

2014 to 2020 European Structural and Investment  
Funds Growth Programme

Call for Proposals  
European Regional Development Fund

Priority Axis 1: Promoting Research and  
Innovation

<b>Managing Authority:</b>	<b>Department for Communities and Local Government</b>
<b>Fund:</b>	<b>European Regional Development Fund</b>
<b>Priority Axis:</b>	<b>Priority Axis 1: Promoting Research and Innovation</b>
<b>Call Reference:</b>	<b>OC34R17P 0550</b>
<b>Local Enterprise Partnership Area:</b>	<b>Tees Valley</b>
<b>Indicative Funding Available:</b>	<b>£6,000,000</b>
<b>Call Open:</b>	<b>Friday 30 June 2017</b>
<b>Call Closes:</b>	<b>23:59, Friday 8 September 2017</b>

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# 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 Government has confirmed that it will guarantee EU funding for structural and investment fund projects signed before the UK's departure from the EU, even when these projects continue after we have left the EU.

As a result, British businesses and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Funding for projects will be honoured by the government, if they meet good value for money and are in line with domestic strategic priorities. Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. The full detail of the announcement can be found at the following [website link](#).

The funds are managed by the Department for Communities and Local Government for the European Regional Development Fund, Department for Work and Pensions for the European Social Fund and the Department for Environment, Food and Rural Affairs for the 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. In some other areas, intermediate bodies are being designated by the Department for Communities and Local Government and the Department for Work and Pensions to perform the following tasks:

- Input into project calls in respect of local development needs (with reference to ESI Funds Strategies); and
- Assessment of applications against certain selection criteria in relation to fit with local priorities in respect of the European Regional Development Fund and European Social Fund.

The managing authorities and intermediate bodies work closely with local partners on ESI Funds sub-committees in each local enterprise partnership area. Partners on these sub-committees 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 (or intermediate bodies where designated) in the development of project calls 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 and Investment Funds strategy to aid the managing authorities' (or intermediate bodies where designated) 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:**

- 1a** enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest
- 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.

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 needs, as expressed in the scope of this call and as set out in the [Tees Valley](#) 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 respond to the local development need set out in the [Tees Valley](#) European Structural and Investment Funds strategy.

<p><b>Indicative fund allocation</b></p>	<p>Indicatively, through this call the managing authority expects to allocate up to £6,000,000.</p> <p>The managing authority reserves the right to invite to full application (and subsequently approve) projects that have a cumulative value that is higher or lower than this indicative allocation, subject to the volume and quality of proposals received. The managing authority may also decide to place some projects submitted through this call on a reserve list and invite them to proceed at a later date, subject to the availability of funding.</p> <p>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.</p>
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<b>Minimum application level</b>	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 £833,334 will not normally be supported under this call
<b>Duration of project activity</b>	Projects should plan to deliver activity for a maximum of three years; however the managing authority reserves the right to vary the maximum duration, upwards or downwards.
<b>Geographical scope</b>	<p>The England European Regional Development Fund operational programme operates on a National basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the local enterprise partnership area of this call.</p>
<b>Specific call requirements</b>	<p>This call is for projects in the Tees Valley LEP area.</p> <p>This call will focus on Investment Priorities 1a and 1b, the expectation is that the outcome of this call will result in the award of multiple contracts. Applicants may wish to bid individually or as part of a consortium or a partnership (in line with European Regional Development Fund Eligibility Rules Guidance). Applications which deviate from this will be received, but should provide an explanation for the approach.</p>
<b>Call deadlines</b>	<p>For this specific call, applications will be assessed after the close of the single deadline. This call will close on 8 September 2017.</p> <p>Applications received after the published call close date will not be considered. All applications will be assessed following the closure of the call.</p>

### 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 growth priorities:

Tees Valley has a total population of 667,000 and offers over 303,500 jobs across some 17,000 businesses, of which 99% are micro, small and medium sized enterprises (SMEs). The economy generates gross value add (GVA) of over £12.3 billion per annum.

Tees Valley has world class expertise in a number of key sectors which are vital to the health of the northern and wider UK economies. The area has a particular concentration of employment in process, chemicals and the energy sector where employment levels are more than double the national average, as well as in the larger advanced manufacturing and healthcare sectors, where employment levels are at least one and a half times the national average.

While some sectors, such as logistics, business and professional services and culture and leisure are under-represented when compared with the national average, they provide a significant number of employment opportunities and are all sectors which are forecast to experience strong growth nationally over the next ten years. There is potential for Tees Valley to build upon niche specialisms within these sectors to capture a larger share of growth and boost overall employment levels.

Only by creating new products and processes and exploring new technology solutions, can the Tees Valley grow its business base, export expertise and provide new jobs for its residents, making it a key driver of the goal to create 25,000 new jobs in Tees Valley over the next decade. Investing in innovation will help the area live up to its historic reputation for being at the forefront of invention. As the Tees Valley European and Structural Investment Funds Strategy outlines, a key aim of Tees Valley is to *“provide businesses with the necessary support and incentives to enable them to start up, locate, innovate and grow in Tees Valley, export products and services across the globe and be resilient to economic shocks.”*

Tees Valley faces obstacles in continuing to build an innovative economy such as available and appropriate finance (there is a gap in equity, angel and grant provision for businesses at Technology Stage Readiness levels 4 to 7, who need funds to develop, demonstrate and scale up), incubation space to test new products, accessible support to help SMEs to innovate and barriers to collaborating within and across industries. Our rates of commercialisation (the North East has the lowest rates of patents filed in England) and start-up (at 70% of the national average) are low.

As stressed in the Tees Valley European Structural and Investment Funds Strategy, crucial actions to overcome these barriers are to: *“provide direct support for innovation for enterprises,” “enhance business capacity for innovation support in enterprises”* and *“support for innovation collaboration, particularly across sectors.”*

The [Tees Valley European Structural and Investment Funds Strategy](#) is based upon the principles of Smart Specialisation, focussing on those sectors where Tees Valley has a competitive advantage, namely advanced manufacturing, process, digital and

healthcare. The vision is for Tees Valley to play a major part in developing, manufacturing and delivering technologies that benefit the whole United Kingdom, particularly in supporting the move to a low carbon economy. In order to do so, Tees Valley will provide local businesses with bespoke, flexible support and access to an internationally connected and multi-disciplinary innovation knowledge network, enhancing collaboration, both within and between sectors, and between research entities, SMEs, and large enterprises.

### **Scope of activity**

There is scope to support and promote innovation across all sectors, however proposals should primarily focus on priority sectors identified in the Tees Valley Innovation Strategy. Applicants will need to demonstrate that proposed projects do not duplicate existing national provisions, demonstrating in particular how operations will complement and align with smart specialisation, e.g. limited set of evidenced-based priorities, collaboration, and links with national policies for innovation (such as the priorities set out within the Industrial Strategy green paper), to deliver additional outcomes.

### **Local priorities:**

This call is seeking applications for Research and Innovation operations in the Tees Valley Local Enterprise Partnership area, focused on increasing the absorptive capacity of SMEs for innovation, embedding innovation and collaboration within and between sectors, and increasing the number of innovation active enterprises in the Tees Valley.

### **Investment Priority 1a**

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

- Proposals should meet one of the key priorities of the Tees Valley Innovation Strategy to *“create, develop and enhance open access technology centres, to promote specialist technical and business support to commercialise research....with “innovation centres that offer practical support, pilot facilities and space to trial and commercialise new products and processes.”*
- Proposals should provide suitable and appropriate innovation space/facilities/equipment and/or demonstration space (often non lab-based testing facilities) that SMEs/start-ups in Tees Valley can access (this could be either through creating new or enhancing existing innovation centres and could include infrastructure which is *directly* related to such innovation space or the creation of demonstration space in Tees Valley suitable for piloting new products or processes)
- Proposals should meet the clear sector focus of the Tees Valley Innovation Strategy:
  - Advanced Manufacturing (which includes Advanced Materials, Low Carbon, Engineering Design and Offshore)
  - Process (which includes Carbon Capture and Storage, Sustainable Chemicals and Bio-refining)
  - Healthcare (which includes Biologics and Digital Care)
  - Digital (which includes Animation and Visualisation)



- Proposals should align to and complement the 'Key Innovation Assets' and 'Key Future Investments' set out in the Tees Valley Innovation Strategy.
- All proposals should demonstrate evidence of demand, and in the case of new innovation and/or demonstration space, proposals should demonstrate that current supply does not meet the proposed needs and demonstrate that new build is required, rather than conversion or refurbishment of existing premises.
- Proposals should consider the potential impact upon current innovation space
- Any proposals should align with the [Smart Specialisation Strategy for England 2014](#).
- Proposals should fit with the focus of the Tees Valley ESIF Strategy, Tees Valley SEP and [Tees Valley Business Compass](#) (the Tees Valley Business Growth Hub).

### **Investment Priority 1b**

Priority will be given to applications aligned to the innovation priorities set out in the Tees Valley European Structural and Investment Funds Strategy, and focused on priority sectors **including, but not limited to:**

### **Innovation Exchange**

Interventions to enable Tees Valley businesses (including support for young, fast growing companies) to access knowledge base expertise to develop an idea, concept or product, through a flexible, structured approach.

A range of delivery approaches may be appropriate **including, but not limited to:**

- Utilising academic and professional expertise to support the graduate to deliver innovation exchange, drawn from a variety of sources, including Higher Education Institutes, Catapult Centres, Innovation Centres and others.
- Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in "Smart Specialisation for England".

Example interventions could include those which embed best practice in design and innovation management, stimulate and embed the uptake of new research in businesses, enhance new product development capability and encourage commercialisation within new markets.

### **Innovation Mentoring**

Interventions designed to help SMEs to access intensive innovation support through the use of mentors who will help them develop their innovation to the point of becoming investor ready,

A range of delivery approaches may be appropriate **including, but not limited to:**

- Utilising experienced experts in their field who can provide an interim resource for Tees Valley SMEs to allow them to secure, and help prepare for, significant growth finance for an extended period.
- Leadership and management development, preparing business cases and advising on how to engage with the market.

Example interventions may depend upon the type, form and stage of the business in question, and could take a number of forms.

### **Collaborative Research & Development**

Interventions designed to foster collaboration and innovation in Tees Valley, either across sectors or between knowledge institutions and groups of businesses, to address obstacles to business growth and underpin key sector competitiveness. Interventions may include scale up projects.

Applicants should consider:

- How they will identify and access appropriate innovation support to meet both individual company needs, but also encourage more inter-firm collaboration related to innovation;
- How they will augment the innovation support offered within Tees Valley by the Business Compass and Innovate Tees Valley;
- How they will deliver a consistent customer experience across Tees Valley, including consistent branding with Tees Valley Business Compass and data sharing with public sector partners in Tees Valley;
- How they will complement the wider Innovation ecosystem (including Universities, research centres and existing/emerging business networks focused on innovation) operating across Tees Valley and develop and maintain a current knowledge of national innovation support, including Innovate UK funded provision.

### **3.3. Operational programme investment priorities**

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

<p><b>Investment priority</b></p>	<p><b>1a – Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.</b></p>
<p><b>Specific objectives</b></p>	<p>Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.</p>

**Indicative actions**

The purpose of support under this investment priority will be to build or enhance infrastructure that in due course will contribute to the greater commercialisation of products, services and processes.

Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:

- Specialist infrastructure / facilities / centres linked to smart specialisation including enhancements to science parks and to improve access to these facilities through digital and physical links;
- Investment in the development and upgrading of innovation space, with capability to serve as a platform or host for innovation and innovative relationships.
- Improved incubation space to enable research and development and innovation.;
- Shared use research laboratories and facilities, particularly targeted at the eight great technologies as set out in “Smart Specialisation in England”;
- Development of enterprise, innovation and technology hubs and centres of excellence, in line with the approach set out in “Smart Specialisation in England”; and
- Development and upgrading of appropriate test facilities and deployment infrastructure.

In all cases, actions will include provision of appropriate equipment and staff resources.

Activity under this specific objective will also underpin activity under the other specific objectives within this priority axis, by enabling investment in infrastructure, facilities and equipment. This will contribute to the wider goal of improving the commercialisation of new products, services and processes by small and medium sized enterprises.

<p><b>Investment priority</b></p>	<p><b>1b – Promoting business investment in research and innovation;</b></p> <ul style="list-style-type: none"> <li>• <b>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</b></li> <li>• <b>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.</b></li> </ul>
<p><b>Specific objectives</b></p>	<ul style="list-style-type: none"> <li>• Increase investment in research and innovation by small and medium sized enterprises in sectors and technologies identified through smart specialisation; and</li> <li>• 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.</li> </ul>
<p><b>Indicative actions</b></p>	<p>Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Support for smart specialisation collaborative and contract research and development including initiatives</li> </ul>

	<p>stimulating and facilitating productive innovation partnerships;</p> <ul style="list-style-type: none"> <li>• Support for the commercialisation of new products and business processes and initiatives, particularly targeted to aid innovation in the Eight Great Technologies as set out in “Smart Specialisation in England”;</li> <li>• Collaborative and contract research and development programmes;</li> <li>• Applied research programmes, particularly targeted at sectors and technologies set out in “Smart Specialisation in England”;</li> <li>• Innovation vouchers for small and medium sized enterprises;</li> <li>• Innovation support programmes for product design and development and systems integration;</li> <li>• Initiatives simulating the demand for new or improved services, processes and products including business-led and public procurement programmes;</li> <li>• Schemes providing practical, financial and material support for the innovation process within businesses;</li> <li>• Schemes stimulating and enabling graduate start-up and spin out from universities, colleges and research institutions;</li> <li>• Technology support programmes and demonstrator projects and programmes for current and future technologies;</li> <li>• Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in “Smart Specialisation in England”;</li> <li>• 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</li> </ul>
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	<p>base partners;</p> <ul style="list-style-type: none"> <li>• Support for innovation ecosystems including business-led networks and open innovation ecosystems that reduce the complexity of interaction within and between organisations;</li> <li>• 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;</li> <li>• 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; and</li> <li>• Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market.</li> </ul> <p>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.</p> <p>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.</p>
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## 4. Required Outputs under this Call

Applicants will need to demonstrate how the eligible activity, funded by the European Regional Development Fund will achieve the programme-level outputs for Priority Axis 1.

For projects proposing to deliver activity against more than one investment priority, the appropriate outputs should be selected. Project will be required to report on, and evidence, the achievement of the outputs separately under each investment priority.

For projects coming forward under this call the expected outputs and results are:

<b>Investment Priority 1a</b>	
<b>Output reference</b>	<b>Name</b>
C25	Number of researchers working in improved research facilities
P2	Public or commercial buildings built or renovated

<b>Investment Priority 1b</b>	
<b>Output reference</b>	<b>Name</b>
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
C26	Number of enterprises cooperating with research entities
C28	Number of enterprises supported to introduce new to the market products
C29	Number of enterprises supported to introduce new to the firm products

P2	Public or commercial buildings built or renovated
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The managing authority expects the level of outputs proposed within outline applications to be realistic and achievable and to deliver good value for money. The application should clearly state the methodology used to determine the levels of outputs proposed.

Projects will only be supported if they demonstrate good value for money. An important consideration when assessing value for money is the level of European Regional Development Fund outputs that the project would deliver.

The managing authority has not set specific output targets for this call and does not publish average or expected unit costs.

The local European Structural and Investment Fund strategy for each local enterprise partnership area includes details of the local, notional European Regional Development Fund allocation to each priority axis and the type and number of European Regional Development Fund outputs that are expected in return for this investment.

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 outputs, a performance penalty may apply.

## 5. Application Process and 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 all of the national [selection criteria](#) except where an intermediate body has been designated to assess against some of the selection criteria. Where an intermediate body has been designated to undertake delegated



tasks, the intermediate body will undertake the assessment against the selection criteria in relation to fit with local priorities.

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

The Gateway assessment is undertaken by the managing authorities and considers:

- Applicant eligibility;
- Activity and expenditure eligibility; and
- Fit with the National operational programme and the local development need set out in section 2.

Applications that fail the Gateway assessment undertaken by the managing authority will be rejected. Applications which pass the Gateway assessment will then be assessed by the managing authority in relation to all Core assessment criteria.

In areas where an intermediate body<sup>1</sup> has been designated, the following will apply:

The intermediate body will assess the application against the following Core assessment criteria:

- Local strategic fit

The managing authority will assess the application against the following Core assessment criteria:<sup>2</sup>

- National strategic fit;
- Value for money;
- Management and control;
- Deliverability;
- Compliance;
  - Procurement
  - State Aid
  - Publicity requirements
- Cross cutting themes; and
  - Environmental sustainability
  - Equal opportunities

The intermediate body will also provide advice to the managing authority to assist the managing authority to make its assessment against the following Core selection criteria:

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<sup>1</sup> This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

- Value for money; and
- Deliverability.

Having assessed projects against these criteria the relevant local enterprise partnership area European Structural and Investment Funds sub-committee will advise the managing authority or intermediate body as relevant on the contribution to local economic growth conditions and opportunities within the context of the operational programme and local European Structural and Investment Funds strategy to aid the managing authority's assessments (at outline and full application stage).

Having concluded their assessments the managing authority and the intermediate body will prioritise the applications they wish to proceed based on their assessment against their respective selection criteria. Only projects that the managing authority and the intermediate body each agree should proceed, based on their respective core selection criteria, will be invited to submit a full application. Subsequently only those full applications that the managing authority and the intermediate body each agree should proceed, based on their respective selection criteria, will be approved.

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>

Potential applicants / applicants may wish to take advantage of information and support services funded through European Regional Development Fund Technical Assistance and available to assist the design and development of compliant projects / applications for the European Regional Development Fund. Details of your local Technical Assistance funded project can be found on the [Technical Assistance website page](#).

## 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 to 2020 European Regional Development Fund Programme. It is the responsibility of the applicant to ensure that the National Eligibility 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 the grant value. If in doubt on any of the requirements, applicants are strongly advised to seek specialist advice.

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 at the full application stage, applicants will enter into [a Funding agreement](#) and must abide by the standard terms and conditions contained therein. Once a Funding agreement has been issued it should be signed and returned within 30 days, unless otherwise agreed with the managing authority. 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.

## **6.2. Eligible applicants**

Section 4 of the [National Eligibility Rules](#) sets out who is eligible to apply. Financial Due Diligence checks will be undertaken on non-public sector applicants that are successful at the outline application stage. Checks will be carried out following notification of a successful outline application and may exclude applicants from further consideration. These checks will include assessment of the applicant's financial standing including ability to deal with cost overruns, the ability to cash flow a project in arrears and absorb a financial irregularity.

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 (and grant recipient) 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 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 and match funding**

European Regional Development Fund investment must not be used to replace existing funding sources. European Regional Development Fund investment must enable activity to take place that would not otherwise happen or to increase the scope, scale or intensity of activity. The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed

The maximum contribution rate is 60% of the total eligible project costs subject to State Aid regulations.

The remaining 40% or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. During the application process applicants will need to satisfy the managing authority that they have, or are able to put in place eligible match funding for the balance of costs. Other EU 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 60% 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 will normally be 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 closed by June 2023.

## 6.5. Capital projects

In developing the budget for the outline application, applicants seeking European Regional Development Fund to support a capital project should note that:

- New build projects will normally be expected to achieve the Building Research Establishment Environmental Assessment Method (BREEAM) rating of 'excellent'; however BREEAM 'very good' will be accepted where this is the maximum feasible standard;
- Refurbishment projects will normally be expected to achieve the BREEAM rating of 'Very Good'; and
- Infrastructure projects will normally be expected to achieve the Civil Engineering Environmental Quality Assessment rating of 'Very Good'.

## 6.6. Cross Cutting Themes / Horizontal Principles

All applications selected as a result of this call will be required to 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 Section 11 of the [European Regional Development Fund Operational Programme](#).

Projects seeking funding under Priority Axis 1 will be expected to demonstrate measures that promote greater female participation in associated sectors.

Physical infrastructure such as incubation space must take into account the needs of disabled people as regards access and use. Buildings must meet minimum accessibility requirements. Where possible, accessibility toolkits and undertaking pre- and post-build access audits should be used to add quality to investments.

## 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.

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

Applications need to identify and evidence how 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 and 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. 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 under the General Block Exemption Regulation (EU) 651/2014.

Only if this is not possible should applicants use the De minimis regulation or 'no aid'. [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.

## 6.9. 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 EU regulations. Procurement will be subject to audit and verification and any irregularity will result in a 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 EU.

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 grants.

## 7. Support

Please note that this is a competitive call and to preserve impartiality the managing authority and, where appropriate, the intermediate body are unable to enter into correspondence with applicants over their outline application. Details of where guidance can be found are contained throughout this call document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: [NE.ERDFenquiries@communities.gsi.gov.uk](mailto:NE.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; and
- 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 a 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.