Isle of Wight SME Fund

Technical Guidance for Applicants

October 2026



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1 Introduction

1.1 Isle of Wight Economy

The Isle of Wight has a vibrant and diverse economy with strong manufacturing sectors around marine, composites and wind energy, a strong creative industries sector, a diverse rural economy, natural assets and a heritage that supports an expanding tourism offer.

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 areas, unemployment is significantly higher than the regional 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 SME Fund

Over the last 2 years, the council has run a IOW Rural SME fund. 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 council wishes to thank the support Natural Enterprise and the IW Local Action Group have given in developing this scheme. The Isle of Wight Council has been awarded further funding from the Solent Growth Partnership so is able to expand the scheme to all Isle of Wight SMEs.

The new Isle of Wight SME Fund is a competitive programme, managed by Isle of Wight Council that seeks to support the Isle of Wight's economy by providing grants of between £5,000 to £50,000 to 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 economy. **In particular, projects which bring a wider benefit to the 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 IW SME Fund supports both start-up and established businesses.

2 The Partners

2.1 Solent Growth Partnership

The Solent Growth Partnership is a strategic alliance between the upper-tier local authorities of Isle of Wight, Portsmouth, and Southampton. They unite local government, industry leaders, private sector organisations, and academic institutions to work collectively toward a shared vision: long-term economic growth and resilience across the Solent region.

They are dedicated to supporting businesses and communities by delivering expert-led programmes that boost growth, productivity, and innovation. Whether you're based in Portsmouth, Southampton, the Isle of Wight, or the wider Solent area, their initiatives are designed to help you thrive.

See here for the Solent Growth & Prosperity Strategy - https://solentgrowthpartnership.co.uk/wp-content/uploads/2025/01/SGPS-Jan-2025-V2.pdf

2.2 The Grants Panel

- All grant applications will be considered by a Grants Panel, a sub group of the Economic Development Board (EDB). The guiding principles for any application will be the Isle of Wight Growth and Prosperity Strategy which is managed and monitored by the EDB.
- The panel will consist of:
    - Chair of EDB
    - Representatives from the IOW Chamber of Commerce, Natural Enterprise and Visit Isle of Wight
    - Representatives from the sector leads from the EDB
- The panel will be supported by staff from the council's Economic Development department who will evaluate the applications and present them to the panel.
- The panel will meet quarterly, considering applications received in a pre-arranged window.
- A timetable of panel meetings and application windows will be published on the Innovation Wight website.
- All decisions of the panel will be final with no appeal.

The Isle of Wight Growth and Prosperity Strategy has seven strategic priorities:

- Business Innovation, Digital and Green Technology
- Visitor Economy, Sport, Leisure and Events
- Culture and Creative Industries
- Environmental Enterprise and Rural Economy
- Connected Communities and Transport Infrastructure
- Thriving Places and Care Economy
- Skills and Supported Employment

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

The Isle of Wight Growth and Prosperity Strategy is currently being finalised and will be available to download on the Innovation Wight website.

3 The Fund

Applicants to the fund must be SMEs 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.

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.

3.1 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 business support programmes. For more details, see https://innovationwight.co.uk
- Publicity for successful bidders from local media & press.

3.2 Activities which can be supported

Applications must be from Isle of Wight based SMEs and the project must create or safeguard jobs.

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.

3.3 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.

We cannot support projects that have received funding from 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

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.

3.4 When to Apply

Applications are accepted form during application windows. The first window is from 1st October 2026 through to 31st December 2026. If funds allow, subsequent windows will be announced.

Full Application forms will be assessed by the Grants Panel. This will meet within 4 weeks of the application window closing. 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 Grants Panel. 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 Grants Panel will use the information provided in the full application to make a decision as to whether to invest Isle of Wight SME funds in a proposal to support with a conditional funding award.

3.5 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:

https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

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

- All eligible applicants can apply, but preference will be given to the priority sectors detailed in the Growth and Prosperity Strategy.

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 Grants Panel 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 12 months after the award of the grant. 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 £5,000 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, grants 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 grant 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 Grants Panel assessing bids. These are NOT eligibility criteria. Individuals of any age or gender may apply to the Isle of Wight 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 similar districts, unemployment is 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 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, 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
- New private sector job creation;
- Sustainability of private sector jobs created;
- Safeguarding of private sector jobs;
- Amount of private sector investment contributed;

All Full Applications will be evaluated by the Grants Panel. Final decisions on the bids to be supported by the Fund will be made by the Grants Panel.

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

6.1 Grants Panel for Consideration of Applications

The Grants Panel 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 SME Funds. Full application forms will need to be submitted electronically to charlotte.chapman@iow.gov.uk

The closing date for the first round of application is 31st December 2026.

Please note that the Grants Panel 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 Grants Panel meeting. Successful applicants will be contacted by the IW SME Fund Programme Manager, who will act as a single point of contact for any IW SME Fund related enquiries throughout the project lifetime.

The IW 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 SME Fund evaluation or auditing purposes.

9 Activity Timetable

Activity	Timeframe/Deadline
Deadline for submission of Full Applications	By 5pm 31st December 2026
Grants Panel Meeting	January 2027
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)
Deadlines for funds • Final claim submission. • Evaluation report submission; • All jobs to be created;	 **12 months after award** **15 months after award** **15 months after award**

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


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