

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:	OC25R17P 0632
Local Enterprise Partnership Area:	NORTH EAST LEP
Indicative Funding Available:	£9,500,000
Call Open:	Wednesday 6 September 2017
Call Closes:	23:59 on Friday 10 November 2017

Contents

1.	Introduction.....	3
2.	Call Context.....	4
3.	Scope of the Call	5
3.1.	Scope.....	5
3.2.	Local development need	7
3.3.	Operational programme investment priorities	12
4.	Required Outputs under this Call	15
5.	Application Process and Prioritisation Methodology	16
6.	General Information.....	18
6.1.	National Eligibility Rules.....	18
6.2.	Eligible applicants	19
6.3.	Contribution rate and match funding	19
6.4.	Project timescales	20
6.5.	Project extensions.....	20
6.6.	Capital projects	21
6.7.	Cross Cutting Themes / Horizontal Principles	21
6.8.	Additionality, duplication and displacement.....	22
6.9.	State Aid and revenue generation.....	22
6.10.	Procurement	22
7.	Support.....	23
8.	Key Documents	23
9.	Document Checklist.....	23
10.	Document Submission.....	24

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 / Greater London Authority 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

- 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 North East Local Enterprise Partnership area](#) 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 [North East Local Enterprise Partnership Area](#) European Structural and Investment Funds strategy.

Indicative fund allocation	<p>Indicatively, through this call the managing authority expects to allocate up to £9,500,000</p> <p>£5,400,000 More Developed</p> <p>£4,100,000 Transition</p> <p>ERDF investment through this call will focus on revenue activity, particularly the provision of intensive support leading to an increase in innovative capacity for new and established businesses innovating in smart specialisation areas.</p> <p>Please note: whilst not the focus of this call, a limited element of capital may be considered where this investment is <u>fundamentally</u> linked to the provision of intensive support to innovating businesses..</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</p>
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	<p>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>
Minimum application level	<p>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 in More Developed Category of Region and £833,000 in Transition Category of Region will not normally be supported under this call</p>
Duration of project activity	<p>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.</p>
Geographical scope	<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 North East Local Enterprise Partnership area of this call.</p>
Specific call requirements	<p>This call is for projects in the North East LEP area across both More Developed and Transition Category of Region. Projects should identify delivery by category of regions and reflect relevant local context including specific delivery issues in County Durham.</p> <p>Please note: Value for Money and alignment with Strategic Domestic Priorities will form a key part of the assessment and appraisal of all applications. Therefore proposals should clearly articulate and demonstrate how activities align with</p>

	domestic strategic priorities and offer good value for money.
Call deadlines	<p>For this specific call, applications will be assessed after the close of the call on 10 November 2017</p> <p>Applications received after the published call close date of 10 November 2017 will not be considered. All applications will be assessed following 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
<p>Local growth priorities:</p> <p>Innovation is central to the long-term ambition of the North East supporting the shift to a more productive and competitive economy; bringing social as well as economic benefits. The North East therefore aspires to take its place as a leading innovation hot spot in Europe, benefiting from the development, adoption and roll-out of new ideas, products, process and applications.</p> <p>Stimulating increased innovation in North East businesses and growth of innovative businesses will support a reduction in the productivity and employment gaps. As is set out in the refreshed North East Strategic Economic Plan (http://www.nelep.co.uk/whatwedo/refreshing-the-strategic-economic-plan/) clear progress in increasing economic activity and private sector employment in comparison with the national average has been made. An additional 53,700 new jobs were created between 2014 and 2016 of which 63% were higher paid and required higher skills levels. Despite these improvements productivity (as measured</p>

by GVA per full time equivalent) remains lower in the North East than the England average whilst this is also recognised as a UK-wide challenge. Similar positive trends in innovation activity can also be seen but the North East continues to lag behind national and international exemplars on key measures.

In 2014, 363 applications were filed in the North East region resulting in 44 patents; this represents an increase from 314 in 2013 and 358 in 2012. However, the number of patents applied for per 100,000 population remains significantly lower than the national figure at 22 per 100,000 compared to 37 per 100,000 nationally. The success of these applications is also lower than for the UK as a whole with only 12% of patents applied for granted in 2014.

Over half a billion pounds (£560m) was spent on R&D in the North East region in 2014, equivalent to 1.2% of regional GVA. This was the lowest of all the English regions. Just over half of this (51%) was spent by businesses and 46% by higher education institutions. In comparison to other areas this is disproportionately reliant on higher-education intuitions with relatively low investment by the Government or the private sector. Nationally two-third of R&D expenditure is made by businesses (67%) and only one-quarter by higher education institutions (24%), with 7% from Government and 2% from private non-profit organisations.

During 2010 -2012, 19% of firms in the North East LEP area reported that they were engaged in product and service innovation. This is equivalent to approximately 9,700 businesses in the North East LEP area and therefore ranks 16th of 39 LEP areas in terms of the proportion of its businesses involved in innovation. A similar proportion of businesses reported collaboration as part of innovation activity (19% of all firms) and engagement with R&D (16% of all North East LEP firms). Among innovating firms, the most common type of innovation activity was new to market innovation, with 58% of innovating firms reporting that their new products or services were new to the market (the 8th highest of all LEP areas). One quarter of innovating firms reported they had engaged in new strategic initiatives or changes to marketing concepts or strategies during this period and 10% reported process innovation.

Within the overall picture there are areas of particular strength in the North East as identified through the Smart Specialisation approach. These represent a niche subset of much broader areas of economic advantage that are identified for the North East, the four areas of smart specialisation include:

- **Digital, Software and Technology-based service (incl data)** Cross-cutting application of digital technologies, in particular delivery of a smart data revolution in industry and services. New growth in satellite applications, virtual reality and gaming
- **Passenger Vehicle Manufacture** In the development of low emission vehicles and fuels and sustainable and flexible advanced manufacturing

responding to new materials, resource scarcity and unit cost pressures, and personalisation

- **Life Science and Healthcare** Being at the forefront of testing, demonstration and translation for medicines delivery, diagnostics and ageing science.
- **Offshore and subsea technology** Opportunities in offshore industries around fabrication, decommissioning, operations and management and the development of new subsea machinery.

Innovation is a dynamic theme and in addition to support for particular areas of strength the North East innovation-led growth can also draw on emerging and wider application, particularly through open-innovation and cross-sector applications of solutions. Through Smart Specialisation approach additional potential was identified in:

- Low carbon energy science
- Materials integration, product formulation and surface sciences
- Design-led innovation
- Natural assets, where the diversity of the region provides opportunities to deliver

To support growth in these areas and ensure that cross-sector and cross-organisation innovation can take place requires the development of a comprehensive innovation ecosystem of support through financial and high-quality, targeted innovation support to businesses, appropriate facilities including test research, and demonstration facilities, the provision of networking opportunities particularly developing communities and clusters around innovation and potential-innovation assets.

Local priorities:

Proposals are expected to:

- demonstrate in depth support and alignment with local development need and priorities.
- deliver activities which provide support to scale up business development to aid rapid growth in innovating businesses. Primarily focusing on supporting emerging and innovating enterprises and the commercialisation of research and product development.
- exploit the use of existing open access test and demonstration facilities which contribute to maximising the potential of smart specialisation and open innovation in the North East;
- provide demonstrable evidence of strong links and regional collaboration through existing regional initiatives in the North East for example: Super

Innovation Network and Growth Hub and existing Research and Innovation initiatives ;

- complement, develop and build on regional and national innovation assets, including national and regional hubs, centres of excellence and catapults;
- be complementary and help to deliver domestic policy drivers, such as the Industrial Strategy, the National Science and Innovation Strategy (under the Plan for Growth) and the 15 point 'Fixing the Foundations' National Productivity Plan by supporting business growth;
- demonstrate the added value to any existing/future Government investment secured;
- demonstrate clear demand for proposed activities

Revenue focus

ERDF investment through this call will focus on revenue activity, particularly the provision of intensive support leading to an increase in innovative capacity for new and established businesses innovating in smart specialisation areas.

Please note: whilst not the focus of this call, a limited element of capital may be considered where this investment is fundamentally linked to the provision of intensive support to innovating businesses.

Intensity of Support

The support offered through proposals funded via this call should be focussed on high quality in-depth interventions. For example, proposals should:

- offer time rich interventions focused on making a demonstrable impact in terms of business growth and/or improved productivity;
- clearly define the different levels and intensity of support to be provided; and demonstrate how activities will support the different stages of a business life cycle.

Activities are expected to support entrepreneurs and innovating businesses from a very early stage through the enhancement and provision of the following:

- Measures that address key challenges through greater collaboration and partnership working across and within our areas of smart specialisation. Examples include, but are not exclusive to, the following:
 - The 5G Innovation Programme;
 - Initiatives that support the development of partnerships to stimulate innovative products, processes and applications that address significant

- health challenges facing society;
- Initiatives that encourage the development of partnerships between academic research and businesses to stimulate and bring to market more innovative products, processes and applications.
 - Initiatives that improve the innovation capacity and sustainability of key sectors across the NE LEP area.
- Consideration may be given to limited capital investment in plant, machinery and/or equipment, and in the refurbishment and extension of facilities, where there is a strong case for investment put forward, where robust evidence of market failure is provided, and where this investment is fundamentally linked to the provision of **intensive support** to **new** and **established** innovating businesses

Proposals must be of a suitable size and scale and must show cross sector / partnership collaboration which can demonstrate significant impacts at North East LEP area level. Please note: this does not necessarily exclude projects which deliver at a more local level within the NE LEP area. However, priority will be given to those projects which show a collaborative, joined up and holistic approach to support across the North East LEP area.

Priority will be given to proposals which particularly support and clearly demonstrate how activities will address the key issues and challenges facing innovative businesses in the County Durham (Transition) area.

ERDF investment through this call will focus on revenue activity, particularly the provision of intensive support leading to an increase in innovative capacity for new and established businesses innovating in smart specialisation areas.

Please note: whilst not the focus of this call, a limited element of capital may be considered where this investment is fundamentally linked to the provision of intensive support to innovating businesses.

The North East Growth Hub

Projects are expected to align with the [North East Growth Hub](#), including sharing good practice and informing new or improved models of delivery.

PLEASE NOTE: The North East Technical Assistance Partnership is available to provide support to potential applicants. To access support please refer to the contact in your area. These can be found on the LEP website:

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>Investment priority</p>	<p>1b – Promoting business investment in research and innovation;</p> <ul style="list-style-type: none"> • 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.
<p>Specific objectives</p>	<ul style="list-style-type: none"> • Increase investment in research and innovation by small and medium sized enterprises in sectors and technologies identified through smart specialisation; and • 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 the 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 Eight Great 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

	<p>“Smart Specialisation in England”;</p> <ul style="list-style-type: none"> • 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; <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. 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:

Investment Priority 1b	
Output reference	Name
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

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 body¹ 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:²

- 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:

- 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

¹ This process works differently for the Greater London Authority. Please contact the Greater London Authority for further details.

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 here <http://www.nelep.co.uk/funding/european-funding/> or 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 **50%** (More Developed Category of Region) and **60%** (Transition Category of Region) of the total eligible project costs subject to State Aid regulations.

The remaining **50%** (More Developed) and **40%** (Transition) 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 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 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. Project extensions

Existing grant recipients whose projects:

1. Do not involve the direct development of premises or infrastructure; and
2. Have a funding agreement that ends/has a financial completion date during the period of this call or within **18 months of the closing date of this call**; and
3. Whose project addresses the priorities set out in section 2

May apply for a second phase of delivery – this will be expected to be in the same form as the current project (i.e. a genuine continuation of activity) but may reflect improvement/some change to reflect experience of phase 1. The application must be made using the standard outline application form. Where changes to phase 1 are significant, these should be presented as a new application. Projects may apply to be extended for up to 3 years.

Applications in respect of the development of premises or other infrastructure should be presented as new projects, this includes applications that have a link to an existing ERDF project e.g. further phases of the development of sites or premises.

Please note - Extensions to existing projects will be assessed against the criteria set out in this call in the same way as ‘new’ projects. There is no guarantee that extensions will be selected. Extension requests relating to projects that end more than 18 months after the closing date of the call or do not meet the requirements set out in this call will be rejected. The applicant’s track record and the performance of existing contracts will be taken into account during the assessment process.

6.6. 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’.

6.7. 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.

6.8. 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.

6.9. 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.

6.10. 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 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

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.