Innovation 4 Growth (I4G)

Guidance for Applicants

Contents

European Union
European Structural
and Investment Funds

UWE Bristol | University of the West of England

1. About Innovation for Growth (I4G) and European Regional Development Fund

The European Regional Development Fund (ERDF) aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. Established by the European Union, the ERDF helps local areas stimulate their economic development by investing in projects which will support innovation, businesses, create jobs and local community regenerations. For more information visit https://www.gov.uk/european-growth-funding.

ERDF, through the West of England Local Enterprise Partnership, operates through bidding rounds and the I4G programme is the result of a successful bid by the University of the West of England, Bristol (UWE Bristol) to run a Research and Development grant scheme in the West of England, defined as Bristol, Bath and North-East Somerset, North Somerset and South Gloucestershire. The University is seeking projects under this programme and offering grants of £10,000 - £75,000 to successful applicants.

The key measures for I4G are private sector investment and job creation. There is additional emphasis on creation of new products and services.

Grant funding represents State Aid and the Scheme operates under the EU General Block Exemption Regulation which defines various parameters within which it can operate.

2. Am I eligible to apply?

The scheme is aimed at Small and Medium Enterprises in the West of England LEP region. This includes support for pre-start ups, start-ups and micro enterprises. We use the EU SME definition, which takes into account headcount and turnover, but also relationships with other enterprises.

You will need to consider whether your enterprise is autonomous – by far the most common category – a partner enterprise, or a linked enterprise. To do this, you must take account of any legal relationships you have with other enterprises. Depending on the category in which your enterprise fits you may then need to add some, or all, of the headcount, turnover or balance sheet data from those enterprises to your own. (For example, if an individual owns over 25% of the business, and also has similar or higher level of ownership of other businesses, the other businesses may be considered 'linked'.)

If you are operating a business in the geographical region defined above and you intend to do research and development work that will lead to innovative products, processes or services, and the creation of new jobs, you are eligible to apply.

3. The types of project we will support

The Innovation 4 Growth scheme aims to support Experimental Development projects as defined below. We may, under certain circumstances and where appropriate, be able to support a few industrial research projects; however we would encourage applicants to discuss these projects with us before submitting an application. Please email innovation4growth@uwe.ac.uk and we will arrange for one of our advisers to contact you.

Experimental Development: Systematic research and development activity drawing on existing knowledge gained from research and/or practical experience, that is directed at producing new products, technologies, devices or materials; or to installing new processes, systems or services; or to improving substantially those already produced or installed. The project could lead to a pre-production prototype of a technologically innovative product, service or industrial process. Eligible costs/activities for these projects are described in Section 5 of this document.

4. Intervention rates

As stated above, ERDF aims to encourage private sector investment and we are unable to offer the maximum grants allowable under State Aid rules. We will offer grants of up to 35% to SMEs. For further background, see the EU General Block Exemption Regulation.

5. Eligible and non-eligible costs

5.1 Eligible costs

Direct costs:

Staff pay
Eligible staff costs should reflect your current PAYE rates and National Insurance and pension costs. You will need to provide evidence of staff costs for each member of staff involved in the project. If staff are part time on the project, their details will be used to establish an hourly rate (referred to as 1720 methodology) – which will then be applied to all timesheets submitted at each claim. These rates will need to be refreshed every 12 months.

(i) individuals – this means if 10 people are used in a project they would each have their own hourly rate i.e. 10 individual hourly rates agreed and claimed.
(ii) an average hourly rate for groups of staff in similar posts or with similar salaries – this means if a project uses 20 employees and 10 of them earn between £20-30k p.a. and 10 earn £31-50k p.a. then 2 average hourly rates can be calculated for the 2 groups of staff.

The average would be calculated by adding up the gross employment costs of the individuals included in the calculation, then dividing this by the number of people included. The rate would then be used to claim the cost of all hours worked on the project by all staff included in the calculation, regardless of what their actual hourly rate would be.

Overheads
Please see Indirect costs below.

Materials used
Materials used are those you have bought from other organisations, not including VAT costs. No depreciation costs can be charged.

The purchase of mobile assets such as mobile phones, computers, laptops, tablets and motor vehicles can be included as an eligible project cost. This is on the basis that they are used in delivering an approved project.

The costs of mobile assets not used exclusively within the approved project would be seen as an indirect cost – please see below.

External costs
External costs such as consultancy, or sub-contract charges and fees for trials and testing, are eligible. However, you must explain why the work on the project cannot be carried out more effectively and cheaply in house. You will not be able to claim VAT costs on these.

Market assessment
This kind of activity includes work during the lifetime of the project that helps the SME to refine, reconfigure or improve their R&D based on further understanding of possible future markets for the end product, service or

process. The activity should prepare the way for the development and exploitation phases of a specific project. Market research and market survey costs are not eligible.

Capital equipment and tooling costs
Capital equipment and tooling costs are only eligible if they are needed for the project. Capital expenditure that cannot be clearly demonstrated as directly related to the delivery of an activity may not be included within the eligible costs of a European Regional Development Fund operation.

Training
Training costs are eligible if they are necessary for the project work.

Trials and Testing
These are eligible activities as part of a project, but do not constitute a project in their own right.

Evidencing direct costs:
All costs but be evidenced, and a full defrayal trail provided, in line with ERDF requirements. This includes, but isn't limited to:
- Payroll documents
- Order documentation
- Invoices
- Bank statements
- Timesheets

ERDF procurement rules also apply: any individual purchases of more than £2,499, or when purchases from a single supplier during the life of the project exceed £2,499, require the sourcing of 3 quotes. For any purchases above £25,000, a tender process must be adhered to. For further information and guidance around procurement rules, please contact: innovation4growth@uwe.ac.uk.

Indirect costs
A flat rate of 15% of the direct eligible staff costs of a project can be claimed. This will cover costs such as:

- Support/back office staff, not engaged in activity directly related to the implementation and management of the project.
- Other costs which are not solely associated with the delivery of the project e.g. shared premises costs such as rent, utilities, insurance, cleaning, IT maintenance or insurance.

This means that unless a premises is used for only that project the costs would be derived from the 15% flat rate.

If you have costs that cannot be included in any of the above headings, you should add them together under 'Other costs', but clearly state what these costs relate to and justify them.

5.2 Non-eligible costs

The following are examples of non-eligible costs:
- 'In-kind' contributions
- Interest charges
- Input VAT (if it is reclaimable from HM Customs and Excise)
- Dividends and bonuses
- Hire-purchase interest and any associated service charges
- Profit earned by a subsidiary or related business in providing materials, subcontracting, consultancy or trials and testing

- Buying land and buildings
- The cost of any consultancy used in applying for the grant
- Contingency costs

6. The application process

In order to apply you need to register your interest through our website, providing a 50 word summary of the technology and market area that your project covers. We will send you a reference number and an application form in Word (.docx). Please carefully follow the guidance provided in this document when filling in the application form (see Appendix A below) and complete it in full.

We will contact at least two independent, expert referees/assessors in a relevant industrial field in order to help us assess your application (see Appendix D).

The deadline date is midday on Wednesday 12th July 2017.

7. How will my project be assessed?

Decisions on grants will be made by an investment panel appointed by UWE Bristol and informed by the independent referees' reports. They will assess projects that have been received on, or prior to midday, 12th July 2017.

The following will be considered at panel meetings:

Innovation and R&D	This is an R&D scheme and routine product development is not supportable. The panel will carefully consider the degree of innovation involved with the proposed work. They will consider whether the project involves novelty in a field (by which we mean new to an industry or market) and/ or technological innovation (by which we mean a technological development that will form an improved alternative, or the basis of a significant improvement, over existing products or processes).
Work plan	How realistic the work plan is and whether the risks have been mitigated as far as possible and the likelihood that it will be completed by the October 2018 deadline.
Business Proposition	These considerations include whether there is a market for the work, the size of the market, and how you plan to get your product or process to market.
Applicant and business	These include your experience and skills, whether the project and your business are viable, your track record, and whether you have a good business case for support.
Added Value	Grants will only be given if there is a good justification that the funding is essential for the project to go ahead, or if they will significantly enhance the speed at which the project will go ahead.
Jobs created	The proposed figure for job creation and the likelihood that these are achievable.
New to market products	The proposed figure for new product/service creation and jobs safeguarded and the likelihood that these are achievable.
Collaboration with the knowledge base	We aim to support a significant proportion of projects with some involvement of a knowledge base partner (university, FE college or other research institution).
Justification of costs	Is the project costing clear and reasonable? Are subcontract costs justified?
Value for money	Does the project look good value for public funding?
Location/nature of proposed project	This may become important particularly if overall funds are limited. We may look at Local Economic Partnership priorities and also local need for private sector growth.

8.   Job Creation

Jobs created will be measured by the additional number of full time equivalents (FTEs) employed by the grant beneficiary as a result of the I4G project. Jobs created must be maintained for a minimum period of one year.

It is expected that, on average, one new job will be created per £10,000 of grant issued. The offer letter will include details of the target for jobs created and these will be monitored regularly for the duration of the period specified in the same document.

9.   New to market product creation

Products or services that are new to the firm will be measured throughout the life of the project. It is expected that you will create 1 new to firm product or service per £20,000 of grant. **The offer letter will include details of the targets for new to firm products/services and these will be monitored regularly for the duration of the period specified in the same document.**

10. The Grant Offer Letter

Jobs

We need to contract with you regarding the jobs created target; this is a requirement of ERDF projects.

For created jobs we require a signed form (supplied) from the CEO/Executive Director confirming the creation of a post within the West of England region, and will include the following information:

- Job title
- Salary
- Duration
- Number of hours per week
- Gender
- Age group
- Disability & equality information

A template will be provided for you to do this.

We will also need to gather evidence to establish the number of employees you have as a baseline for measuring jobs created due to the project.

Private Match Funding

Before your project starts, we will ask for evidence that you have the funding mechanisms in place to manage your cash flow across the life of your project, as claims can only be made after project expenditure has been incurred. This could include letters of credit or other such mechanisms. We do not expect you to have cash deposits to cover the entirety of your project at the start. If you do not complete your project due to cash flow problems that you could have anticipated and managed, we may request repayment of any grant already issued.

Match funding should ideally be in place before due diligence is completed. However, we recognise that some projects will need to use the offer of a grant to leverage private investment in the project. The match funding will

need to be secured or, in some cases, a realistic forecast of match funding provided, before the project can start. If this is likely to be the case with your situation, please state this within the application form.

The Grant Offer Letter will also ask you to re-confirm the following information, taken directly from your application form:

- Financial Forecast showing the anticipated spend of the Project broken down into quarter year periods ("Quarters") throughout the life of the Project, commencing at Quarter 1 (from the start date of the Project).
- Project Plan breaking down the original proposal for delivery of the Project into individual packages of work, with assigned estimates of the resources and timescales needed to achieve each.
- A milestone register showing key milestones with an assessment of the cost associated with reaching each milestone.
- An Exploitation Plan for the Project, containing further information, including the market and business opportunities, from that provided in the original application, setting out how the applicant will exploit the project.

Once an offer letter has been issued, the following will then need to be provided:-

- Acceptance of this offer in the prescribed form duly signed by a director, or other authorised signatory of the Lead Participant.
- Bank details of Participant on its headed paper.
- Completion of the 'Supplier Form' issued to you by the Innovation 4 Growth Project Officer.

11. Claims

Claims will be made quarterly in arrears. Each claim form will require you to report briefly on project progress and provide evidence that you have incurred those costs that you are claiming (i.e. that payments have gone out, not simply that you have been invoiced).

Further support around the claims procedure, and evidencing for an ERDF project, will be provided for successful applicants.

11. Appendices

Appendix A – Part A – Application Form

Section 1 – Applicant details

Please provide basic information regarding your organisation, ownership and other funding.

Please see Section 2 of the Guidance for Applicants for information relating to ownership.

Section 2 – Applicant organisation finances

Please check that all documentation listed below can be available to submit for due diligence within 2 weeks of the announcement of result. If you are a start-up and you do not have access to some or all of the below documents this does not prohibit you from applying. Please contact the team on innovation4growth@uwe.ac.uk to discuss.

- Audited profit & loss account and balance sheet for the last two years (if only abridged accounts have been filed with Companies House)
- Current year's management accounts (P&L budget, forecast and year to date results)
- Current year's cash flow forecast
- P&L financial forecasts/estimates for the next two years (including balance sheet forecast/estimates)
- Evidence of confirmed private match funds or, if not yet confirmed, evidence of eventual source of these funds

Please note the documentation listed above must (if available) be received by the I4G Team in order for due diligence to be carried out. Failure to provide documentation within two weeks of the announcement of results may result in the offer of an I4G grant being withdrawn.

Section 3 – Project details

3.2 The project

Project Summary (max 300 words)
Please explain why you need the grant, what you will do with it and how you will fund your share of the project.

In this section you will need to cover:
- Aims
- Reasons for the project
- How the project fits with wider business plan
- Project deliverables

3.3 The market

The Market Opportunity (max 300 words)

Please describe:

- The size of the market opportunity
- How you will exploit the project results/outcomes to bring about commercial success
- How this will be funded

Competitors (max 200 word)

Please describe:
- Please list main competitors and describe their business with an indication of what threat you feel they pose
- Describe how you are different from/better than them

3.4 Delivery

Methodology (max 200 words)

Please describe:
- The methodology and project delivery practices you will implement
- What will you put in place to ensure adequate monitoring of progress
- Who will be doing the work

Milestones and Risk

Please complete and add additional rows as necessary to the project milestones tab, and include:
- Expected achievement date/quarter
- Description of milestones
- Level of importance to project

The risk register should include:
- A description of the risk
- Likelihood and Severity of each risk
- Mitigation plan, how can the risk be avoided or minimised

Please refer to the example GANTT chart – Part B – to support your application if you so wish.

3.5 Experience

Organisation – Maximum 500 words
Outline the organisation's project delivery and/or R&D track record-if applicable. Please also outline the project delivery and/or R&D track record of any individuals involved in the delivery of the proposed project (if they have been identified at this stage).

3.6 Additionality

Please explain what would happen to your proposed R&D project if you did not receive I4G funding. We are keen to provide funding that makes a real difference to beneficiaries, so please provide details of where I4G funding will ensure activity goes ahead, or where it enhances intended activities, e.g.:

— an increase in the scope of the project/activity
— an increase in the total amount spent by the beneficiary on the project/activity due to the aid
— an increase in the speed of completion of the project/activity concerned

Section 4 – Project costs and outcomes

4.1 Costs

Budget
Please use Part C – Budget and the attached guidance notes to complete this document.

4.2 Project Values

Please pull these figures over from Part C – budget.

4.3 Private Match Funding Breakdown

Please breakdown your source of private match investment. Section 9 provides more information about private match funding.

4.4 Job Outcomes

List the number of jobs you will create and/or safeguard during the project, and in the 3 years following the project. Section 9 provides more information about jobs created/safeguarded.

Appendix B – Example of Part B - Gantt chart

You are welcome to use your own format but please provide equivalent detail:

	TASK NAME	Q1			Q2			Q3			Q4					
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1	**Project**															
2	Sourcing capital equipment															
3	Sourcing components															
4	Materials selection															
5	Design power unit															
6	Assemble power unit															
7	PCB design															
8	PCB manufacture															
9	Consultancy															
10	IPR															
11	Systems integration															
12	Testing 1															
13	Testing 2															
14	Comparison of results															
15	Build 2nd prototype															
16	Circuitry tests															
17	Software integration															
18	Testing 3															
19	Design consultancy															
20	EMC tests															
20	Market assessment															
20	Product launch															
20	**Project management**															

Appendix C – Part C – Budget and Overhead Calculator

Part C – Budget/Overhead Calculator – this document has guidance notes throughout. If you have any queries about completing this document please contact the Innovation 4 Growth Team: innovation4growth@uwe.ac.uk.

Appendix D - Use of Assessors

Independent assessors are appointed by UWE Bristol. All assessors are required to sign confidentiality agreements and to declare any potential conflicts of interest. They are required to treat applications in the strictest of confidence and to apply due information/data protection rules.

Assessors are engaged as individuals, not as representatives of their employment. They are required to carry out an assessment of the proposals themselves and not to ask anyone else to review an application in their place, nor to ask anyone to give another opinion of their assessment. All assessors will be briefed by UWE Bristol staff to undertake assessments according to the I4G scheme requirements.

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The University preserves the anonymity of the assessors and their names will not be provided under the Freedom of Information Act 2000. All panel reports and ranking sheets are confidential and will not be available to anyone other than the UWE and its contractors without your permission.

- Applications are forwarded to assessors.
- Each application is marked by a minimum of two assessors.
- Each application is assessed against the same set of questions.
- Each assessor is required to complete and submit a score-sheet with comments for each application they are assigned to assess.