



Department for  
Communities and  
Local Government



**European Union**

European Regional  
Development Fund

## 2014 to 2020 European Structural and Investment Funds Growth Programme

### Call for Proposals European Regional Development Fund

# Priority Axis 1: Promoting Research and Innovation

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| <b>Managing Authority:</b>                    | <b>Department for Communities and Local Government</b>    |
| <b>Fund:</b>                                  | <b>European Regional Development Fund</b>                 |
| <b>Priority Axis:</b>                         | <b>Priority Axis 1: Promoting Research and Innovation</b> |
| <b>Call Reference:</b>                        | <b>OC20R16P 0370</b>                                      |
| <b>Local Enterprise Partnership Area:</b>     | <b>Leeds City Region</b>                                  |
| <b>LEP Area Indicative Funding Available:</b> | <b>£13,000,000</b>  |
| <b>Call Open:</b>                             | <b>Friday 29 April 2016</b>                               |
| <b>Call Closes:</b>                           | <b>23:59 24<sup>th</sup> June 2016</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 Funds are managed by the Department for Communities and Local Government for European Regional Development Fund, Department for Work and Pensions for European Social Fund and the Department for Environment, Food and Rural Affairs for European Agricultural Fund for Rural Development. These Departments are the Managing Authorities for each Fund. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. In some other areas, Intermediate Bodies are being designated by the Department for Communities and Local Government and the Department for Work and Pensions to perform certain 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 who provide:

- Practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets;
- Local intelligence to the Managing Authorities (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 Fund Strategy to aid the Managing Authorities' (or Intermediate Bodies where designated) assessments at outline and full application stage.

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

## 2. Call Context

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

### **Priority Axis 1 Promoting Research and Innovation**

#### **Investment Priorities:**

- 1a** enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.
  
- 1b** promoting business investment in research and innovation;
  - developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation;
  - and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

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

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

In addition, applications will be expected to meet identified local development need, as expressed in the scope of this call and as set out in the [Leeds City Region](#) European Structural and Investment Funds Strategy.

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

## 3. Scope of the Call

### 3.1. Scope

This call invites Outline Applications which support the delivery of **Priority Axis 1** of the European Regional Development Fund Operational Programme and responds to the local development need set out in the [Leeds City Region European Structural and Investment Funds Strategy](#).

|                                      |  |
|--------------------------------------|--|
| <b>Indicative Fund Allocation:</b>   | <p>Indicatively, through this call the Managing Authority expects to allocate up to £13,000,000.</p> <p>The Managing Authority reserves the right to increase or decrease the indicative allocation, or support more or fewer projects subject to the volume and quality of proposals received.</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> |
| <b>Minimum application level</b>     | <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 be supported under this call.</p>  |
| <b>Duration of project approvals</b> | <p>Projects should be for a maximum of three years, however the Managing Authority reserves the right to vary the maximum duration in exceptional circumstances.</p>   |
| <b>Geographical Scope</b>            | <p>All interventions are confined to activity and beneficiaries within England.</p> <p>Revenue projects should predominantly support businesses based within Leeds City Region Local Enterprise Partnership area.</p>  |

**Specific call requirements**

Applicants are encouraged to engage with local ESIF Technical Assistance support to assist with the development of their Application(s). Technical Assistance support is available in Leeds City Region through a partnership led by the West Yorkshire Combined Authority.

Applicants should note that:

- (i) Calls for proposals relating to Business Support (Priority Axis 3) and Low Carbon Economy (Priority Axis 4) are also open in Leeds City Region therefore applicants should consider which Priority Axis and Call is most appropriate.
- (ii) Applicants are advised to clearly articulate:
  - ~ The demand for the proposed interventions;
  - ~ Consideration of sustainability;
  - ~ The local economic impact that is envisaged.
- (iii) Proposals should complement and add value to existing local and national provision, particularly Innovate UK, UKTI and other ESIF Research and Innovation projects as they become operational in Leeds City Region, paying particular attention to the Leeds City Region priority sectors set out in the Leeds City Region ESIF Strategy.
- (iv) Proposals under this Call, in particular business support interventions, must ensure that they complement and do not duplicate activities to be supported through the **Leeds City Region Local Enterprise Partnership Growth & Skills Service**. Applicants are therefore encouraged to consult with the Local Enterprise Partnership prior to submitting an application. Applicants must also ensure that a strategic and coordinated approach is applied to the distribution of Innovation Vouchers under business support interventions.
- (v) **Capital proposals** should consider including an associated package of SME business support in order to maximise local economic impact and engagement of local SME's.
- (vi) Applications will need to demonstrate knowledge of the current business support landscape i.e. products and services being delivered through national and local providers. A thorough knowledge of Leeds City Region's business population, including local variations related to

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|                       | <p>sector make-up and potential level of SME demand for proposed interventions should be incorporated into the Strategic Fit section of the Outline Application form.</p> <p>(vii) Applications will be required to demonstrate that measures will be adopted to <b>promote female participation</b> in order to address the current gender in balance in science, technology and engineering sectors.</p> <p>(viii) Applicants should also note that <b>Barnsley is not included</b> within the Leeds City Region for ESIF purposes.</p> |
| <b>Call Deadlines</b> | <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

##### Local Economic Context :

Leeds City Region is the biggest city region economy in the country, with an annual output of £62.5bn representing 5% of the English total. It hosts 119,000 businesses, 3 million residents and a workforce of 1.4m. Nine Higher Education institutions and 14 Further Education Colleges are based in Leeds City Region, which is home to a student population of around 230,000.

Despite Leeds City Region's undoubted economic strengths and assets, the City Region is not realising its full potential. The decline of heavy industry has left a legacy of pockets of serious deprivation and an economy that is less productive than those in many other parts of the country.

The Local Enterprise Partnership's revised vision for the City Region is **to be a globally recognised economic powerhouse that creates good growth, jobs and prosperity**. This revised vision places a greater emphasis on "good growth", where a radical uplift in growth, productivity and business success goes hand in hand with quality jobs that connect all people and places to opportunity and improved quality of life. Achieving the vision will mean that our economy becomes stronger, more

dynamic and resilient, and will be on course to consistently improve performance compared to national averages and international competitors over-time.

The Leeds City Region Strategic Economic Plan is based on four inter-connected strategic investment priorities:

- **PRIORITY 1:** Growing Businesses
- **PRIORITY 2:** A Skilled and Flexible Workforce
- **PRIORITY 3:** Cost Effective, Clean Energy
- **PRIORITY 4:** Infrastructure for Growth

#### **Local Development Need**

The Leeds City Region Innovation Strategy (Regeneris, 2014) identifies that the City Region performs relatively poorly on most innovation indicators. Only a quarter of Leeds City Region firms invest in Research & Development and only 8% of small and medium enterprises seek external Research & Development support. SMEs within Leeds City Region are not accessing their share (commensurate with the scale of the Leeds City Region business base) of Innovate UK support, ranking 14<sup>th</sup> across all Local Enterprise Partnership (LEP) areas. In terms of Intellectual Property performance, across the 39 Local Enterprise Partnership areas, Leeds City Region ranks in the bottom half at 23<sup>rd</sup> in terms of European Patent Office patents per 10,000 residents. The focus of this call is to invest primarily in increasing SME business innovation, with an emphasis on increasing collaboration and responding to new market opportunities through the development of new products and processes.

Informed by the Leeds City Region Innovation Strategy Framework, this call is designed to support and stimulate business innovation. Partners in the area have extensive assets to lever and the environment for innovation is favourable. However the strategy has identified the Leeds City Region is lagging behind its competitors consistently for investment in innovation inputs and in the subsequent delivery of innovation outputs.

The focus of activity under this priority axis is improving commercialisation of new or enhanced products or services by small and medium 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 enterprises, Higher Education institutions, public sector institutions and research centres, Catapult Centres and other centres of excellence.

Further information and additional background material can be found in the Leeds City Region Innovation Strategy <http://www.the-lep.com/LEP/media/LCR-Portal/Portal-images/pdf%20downloads/LEP-Innovation-Strategy-2014.pdf>

#### **Local Priorities:**

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

The aim of this call is to lead a targeted programme of activity to increase SME business innovation rates across Leeds City Region to enhance competitiveness in new markets and drive diversification.

Under Investment Priority 1a the following activities have been identified as priorities for action in the Leeds City Region Local Enterprise Partnership area:

- Strengthening Leeds City Region's knowledge assets which align with the eight great technologies set out in the National Smart Specialisation Strategy. Capital investments will be considered that are able to generate the largest contribution to economic growth, where SME impact and benefit is maximised in Leeds City Region.

#### **Local Context:**

Under Investment Priority 1b the following activities have been identified as priorities for action in the Leeds City Region LEP area:

- Innovation advisor support to SMEs, on site and web based one to one support advising SMEs on how to implement innovation solutions in their workplace and exploit the innovation potential of new processes and products.
- Support which provides businesses with advice on making compelling proposals and preparing businesses to draw down external investment in relation to existing financial sources e.g. Innovate UK grants / competitions, EU Agenda 2020 schemes, private resources, government incentives such as R&D Tax Relief and Patent Box.
- Establishing a network of Innovation Champions who can promote innovation across the private sector, facilitate connections between businesses, investors, public sector bodies and agencies, and co-ordinate promotion of innovation, through marketing campaigns, events, and dissemination of innovation successes within Leeds City Region.
- Innovation vouchers, multi-purpose resources to help fund the costs of small packages of technical review and advice for SMEs.
- Staff placements, resource to help reduce/cover the transaction costs of setting up secondments between organisations seeking to jointly develop new innovation projects. This could involve business-academia arrangements (to include graduates and under graduates) as well as business to business arrangements where there is a sound rationale.
- Collaborative initiatives that identify key innovation challenges facing the business and communities of the Leeds City Region and support to develop and implement solutions.

Interventions under this call should align with the LCR [Innovation Strategy](#).

<http://www.the-lep.com/LEP/media/LCR-Portal/Portal-images/pdf%20downloads/LEP-Innovation-Strategy-2014.pdf>

Activity is encouraged to focus on the key sectors of financial, professional and business services; advanced manufacturing; health and bioscience; creative and digital; food and drink; and low carbon & environmental industries that are of particular importance to Leeds City Region as set out in the Leeds City Region ESIF

Strategy referred to in section 2.

### 3.3. Operational Programme Investment Priorities

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

|                            |   |
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| <b>Investment Priority</b> | <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>   |
| <b>Specific Objectives</b> | Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest.   |
| <b>Indicative Actions</b>  | <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></ul> |

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|  | <ul style="list-style-type: none"> <li>• Development of enterprise, innovation and technology hubs and centres of excellence, in line with the approach set out in “Smart Specialisation in England”.</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 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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| <b>Investment Priority</b> | <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;</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> |
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| <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.</li> <li>• Increase the number of Small and Medium Sized Enterprises engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them bring new products and processes to market.</li> </ul>   |
| <p><b>Indicative Actions</b></p>  | <p>Under this investment priority indicative actions to be supported by the European Regional Development Fund may include:</p> <ul style="list-style-type: none"> <li>• Support for smart specialisation collaborative and contract research and development including initiatives 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</li> </ul> |

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|  | <p>support for the innovation process within businesses.</p> <ul style="list-style-type: none"> <li>• Schemes stimulating and enabling graduate start-up and spin out from universities, colleges and research institutions.</li> <li>• Technology support programmes and demonstrator projects and programmes for current and future technologies.</li> <li>• Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in “Smart Specialisation in England”.</li> <li>• Support to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education institutions and research institutions and demonstrate the benefits of working with knowledge 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, 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.</li> <li>• Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market.</li> </ul> <p>The focus of activity under this priority axis is improving commercialisation of new or enhanced products or services by Small and Medium Sized Enterprises, whether through increased investment or better collaborations, but</p> |
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|  | <p>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

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

| <b>ID</b> | <b>Output Indicator</b>  |
|-----------|--|
| C1        | Number of enterprises receiving support                                |
| C2        | Number of enterprises receiving grants                                 |
| C3        | Number of enterprises receiving financial support other than grants    |
| C4        | Number of enterprises receiving non-financial support                  |
| C5        | Number of new enterprises supported                                    |
| C6        | Private investment matching public support to enterprises (grants)     |
| C7        | Private investment matching public support to enterprises (non-grants) |
| C8        | Employment increase in supported enterprises                           |

|     |   |
|-----|---|
| C25 | Number of researchers working in improved research facilities           |
| C26 | Number of enterprises cooperating with research institutions            |
| C28 | Number of enterprises supported to introduce new to the market products |
| C29 | Number of enterprises supported to introduce new to the firm products   |
| P2  | Public or commercial buildings built or renovated                       |

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

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

## 5. Application Process & Prioritisation Methodology

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

- (i) Outline Application and, if successful
- (ii) Full Application.

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

Applicants must fully complete the [Outline Application](#) which will be assessed by the Managing Authority against 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 those 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 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:

- National Strategic Fit
- Value for money
- Management and control
- Deliverability
- Compliance
  - Procurement
  - State Aid
  - Publicity requirements
- Cross cutting themes
  - 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
- Deliverability

Having assessed projects against these criteria the relevant Local Economic Partnership area European Structural and Investment Fund 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 Fund

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>

## 6. General Information

### 6.1. National Eligibility Rules

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

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

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

## 6.2. Eligible Applicants

Section 4 of the [National Eligibility Rules](#) sets out who is eligible to apply.

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

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

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

## 6.3. Contribution Rate & Match Funding

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

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

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

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

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

#### **6.4. Project Timescales**

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

Projects approved through this call are expected to:

- Submit a detailed and complete full application within three months of formal selection at outline stage. Projects which fail to meet this deadline may be deselected,
- Commence delivery (defraying European Regional Development Fund eligible costs) within three months of formal approval. Projects which fail to meet this deadline may be deselected, and
- Be completed by June 2023.

#### **6.5. Capital Projects**

Applicants seeking European Regional Development Fund to support a capital project (i.e. land and/or property) will need to meet Building Research Establishment Environmental Assessment Method or Civil Engineering Environmental Quality Assessment 'Excellent' for new builds and 'Very Good' for refurbishments.

Applicants will need to provide evidence of how they will achieve the rating required (unless otherwise agreed with the Managing Authority).

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

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

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

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

## **6.6. Cross Cutting Themes/Horizontal Principles**

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

## **6.7. Additionality, Duplication and Displacement**

Additionality is a core principle of European Regional Development Funding. Applicants must be able to demonstrate that the activity paid for out of European Regional Development Funding adds value to new or existing activity. Projects need to demonstrate that without the support of European Regional Development Funding the activity would not have taken place.

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

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

## **6.8. State Aid & 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.<sup>1</sup> Grant funding to any economic undertaking which is State Aid can only be awarded if it is compatible aid, in that it complies with the terms of a notified scheme or is covered by the De Minimis Regulation. Guidance for Grant Recipients, explaining more about [State Aid](#), is available; it is important that Applicants take responsibility for understanding the importance of the State Aid rules

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

and securing their full compliance with them throughout the project, if it is selected into the Programme.

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

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

## **6.9. Funding Agreement**

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

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

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

## **6.10. Procurement**

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

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

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

## 7. Support

Please note that this is a competitive call and to preserve impartiality 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.gsi.gov.uk](mailto:YH.ERDFENQUIRIES@communities.gsi.gov.uk)

## 8. Key Documents

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

## 9. Document Checklist

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

Outline Stage:

- Fully completed Outline Application;
- Financial Tables;

- Outputs, Results and Indicators Tables.

## 10. Document Submission

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

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

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

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