

# BUSINESS INNOVATION FUND



Grant Guidance (version 2)





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# SUMMARY

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## WHAT IS THE BUSINESS INNOVATION FUND?

The Business Innovation Fund will award grants to support eligible businesses to undertake research, development and innovation (R,D&I) activities in order to bring new products, processes and services to the market, including through developing prototypes and proving concepts, development work and exploitation of intellectual property.

You can apply for a grant of either:

- i) £20,000 to cover up to 40% of your total project costs, or
- ii) £50,000 to cover up to 50% of your total project costs, where your project is progressed in collaboration with a research organisation such as a university; see section 2 for further details.

Successful applicants will also be offered support to assist with:

- a. development of a bespoke R,D&I roadmap or action plan for your business;
- b. access to wider business support through the West of England Growth Hub and our partners.

## WHERE DOES THE MONEY COME FROM?

The Business Innovation Fund utilises money from the European Regional Development Fund (ERDF), which is part of the European Structural and Investment Funds Growth Programme 2014-2020. The West of England Combined Authority secured £1,451,825 of ERDF from the Ministry of Housing, Communities and Local Government, which is the Managing Authority for ERDF, in order to create the Business Innovation Fund. Established by the European Union, the European Regional Development Fund helps local areas stimulate their economic development by investing in projects which promote innovation, businesses, job creation and economic development. For more information visit <https://www.gov.uk/european-growth-funding>.



## WHAT DO WE MEAN BY RESEARCH, DEVELOPMENT AND INNOVATION?

Research, Development and Innovation is the discovery of new knowledge that can be used to create products, processes and services to address an individual, group, organisational and/or societal need. It is where other solutions have not been considered, tested nor trialled, or where they have been, and a new approach is being attempted.

# ELIGIBILITY

## HOW MUCH FUNDING CAN I APPLY FOR?

The Business Innovation Fund is aimed at Small and Medium sized Enterprises (SMEs) undertaking R,D&I activities, whether individually, or in collaboration with a research organisation. There are different criteria in each case:

- a. Grants of £20,000 will be awarded to SMEs undertaking R,D&I activities individually, which will cover up to 40% of your total eligible costs.

The definition of an SME means that your staff headcount is less than 250 employees and you have a turnover of equal to or less than €50m or a balance sheet total of equal to or less than €43m.

- b. 5 separate grants of £50,000 will be awarded to SMEs undertaking R,D&I activities as part of an effective collaboration, to cover up to 50% of your total eligible costs.

The definition of a collaboration is at least one SME and at least one research organisation working together. There must be formal co-operation, with a letter or another form of agreement explaining each partners' role in the collaboration. In addition, the research organisation needs to bear at least 10% of the costs and have the right to publish their own research. For further information on the definition of a research organisation, see Appendix 2.

## WHO IS ELIGIBLE TO APPLY?

All applications must be by an SME. This means that your business needs to:

- be an economic enterprise that sells goods or services for profit;
- meet the definitions, in terms of staff headcount, turnover and balance sheet, as outlined above;



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GRANTS OF  
£20,000 WILL BE  
AWARDED TO  
SMES

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5 SEPARATE  
GRANTS OF  
£50,000 WILL BE  
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COLLABORATING  
SMES

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If your business is in a partnership or is a linked enterprise, you must provide combined data. Please read the 'Use Guide to the SME Definition' to check what data you should use:

[https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

If you are applying for one of the larger grants as part of a collaboration, the SME must still be the lead applicant.

Your business and the project location must be based in the local authority areas of Bath & North East Somerset, Bristol, North Somerset or South Gloucestershire. Check your postcode here

<https://www.gov.uk/find-local-council>

You must be in a position to provide match funding for the remaining per cent of your project costs and evidence this during the application process.

Applicants seeking £20,000 grant funding, i.e. not part of a collaboration, as an example, need to provide at least £30,000 in match funding. Total project costs in this example would therefore be £50,000.

Applicants seeking £50,000 in grant funding, i.e. part of a collaboration, need to provide at least £50,000 in match funding. Total project costs in this example would therefore be £100,000.

Eligible match funding can be, for example, but not limited to:

- cash reserves;
- bank loan;
- money from an investor.

You cannot use any other public money, including other European grants, as match funding.

Further information to help small businesses find additional sources of finance can be found at: [West of England Growth Hub](#)

## WHEN MUST THE PROJECT BE COMPLETED?

Your project must be completed within 12 months of a grant award, unless otherwise agreed with WECA.

## DOES STATE AID APPLY?

Business Innovation Fund support is subject to state aid law, which restricts public financial assistance where it might distort competition and trade. However, some aid is allowed and lawful, and this competition provides state aid funding under Article 25 Aid for R&D projects and/or Article 28 Innovation Aid for SMEs, of the General Block Exemption Regulation (GBER), and in some instances, De-Minimis aid, provided under European Commission Regulation (EU) number 1407/2013, the De Minimis regulation. It is your responsibility to make sure that your organisation is eligible to receive state aid and it is recommended that you seek independent state aid advice if you are unsure.

Whilst the United Kingdom (UK) has left the European Union (EU), because the Business Innovation Fund includes European Regional Development Fund money, state aid law continues to apply in its delivery, per provisions in the EU-UK Withdrawal Agreement.

# SCOPE

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## WHICH AREA OF RESEARCH, DEVELOPMENT AND INNOVATION (R,D&I) WILL THE PROJECT FUND?

The Business Innovation Fund is to support projects at the experimental development\* stage (i.e. closer to commercialisation) of R,D&I, in order to support innovative, disruptive and ambitious ideas leading to the development of new products, processes or services.

*\* Experimental development means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aimed at the conceptual definition, planning and documentation of new products, processes or services.*

*Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real-life operating conditions. The primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is not necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.*

*Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.*



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EXPERIMENTAL  
DEVELOPMENT  
MAY COMPRISE  
PROTOTYPING,  
DEMONSTRATING,  
PILOTING, TESTING  
AND VALIDATION

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## WHICH SECTORS ARE ELIGIBLE TO APPLY?

The Business Innovation Fund is cross-sector and therefore SMEs from any eligible sectors can apply. The following types of activity are particularly of interest:

- a. R,D&I that results in a greener, safer, healthier, fairer and more resilient economy.
- b. R,D&I that contributes to meeting one or more of the Grand Challenges and addresses society's most important issues. In particular we are keen to support projects that contribute to our transition to net zero.

## WHICH SECTORS/ACTIVITIES ARE INELIGIBLE?

The following activities cannot be supported:

- a. investment in land buildings or infrastructure of any nature for use and/or occupation by retail businesses;
- b. activity that directly or indirectly relates to the building and decommissioning of nuclear power stations;
- c. provision of social welfare facilities e.g. hospitals, nursing homes, fire stations, child-minding facilities, sports facilities, parks, public libraries;
- d. coastal protection, soil conservation and infrastructures; all with an exclusively agricultural bias, reforestation and prevention of forest fires;
- e. land acquisition not directly linked to productive investment or investment in infrastructure;
- f. building and renovation of housing, except for energy efficiency improvements and renewable energy operations;
- g. major infrastructure in private sector ports;
- h. that concerning agriculture, fisheries, and aquaculture;
- i. rapid deployment of broadband networks;
- j. the coal and steel industry;
- k. synthetic fibre sector;
- l. shipbuilding.
- m. financial services

If you are unsure if exclusions apply to your circumstances, please contact us at:  
[BIF@westofengland-ca.gov.uk](mailto:BIF@westofengland-ca.gov.uk)

## TYPES OF COSTS THAT CAN BE SUPPORTED

The Business Innovation Fund is able to support specific costs. These have been broken down into individual headings below, with examples of eligible and ineligible costs.

If you are unsure if your project costs are eligible, please contact us at: [BIF@westofengland-ca.gov.uk](mailto:BIF@westofengland-ca.gov.uk)

The Finance Form, which you will need to complete and submit as part of your full application, plus its accompanying guidance, explains eligible costs in more detail.

## LABOUR

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"> <li>✓ Costs of both existing and newly employed staff working directly on the project, such as researchers or technicians</li> <li>✓ Support/back office staff directly supporting the project, such as budgeting, project reporting and recruiting.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Contingency costs</li> <li>✗ Costs of support/back office staff, not engaged in activity directly related to the success of the project.</li> <li>✗ Marketing and/or sales staff</li> <li>✗ Bonuses or performance related payments</li> <li>✗ Time not spent working directly on the project such as sickness, training or non-productive time</li> <li>✗ Forecasted pay increases</li> </ul>

**Note:** Overheads will be automatically calculated as a flat rate 15% of project labour costs.

## MATERIALS

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"> <li>✓ Materials purchased from third parties</li> <li>✓ Materials supplied or subcontracted from other partners – these must be listed at cost, i.e. excluding profit</li> <li>✓ Software purchases, additional licenses and associated training as necessary to complete the project.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Contingency costs</li> <li>✗ Costs of existing software licenses – only additional purchases are eligible</li> <li>✗ Profit margin for materials supplied or subcontracted from other partners</li> <li>✗ Interest charges</li> </ul>

## CAPITAL USAGE

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"> <li>✓ Usage costs of new or existing capital purchases such as R&amp;D equipment that are directly used for the project</li> </ul>	<ul style="list-style-type: none"> <li>✗ Usage costs of new or existing capital purchases outside of the project</li> <li>✗ Items with a lifetime of less than 12 months.</li> </ul>

## SUB-CONTRACTS

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"> <li>✓ Contractual research, knowledge and patents bought or licensed from outside sources</li> <li>✓ Costs of consultancy and equivalent services used exclusively for the project</li> </ul>	<ul style="list-style-type: none"> <li>✗ Contingency costs</li> <li>✗ Profit margins and mark-up of third-party organisations</li> <li>✗ Marketing costs</li> </ul>

## TRAVEL AND SUBSISTENCE

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"> <li>✓ Travel and subsistence costs of individuals involved in the project</li> <li>✓ Mileage claims over and above mileage to and from normal place of work</li> </ul>	<ul style="list-style-type: none"> <li>✗ Travel and subsistence costs relating to normal places of work</li> <li>✗ Travel and subsistence costs not exclusive to the project</li> </ul>

## OTHER COSTS

ELIGIBLE COSTS	INELIGIBLE COSTS
<ul style="list-style-type: none"><li>✓ Training costs, if necessary for the project's success e.g. relating to the purchase of new software licenses</li><li>✓ Support packages relating to new software licenses</li><li>✓ Workshop/laboratory usage charge outs</li><li>✓ Patent filing costs for new intellectual property, excluding legal costs;</li><li>✓ Regulatory compliance costs, if necessary for project success</li></ul>	<ul style="list-style-type: none"><li>✗ Contingency costs</li><li>✗ Any cost not necessary for the success of the project</li><li>✗ Bonuses and dividends</li><li>✗ Marketing costs</li></ul>

## TYPES OF COSTS THAT CAN'T BE SUPPORTED

The grant cannot be used for:

- marketing costs;
- capital (non-revenue) costs, such as building renovations or buying land and buildings;
- VAT (if it is reclaimable from HM Revenue and Customs);
- activities that are required by law to meet a legal standard;
- retrospective applications e.g. for completed projects or those where a legal commitment has been entered into;
- consultancy charges in applying for the grant;
- interest charges;
- dividends and bonuses;
- profit earned by a subsidiary or related business in providing materials, subcontracting, consultancy, trials or testing;
- contingency costs

This list is not exhaustive and any queries about the eligibility of costs not included in the list above should be addressed to us at: [BIF@westofengland-ca.gov.uk](mailto:BIF@westofengland-ca.gov.uk)

## WHO CAN BE USED TO CARRY OUT THE PROJECT?

As well as using your own staff, assets etc. on the project and claiming for these costs, you can procure supplies, services and works from third parties and claim these costs also. However, procurement rules (see appendix 4 for a summary) must be followed. These rules ensure the sound financial management of public funds and open opportunities up to competition. As part of the Grant Funding Agreement, you will be asked to commit to following the required procurement procedures and sign a declaration of conflicts of interest.

It is wholly your responsibility to ensure that works carried out meet any relevant permissions, requirements and legislation.

## WHAT HAPPENS TO PRODUCTS OR SERVICES PRODUCED AS A RESULT OF THE GRANT?

Intellectual property almost certainly plays an important role in your business, even if you don't think this is the case. It can impact on important areas in your business, for example your business name, web site, logo, the products you produce and the services you provide. It is therefore important to consider IP in relation to the Business Innovation Fund. The West of England Growth Hub [website](#) has more information or you can contact them via the web site where they can help you understand this important area.

For the Business Innovation Fund, it is particularly important to consider IP for collaborative projects. Collaborations can result in the creation of new IP for example inventions, documents, products, services, processes, software and other material. Consideration and management of potential IP issues can help to prevent delays and avoid disputes as the project progresses. Collaborations can also involve the management of confidentiality, use of existing IP, publication of information, commercialisation and decision making around IP rights. These factors mean that it is important to consider IP management at the outset.

## DOES THE FREEDOM OF INFORMATION ACT APPLY?

You should note that WECA is subject to the Freedom of Information Act 2000. Applicants are requested to state in a covering letter, which part, if any, of the information supplied with their application is confidential or commercially sensitive or should not be disclosed in response to a request for information and why. Applicants' statements will be considered; however, WECA is unable to give any guarantee that the information in question will not be disclosed. In addition, any award of grant will be published in transparency data that WECA is legally obliged to publish; as well as details of successful applicants and their projects to promote the Business Innovation Fund.

# HOW TO APPLY

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## WHAT IS THE APPLICATION PROCESS?

There is a two-stage application process. Stage one involves expressing interest and answering eligibility questions. Stage two is the submission and assessment of a full application.

## STAGE ONE – EXPRESSION OF INTEREST

The Expression of Interest form is available on our website.

This asks for details about the organisation applying and a short project description. This will be used to check eligibility and to see if the project is suitable for stage two (full application). You will be contacted after we have undertaken our stage one assessment and, if you are eligible to progress to stage two, you will be sent the full application forms to complete.

WECA will carry out initial due diligence during stage one, assessing the financial health of your organisation and its on-going sustainability. This will include checking whether it is an 'undertaking in difficulty', which cannot be funded under ERDF regulations, unless in exceptional circumstances where the undertaking is in difficulty as a direct result of Covid-19.

If you apply, your organisation will be subject to a credit check by a third-party reference agency. Please supply your latest full filed accounts with your stage one application. We may also request a copy of your last three years' accounts.

## STAGE TWO – FULL APPLICATION

If your application is eligible you will then be invited to complete a full application. There are four documents you need to submit, as follows, and we will send you the templates if your stage one application is successful.

1. Full application.
2. Finance Form.
3. Project Plan.
4. Risk Register.

Please note that supplementary documents or links will not be considered as part of your application so all essential information should be included in these forms.



**WECA WILL CARRY OUT INITIAL DUE DILIGENCE DURING STAGE ONE, ASSESSING THE FINANCIAL HEALTH OF YOUR ORGANISATION AND ITS ON-GOING SUSTAINABILITY**

'An "undertaking in difficulty" is defined by the ERDF Eligibility Guidance GN-1-003 version 9. See link below and also appendix 3. The BIF is unable to fund an undertaking in difficulty unless, in exceptional circumstances, the undertaking is in difficulty as a result of Covid-19. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/760264/ESIF-GN-1-003\\_ERDF\\_Eligibility\\_Guidance\\_v9.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760264/ESIF-GN-1-003_ERDF_Eligibility_Guidance_v9.pdf)

## STAGE THREE – ASSESSMENT

An independent panel of experts will assess each submission; please see appendix 1 for the type of information we are looking for. Recommendations will then be presented to a Business Innovation Fund Advisory Board. The West of England Combined Authority Chief Executive Officer (CEO), in consultation with the West of England local authority CEOs, will ultimately decide which project/s to fund; advised by the recommendations of the Advisory Board.

Applications will be competitively assessed with all other submissions at the end of the grant application window in which an applicant applies.

High risk projects may not be funded. There is no obligation on WECA to fund eligible applications. If you are unsuccessful, you will be able to re-submit a revised application in a future application window.

## STAGE FOUR – DUE DILIGENCE

If your project is recommended for funding following assessment, there may be additional due diligence we need to undertake.

## STAGE FIVE – GRANT FUNDING AGREEMENT

Awards of funding will be formalised in a Grant Funding Agreement, which will reflect the information provided in your Full Application, and which you will be asked to sign.

You will also be required to complete a form to set you up as a 'supplier' to WECA, which is needed to enable us to pay grant to you.

## HOW WILL THE GRANT BE PAID?

Funding will be paid in arrears against an agreed schedule. You must therefore be in a position to cash-flow your project.

We aim to pay 28 days after the submission of a valid claim, supported by evidence of defrayed expenditure (i.e. actual money spent) such as copy invoices, payroll summaries and/or bank statements.

All grant must be claimed within twelve months from the date of grant award (unless otherwise agreed). The Grant Funding Agreement will contain a 'project completion date' beyond which no entitlement to further payments will exist. Expenditure must be claimed within the financial year in which it is spent. You will be required to provide a quarterly report on finance and project progress.

# WHEN AND HOW TO APPLY

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We will detail opening and closing dates for application windows on our website.

The stage one application (Expression of Interest) form can be found on our website. Please submit by email to [BIF@westofengland-ca.gov.uk](mailto:BIF@westofengland-ca.gov.uk)

We will not accept or review incomplete and unsigned applications.

If you have any questions about the fund or application process, please contact us by emailing [BIF@westofengland-ca.gov.uk](mailto:BIF@westofengland-ca.gov.uk)





# APPENDIX 1: FULL APPLICATION GUIDANCE NOTES

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The below guidance notes are to accompany the stage two Full Application and highlights the type of information we are looking for in your response.

## 1. Applicant details

Detail your company name and registration number. In the case of a collaborative bid, this should be the lead applicant details.

## 2. Project summary

A succinct description of the project which you are seeking funding for. This should include the type of R,D&I being undertaken, why it is innovative and what you are hoping to achieve. It should also explain how it fits with the scope of the Business Innovation Fund. You will also be asked about project partners and start and completion dates.

## 3. Application questions

3.1 What is the need for the project, or the challenge it is looking to address? Up to 500 words recommended.

- What is the motivation for the project?
- Why has the need or challenge not already been addressed?
- Does it align with one or more of the Grand Challenges?
- Is it in response to Covid-19?
- Does it align to current or future funding opportunities, policies or specific opportunities in the West of England?

3.2 Explain how the project is innovative. Up to 500 words recommended.

- How does it respond to the need or challenge identified above?
- Will it lead to new products, processes or services?
- Are there any similar products currently available or similar R,D&I being undertaken? If so, how does this project differ?
- How will it make your business more competitive?
- Does it respond to the current Covid-19 pandemic?



- 3.3 Demonstrate the market demand and route to market. Up to 500 words recommended.
- What is the eventual route to market?
  - What is the size and geographical range of your target market?
  - Who are your competitors and how will your new product, process or service(s) differ from what they offer?
  - How will you exploit the results, outcomes and commercialisation opportunities?
  - How will it grow your business?
  - How will the IP be managed?
- 3.4 What are the wider impacts and added value? Up to 500 words recommended.
- How will it support clean and inclusive growth
  - Will it support supply chain opportunities?
  - Explain why you require public funds and what added benefit funding will bring. Explain why you cannot fund the project yourself or through other sources of funding.
- 3.5 Who are the delivery team and what resources are required. Up to 500 words recommended.
- Who will deliver the project and what is their specific role / job title?
  - What is the role of partners or collaborators? Please note that if we award a grant for a collaborative project, we expect a formal collaboration agreement to be in place before the project begins.
  - What relevant experience does your essential project team, and the organisation/ collaboration applying bring to the project?
  - Do you and/or project partners have a track record of delivering R,D&I, or are you new to R,D&I?
  - How will you access the facilities, space, equipment and other expertise needed to deliver the project?
- 3.6 Project Management and Delivery. Up to 500 words recommended. You should also submit a project plan and risk assessment as a separate document. We will provide templates.
- How will you manage the project?
  - Who is responsible for leading key elements of the project?
  - Who is ultimately responsible for project delivery?
  - What are the project milestones?
  - Do you need any permissions to deliver the project? If so, are these in place?
  - How will you monitor the project?
  - Include a project plan. Submit this as a separate document following the template provided.
  - What are the key project risks and planned mitigation? You should submit a separate risk register following the template provided.



### 3.7 Outputs

You will need to confirm the number of the following outputs that you expect to achieve as a result of your project:

- a. Number of new to the market products, processes or services created

A product, process or service is new to the market if there is no other available on the market that offers the same functionality, or the design or technology that it uses is fundamentally different from the design or technology that already exists on the market.

- b. Number of new to your business products, processes or services created

A product, process or service is new to your business if there is no other available to the business that offers the same functionality, or the design or technology that it uses is fundamentally different from the design or technology that is available to the business.

- c. Employment increases as a result of the project

This is determined by subtracting anticipated job numbers at your business at the end of your project from those at the start, i.e. how many more people will you employ if the project is successful? Job numbers include those that are permanent, paid and on your payroll. They must have a life expectancy of at least 12 months and be contracted for 36 hours or more per week to be classed as full time. Part time jobs can be counted on a pro-rata basis.

Staff employed directly on the project cannot be counted, neither can temporary/agency/seasonal staff, nor consultants.

- d. Co-operation with research entities

Collaboration must include a minimum of one enterprise and one research entity and be formally agreed between parties, such as via a letter or other form of agreement (e.g. a memorandum of understanding (MOU) or a contract), which explains what each party's role is in the collaboration, including shared objective and aims. The Lambert Toolkit gives examples of such research collaboration agreements.

### 3.8 Outcomes

You will need to confirm the number of the following outcomes that you expect to achieve as a result of your project:

- The number of jobs\* you anticipate the project will safeguard in your business.
- The increase in revenue/sales at your business over 5 years that you anticipate the project will help achieve.

\* A full-time job is one that is contracted for 12 months or more, and 36 hours per week or more. Part time jobs can be counted on a pro-rata basis. Safeguard means that the job is forecast to be lost within 6 months.

## 4. Costs

- Outline on the Full Application: total project costs; how much Business Innovation Fund is being requested; source of match funding; confirmation that you can cashflow the project.
- Complete the separate Finance Form, which must be submitted alongside the Full Application.

Please note that sufficient information should be provided to give reassurance that you can financially manage your project, in particular you have access to the necessary match funding and are able to cash flow the project. Projects that are deemed high risk are very unlikely to be funded.

# APPENDIX 2: DEFINITION OF A RESEARCH ORGANISATION

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When referring to research organisations, the Business Innovation Fund uses the definition from the Framework for State Aid for Research and Development and Innovation which states:

“‘research and knowledge dissemination organisation’ or ‘research organisation’ means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities, the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, for example in the quality of shareholders or members, may not enjoy a preferential access to the results generated by it.”

This means:

- universities (higher education institutions)
- non-profit research and technology organisations (RTOs), including catapults
- public sector organisations (PSO)
- public sector research establishments (PSRE)
- research council institutes
- research organisations (RO)
- charities

This list is not comprehensive and is subject to change and exceptions.

Research organisations should be non-profit distributing to qualify. They should explain how they will disseminate the output of their project research as outlined in the application.

Research organisations which are engaged in economic activity as part of the project will be treated as business enterprises for the purposes of funding.

# APPENDIX 3: WHAT IS UNDERTAKING DIFFICULTY?

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Undertakings in difficulty as defined under the State Aid rules should not be supported, in accordance with Article 3.3(d) of the ERDF Regulation (EU) No 1301/2013.

The definition under State Aid rules that is used when assessing whether an undertaking constitutes an undertaking in difficulty is set out in the General Block Exemption Regulation (GBER), No 651/2014. Article 2 para 18:

*“undertaking in difficulty” means an undertaking in respect of which at least one of the following circumstances occurs:*

- (a) In the case of a limited liability business (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the business) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, ‘limited liability business’ refers in particular to the types of business mentioned in Annex I of Directive 2013/34/EU (1) and ‘share capital’ includes, where relevant, any share premium.
- (b) In the case of a business where at least some members have unlimited liability for the debt of the business (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the business accounts has disappeared as a result of accumulated losses. For the purposes of this provision, ‘a business where at least some members have unlimited liability for the debt of the business’ refers in particular to the types of business mentioned in Annex II of Directive 2013/34/EU.
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- (d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
  - (1) the undertaking’s book debt to equity ratio has been greater than 7,5 and
  - (2) the undertaking’s EBITDA interest coverage ratio has been below 1,0.”

N.B. All parts of the test must be applied (as appropriate) in order to determine whether an organisation is an undertaking in difficulty.



### **Undertakings in Difficulty as a result of Coronavirus**

Notwithstanding the above, there may be possibility to support undertakings in difficulty if the undertaking is experiencing difficulties as a result of the coronavirus outbreak, providing the following minimum conditions are met:

- The undertaking must not have constituted an undertaking in difficulty (UiD) as at 31 December 2019;
- The financial difficulties subsequently experienced or faced by the undertaking must be as a result of the COVID-19 outbreak;
- The maximum value of support provided to an individual undertaking (either directly or 'Gross Grant Equivalent') must not exceed EUR 800,000.

The above minimum conditions will be assessed at the project due diligence stage.

# APPENDIX 4: PROCUREMENT GUIDANCE

# 9

If your business is awarded grant, your procurement process for the project must be in line with the National Rules set out below (taken from 'ESIF National Procurement Requirements' (ESIF-GN-1-001)).<sup>2</sup>

The threshold amounts apply to the total value of the contract (excluding VAT), not just the grant amount awarded.

VALUE OF CONTRACT THRESHOLDS	MINIMUM PROCEDURE	ADVERTISING REQUIRED
£0-£24,999	Direct award is allowable; however, WECA recommends that you always seek three quotes and consider the use of local suppliers, where appropriate.	None
£25,000 - £189,330 (services) and £4,733,252 (works)	<p>The advert needs to incorporate or direct any interested party to the following information:</p> <ul style="list-style-type: none"> <li>• details of the opportunity;</li> <li>• what is required from all interested parties;</li> <li>• how the successful candidate will be chosen;</li> <li>• deadline and details of how to apply.</li> </ul> <p>Justification will also be required to demonstrate that the contract award is in line with the advert.</p>	The Grant Recipient is expected to advertise the opportunity widely ensuring sufficient exposure. This could mean advertising on the recipient's website, in trade magazines or the use of social media, such as LinkedIn or Twitter. The opportunity should be advertised for a minimum of 10 days, but this timeframe should increase for more complex opportunities.

<sup>2</sup>This is provided you are not a contracting authority pursuant to the Public Contracts Regulations 2015. If you are a contracting authority pursuant to those Regulations, please refer to the ESIF Guidance (ESIF-GN-1-001) for procurement rules you will need to comply with.



<p>£25,000 - £189,330 (supplies)</p>	<p>3 written quotes or prices sought from relevant suppliers against a clear specification.</p> <p>Justification that a reasonable decision has been made on the basis of the quotes/prices.</p>	<p>None</p>
<p>Over £189,330 (services and supplies) and £4,733,252 (works).</p>	<p>The advert needs to incorporate or direct any interested party to the following information:</p> <ul style="list-style-type: none"> <li>• details of the opportunity;</li> <li>• what is required from all interested parties;</li> <li>• how the successful candidate will be chosen;</li> <li>• deadline and details of how to apply.</li> </ul> <p>Adhere to the <u>'Guidance on Identifying, Managing and Monitoring Conflicts of Interest within ERDF and ESF'</u> and submit a declaration to WECA (this is part of the Grant Funding Letter).</p> <p>Impartially assess each bid against the same criteria and demonstrate this through the use of a score/evaluation sheet; and provide evidence to demonstrate that the winning bidder has been selected on merit – as a minimum this should include a rationale behind the decision to award.</p>	<p>The Grant Recipient is expected to advertise the opportunity widely ensuring sufficient exposure. This could mean advertising on the recipient's website, in trade magazines or the use of social media, such as LinkedIn or Twitter. The opportunity should be advertised for a minimum of 10 days, but this timeframe should increase for more complex opportunities.</p>

The following practices will not be acceptable under any circumstances.

- Direct awards to linked organisations - for instance, a contract could not be directly awarded to a business where a director of a Business Innovation Fund grant recipient business is also a director of the linked business. Grant recipients should ensure that there is no conflict of interest in all stages of the procurement process. For further information on this please see the 'Guidance on Identifying, Managing and Monitoring Conflicts of Interest with ERDF and ESF' (ESIF-GN-1-027). A signed declaration of conflicts of interests will be required as part of the Grant Funding Agreement.
- Discriminatory tender conditions which prevent competition.



- Non-compliance with the thresholds above – including the artificial splitting of contracts.
- Modification of contracts. If the original contract value is below the threshold of £25,000 and an extension of the contract takes the overall value above £25,000, the contract must then be advertised in accordance with the threshold for contracts over £25,000.
- Contracts cannot be extended above 50% of their original value.
- Non-advertising extension of tender submission deadlines – any extension must be advertised through the same means as the original advertisement.

You must record and retain any relevant documentation and make it available as part of the project audit trail. A lack of audit trail to demonstrate the process followed and decisions taken may lead to WECA clawing back grant funding.

WECA reserves the right to recover all grant in the event of a breach of the funding agreement (as set out in the Grant Funding Agreement). Activities that constitute a breach are set out below:

- direct awards to linked organisations;
- discriminatory tender conditions;
- non-compliance with the contract value thresholds;
- modification of contracts;
- contracts extended above 50% of original value;
- non-advertising of extensions;
- a lack of audit trail to demonstrate the process followed and decisions taken;
- failure to advertise the opportunity on the grant recipient's website for 10 days (where required);
- failure to adhere to the 'Guidance on Identifying, Managing and Monitoring Conflicts of Interest within ERDF and ESF' and submit a declaration to WECA (where required);
- failure to impartially assess each bid against the same criteria and demonstrate this through use of a score sheet (where required);
- failure to justify grant award based on the advert or price (where required);
- failure to provide evidence to demonstrate that the winning bidder has been selected on merit (where required).