

**North East**  
Local Enterprise Partnership



## **Innovation Project Development**

**Invitation to submit Project Proposals  
Information for applicants**

**Open: 20<sup>th</sup> June 2018  
Close: 30<sup>th</sup> November 2018**

**Review Points: 31<sup>st</sup> July 2018 and  
8<sup>th</sup> September 2018**



## **Introduction**

The North East Local Enterprise Partnership (North East LEP) is committed to driving economic growth resulting in 'more and better jobs' across Northumberland, Tyne and Wear and County Durham. Our aspiration is set out in the Strategic Economic Plan which provides the framework for delivery of our thematic programmes, including a focus on achieving innovation-led growth to enable the North East to re-take its position as a leading innovation hot-spot in Europe. Innovation-led growth is essential to our long-term prosperity as we recognise that only by continuously innovating in products, processes, business models and applications of technologies can the North East improve productivity and global competitiveness. Innovation, the practice of matching what is necessary with what is possible moves beyond pure research to address social and economic challenges and opportunities by developing, testing, demonstrating and bring to market new and novel solutions.

This funding is part of our approach to supporting the development of a strong pipeline of capital projects and infrastructure to support growth in the Smart Specialisation areas, develop our innovation infrastructure and improve the local ecosystem. This will be achieved by providing project development funding for capital projects within the North East LEP area on a competitive-basis. The timing of this funding is intended to enable support to align with applications to large-scale national innovation funding competitions such as the Industrial Strategy Challenge Fund and Strength in Places Fund which have been recently launched. Due to the scale and focus of these funds they provide particular potential for supporting innovation-led growth in the North East of England, the call is not limited to projects following those routes.

We are therefore inviting applications for up to £200,000 worth of project development funding for strategic innovation projects (larger than £5m in total) which will enable the project to progress to achieve full funding routes. The majority of projects will be considerably smaller than this amount however on an exceptional basis a higher level of funding, subject to State Aid may be considered.

As part of this call we are also inviting applications from partners currently developing incubator projects to apply for support in developing the business plan and funding proposals for incubators. This will be drawn from a ring-fenced allocation of £270,000 to support smaller scale support (expected to be around 50,000 to 100,000).

## **Call focus - project proposals invited**

This call includes two elements

### **Element 1**

Applications are invited for small grants, of up to £200,000, for project development to support the preparation of a business plan, feasibility studies and other relevant activities to prepare funding applications for large-scale, strategic capital projects to improve the innovation infrastructure of the North East.



Projects will be required to be seeking external funding from a public, private or other source with a project value of over £5m and to be deliverable within the next 5 years. This funding is to support the project prepare and submit these funding applications and is not intended to fund the full projects.

Projects supported will be those which match the strategic aspirations set out in the Strategic Economic Plan and the innovation programme with significant potential to make a demonstrable step-change to the North East position and draw in large-scale additional funding. Particular preference will be given to those projects which fit with the focus of the National Productivity Investment Fund programmes such as Industrial Strategy Challenge Fund and Strength in Places Fund.

The resulting project must be capital, represent a strategic step change in provision and result in the achievement of key outputs such as jobs growth, business start-up and growth, engagement between research institutions and businesses and the development of new products, processes or services.

Funding will require match funding which is anticipated to be around 50%; however alternative models including repayment of the grant from future successful funding or project income will enable flexibility where appropriate.

Projects that provide a repayment, or partial repayment of the grant or return where successful will be particularly welcome.

## **Element 2**

A second element of the call is to provide smaller grants (around £80-100,000) to support feasibility and business planning work in relation to incubation in the North East. This complements the separate capital incubator call.

Applications are sought for early stage enabling, feasibility and business planning activities to support the development and preparation of incubator projects. These will be expected to seek additional funding to deliver the incubator infrastructure or incubation support. Funding will normally be provided to a maximum of 50% of the feasibility and preparatory costs, in exceptional circumstances and providing it is within State Aid limits a higher intervention rate may be considered subject to evidence of need and potential project value.

## **Strategic economic context**

The North East Strategic Economic Plan provides the strategic economic policy context to focus investment in the North East for the period 2014 to 2024. Delivering the SEP is crucial to achieving the North East LEP's primary objective of establishing more and better jobs within a more productive North East economy.

Projects are required to clearly demonstrate how they meet the requirements of, and make a meaningful contribution to, the delivery of relevant priorities set out in the recently 'refreshed' North East [Strategic Economic Plan](#).



In particular reference to the strategic objectives set out for the innovation programme within the Strategic Economic Plan will be required. The Innovation Programme seeks to improve and enhance the ability for growth of North East businesses by making the most of opportunities for innovation both in new products and improved processes.

Our approach to innovation is therefore built around two core principles:

- An open, collaborative and networked environment with a focus on supporting delivery
- Strategic focus on recognised areas of industrial specialism and of scientific leadership in the North East economy

These are represented in our three workstreams included in the Innovation Programme:

- Ecosystem development: Our ecosystem needs to provide access to finance, business support, expertise and knowledge and foster access to regional, national and international partnerships.
- Innovation Infrastructure: Developing, demonstration and delivering new ideas required a physical infrastructure including research, test and demonstration facilities. There is an opportunity to co-ordinate different North East assets to provide test bed sites which can interest international engagement and investment.
- Smart Specialisation: As well as supporting innovation across the economy, we are focused on our four areas of smart specialisation and areas of knowledge strength.

### **Strategic funding context**

Applicants are expected to demonstrate the future funding for delivery of the full project have been considered. This funding could come from a range of sources such as private sector investment, European funding, university or research institution budgets or other large public funding competitions.

At the time of preparation for the call, the North East LEP is aware of two particularly relevant investment competitions that represent major opportunities for innovation investment. The Industrial Strategy Challenge Fund and Strength in Place Fund are part of the Government commitment to spend £4.7bn to increase research, development and innovation in the UK.

- The Industrial Strategy Challenge Fund is seeking business-led solutions major industrial and social challenges across four Grand Challenges – AI and the Data Economy, Future of Mobility, Clean Growth and an Ageing Society. Where there is a clear overlap with local strengths and opportunities.  
<https://www.gov.uk/government/collections/industrial-strategy-challenge-fund-joint-research-and-innovation>
- The Strength in Places Fund will support projects driven by business working with research institutions and local partners which support place-based actions which resonate with local strategies and strengths. Strength in Places includes a two stage process providing an initial £50,000 development award for shortlisted projects followed by a competitive assessment of projects worth £10-50m.  
<https://www.ukri.org/funding/funding-opportunities/strength-in-places-fund/>



Applications which draw on private sector investment will be welcomed as part of our aspiration to improve private-sector investment in innovation in the North East LEP area. Given the importance and relevance of these funding routes applications that are suitable for these routes and intend to apply as part of these competitions will also be positively assessed.

### **Selection Criteria**

The Innovation Project Development Fund is being funded through the Local Growth Fund which is targeted at the long-term economic growth of an area through jobs and business. Projects supported through this fund will be designed to maximise and achieve a meaningful contribution to these aims; although as stand-alone projects these are not likely to generate new jobs or businesses directly. Applications will be measured against the following selection criteria. For the incubation element how the approach will support the delivery of incubation activities will be the key driver.



### Scoring Assessment Matrix

Criteria	5	4	3	2	1	0	Max Score	
Strategic Fit with SEP and Call	Very strong, fit, key element of SEP		Modest links to either SEP or call			No links to SEP or call	10	
Fit with Government policy (i.e. Industrial Strategy and funding competitions (ISCF and SIPP))	Very strong fit with key government policies and funding calls.		Modest links to policy and funding calls.			No links	10	
Outcomes	Demonstrates clear ability to meet all outcomes		Likely to meet some of the defined outcomes			Unlikely to meet any of the defined outcomes	5	
Scale of 'full' Project	Final scheme likely to be higher than £10m total costs	Likely to be between £8-10m total cost	Likely to be between £6-8m total cost	Likely to be between £5-6m total cost	Likely to be between £4-5m total cost	Final scheme unlikely to be larger than £4 total cost	5	
Intensity of current grant request (% of costs for current stage) or funding to be repaid	Less than 40% or funding repaid	Less than 50% for funding repaid	50-69% or funding partially repaid	70-84% and funding only partially repaid	85-100% and not repaid		5	
Match funding confirmed (for this stage of project)	Fully confirmed		Most of match funding in place		Little match funding in place	No match funding confirmed, unlikely to be found	5	
State Aid Risk	Independent legal opinion supports compliant route or confirm no State aid.	Applicant identifies a compliant State Aid route.	Relevant State Aid issues understood and clarified	Relevant State Aid issues understood but currently unable to be clarified	No appropriate consideration of State Aid provided	Request not compliant with State Aid.	5	
Deliverability Risks	Considered to be have a high chance of success with risks well managed		Moderately likely to succeed, some risks with strategies in place			Considered to have a very low likelihood of success and/or multiple high level risks with no clear management	5	
							<b>Score</b>	/ 50

### Selection Process



Projects will be appraised and selected on competitive basis against the criteria set out in this call. The call will close on the 30<sup>th</sup> November 2018 at 12 midnight, with review points for early submissions received by 12:00noon on 31<sup>st</sup> July and 8<sup>th</sup> September 2018.

Applications will be scored against the matrix above and must reach at least 30 to be progressed and any project that score zero in any category will not be considered.

Applications should set out clearly both the

- Long-term aspiration and contribution of the intended final project against the strategic objectives and likelihood of successfully achieving funding and
- The need and deliverability of the initial funding to prepare the project for funding applications and delivery.

The projects will be appraised within the LEP for approval by the chief officers of the North East Combined Authority on the recommendation of the Executive Director of the LEP and Innovation Board Chair.

### **Deliverability**

You must be able to demonstrate that the project activities are realistic and necessary. The project needs to demonstrate how this will be achieved in the timescale for reasonable application of a Business Case with robust costings and supporting information. In addition, you must demonstrate that you have identified and are managing risks to delivery, this may include, as applicable, securing planning approval, match funding and land ownership depending on the stage of development.

### **State Aid – how might this impact on my request for funding?**

The percentage of funding you request may be limited by State Aid regulations. State Aid can be complex and often projects will need to source their own specialist advice to understand how this will impact on the level of funding that can be applied for and associated obligations.

In some projects no State Aid will be involved. Either way, we ask you to carefully consider this matter and explain your projects position.

Where projects may involve State Aid you should identify how this may be legally granted. The North East LEP has an approved State Aid scheme with the European Commission covering a range of General Block Exemption Regulations. Applicants are encouraged to [read this document](#) before returning their application.

### **Key Performance Indicators (KPIs)**

To understand the forecast economic impacts and value for money of your project, we need you to provide information on all Key Performance Indicators (KPIs) that are relevant. A list of KPIs related to this call can be found [here](#). Section 7 of the EOI asks you to detail how you have calculated your KPIs and also if there may be displacement effects in the local economy. This is an opportunity for you to describe the economic growth impacts your project will deliver, please note that this is likely to be long-term figures relevant to the resulting project rather than the direct output from the feasibility study, this will not be part



of any contract however is to provide evidence of value for money and will need to be reported over the medium term of project delivery and operation.

### **Interested in submitting an application?**

We welcome informal contact and discussion from interested parties to help you assess the eligibility of your project or to answer any queries. Please contact:

James Davies

[james.davies@nelep.co.uk](mailto:james.davies@nelep.co.uk)

0191 338 7430

### **What happens next?**

If you are interested in submitting an application please contact either James Davies (details above) or Ben McLaughlin ([ben.mclaughlin@nelep.co.uk](mailto:ben.mclaughlin@nelep.co.uk) /0191 338 7446 for the relevant application form and guidance.

Please send your completed application form to [Ben.mclaughlin@nelep.co.uk](mailto:Ben.mclaughlin@nelep.co.uk). Before doing so please ensure that you have followed the guidance, completed all questions and entered an electronic signature. Submission must be received by midnight on the 30<sup>th</sup> November 2018, or early submissions must be received by 12:00noon on the 31<sup>st</sup> July or 28<sup>th</sup> September 2018.

### **Other supporting documents**

Please consider the following documents that are available on the North East LEP website and that may help you with your application.

- North East [Strategic Economic Plan](#)
- List of [Key Performance Indicators](#)
- Smart Specialisation Areas – please contact the LEP for more information

