

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:	Ministry of Housing, Communities and Local Government
Fund:	European Regional Development Fund
Priority Axis:	Priority Axis 1: Promoting Research and Innovation
Call Reference:	OC50R18P 0827
Local Enterprise Partnership Area:	Multi LEP Area Call Humber (Lead LEP area) York, North Yorkshire and East Riding
Indicative Funding Available:	£7,711,657 £5,124,657 more developed £2,586,999 transition
Call Open:	Friday 5 October 2018
Call Closes:	23:59 on Friday 23 November 2018

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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 funding for ERDF projects that are contracted by the end of 2020.

All contracted ERDF projects must be completed by the end of the programme period, 31 December 2023. Each application for ERDF will be required to demonstrate that it delivers good value for money and domestic strategic priorities

The funds are managed by the Ministry of Housing, 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 Ministry of Housing, Communities and Local Government and the Department for Work and Pensions to perform the following tasks:

1. Input into project calls in respect of local development needs (with reference to ESI Funds Strategies); and
2. 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:

1. Practical advice and information to the managing authorities to assist in the preparation of local plans that contribute towards operational programme priorities and targets;
2. 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

3. 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 Ministry of Housing, 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 Ministry of Housing, 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.

Important guiding principles for the selection of ERDF operations within Priority Axis 1; includes:

- A close fit with the aims and objective the 2017 Industrial Strategy “building a Britain fit for the future” (or any later publication that amends or supersedes that);
- A close fit with the policy priorities set out in “Smart Specialisation in England”; taking into account guidance on project selection from the Managing Authority. Elements that in the document refer to outdated policies should be discounted and relevant elements of the current industrial Strategy be considered in their place;
- An understanding of evolving national science, innovation and research strategies, including ensuring that national science, research and innovation capabilities impact on local growth;
- Sound evidence, developed by a partnership of businesses, the research base and public sector organisations, of the existing strengths and future potential of sectors and technologies prioritised for support within a local area;
- Evidence that these partners working collaboratively have shown the leadership required to prioritise investments in a genuinely limited number of sectors and technologies ensuring that investments are made with sufficient scale and depth to create significant impact on prioritised sectors and technologies;
- Priority will be given to investments that align with and contribute to achieving the objectives of, the Industrial Strategy’s Grand Challenges, which aim to put the UK at the forefront of the industries of the future, ensuring that the UK takes advantage of major global changes, improving people’s lives and the country’s productivity and
- Good arrangements are in place to monitor and evaluate the impact of investments and on-going systems are in place to review priorities.

Any application for funding will be required to clearly demonstrate that it provides good value for money and supports domestic strategic priorities, including the 2017 [Industrial Strategy](#) (or any later publication that amends or supersedes that). Applications must meet the requirement of, and make a meaningful contribution to, the delivery of the relevant Priority Axis of the [European Regional Development Fund Operational Programme](#) and where appropriate should reflect how such support will aim to improve productivity levels within small and medium sized enterprises.

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 [York, North Yorkshire and East Riding local enterprise partnership area](#) European Structural and Investment

Funds strategy and [Humber 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 [York, North Yorkshire and East Riding local enterprise partnership area](#) European Structural and Investment Funds strategy and [Humber local enterprise partnership area](#) European Structural and Investment Funds strategy.

<p>Indicative fund allocation</p>	<p>Indicatively, through this call the managing authority expects to allocate up to £7,711,657.</p> <p>The indicative funds are split by Local Enterprise Partnership area and category of region as follows:</p> <p>Humber (transition) £699,840 York, North Yorkshire and East Riding (transition) £1,887,159 York, North Yorkshire and East Riding (more developed) £5,124,657</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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<p>Minimum application level</p>	<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 £833,333 will not normally be supported under this call</p>
<p>Duration of project activity</p>	<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>
<p>Geographical scope</p>	<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 York, North Yorkshire and East Riding and Humber LEP areas.</p>
<p>Specific call requirements</p>	<p>Outline Applications should:</p> <p>Express how proposals will contribute towards the delivery of the priorities set out in the Government's Industrial Strategy and the Humber's Industrial Strategy Blueprint.</p> <p>Applicants should note that the York, North Yorkshire and East Riding Local Enterprise Partnership area includes both more developed and transition category of regions, as follows:</p> <ul style="list-style-type: none"> • York and North Yorkshire (more developed area) • East Riding (transition area) <p>The Humber Local Enterprise Partnership area is a transition area only.</p> <p>Revenue projects applying to this call may deliver activity across a single LEP area/category of region, or deliver across the full YNYER/Humber area (both categories of region). In all cases, applicants must present a clear rationale for the area proposed, outlining how this responds to local demand and confirming that capacity is in place to deliver across the proposed geography.</p>

	<p>Please note: Value for Money and alignment with Strategic Domestic Priorities including the 2017 Industrial Strategy, (or any later publication that amends or supersedes that) will form a key part of the assessment and appraisal of all applications. Therefore proposals should clearly articulate and demonstrate how activities align with domestic strategic priorities and offer good value for money.</p>
Call deadlines	<p>For this specific call, applications will be assessed after the close of the single deadline</p> <p>Applications received after the published call close date 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>Challenges</p> <p>Evidence suggests that although in some areas York, North Yorkshire and the Humber perform relatively well on innovation, there is considerable scope for improvement. Previous programmes have demonstrated that market failures such as costs, uncertainty, lack of information, an information imbalance between small and medium sized enterprises and the knowledge base, and issues around the handling of intellectual property have all impacted negatively on research and development spend.</p> <p>Operational and cultural issues are also apparent, such as a lack of time and resource, or pressures on resources, resulting in a focus on the short-term and on tried and tested ways of working, entrenched organisational structures and production methods and a reluctance to embrace change.</p> <p>Yet improving research and development performance and building upon existing strengths will be a key component in the drive towards a higher value and more diversified economy. Increasing research and development spend, accelerating the (currently slow) rate of growth in science and technology jobs, strengthening the commercial links between the Higher Education sector and industrial networks, and changing the attitudes of small and medium sized enterprises towards innovation will all be important, along with access to appropriate support, including funding, to commercialise knowledge assets.</p>

The 'Mapping Local Comparative Advantages in Innovation' study highlights:

- The Humber ranks 37th overall (out of 39th) LEP areas for Innovate UK investment. York, North Yorkshire & East Riding ranks higher at 23rd, but this position is potentially skewed by the existence of two universities in York, compared with the majority rural coverage of the York, North Yorkshire & East Riding LEP area.
- Humber ranks below average for GVA per hour worked (26/39) and York, North Yorkshire & East Riding (32/39)
- The area performs worse than expected (relative to employment share) on R&D expenditure by business, government, higher education and private non-profit expenditure.
- The Humber has only 5.3% of residents employed in science, research, engineering and technology professions (36th out of 39th)
- Only 25.6% of working age population are at NVQ Level 4+ (36/39). York, North Yorkshire & East Riding fairs better, but again potentially due to a skewed concentration in York, and not representative of the much larger rural makeup of the area.
- According to data from the UK Innovation Survey, approximately 18% of firms in the Humber reported that they were engaged in product or process innovation between 2008 and 2010, against a national average of just under a quarter (23.6%)
- Innovation expenditure as a share of turnover in the Humber was among the lowest - between 40% and 70% of the LEP average
- The Humber ranked lowest (3.8%) for share of turnover generated by innovative goods/services

These findings reflect that whilst the environment for innovation is favourable; the LEP areas have lagged behind other regions consistently for investment in innovation inputs and the delivery of innovation outputs including commercialised Intellectual Property and relative productivity. Within the UK, Yorkshire and Humber has historically had one of the lowest levels of innovation based on research and development investment, around 0.5% of gross value added compared to 1.5% for England overall.

Within innovation active businesses in the region, the proportion of expenditure on in-house research and development activity (56%) is much higher than any other English region, while expenditure on external research and development (0.9%) and external knowledge (0.5%) is well below average. This implies a reluctance or inability to access external expertise which needs to be addressed.

A further reason for the lack of innovation driven growth is the largely rural nature of the area.

Opportunities

The YNYER LEP aims to create conditions which enable all businesses with an

ambition to grow to do so, and to boost innovation levels by connecting businesses to the best expertise. This will help growing businesses to achieve greater overall size and profitability than they would otherwise. As a result, local growth will outstrip benchmark growth rates in a sustainable manner.

The ESI Funds strategy identifies growth in food manufacturing, agri-tech and bio-renewable sectors (referred to collectively as the Bio-economy) as a particular innovation priority for the YNYER area given the knowledge-based assets in the local area. However, it also makes clear that there is opportunity for research and development to unlock growth potential and the development of new products and processes across a range of sectors.

The Humber LEP area similarly prioritises the need to increase external innovation within local businesses in their ESI Funds strategy. Proposed activity aims to cut across all industry sectors focussing activity on accelerating the development and growth potential of key industries and may reflect opportunities offered by advances in automation and Artificial Intelligence.

The Humber has a strong applied research base and a track record of innovation successes, innovation vouchers, Knowledge Transfer Partnerships (KTPs) and internships. University of Hull specialisms which can be further developed include renewables, environmental and adaptive sciences, niche healthcare technologies, engineering, logistics, chemistry and digital technologies.

Local priorities:

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

This call is in two parts;

- 1) Call for revenue activity; and
- 2) Call for capital investment.

1. Revenue proposals

This call invites revenue proposals which will deliver an increase the number of SMEs involved in innovation, research and development and knowledge exchange activities, with the aim of making businesses more productive and ultimately able to introduce new to firm and new to market products and processes.

Investment will be prioritised on proposals delivering the following activities:

- Stimulating demand from SMEs in all sectors to access R&D expertise;
Establishing the innovation capacity of the SME and identifying recommended development paths;
- Providing a range of support of varying intensities to provide a broad offer to increase innovation levels, with support targeted at growth minded businesses;

- Support to SMEs in the research, proof of concept, prototyping and commercialisation of new products and business processes and initiatives;
- Provision of grant funding to SMEs receiving a wider package of support in order to allow them to access appropriate expert advice from Universities and FE colleges, Research and Technology Institutes, Technical Consultancies and Catapult Centres;
- Provision of grant funding to SMEs to support capital costs associated with the implementation of related innovation within the business;
- Action planning and investment readiness, supporting companies to implement the results of successful projects – making commercialisation more likely;
- Sign posting to other support, expertise and funding opportunities in particular opportunities provided by Financial Instruments (NPIF).

Existing grant recipients delivering revenue activity in Priority Axis 1 may apply for funding to deliver a second phase of activity provided that the criteria in Section 6.5 of this call are met.

2) Capital proposals

This call invites capital investment proposals to build or enhance research and development infrastructure that is used directly by enterprises (on an open access basis) to support high productivity growth. An element of related revenue activity can be included in proposals in order to enable this cooperation.

Alignment with Growth Hubs

For both revenue and capital projects, activity should be aligned to the [YNYER Growth Hub](#) and [Humber Growth Hub](#) (as relevant to geographic delivery of project).

The YNYER and Humber LEP areas are committed to simplifying the business support landscape and removing duplication where it exists; their business-facing functions are conducted by Growth Hubs. The Hubs provide businesses with a trusted, single point of contact that can quickly and efficiently help them to access the right form of support at the right time with the minimum disruption.

It is strongly recommended that applicants engage with each Growth Hubs to discuss how their proposed delivery will be complementary to its services. When applying, applicants should detail exactly how it has agreed to work with each Growth Hubs and how it is contributing towards the principles of simplifying the business support landscape and removing duplication.

In order to discuss relationships with each Growth Hubs, applicants should get in touch with the following colleagues (as appropriate):

YNYER Growth Hub

Simon King, Growth Hub Development Manager

Simon.king@businessinspiredgrowth.com

Humber Growth Hub

Jon Brunton, Growth Hub Manager

j.brunton@humberlep.org

All projects coming forward also should demonstrate:

- Consideration of how best to engage with businesses dispersed across a large rural area in addition to urban centres.
- How delivery will link to priority growth sectors and the technologies set out in ‘Smart Specialisation in England’
- How they will contribute towards the delivery of priorities set out in the [UK’s Industrial Strategy](#) and the [Humber’s Industrial Strategy Blueprint](#).

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:

Investment priority	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.
Specific objectives	Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.
Indicative actions	<p>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.</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">• 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;

	<ul style="list-style-type: none"> • 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. <p>In all cases, actions will include provision of appropriate equipment and staff resources.</p> <p>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>
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<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
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	<p>specialisation; and</p> <ul style="list-style-type: none"> • 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.
<p>Indicative actions</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"> • 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

	<p>Specialisation in England”;</p> <ul style="list-style-type: none"> • 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;
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	<ul style="list-style-type: none"> • 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 • Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market. <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:

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

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:

- Outline application and, if successful
- 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:

1. Value for money; and
2. 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).

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

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 in the transition region and 50% in the more developed region.

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 Project extensions

Existing grant recipients whose projects:

1. Do not involve the direct development of premises or infrastructure;
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. 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 the first phase of the project. The application must be made using the standard outline application form. Where changes to the first phase of the project are significant, these should be presented as a new application. The relevant Growth Delivery Team will apply judgment in

considering the significance of any change. 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 European Regional Development Fund 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:

1. 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;
2. Refurbishment projects will normally be expected to achieve the BREEAM rating of 'Very Good'; and
3. 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: YH.ERDFENQUIRIES@communities.gov.uk.

Whilst the decision of the managing authority is final, if you think consideration of your application has not followed the published ERDF process, please refer to the MHCLG complaints procedure available on 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;
- Funding agreement (revenue and / or capital);
- Summative assessments guidance; and
- 2017 [Industrial Strategy](#) (or any later publication that amends or supersedes that).

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. Applicants are asked to quote the call reference and project name in the subject line of your email as this will greatly assist the managing authority.

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

The managing authority will normally acknowledge receipt of your application by email.

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.