opportunities and the inability to achieve economies of scale. As a result, productivity levels and wages are amongst the lowest in England and fall below other rural districts, unemployment is significantly higher than the LEP average and employment is highly seasonal, with a 1.7% rise in unemployment on the Island in winter.

The Isle of Wight has a valued and valuable landscape, natural and historic environment. It is this that is the backdrop to the lives of the local community, provides an income either directly through the use of the land or indirectly as the result of tourism and other cultural and leisure activities.

1.2 Isle of Wight Rural SME Fund

The Isle of Wight Rural SME Fund was launched in April 2024 in support of the Isle of Wight's rural economy. It replaced the previous scheme run by Natural Enterprise and the IW Local Action Group which supported the rural economy for many years, creating jobs and supporting businesses on the Isle of Wight. The Isle of Wight Council has been awarded further funding from the government's Rural Prosperity fund so is able to continue the scheme. The council wishes to thank the support Natural Enterprise and the IW Local Action Group have given in developing this scheme.

The current IW Rural Fund is a competitive £150,000 programme, managed by Isle of Wight Council on behalf of the government's Rural Prosperity fund that seeks to support the Isle of Wight's rural economy by providing grants of between £15,000 to £50,000 to rural small and medium sized businesses that require capital investment with potential for economic growth, leveraging in private sector investment, creating or protecting jobs and assisting the Island's rural sector. **In particular, projects which bring a wider benefit to the rural economy will be viewed favourably.**

You may not be eligible to apply for this fund if your business has already received funding from government sources in the last 3 years. Any such funding should be declared in your initial application.

The Rural Fund supports both start-up and established businesses.



2 The Partners

2.1 Natural Enterprise

Based on the Isle of Wight Natural Enterprise provides a wide range of services, both locally and regionally to support local businesses, community groups and organisations.

Its activities include business investment advice, project management and delivery, managing domestic and European grant programmes, undertaking environmental improvement work and operating a rural broadband initiative.

As a charity, Natural Enterprise's surpluses are reinvested for the sole benefit of the Isle of Wight, its communities and countryside.

Natural Enterprise is a catalyst for positive change and bridges the different perspectives of the public and private sectors and the economy and the natural environment. With an extensive partner network there is a clear focus on delivering value.

As the previous deliverers of a similar fund, they have been extremely helpful in putting together this scheme and providing an infrastructure for the programme.

2.2 The Local Action Group

The Local Action Group (LAG) is a catalyst and facilitator for the implementation of the Island's local rural development strategy. The LAG develops and supports initiatives to help enhance the Island's rural areas. Specifically, the LAG:

- ensures the maximum benefit is derived from public grant funding for the benefit of the identified rural priorities
- provides the strategic direction for rural funding programmes
- undertakes the Funding Approval process
- promotes the programmes to potential applicants, stakeholders, the public and funders alike
- provides effective governance and strategic direction
- promotes public and political awareness for the Island's rural areas both locally and nationally

The Isle of Wight Local Development Strategy has seven strategic priorities:

- **Agriculture / Horticulture** - To increase the economic value of farming, horticulture and land management – encourage and support innovation, enterprise and new ventures.
- **Forestry** - To support the continued development of the woodland sector to deliver increased returns and employment opportunities.
- **Rural Businesses** - To support the continued diversification of the rural business economy to deliver higher value jobs in rural communities.

- **Local Food** - To increase the economic value of local food and its role in supporting new and existing local food producers and the Island as a quality food destination.
- **Rural Tourism** - To enhance and extend the Island's rural / countryside tourism offer by supporting innovation and the quality of provision to increase the economic contribution of the sector.
- **Rural Heritage** - To protect and enhance rural heritage assets to maximise their value to the local community/economy.

We are looking to assist businesses and social enterprises to expand the value of the Island's rural economy by securing new markets, add value, improve quality standards, introduce new ideas and enterprise and work collaboratively.

The Isle of Wight Local Development Strategy can be downloaded from www.naturalenterprise.co.uk/pages/economic/110-the-isle-of-wight-sme-fund

2.3 The Rural England Prosperity Fund

This is a government fund set up to support rural areas.

Rural areas often face specific challenges including:

- lower productivity rates
- poorer connectivity
- poorer access to key services

The Rural Fund supports the aims of the government's Levelling Up White Paper and Future Farming Programme. It funds capital projects for small businesses and community infrastructure. This will help to improve productivity and strengthen the rural economy and rural communities.

The Rural Fund is integrated into the UKSPF which supports productivity and prosperity in places that need it most. For eligible local authorities, the Rural Fund is a rural top-up to UKSPF allocations. It supports activities that specifically address the particular challenges rural areas face. It is complementary to funding used to support rural areas under the UKSPF.



3 The Fund

Applicants to the fund must be SMEs from the rural sector who are based on the Isle of Wight looking to secure funding in order to overcome barriers to growth or safeguard within their business.

Applicants will have to evidence how their proposal will create or safeguard private sector jobs, and leverage in additional funding and also have an impact on the Isle of Wight's rural economy.

3.1 Capital Investment Fund

This fund is a capital fund and is for established and start-up SMEs who require capital investment for their project. Applicants will be required to invest a minimum of 50% of the identified project costs.

3.2 Additional Value

Alongside the funding grants which will be on offer to successful bidders, support has also been secured to offer:

- Guidance and advice from the Isle of Wight Council's Go for Growth programme
- Publicity for successful bidders from local media & press.

3.3 Activities which can be supported

The funds can only be used to support businesses in the rural sector (see section 4.2 for rural sector definition) - i.e. businesses that are able to demonstrate how their project will benefit the Isle of Wight's rural areas.

If you are unsure as to whether your project costs can be capitalised, you are advised to seek guidance from your accountant prior to submitting your application.

3.4 Activities and Sectors which cannot be supported

Applications can only be made for new projects seeking capital funding. As such, funding **WILL NOT** be provided to cover businesses existing working capital or revenue costs. For clarity, working capital includes items such as salaries, rent, rates, utilities, stock and raw materials.

Please note that the following activities/sectors **CANNOT** be supported under any circumstances by the Fund:

We cannot support projects that have received funding from other Defra schemes. This includes:

- [The Farming in Protected Landscapes Programme](#) - funding for farmers and land managers to work in partnership with National Parks and Areas of Outstanding Natural Beauty bodies to deliver projects on climate, nature, people and place

- [The Farming Investment Fund](#) - grants to improve productivity and bring environmental benefits, covering 2 funds - the Farming Equipment and Technology Fund and the Farming Transformation Fund
- [The Platinum Jubilee Village Hall Improvement Grant Fund](#) - grant funding over 3 years (to 2025) to support capital improvement projects for village halls, covering extending buildings and modernising facilities. More details on how to apply will be available shortly

We cannot support projects or costs where there is a statutory duty to provide them.

If you require any further information in relation to any of the above points please contact us using the contact information in section 9 of this document.

3.5 When to Apply

Applications are accepted from now through to the 31st August 2025.

Full Application forms will be assessed by the Local Action Group. This will meet during September 2025. The application process will be based solely on the Full Application and supporting evidence.

NB. If any Planning Permissions, Licences or consents are required for your project these must be in place before a full Application can be assessed by the IW Local Action Group. If projects involve building works, permission from any landlord must be evidenced, and a tenancy of at least 5 years must be in place.

The Local Action Group will use the information provided in the full application to make a decision as to whether to invest Isle of Wight Rural SME funds in a proposal to support with a conditional funding award.

3.6 Legal

If the Government withdraws, varies or substantially amends the running of the Scheme or its financing then funds will not be available and the Isle of Wight Council will be liable for any costs associated with applications.

Please note that the Isle of Wight Council accept no liability for any costs incurred in the submission of full Application Forms in relation to The Fund under any circumstances.

Please note that payments from The Fund can only be made to business accounts – not direct to the accounts of any individual. For the purpose of the Fund, SMEs are defined under the “SME” definition in Annex I of Commission Regulation (EC) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty (the “General block exemption Regulation”). The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

The definitions of SMEs are summarised in the table overleaf. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.



Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-Sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Further information is available from the following web link:

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

4 Eligibility Criteria

4.1 Geographical Eligibility

Businesses must trade on the Isle of Wight.

Clear evidence must be provided that the jobs created or safeguarded as a result of your application will be located on the Isle of Wight.

4.2 Sector Eligibility

Businesses must be able to demonstrate how their project will benefit the Isle of Wight's rural areas. Priority will be given to the following:

- **Agriculture / Horticulture** - To increase the economic value of farming, horticulture and land management – encourage and support innovation, enterprise and new ventures.
- **Forestry** - To support the continued development of the woodland sector to deliver increased returns and employment opportunities.
- **Rural Businesses** - To support the continued diversification of the rural business economy to deliver higher value jobs in rural communities. In particular those projects which use innovation to boost productivity in traditional rural industry sectors.
- **Local Food** - To increase the economic value of local food and its role in supporting new and existing local food producers and the Island as a quality food destination.
- **Rural Tourism** - To enhance and extend the Island's rural / countryside tourism offer by supporting innovation and the quality of provision to increase the economic contribution of the sector. In particular, applications are welcome which improve access to rural tourism businesses.

4.3 Business Eligibility

In order to bid for the Fund, your business must qualify as an existing or start-up SME.

4.4 Management Buy-Outs (MBOs)

Applications from businesses established by means of a management buy-out will only be eligible for consideration if the purpose of the MBO is to secure jobs which are under threat or at risk of redundancy. Clear evidence of this threat must be provided at the time of application.

4.5 Franchises

Applications from businesses established under a franchise will **not** be considered eligible. The process of franchising already confers significant benefits to the franchisee in terms of permitted use of an established brand name, adoption of a tried and tested business model, and in many cases assistance with marketing and reduced



start-up costs. This fund is seeking to support as diverse an SME base across the Isle of Wight area as possible; accordingly, franchise applications will not be considered eligible.

4.6 Creation/Safeguarding of Private Sector Jobs

Bids will need to demonstrate the creation or safeguarding of sustainable and new private sector jobs. Bids which demonstrate that they create a higher number of new jobs will be considered stronger. Applicants should also note that the Local Action Group will look closely at the cost per job as part of their consideration of each application.

Jobs will need to be created no later than 31st March 2026. However individual businesses must meet the targets within their Offer Letters which may be earlier than these dates. All jobs created need to be **retained for a minimum of 12 months** after the project is completed.

4.7 Bid Thresholds

Bids of between £15,000 and £50,000 will be considered.

4.8 Private Sector Investment

The amount sought from any of these funds must contribute to a project alongside **confirmed and secured** private sector investment. Funding leveraged in as private sector investment needs to demonstrate a real stake in the outcome of the project or programme. The expectation will be clear, demonstrable, leverage.

Applicants will need to demonstrate a minimum of 50% private sector contribution. For example, if the overall project cost is £30,000, you would be able to bid for £15,000 from the fund.

Please note that the 50% contribution outlined above is the minimum level to ensure your bid is eligible. Bids which demonstrate that they can leverage more private sector investment will be stronger.

Contributions of services donated in-kind can qualify as a private sector contribution. However, contributions in-kind, while legitimate, will need to prove additionality; that the in-kind contribution would not materialise without support from the fund to the project.

For state aid purposes, private sector leverage is defined by the eligible costs of project. For competitive purposes, this will be judged by the panel. For example, if two projects were in all other ways similar and one had a cash contribution and the other had a contribution labelled as labour and expertise and not monetized, the former would be favoured.

4.9 Subsidy control

Public funding from The Fund will only be available where it is compatible with UK subsidy regulations and applicants should be aware that their proposal will be

scrutinised accordingly. Potential applicants should take account of this when considering the development of proposals.

The Subsidy Control Regime

UK subsidy control guidance has been issued for public authorities to help them interpret the UK's international obligations on subsidy control; this is also applicable for non-public organisations to understand how its principles must be applied. For more detail, LLAs and applicants should refer to the [guidance](#).

The Subsidy Control Act 2022

Under section 79(6) of the Subsidy Control Act public authorities must have regard to the above guidance (so far as applicable to the authority and the circumstances of the case) when giving a subsidy or making a subsidy scheme.

What is a subsidy?

There are four key characteristics of a support measure that are likely to indicate that it would be considered a subsidy, all of which would need to be met:

- the support measure must constitute a financial (or in kind) contribution such as a grant, loan or guarantee and must be provided by a 'public authority', including, but not limited to, central, devolved, regional or local government;
- the support measure must confer an economic advantage on one or more economic actors;
- the support measure is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and
- the support measure must have the potential to cause a distortion in or harm to competition, trade, or investment.

"Economic actor" means an entity or a group of entities constituting a single economic entity, regardless of its legal status and including public bodies, that is engaged in an economic activity by offering goods or services on a market.

Where Lead Local Authority's (LLA) or applicants pass a UKSPF grant to a third party, non-public sector body with the intention of making further grants to economic actors, the subsidy control requirements should be followed in full. Regardless of whether the body paying the grant to the beneficiary (the economic actor) is a public sector body.

LLAs and/or applicants must consider whether any of the planned activities meet all four of these characteristics. Where the characteristics are all met, it is essential that LLAs and/or applicants explain how the subsidy may be provided compliantly.

As a guide, subsidy is most likely to be present in 'supporting local business' interventions. Public realm interventions, or activities that benefit individual people, are considered highly unlikely to be subsidy. Although 'communities and place' interventions, or 'people and skills' interventions are less likely to benefit economic actors, LLAs should ensure they are satisfied that interventions under these investment priorities do not constitute a subsidy or that if an investment will constitute a subsidy, that the subsidy control principles are met – see below.



Minimal financial assistance

In most cases, UKSPF subsidies will be very small. If an individual economic actor receives a benefit that amounts to less than £325,000 [special drawing rights](#) (until commencement of the Act) or £315,000 (after commencement of the Act) and has not received other minimal assistance in the current financial year, and the preceding two years, that when combined with the UKSPF support would exceed this limit, then this is permissible irrespective of whether it might constitute a subsidy.

Where subsidy will or may exceed the limits above, LLAs or applicants must consider the subsidy control principles listed below and be of the view that the subsidy is consistent with them.

5 Other Information

Please note the targets below which will be considered by the Local Action Group when assessing bids. These are NOT eligibility criteria. Individuals of any age or gender may apply to the Isle of Wight Rural SME Fund.

5.1 Sector Encouragement

Island geography means the Island's economy faces many challenges including restricted access to markets, increased cost of production, low productivity, restricted business networking and mentoring opportunities and the inability to achieve economies of scale. As a result, productivity levels and wages are amongst the lowest in England and fall below other rural districts, unemployment is significantly higher than the Solent average and employment is highly seasonal, with typically a 1.7% rise in unemployment on the Island in winter. Therefore, we would welcome applications specifically from the rural sector which address one or more to the following:

- stimulates and supports innovation and enterprise – creating new services, new products, new ways of working and new partnerships;
- adds value or lifts quality standards – delivering a greater economic return;
- stimulates and enhances further private sector investment;
- provides a greater investment in people and skills - improving fulltime job opportunities and wage rates;
- aligns to existing strategies and policies to ensure value for money is delivered and the public sector investment is maximised;
- supports investment in key infrastructure items;
- delivers and supports co-operation and collaboration.

5.2 Demographic Focus

Whilst the fund is open to all established, Isle of Wight based SMEs in the rural sector, the Isle of Wight Council will particularly welcome applications from the following demographic groups:

- Young entrepreneurs aged 16 - 24;
- Female entrepreneurs;
- Individuals who have been unemployed for more than six months.



6 Evaluation of Bids

All Funds will be allocated on a competitive basis. Only the best bids will be successful, assessed against the following key measures in relation to one another:

- Fit with the published sector focus of the funds (see section 2 of this document and also IW LDS Strategic Priorities summary at section 1 (pg. 3))
- New private sector job creation;
- Sustainability of private sector jobs created;
- Safeguarding of private sector jobs;
- Amount of private sector investment contributed;
- Supporting the development of the rural economy as a whole and not just to the benefit of the individual business.

All Full Applications will be evaluated by the Local Action Group. Final decisions on the bids to be supported by the Fund will be made by the Local Action Group.

Please note that decisions taken by the Local Action Group in relation to which projects to support are final and there will be **no right of appeal**.

6.1 Local Action Group for Consideration of Applications

The Local Action Group consists of up to 8 members including the Chair. Membership shall be comprised of:

- An Independent Chair
- Country Land and Business Association
- Isle of Wight Chamber of Commerce and Tourism
- Isle of Wight Council
- National Farmers Union
- Natural Enterprise
- Visit IOW

The Local Action Group shall hold a meeting to consider applications from each round of bids.

7 How to apply

There is a one-stage application process for all Isle of Wight Rural SME Funds. Full application forms will need to be submitted electronically to charlotte.chapman@iow.gov.uk

The closing date for application is 31st August 2025.

Please note that the Local Action Group will not be obliged to consider applications received after the relevant deadline.



8 Account Management

Applicants will be notified of the outcome of their application within 5 working days of the Local Action Group Approval Panel meeting. Successful applicants will be contacted by the IW Rural SME Fund Programme Manager, who will act as a single point of contact for any IW Rural SME Fund related enquiries throughout the project lifetime.

The IW Rural SME Programme Manager will ensure that due diligence is completed on the proposal and will then issue successful applicants with a contract which will contain an agreed funding and outputs profile. Signed contracts must be returned to the Programme Manager within 10 working days or the offer of funding may be withdrawn.

Any claim must be submitted to the Programme Manager in accordance with the contracted funding profile and be accompanied by a monitoring report containing a short description of progress made on contracted activities and outputs.

For all projects a minimum of 15% of the total grant will be withheld and only be payable on production of a final evaluation report which verifies the project has been completed, the project money has been spent, and the jobs have been created as per the contract and are reasonably expected to be sustained for 12 months. Please note that applicants may be required to submit a further report and evidence beyond the funding period for IW Rural SME Fund evaluation or auditing purposes.

9 Activity Timetable

Activity	Timeframe/Deadline
Deadline for submission of Full Applications	By 5pm 31 st August 2025
Local Action Group Panel Meeting	September, 2025
Notification of panel outcomes to applicants	Within 5 working days of panel meetings
Project Contracts issued	Within one month of notification of panel outcomes to applicants (subject to final due diligence checks being satisfactory)
<p>Deadlines for 2025-26 funds</p> <ul style="list-style-type: none"> • Final claim submission. • Evaluation report submission; <ul style="list-style-type: none"> • All jobs to be created; 	<p>31st January 2026</p> <p>This is the final programme date - you are required to complete your project in line with your Offer Letter targets. (Please note that the Isle of Wight Council will be under no obligation to make payment against claims received after this date)</p> <p>31st March 2026</p>



Contact Information

Should you have any general enquiries on any of the information included in this document, please contact the Council's Economic Development team using the below contact information:

By email: charlotte.chapman@iow.gov.uk

In Association with:





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