

2014 to 2020 European Structural and Investment  
Funds Growth Programme

Call for Proposals  
European Regional Development Fund

Priority Axis 1: Promoting Research and  
Innovation

<b>Managing Authority:</b>	<b>Ministry of Housing, Communities and Local Government</b>
<b>Fund:</b>	<b>European Regional Development Fund</b>
<b>Priority Axis:</b>	<b>Priority Axis 1: Promoting Research and Innovation</b>
<b>Call Reference:</b>	<b>OC21R18P 0865</b>
<b>Local Enterprise Partnership Area:</b>	<b>Leicester and Leicestershire</b>
<b>Indicative Funding Available:</b>	<b>£1,920,600</b>
<b>Call Open:</b>	<b>Friday 5 October 2018</b>
<b>Call Closes:</b>	<b>23:59 on Friday 23 November 2018</b>

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# 1. Introduction

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

The Government has confirmed that it will guarantee 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:

- 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 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 [Leicester & Leicestershire Enterprise Partnership](#) European Structural and Investment Funds strategy.

Applicants are advised to familiarise themselves with the detail of the operational programme, local European Structural and Investment Funds strategy and the relevant documentation listed in sections 5 through to 8 **prior to** submitting an outline application.

### 3. Scope of the Call

#### 3.1. Scope

This call invites outline applications which support the delivery of Priority Axis 1 of the European Regional Development Fund Operational Programme and respond to the local development need set out in the [Leicester & Leicestershire Enterprise Partnership](#) European Structural and Investment Funds strategy.

<p><b>Indicative fund allocation</b></p>	<p>Indicatively, through this call the managing authority expects to allocate up to £1,920,600.</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>
<p><b>Minimum application level</b></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 £1,000,000 will not normally be supported under this call</p>
<p><b>Duration of project activity</b></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>

<b>Geographical scope</b>	<p>The England European Regional Development Fund operational programme operates on a national basis. All eligible European Regional Development Fund expenditure must benefit organisations located in England.</p> <p>Revenue projects should predominantly support businesses based within the local enterprise partnership area of this call.</p>
<b>Specific call requirements</b>	<p>The Leicester and Leicestershire Enterprise Partnership is looking for applications which will deliver activities to enhance specific innovation capacity in the Leicester and Leicestershire area whilst complementing existing European Regional Development Fund activities under this priority axis</p> <p><b>Please note: Value for Money and alignment with Strategic Domestic Priorities , <a href="#">including the 2017 Industrial Strategy</a></b>, (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>
<b>Call deadlines</b>	<p>For this specific call, applications will be assessed after the single deadline of 23 November 2018.</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.

<b>Local Development Need</b>
<p><b>Local growth priorities:</b></p> <p>We are looking to support the recommendations as set out in our <a href="#">European Structural and Investment Fund 2014-20 Strategy</a>, <a href="#">Sector Growth Plans</a> and <a href="#">Strategic Economic Plan</a> (SEP). Priority focal areas include, but are not restricted to, those priority sectors as highlighted as being of particular significance to the Leicester &amp; Leicestershire area:</p> <ul style="list-style-type: none"> <li>• Food &amp; Drink Manufacturing *</li> </ul>

- Textile Manufacturing \*
- Creative Industries\*
- Low Carbon
- Logistics & Distribution \*
- Advanced Manufacturing & Engineering (including space technologies)\*
- Tourism & Hospitality
- Professional & Financial Services\*

The Leicester and Leicestershire Enterprise Partnership area would welcome applications which deliver activities to enhance specific innovation capacity in at least one of the above sectors, together with complementing activity currently supported with European Regional Development Funds under this priority axis.

Innovation is strongly emphasised in the European Union (EU)'s Cohesion Strategy for 2014-2020. The UK lags behind other EU countries on traditional measures such as investment in research & development as a percentage of their gross domestic product. The most often cited barriers by businesses to doing more innovation are related to perceived costs associated with research and development. In the Leicester and Leicestershire Enterprise Partnership area a high proportion of businesses (71%) say that they make no financial investment in research and development. This proportion is higher still amongst micro enterprises of which 78% make no investment at all in research and development. Within the area only 17% of businesses have worked with a university within the last 3 years. There also appears to be a mismatch between the innovative output of the universities and business formation in the area. As a result, the area has a lower proportion of knowledge-intensive employment than other neighbouring regions. Productivity gains are an important consideration to help firms stay competitive. High growth firms only account for 7% of the business stock in the UK overall yet they are responsible for around 50% of all new jobs generated.

The firms which are innovative have the following common needs:

- Access to finance for growth;
- A skilled workforce;
- Infrastructure that enables the flow of ideas (i.e. physical and electronic communications infrastructure – including fast internet connectivity); and
- A demand for innovative products and processes, stimulated through supply-chain and public sector activities.

The Witty Report (2013) recommends that universities be put at the heart of the local enterprise partnerships' thinking and decision-making as potential "arrow heads" of innovative activity. Leicester and Loughborough feature strongly in areas identified by Witty and this chimes with the sectors identified in our Strategic Economic Plan – satellites / space, aeronautical engineering and earth sciences as well as medicine & pharmacology.

Universities / research institutions in the Leicester and Leicestershire Enterprise Partnership area have a long history of collaboration such as through the M6 Group and are well placed to work together. The Leicester and Leicestershire Enterprise Partnership would also welcome projects which link to the UK Catapults, especially those overlapping with the growth sectors. The Midlands Engine Science and Innovation Audit identified opportunities to enhance innovation excellence and lists key assets and



clusters. These include the above enterprise zones and some institutes and companies with excellence. Like many other areas across the UK, the Midlands Engine area underperforms on productivity. The latest data (2014) indicates gross value added per employee in the Midlands Engine at £45k, against £55.5k nationally. The response of the Science and Innovation Audit is to try and strengthen the innovation ecosystem, support market driven priorities and enhance the enabling competencies. In the context of this priority axis, further work is needed to identify pathways which would benefit small and medium sized enterprises but the evidence base for enhancing innovation through these models is coherent.

The Leicester and Leicestershire Enterprise Partnership's MIRA Technology Park Enterprise Zone will be the largest transport sector research and development technology park in Europe. In addition, a second enterprise zone is currently being created across Loughborough and Leicester supporting local businesses and building on science and research strengths. This enterprise zone will cover three sites, two in Loughborough and one in Leicester. It will create a science and hi-tech manufacturing-themed 'zone of excellence' to support new and growing businesses to bring their innovative ideas and products to market. The sites will have a focus on life sciences, space and engineering (Pioneer Park, Leicester) and energy and engineering (Loughborough University Science and Enterprise Park). Programmes that align with and accelerate our enterprise zones will be welcome.

The Leicester and Leicestershire Enterprise Partnership's area currently lacks scale in knowledge-intensive businesses and graduate level jobs required to make a real difference to the economy, yet for existing businesses the overall low level of skills in the population and challenges in filling technician-level jobs can inhibit growth. This perpetuates a cycle, where companies may find it difficult to innovate (or implement new or improved processes) due to a lack of workforce skills, whilst individuals may have limited incentive to invest in their skill development.

Furthermore, highly skilled individuals are incentivised to migrate away from the local area or commute to work elsewhere. Therefore we see potential opportunities / linkages not only with other initiatives funded under Priority Axis 1 of the European Regional Development Fund Programme, but also under activities under Priority Axis 2 of the European Social Fund Programme going forward to ensure that we provide highly skilled / highly paid jobs for local people

### **Local priorities:**

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

#### Investment Priority 1a

1. The Leicester and Leicestershire Enterprise Partnership are keen to support the development of physical and digital assets that are focused on areas of comparative advantage to provide opportunities for 'smart specialisation'. These areas are identified within the European Structural and Investment Fund strategy and include: satellites/space, aeronautical engineering, earth sciences, medicine & pharmacology, creative and digital and data mining. The Leicester and Leicestershire Enterprise Partnership economy also includes centres of expertise and clusters of activity that Midlands Engine Science and Innovation Audit have flagged as particularly important,

the opportunities for collaboration and growth: Next Generation Transport; Systems Integration; Digital Technologies and Data; Advanced Manufacturing and Engineering; Energy Generation & Low Carbon (Generally advanced through Priority Axis 4 activity rather than here). Medical Technologies and Pharmaceuticals and Future Pharmaceuticals, and Future Food Processing. Assets that support growth through innovation in our 8 priority sectors are also encouraged, especially the six marked \*.

2. Assets including work-space, laboratories, testing & research acceleration facilities and demonstration plant and equipment will be supported. However it is vital that assets produced are used by small and medium sized enterprises and support their development and growth. Enhancing the comparative strengths of the research base/eco-system is important but this programme will only support if they are in direct use by local businesses and creating synergies and networking opportunities within local supply chains for businesses utilising these assets. Supported activity would provide businesses with access to infrastructure, test facilities, or shared use research laboratories to conduct various forms of product and process innovation, as well as assistance in using the facilities. However, providers will need to be mindful that this activity does not duplicate activity under the Low Carbon strand Priority Axis 4 Investment Priority 4f or activity funded through the previous call for Priority Axis 1.

3. A previous call has supported incubation and grow-on space and similar research and innovation assets created through this call are required to demonstrate how they will create synergies and complement the existing network of incubation and enterprise centres across the Leicester and Leicestershire Enterprise Partnership area – for example activities and proposals which would increase the provision and quality of specialist infrastructure, facilities and assets linked to research, development and innovation within businesses.

Investment Priority 1b:

4. The activities under this call might link to the capital projects under Investment Priority 1a to deliver support where needed, / or tie in with existing centres and demonstrator facilities under construction. Equally they can be independent and it is important to note that the projects supported will make strong contributions to the Leicester and Leicestershire Enterprise Partnership's Priority Axis 1 output targets which are measured in terms of assistance to small and medium sized enterprises and numbers of small and medium sized enterprises developing new products and processes.

5. Smart specialisation networks which exploit the research and areas of excellence associated with the Leicester and Leicestershire Enterprise Partnership knowledge base, growth sectors and business strengths and aid innovation, include;

I. Raising awareness with small and medium sized enterprises of the benefits of research and innovation, to create and drive demand for innovation support services in the form of research and innovation activities, particularly in priority sectors areas.

II. Development of enterprise, innovation and technology hubs, centres of excellence, manufacturing clusters, test facilities, pilot lines and advance manufacturing collaborations

III. Support for smart specialisation, collaborative research and development including initiatives stimulating and facilitating productive innovation partnerships, building collaborations with research and development /innovation providers with a focus on achieving business growth, in particular commercialisation and bringing new products to market

IV. Support for the commercialisation of new products and business processes and initiatives particularly targeted to innovation in the Leicester and Leicestershire Enterprise Partnership key growth sectors

V. Knowledge transfer opportunities including supported graduate placements amongst identified areas of research strength and across growth sectors. Schemes stimulating / enabling graduate start-up and spin out from universities, colleges and research institutions.

6. A grant scheme and or innovation voucher scheme would be welcomed under Investment Priority 1b. However, activities above must complement activities under the previous calls for Investment Priority 1b and Priority Axis 3 small-scale grant schemes. The grant will pay for specific innovation support from experts focused on delivery of a specific business project which is expected to lead to business growth, in particular commercialisation and bringing new products to market. Grant will be business-led, with the source of the expertise required to help deliver the project identified by the business. In addition, the focus of the grant must be on converting research and development into new products or processes with a proven acceleration of productivity.

7. Technology Transfer projects which bring new or disruptive products to market in the priority sectors or produce collaborations between sectors e.g. textiles and pharma or food and energy either as a demonstration activity or as an instrument would also be supported as would interventions that assist companies approach to productivity gains by taking forward systems and creative opportunities developed in other sectors or supply chains.

All capital projects successful at outline application stage will be expected to submit a detailed design and cost plan equivalent of RIBA Plan of Work Stage '3', prepared by a suitably qualified quantity surveyor, at full application stage.

Support for incubator space will be provided only where it is combined with an effective programme of business support tailored to the growth needs of the target occupants.

### 3.3. Operational programme investment priorities

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

<p><b>Investment priority</b></p>	<p><b>1a – Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.</b></p>
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<p><b>Specific objectives</b></p>	<p>Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.</p>
<p><b>Indicative actions</b></p>	<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"> <li>• 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;</li> <li>• Investment in the development and upgrading of innovation space, with capability to serve as a platform or host for innovation and innovative relationships.</li> <li>• Improved incubation space to enable research and development and innovation.;</li> <li>• Shared use research laboratories and facilities, particularly targeted at the eight great technologies as set out in “Smart Specialisation in England”;</li> <li>• Development of enterprise, innovation and technology hubs and centres of excellence, in line with the approach set out in “Smart Specialisation in England”; and</li> <li>• Development and upgrading of appropriate test facilities and deployment infrastructure.</li> </ul> <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</p>

	<p>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><b>Investment priority</b></p>	<p><b>1b – Promoting business investment in research and innovation;</b></p> <ul style="list-style-type: none"> <li>• <b>Developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; and</b></li> <li>• <b>Supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.</b></li> </ul>
<p><b>Specific objectives</b></p>	<ul style="list-style-type: none"> <li>• Increase investment in research and innovation by small and medium sized enterprises in sectors and technologies identified through smart specialisation; and</li> </ul>

	<ul style="list-style-type: none"> <li>• Increase the number of small and medium sized enterprises engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them bring new products and processes to market.</li> </ul>
<p><b>Indicative actions</b></p>	<p>Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Support for smart specialisation collaborative and contract research and development including initiatives stimulating and facilitating productive innovation partnerships;</li> <li>• Support for the commercialisation of new products and business processes and initiatives, particularly targeted to aid innovation in the Eight Great Technologies as set out in “Smart Specialisation in England”;</li> <li>• Collaborative and contract research and development programmes;</li> <li>• Applied research programmes, particularly targeted at sectors and technologies set out in “Smart Specialisation in England”;</li> <li>• Innovation vouchers for small and medium sized enterprises;</li> <li>• Innovation support programmes for product design and development and systems integration;</li> <li>• Initiatives simulating the demand for new or improved services, processes and products including business-led and public procurement programmes;</li> <li>• Schemes providing practical, financial and material support for the innovation process within businesses;</li> <li>• Schemes stimulating and enabling graduate start-up</li> </ul>

	<p>and spin out from universities, colleges and research institutions;</p> <ul style="list-style-type: none"> <li>• Technology support programmes and demonstrator projects and programmes for current and future technologies;</li> <li>• Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in “Smart Specialisation in England”;</li> <li>• Support to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education institutions and research institutions and demonstrate the benefits of working with knowledge base partners;</li> <li>• Support for innovation ecosystems including business-led networks and open innovation ecosystems that reduce the complexity of interaction within and between organisations;</li> <li>• Activities promoting a smart specialisation approach and initiatives that develop the supportive environment for innovation in small and medium sized enterprises including the promotion of networks and industry groups in key sectors;</li> <li>• Grants to support businesses to develop prototypes and prove concepts to assist tech start-ups with early stage development work and the exploitation of intellectual property; and</li> <li>• Grants to promote the use of social innovation to bring new products and processes to the market.</li> </ul> <p>The focus of activity under this priority axis is improving commercialisation of new or enhanced products or services by small and medium sized enterprises, whether through increased investment or better collaborations, but this requires the involvement of a much wider group including larger firms in cooperation with their supply chains and other small and medium sized enterprises, higher education institutions, public sector institutions and</p>
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	<p>research centres, Catapult Centres and other centres of excellence.</p> <p>Projects under this investment priority, including pilot or demonstrator activity, may include capital spend where this is integral to their delivery. This may include enhancements to premises or new build, equipment and facilities. Where new premises are to be built, then there must be clear evidence that demand is not met by existing supply.</p>
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## 4. Required Outputs under this Call

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

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

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

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

<b>Investment Priority 1b</b>	
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 body<sup>1</sup> has been designated, the following will apply:

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

- Local strategic fit

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

- National strategic fit;
- Value for money;
- Management and control;
- Deliverability;
- Compliance;

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

- 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 operational programme and local European Structural and Investment Funds strategy to aid the managing authority's assessments (at outline and full application stage).

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

Please note that the managing authority's decision is final and there are no appeals. If you wish to complain about the calls and application process, please follow the procedure set out at <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/complaints-procedure>

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

## 6. General Information

### 6.1. National Eligibility Rules

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

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

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

### 6.2. Eligible applicants

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

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

If there is more than one organisation applying for the funds, a lead organisation must be selected to become the applicant (and grant recipient) with the remaining organisation(s) acting as delivery partner(s). In this situation the applicant would be

responsible and liable for the delivery partner(s) and ensuring the project is operating compliantly.

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

### **6.3. Contribution rate and match funding**

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

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

The remaining 50% or more must come from other eligible sources as specified under section 6 of the National Eligibility Rules. 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;
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:

- 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: [EM.ERDFENQUIRIES@communities.gov.uk](mailto:EM.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.