European Union
European Regional Development Fund

2014 to 2020 European Structural and Investment Funds Growth Programme

Call for Proposals
European Regional Development Fund

Priority Axis 1: Promoting Research and Innovation

Managing Authority:	**Department for Communities and Local Government**
Fund:	**European Regional Development Fund**
Priority Axis:	**Priority Axis 1: Promoting Research and Innovation**
Call Reference:	**OC09R15P0267**
Local Enterprise Partnership Area:	**DORSET**
LEP Area Indicative Funding Available:	**£2,600,000**
Call Open:	**9th December 2015**
Call Closes:	**23:59 29th January 2016**

Contents

1. Introduction 3
2. Call Context 4
3. Scope of the Call 5
   3.1. Scope 5
   3.2. Local Development Need 6
   3.3. Operational Programme Investment Priorities 9
4. Required Outputs under this Call 11
5. Application Process & Prioritisation Methodology 12
6. General Information 14
   6.1. National Eligibility Rules 14
   6.2. Eligible Applicants 14
   6.3. Contribution Rate & Match Funding 15
   6.4. Project Timescales 15
   6.5. Capital Projects 16
   6.6. Cross Cutting Themes/Horizontal Principles 16
   6.7. Additionality, Duplication and Displacement 16
   6.8. State Aid & Revenue Generation 17
   6.9. Funding Agreement 17
   6.10. Procurement 18
7. Support 18
8. Key Documents 18
9. Document Checklist 19
10. Document Submission 19

1. Introduction

The 2014 to 2020 European Structural and Investment Funds bring the European Regional Development Fund, European Social Fund and part of the European Agricultural Fund for Rural Development together into a single European Union Structural and Investment Funds Growth Programme for England supporting the key growth priorities of innovation, research and development, support for Small and Medium sized Enterprises, low carbon, skills, employment, and social inclusion.

The Funds are managed by the Department for Communities and Local Government for European Regional Development Fund, Department for Work and Pensions for European Social Fund and the Department for Environment Food and Rural Affairs for European Agricultural Fund for Rural Development. These Departments are the Managing Authorities for each Fund. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. Unless stated otherwise, the term "Managing Authority" will apply to all these organisations. The Managing Authorities work closely with local partners who provide:

- Practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets;
- Local intelligence to the Managing Authorities in the development of project calls (decided by the Managing Authorities) that reflect Operational Programme and local development needs as well as match funding opportunities; and
- Advice on local economic growth conditions and opportunities within the context of the Operational Programme and the local European Structural Investment Fund Strategy to aid the Managing Authority's assessments at outline and full application stage.

This call is issued by the Department for Communities and Local Government and invites Outline Applications in respect of the European Regional Development Fund for England 2014 to 2020.

2. Call Context

On behalf of the national Growth Programme Board, the Department for Communities and Local Government (the Managing Authority) invites applications seeking European Regional Development Fund support under:

Priority Axis 1 Promoting Research and Innovation

Investment Priorities:

1b promoting business investment in research and innovation;

- developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation;
- and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

The **European Regional Development Fund Operational Programme for England 2014 to 2020** sets out how the European Regional Development Fund will focus on investment to support economic growth and job creation. **Priority Axis 1** of the Operational Programme aims to improve how Small and Medium Sized Enterprises commercialise research and how they collaborate with research institutions.

Any application for funding will be required to clearly demonstrate that it meets the requirement of, and makes a meaningful contribution to, the delivery of the relevant Priority Axis of the European Regional Development Fund Operational Programme.

In addition, applications will be expected to meet identified local development need, as expressed in the scope of this call and as set out in the Dorset Local Enterprise Partnership European Structural and Investment Funds Strategy.

Applicants are advised to familiarise themselves with the detail of the Operational Programme, local European Structural and Investment Funds Strategy and the relevant documentation listed in sections 5 through to 8 ***prior to*** submitting an Outline Application.

3. Scope of the Call

3.1. Scope

This call invites Outline Applications which support the delivery of **Priority Axis 1** of the European Regional Development Fund Operational Programme and responds to the local development need set out in the Dorset **Local Enterprise Partnership Area European Structural and Investment Funds Strategy.**

Indicative Fund Allocation:	Indicatively, through this call the Managing Authority expects to allocate up to £2,600,000. The Managing Authority reserves the right to increase or decrease the indicative allocation, or support more or fewer projects subject to the volume and quality of proposals received. There is no indicative allocation of European Regional Development Fund funding between capital and revenue activity, both capital and revenue is eligible dependent on the nature of activities/Investment Priorities set out in the call.
Minimum application level	European Regional Development Fund investment is intended to make a significant impact on local growth. Applications are expected to demonstrate appropriate scale and impact. The Managing Authority does not intend to allocate less than £500,000 European Regional Development Fund to any single project. Consequently projects with a total value of less than £1,000,000 will not be supported under this call.
Duration of project approvals	Projects should be for a maximum of three years, however the Managing Authority reserves the right to vary the maximum duration in exceptional circumstances.
Geographical Scope	All interventions are confined to activity and beneficiaries within England. Revenue projects should predominantly support businesses based within Dorset Local Enterprise Partnership area.

Specific call requirements	This call will focus on Investment Priority 1b. Applicants may wish to bid individually, as part of a consortium or partnership (in line with European Regional Development Fund Eligibility Rules Guidance). Bids which deviate from this should provide an explanation for this approach. See section 3.2 for further details. Applicants should note that the outputs contained in the European Regional Development Fund Operational Programme are the absolute minimum to be achieved and that local partners and the Managing Authority expect applicants to present an ambitious set of outputs demonstrating good value for money.
Call Deadlines	Applications received after the published call close date will not be considered. All applications will be assessed following closure of the call.

3.2. Local Development Need

Projects must deliver activity which directly contributes to the objectives of Priority Axis 1 of the Operational Programme, one or more of the relevant Investment Priorities and meet the **local development need** expressed in the table below.

LOCAL DEVELOPMENT NEED

Local Economic Context :

The Dorset Local Enterprise Partnership covers the geographical area of Dorset County Council as well as the district councils for West Dorset, North Dorset, East Dorset, Christchurch, Purbeck, Weymouth and Portland, and unitary authorities for Bournemouth and Poole.

Applicants are invited to familiarise themselves with the Dorset European Structural and Investment Funds Strategy. The strategy identifies a need to:

- Strengthen links between businesses and local Universities to ensure that research and development opportunities are fully exploited. For example, funding businesses to work with external experts from a University or college to access knowledge to help business innovate, develop and grow;
- Develop a map of research and development facilities which can form the basis of innovation and new business developments;
- Identify the area's competitive strengths, emerging sectors and those with potential for excellence, using a model of smart specialisation which can be used to attract public and private sector investment to promote innovation;
- Invest in mentoring and coaching support provided by successful large firms to new and growing businesses, with a view to improving the innovative capacity of the businesses in the area;
- Access international knowledge networks – this is paramount as innovation is increasingly based on internationally distributed systems. Access to global networks can be more important than any local ones and evidence suggests that world class innovation needs to be internationally connected;
- Establish sector-specific incubation hubs for key growth sectors.

There are two areas of smart specialisation relevant to Dorset:

- Advanced engineering and manufacturing; and
- Creative and digital industries.

Advanced engineering and manufacturing, including marine engineering, is likely to need to involve collaboration across other Local Enterprise Partnership areas to ensure access to academic and scientific expertise and create the critical mass needed to support an innovation eco-system. The creative and digital sector benefits considerably from the expertise in the two universities, and there is sufficient expertise and a sizeable business base to drive a Dorset wide smart specialisation agenda.

Local Priorities:

Proposals should demonstrate alignment with local development need and priorities including:

- How applicants will cover the whole of Dorset and not just focus on the larger conurbations. Applicants are invited to highlight, where relevant, how proposals will:
  - Build collaborative research and development using instruments such as innovation grants, match funded PhDs, Innovate UK grants for research and development;
  - Commercialise research and development from concept through to market (prototyping, testing, evaluation, investment opportunities) including access to facilities and equipment;
  - Increase broadband usage to broaden small and medium-sized enterprises and social enterprise offers;
  - Reduce barriers to innovation in enterprise and supporting entrepreneurship, e.g. ideas generation, concept testing and design;
  - Build higher level skills to support business growth – training and access to a small and medium-sized enterprise intelligence portal (national and international information);
  - Look for opportunities to promote, export or share innovations, for instance via trade events;
  - Increase contribution of priority sectors through greater efficiencies (products and services);
  - Cooperate with research entities;
  - Deliver business growth through innovation.

Applicants are encouraged to ensure they set out the business journey for small and medium sized enterprises that are engaged, and explain the process, ensuring that they do not duplicate work already being undertaken by other entities such as the Growth Hub.

Evidence should be supplied to demonstrate the demand from small and medium sized enterprises for any service the applicant is proposing.

Applicants should also ensure that evidence is provided to support the proposed numerical outputs and that they are realistic and deliverable.

Applicants are invited to highlight key innovative sectors in the Dorset Local Enterprise Partnership area which would most benefit from support, and identify existing expertise which could be utilised to help deliver the most appropriate support to businesses in those sectors.

3.3. Operational Programme Investment Priorities

Applications must specify the activities to be delivered and are expected to directly contribute to **one or more** of the following Investment Priorities:

Investment Priority	**1b – Promoting business investment in research and innovation;** • **Developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation;** • **Supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.**
Specific Objectives	• Increase investment in research and innovation by Small and Medium Sized Enterprises in sectors and technologies identified through smart specialisation. • Increase the number of small and medium sized enterprises engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them bring new products and processes to market.
Indicative Actions	Under this investment priority indicative actions to be supported by European Regional Development Fund may include: • Support for smart specialisation collaborative and contract research and development including initiatives stimulating and facilitating productive innovation

	partnerships. • Support for the commercialisation of new products and business processes and initiatives, particularly targeted to aid innovation in the Great Eight technologies as set out in Smart Specialisation in England. • Collaborative and contract research and development programmes. • Applied research programmes, particularly targeted at sectors and technologies set out in smart specialisation in England. • Innovation vouchers for Small and Medium Sized Enterprises. • Innovation support programmes for product design and development and systems integration. • Initiatives simulating the demand for new or improved services, processes and products including business-led and public procurement programmes. • Schemes providing practical, financial and material support for the innovation process within businesses. • Schemes stimulating and enabling graduate start-up and spin out from universities, colleges and research institutions. • Technology support programmes and demonstrator projects and programmes for current and future technologies. • Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in Smart Specialisation in England. • Support to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education institutions and research institutions and demonstrate the benefits of working with knowledge base partners. • Support for innovation ecosystems including business-led networks and open innovation ecosystems that reduce the complexity of interaction within and between organisations.

	• Activities promoting a smart specialisation approach and initiatives that develop the supportive environment for innovation in Small and Medium Sized Enterprises including the promotion of networks and industry groups in key sectors. • Grants, loans and equity stakes to support businesses to develop prototypes and prove concepts to assist tech start-ups with early stage development work and the exploitation of intellectual property. • Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market. The focus of activity under this priority axis is improving commercialisation of new or enhanced products or services by Small and Medium Sized Enterprises, whether through increased investment or better collaborations, but this requires the involvement of a much wider group including larger firms in cooperation with their supply chains and other Small and Medium Sized Enterprises, Higher Education institutions, public sector institutions and research centres, Catapult Centres and other centres of excellence. Projects under this investment priority, including pilot or demonstrator activity, may include capital spend where this is integral to their delivery. This may include enhancements to premises or new build, equipment and facilities. Where new premises are to be built, then there must be clear evidence that demand is not met by existing supply.

4. Required Outputs under this Call

Projects must deliver against the Priority Axis 1 outputs and results of the European Regional Development Fund 2014 to 2020 Operational Programme. For projects coming forward under this call the expected outputs and results are:

ID	Output Indicator
C1	Number of enterprises receiving support
C2	Number of enterprises receiving grants
C3	Number of enterprises receiving financial support other than grants

C4	Number of enterprises receiving non-financial support
C5	Number of new enterprises supported
C6	Private investment matching public support to enterprises (grants)
C7	Private investment matching public support to enterprises (non-grants)
C8	Employment increase in supported enterprises
C25	Number of researchers working in improved research facilities
C26	Number of enterprises cooperating with research institutions
C28	Number of enterprises supported to introduce new to the market products
C29	Number of enterprises supported to introduce new to the firm products
P1	Number of researchers working in improved research or innovation facilities
P2	Public or commercial buildings built or renovated

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund, will achieve the deliverables committed to within the proposal. The application should clearly state the methodology used to determine the levels of outputs proposed.

All operations will be required to report regularly on progress toward achievement of targets. This will need to include both quantitative and qualitative data relevant to the appropriate geographical areas. Applicants will need to explain how they will collect and record this information to maintain a fully evidenced audit trail. It should be noted that if an operation fails to deliver contracted deliverables, a performance penalty may apply.

5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process;

(i) Outline Application and, if successful

(ii) Full Application.

Acceptance of an Outline Application to progress to full application stage does not in any way indicate or constitute an offer of European Regional Development Fund grant.

Applicants must fully complete the Outline Application which will be assessed by the Managing Authority against the national Selection Criteria.

Outline Applications will be assessed in two stages, Gateway assessment and Core assessment.

Gateway assessment considers:

- applicant eligibility;
- activity and expenditure eligibility; and
- fit with the National Operational Programme and the local development need set out in section 2.

Proposals that fail the Gateway assessment will be rejected. Proposals which pass the Gateway assessment will then be assessed against the Core assessment criteria:

- Strategic Fit
- Value for money
- Management and control
- Deliverability
- Compliance
    - Procurement
    - State Aid
    - Publicity requirements
- Cross cutting themes
    - Environmental sustainability
    - Equal Opportunities

Having assessed projects against these criteria the relevant Local Economic Partnership area European Structural and Investment Fund Sub-Committee will advise the Managing Authority on the contribution to local economic growth conditions and opportunities within the context of the Operational Programme and local European Structural and Investment Fund Strategy to aid the Managing Authority's assessments (at outline and full application stage).

Please note that the Managing Authority's decision is final and there are no appeals. If you wish to complain about the calls and application process, please follow the procedure set out at

https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/complaints-procedure

6. General Information

6.1. National Eligibility Rules

When developing an application, Applicants must refer to the National Eligibility Rules setting out the requirements of the 2014-2020 European Regional Development Fund Programme. It is the responsibility of the Applicant to ensure that the Rules are adhered to both at application stage and following approval. Failure to do so can lead to financial penalties leading to recovery of up to 100% of grant. Applicants are strongly advised to seek specialist advice if in doubt on any requirement.

European Regional Development Fund eligibility rules apply to ***all*** project spend within the eligible costs, including match funding.

The European Regional Development Fund is governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation, (Section 8 Key Document refers) prior to submitting an Outline Application. If successful, Applicants will enter into a Funding Agreement and must abide by the standard terms and conditions contained therein. Applicants are therefore strongly advised to read these terms and conditions to ensure that they are able to enter into such an agreement prior to responding to the call. Once a Funding Agreement has been issued it should be signed and returned within 30 days, unless otherwise agreed with the Managing Authority.

6.2. Eligible Applicants

Section 4 of the National Eligibility Rules sets out who is eligible to apply.

Applicants must be legally constituted at the point of signing a Funding Agreement. If the application is approved the Applicant organisation will enter into a legally binding Funding Agreement and therefore will carry the liability for ensuring that the terms and conditions of the Funding Agreement are met.

If there is more than one organisation applying for the funds, a lead organisation must be selected to become the Applicant with the remaining organisation(s) acting as Delivery Partner(s). In this situation the Applicant would be responsible and liable for the Delivery Partner(s) and ensuring the project is operating compliantly.

During the application process the Managing Authority will consider the Applicant's track record, both positive and negative. If the Applicant has been involved in the delivery of previous European grants and any irregularities have been identified, the Managing Authority will expect to see how and what steps have been taken to ensure that the risk of further irregularities in the future is mitigated. It is acknowledged that some organisations will be new to European Structural and Investment Funds funding and will not have a track record.

6.3. Contribution Rate & Match Funding

European Regional Development Fund is normally expected to intervene where no other funding can be obtained (i.e. the funder of last resort). The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed.

The maximum Contribution Rate is 50% of the total eligible project costs subject to State Aid regulations.

The remaining 50% or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. Applicants will need to demonstrate that they have eligible match funding in place for the balance of costs. Other European Union funds cannot be used as a source of match funding.

European Regional Development Fund investment is limited by State Aid regulations and where the award of European Regional Development Fund would constitute State Aid the European Regional Development Fund grant rate may fall below the 50% maximum.

European Regional Development Fund is paid quarterly in arrears and expenditure must be defrayed prior to the submission of any Grant claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

6.4. Project Timescales

European Regional Development Fund funding will normally be approved for three years, however the Managing Authority reserves the right to extend the contract term in exceptional circumstances.

Projects approved through this call are expected to:

- Submit a detailed and complete full application within three months of formal selection at outline stage. Projects which fail to meet this deadline may be deselected,
- Commence delivery (defraying European Regional Development Fund eligible costs) within three months of formal approval. Projects which fail to meet this deadline may be deselected, and

- Be completed by June 2023.

6.5. Capital Projects

Applicants seeking European Regional Development Fund to support a capital project (i.e. land and/or property) will need to meet Building Research Establishment Environmental Assessment Method or Civil Engineering Environmental Quality Assessment 'Excellent' for new builds and 'Very Good' for refurbishments. Applicants will need to provide evidence of how they will achieve the rating required (unless otherwise agreed with the Managing Authority).

Applicants will need to demonstrate that they have the rights and permissions to undertake the project and must provide:

- Proof of current interest in the land and/or property, which includes evidence of the freehold ownership or any lease arrangements that may be in place; and
- Evidence of the approval of any planning permission, or in certain circumstances a clear statement on the process for securing such consents and any risks to the project.

Royal Institute of British Architects Stage D costs must be supplied with the Full Application and be certified by an independent Quantity Surveyor and Land/Property contributions certified by a Real Estate Valuation expert who are current and chartered members of the Royal Institute of Chartered Surveyors/ Chartered Institute of Builders or equivalent body.

Successful Applicants will be required to provide security to the Managing Authority in the form of a Legal Charge and/or Deed of Covenant over the land and/or property. Applicants will be responsible for registering the charge at their own cost.

6.6. Cross Cutting Themes/Horizontal Principles

All applications received under this call should demonstrate how the Cross Cutting Themes have been addressed in the project design and development. Cross Cutting Themes for European Regional Development Fund are 'equality and anti-discrimination' and 'sustainable development'. Further information is available in the European Regional Development Fund Operational Programme.

6.7. Additionality, Duplication and Displacement

Additionality is a core principle of European Regional Development Funding. Applicants must be able to demonstrate that the activity paid for out of European

Regional Development Funding adds value to new or existing activity. Projects need to demonstrate that without the support of European Regional Development Funding the activity would not have taken place.

European Regional Development Funding cannot support activities that duplicate existing provision/services within the region.

Applications need to identify and evidence the beneficiaries will use the service and demonstrate that the project does not displace other activity available in the market place.

6.8. State Aid & Revenue Generation

Applicants are required, in the Outline Application, to provide a view on how their proposal complies with State Aid law. Applicants must ensure that projects comply with the law on State Aid.[1] Grant funding to any economic undertaking which is State Aid can only be awarded if it is compatible aid, in that it complies with the terms of a notified scheme or is covered by the De Minimis Regulation. Guidance for Grant Recipients, explaining more about State Aid, is available; it is important that Applicants take responsibility for understanding the importance of the State Aid rules and securing their full compliance with them throughout the project, if it is selected into the Programme.

The Managing Authority is not able to give legal advice on State Aid. It is the responsibility of the Applicant to ensure that the operation is State Aid compliant.

Where the Applicant does not perceive that there is any State Aid, it should state whether or not it considers Articles 61 and 65(8) of regulation 1303/2013 to apply. Article 61 refers to monitoring revenues generated after completion of the project, and Article 65(8) how to deal with differences in the forecast and actual revenues at the end of the operation. This revenue should be taken into account in calculating eligible expenditure. The details of this will be tested at the full application stage.

6.9. Funding Agreement

The Funding Agreement is a standard, non-negotiable and legally binding document. Any successful Applicant will be subject to the terms and conditions contained within this agreement. Applicants are strongly advised to seek relevant advice to ensure

[1] Article 107(1) of the Treaty on the Functioning of the European Union provides that: “Save as otherwise provided in the Treaties, any aid granted by a Member State or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.”

that they would be able to enter into and abide by the terms of the Funding Agreement.

Applicants are advised that additional provisions and securities may be included within the Funding Agreement to protect the investment. Detailed advice will be given if appropriate at the Full Application stage.

Failure to meet any of the conditions of the Funding Agreement or the commitments within the application will result in claw back of the Grant (which may include interest).

6.10. Procurement

All costs claimed by the Applicant (Grant Recipient and/or Delivery Partner(s)) must be recovered on an actual cost basis. Other costs must be procured in line with National (including Public Procurement Regulation 2015) and European Union regulations. Procurement will be subject to audit and verification and any irregularity will result in financial penalty of up to 100% of the grant paid. Robust and transparent procurement is required to ensure that Grant Recipients:

- Consider value for money;
- Maximise efficient use of public money; and
- Maintain competitiveness and fairness across the European Union.

It is **strongly recommended** that Applicants seek and follow legal advice in respect of procurement requirements. Procurement irregularities remain the most substantive cause of error and clawback of grant.

7. Support

Please note that this is a competitive call and to preserve impartiality we are unable to enter into correspondence with applicants over their Outline Application. Details of where guidance can be found are contained throughout this calls document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: SW.ERDFenquiries@communities.gsi.gov.uk

8. Key Documents

- European Regional Development Fund Operational Programme;

- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural and Investment Funds Strategy;
- Eligibility Guidance;
- Target Definitions; and
- Funding Agreement (Revenue and/or Capital).

9. Document Checklist

Incomplete applications will be rejected. Please ensure the following information (documents) are submitted.

Outline Stage:

- Fully completed Outline Application;
- Financial Tables;
- Outputs, Results and Indicators Tables.

10. Document Submission

Completed Outline Applications must be submitted via **email** to the address in Section 7.

Outline Application forms not received by the deadline will not be assessed. Outline Applications which are not fully completed will be excluded.

For this call applications will normally be required to **commence delivery/activity within three months** of the award of Funding Agreement.

Any changes related to the deadline for the submission of the Outline Application form will be notified on the European Growth Funding website pages.