

DIGITAL INNOVATION FUND

UWE Bristol's Covid-19 Recovery Fund



Round 2 Guidance for Applicants

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1. About the Digital Innovation Fund

The Digital Innovation Fund (DIF) will help support Small and Medium Enterprises (SMEs) in the West of England who are seeking to innovate and solve new challenges, including those created by Covid-19, and will seek to create new employment opportunities. Boosting the SME's capacity for research and development (R&D) commercialisation at this time will help businesses adapt to the new economic landscape and improve resilience. Innovation is the foundation of our recovery.

The University is offering grants of £10,000 - £40,000, to cover 35% of costs, to successful applicants. Through this grant programme we are unlocking private sector investment and enabling job creation. There is additional emphasis on innovative digital products, processes and services.

We welcome R&D digital initiatives from all sectors. We are particularly interested in projects that apply key enabling technologies such as:

- Cloud computing
- Cyber security/cryptography
- Quantum computing
- Data analytics
- Machine learning / AI
- Sensors
- Radio frequency
- Wireless / 5G
- Autonomous systems
- Digital media production
- Wired and photonic networks
- Machine vision
- AR / VR

2. About the European Regional Development Fund

DIF is funded by the European Regional Development Fund (ERDF) and will receive up to £1,900,000 of funding from ERDF, as part of the European Structural and Investment Funds (ESIF) Growth Programme 2014-2020. The Ministry for Housing, Communities and Local Government (MHCLG) is the programme's Managing Authority. Established by the European Union, the ERDF helps local areas stimulate their economic development by investing in projects that support innovation, businesses, job creation and local community regeneration. For more information visit www.gov.uk/guidance/england-2014-to-2020-european-structural-and-investment-funds

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

3. Am I eligible to apply?

The scheme is aimed at SMEs in the West of England area which includes Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire. This

includes support for pre-start ups, start-ups, micro enterprises, social enterprises, sole traders and established companies. We use the EU SME definition, which uses headcount and turnover, as well as the business' 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'.) Please email DIF@uwe.ac.uk and we will arrange a member of our team to contact you if you need clarification around this. If you are operating a business in the geographical region defined above and you intend to do R&D work that will lead to innovative products, processes or services, and the creation of new jobs, we would welcome an application from you.

You will also need to be able to provide match funding for the remaining 65% of your project costs and evidence this at due diligence stage (this could be through cash reserves, a bank loan or money from an investor).

4. The types of project we will support

The DIF programme is focussed on R&D projects and does not support other types of activity (routine product development, capital build, marketing, etc). It will support digital innovation projects that incorporate an attempt to achieve a scientific or technological advance of some kind. The project needs to:

- creating new products;
- technologies, devices or materials;
- installing new processes, systems or services;
- 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.

Examples of projects DIF could support include:

- delivering innovative R&D projects that lead to the development of prototypes and proof of concept
- creating cutting-edge technologies that disrupt their sector
- applying existing technologies in an innovative way to reach new sectors and markets, or to increase productivity and create efficiencies
- developing novel digital technologies to deliver new products, services and processes in response to Covid-19
- testing new technologies to deliver innovation or solve new problems

If you have any questions, please email DIF@uwe.ac.uk and we will arrange a member of our team to contact you.

5. Project intervention rates

We will offer grants of up to 35% of the total project cost to SMEs, the remaining cost will be made up of private sector investment.

ERDF aims to encourage private sector investment, therefore we are unable to offer the maximum grants allowable under State Aid rules. For further background to this please see the EU General Block Exemption Regulation.

6. Eligible and non-eligible costs

Eligible costs:

Materials used	Materials used are those you have bought from other organisations. The purchase of mobile assets such as mobile phones, computers, laptops, tablets and motor vehicles can be included as an eligible (R&D related) project cost. This is on the basis that they are used in delivering an approved project and that depreciation is taken into account.
External costs	External costs such as consultancy, or sub-contracting 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.
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 understanding possible future markets for the end product, service or process. It 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 essential to the success of the project. Capital expenditure that isn't directly related to the delivery of an activity within the project may not be included within the eligible costs of a European Regional Development Fund operation. The costs of tools and equipment should be depreciated for the period of the funded project activity. If such tools and equipment retain ongoing financial value after the lifetime of the DIF project, grant monies will only be paid against the 'depreciated' value (the original purchase value, minus any

	retained/ongoing value after the DIF project ends). Please provide a breakdown of equipment required for your DIF project using the Residual Value Calculator tab in the Budget template and transfer these values into the Non-Payroll (Capital) section.
Training	Training costs are eligible if they are necessary for the project's success.
Travel	Travel costs are eligible if they are necessary for the project work.
Trials and testing	These are eligible activities as part of a project, however would not constitute a project in their own right.
Intellectual property	Intellectual property costs are capped at 5% of your total DIF project budget.
VAT (Value Added Tax)	If your business is VAT registered you will already be reclaiming any VAT paid on DIF related purchases through your standard HMRC VAT return. As a result, we will only pay grant monies against the net (ex. VAT) value of your quarterly claims. If, however, your business is not VAT registered, we will pay grant monies against the full gross (inc. VAT) value of your claims.
Evidencing direct costs:	All expenditure must be evidenced in line with ERDF requirements. This evidence includes, but is not limited to: <ul style="list-style-type: none"> • Invoices • Bank statements • Order documentation

In line with European Regional Development Fund procurement rules you are required to comply with the guidelines in the table below for all project related expenditure. Please note, the values given are cumulative per supplier – therefore, the stated Minimum Procedure must be undertaken at the point when the total value of contracts with a single supplier reaches the relevant threshold of £25,000 (whether this happens as the result of a single purchase, or cumulatively as the result of multiple purchases over time).

E.g. If you pay a supplier £21,000 for goods or services this can be undertaken as a direct award – category 1 in the table below. If you subsequently intend to purchase additional goods or services from the same supplier, but these would cost £4,100, you would need to follow category 2 or 3 in the table below, depending on

whether you were purchasing services, works or supplies (£21,000 + £4,100 = £25,100).

	Value of Contract	Minimum Procedure	Advertising Required
1	£0 - £25,000	Direct award	None
2	£25,000 - £200,000 (services) and £4.5m (works)	<p>The advert needs to incorporate or direct any interested party to the following information:</p> <ul style="list-style-type: none"> - Details of the opportunity - What is required from all interested parties - How the successful candidate will be chosen - Deadline and details of how to apply <p>Justification will be required to demonstrate that the contract award is in line with the advert</p>	Advertise the opportunity on the grant recipients/or other appropriate website for 10 days
3	£25,000 - £200,000 (supplies)	<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>	None
4	Over £200,000 (services and supplies) and £4.5m (works)	<p>The advert needs to incorporate or direct any interested party to the following information:</p> <ul style="list-style-type: none"> - Details of the opportunity - What is required from all interested parties - How the successful candidate will be chosen - Deadline and details of how to apply <p>The business must:</p> <ul style="list-style-type: none"> • Adhere to the Guidance on Identifying, Managing and Monitoring Conflicts of Interest within ERDF and ESF, and submit a declaration to MHCLG or DWP • Impartially assess each bid against the same criteria and demonstrate this through use of a score/evaluation sheet. • 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 	Advertise the opportunity on the grant recipients/or other appropriate website for 10 days.

Grant recipients must ensure that contracts procured through the above processes are valued accurately and are not artificially split in order to fall below certain thresholds. The route followed must be based on the full value of the contract and not linked to the amount of ERDF monies involved, the value of the DIF grant or the project intervention rate. Direct awards to linked organisations are not acceptable.

The process you follow must be recorded and the relevant procurement documentation retained and made available to us as part of the quarterly claims process and the project audit trail.

Non-eligible costs

The following are examples of non-eligible costs:

- Internal staff costs
- UWE Bristol subcontracts
- '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
- Marketing costs

7. The application process

In order to apply you need to register your interest through the DIF website, www.digitalinnovationfund.co.uk, providing a 50-word summary of your proposed project. We will send you a reference number and an application form in Word (.docx), a Budget template (.xlsx) and a GANTT Chart template. You will need to submit all three documents to DIF@uwe.ac.uk before the deadline. Please carefully follow the guidance provided in this document when filling in the application form (see Appendix A below) and complete it in full.

The deadline for submitting applications is: 12.00 (midday) on Wednesday 18 November 2020

8. How will my project be assessed?

Stage 1: Eligibility:

When your application is received it will be checked for eligibility. If you are eligible and your application form has been completed correctly, your project will be sent for assessment. We will notify you at this stage if you have progressed to assessment.

We encourage you to submit your due diligence information at this stage.

Progression through Eligibility does not guarantee you a grant, however, early submission of your due diligence documents will allow for an earlier start date if you are successful.

Stage 2: Assessment:

At least two independent expert assessors will assess your application (see Appendix D). On occasions where the assessors scores vary by a big margin, we will seek a third assessment. The following will be considered and scored by the assessors:

Innovation Weighting: 20%	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).
Digital R&D Weighting: 20%	You must describe a digital scientific or technological advance that is being sought and why research or development work is required to address the uncertainty as to how this advance will be achieved. Scientific or technological uncertainty exists when knowledge of whether something is scientifically possible or technologically feasible, or how to achieve it in practice, is not readily available. In such cases a project involving some experimentation is required.
Responding to Covid-19 and wider impacts Not scored.	What are the wider impacts of your innovation? In these challenging times during this pandemic and post-recovery, please provide further information about how this innovation project will contribute to resilience and/or meet new challenges created by Covid-19. This section will not be scored by our assessors but your comments will be considered by the panel.
Work plan Weighting: 5%	How realistic the work plan is and whether the risks have been mitigated as far as possible as well as the likelihood of successful completion by the December 2022 deadline.
Business Proposition Weighting: 10%	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 Weighting: 5%	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.
Additionality Weighting: 10%	Applicants must be able to demonstrate that the activity paid for out of European Regional Development Funding adds value to new or existing activity. Grants will only be given if there is strong justification that the funding is essential for the project to go ahead, or it will significantly enhance the speed at which the project will go ahead.
Jobs created Weighting: 15%	The proposed figure for job creation (they must be in the West of England area) and that these are achievable.
New to market or new to firm products, processes or services Not scored	The proposed figures for product/service creation and the likelihood that these are achievable.
Justification of costs Weighting: 5%	Is the project costing clear and reasonable? Are subcontract costs justified?
Value for money Weighting: 10%	Does the project demonstrate good value for the use of public funding?

Stage 3: Recommendation Panel:

The completed assessments will be given to a Recommendation Panel who will review all of the documentation before recommending which projects progress to due diligence. Progression to due diligence does not mean your project has been successful.

Following the Recommendation Panel, you will be notified of your project's status. If you have been put forward to due diligence, you will be required to submit the due diligence documents within 2 weeks of notification if you haven't submitted them already. If you have not been progressed to due diligence we will not be taking your project forward. There is no mechanism for a company to appeal this decision and we are unable to provide feedback.

Stage 4: Due diligence:

We will undertake due diligence based on the documentation we receive, and the information available to us on public websites. The Finance Team undertaking the due diligence will be in touch with any questions or queries and delays in responding at this stage may result in the application being unsuccessful.

Stage 5: Final decision:

We will consider the outcome of the Recommendation Panel and due diligence and notify you of our decision. If you have been awarded a grant, we will aim to issue you a Grant Offer Letter within two weeks of this final decision.

9. Jobs created

A 'job created' is defined as a new permanent job, in the West of England LEP Area, created as a direct result of the funded DIF project.

These are measured by the additional number of full-time equivalents (FTEs) employed by your company as a result of the DIF project (we will ask for a baseline number of employees before your project begins and ask you to report current levels when you report a new job).

Full Time Equivalent (FTE) - Equal to one full-time job or two part-time jobs:

- Full-time job = minimum of 36 hours per week
- Part-time job = minimum of 18 hours per week

'Permanent' means that it should have an intended life expectancy of at least 12 months from the point at which it is created. Jobs created must be maintained for a minimum period of one year. A full-time equivalent (FTE) job created can be counted even if it does not last for 12 months, provided there is contractual evidence the intended life expectancy of the job was 12 months.

If you are a sole trader, you will need to self-declare to confirm details of post started, salary, duration and number of hours worked per week.

Seasonal jobs may be counted where this is normal practice for an industry. In this instance, the job must exist for a minimum of 4 weeks per annum and should be counted on a pro-rata basis.

Eligible jobs must be created by 31 March 2023 at the very latest.

You will be asked to report on the jobs created on a six-monthly basis from the date of your project end date, up to one year after the last job was created.

It is expected that, on average, one new job will be created per £8,500 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.

Please note, jobs created are an expected output as a result of the project and this grant cannot be used to fund the jobs created.

10. New to market or new to firm products, processes and services

We will be in touch with you throughout your project to capture information on new to the market products and new to the firm products. These can be products launched or at the pre-launch stage.

11. Private match funding

As part of the due diligence process you are required to provide evidence of where your match funding will be sourced from, without this you will not be successful through this stage. Not having this evidence is the number one reason for delays to project start dates, so please ensure this evidence is available to use during the due diligence process.

If you require evidence of a grant to leverage private investment in the project (for example: a private investor making an investment conditional on the grant) please let us know as early as possible. We are happy to work with you to understand the investors needs and provide appropriate documentation.

We will also ask for evidence that you have the funding mechanisms in place to manage your cash flow across the life of your project, as claims are made retrospectively after project expenditure has been incurred by you. This evidence could include letters of credit, intentions to invest, etc. 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 money already issued.

12. Grant Offer Letter

Your Grant Offer Letter will re-confirm the following information, taken from your application form:

- Your 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).
- A Project Plan breaking down the original proposal for delivery of the project into individual packages of work, including assigned estimates of the resources and timescales needed to achieve each one.
- 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 provided in the original application, setting out how the enterprise will exploit the project.

Once your Grant Offer Letter has been issued you will need to:

- Accept the offer by signing the Grant offer Letter (this needs to be the Director or other authorised signatory). This will be sent to you for a secure electronic signature.
- Complete a UWE Bristol 'Supplier Form' issued to you by the Digital Innovation Fund Project Officer.

13. Claims

Claims for grant monies must be submitted by you to UWE Bristol quarterly in arrears. Each submitted claim form will require you to report 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.

14. Data protection

By submitting an application form you agree to the ERDF data privacy notice. The ERDF require us to retain your application data until 31 December 2033. After the closure of the DIF programme (30 June 2023) this data will only be accessed for the purposes of reporting or audits and will not be used to contact you.

15. 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 the Recommendation Panel 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 DIF@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 be received by the DIF Team in order for due diligence to be carried out. Failure to provide documentation within two weeks of the announcement of advancement to due diligence may result in the offer of an DIF grant being withdrawn.

A business can choose, at their own risk, to submit their due diligence as soon as their eligibility has been confirmed. This can bring the project start date forward if the application is approved.

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 the wider business plan
- Project deliverables

Digital Innovation (max 300 words)

Please explain how your project is digitally innovative.

- What need, challenge or opportunity have you identified and how your digital innovation is addressing them?
- What approach will you take and where will the focus of the innovation be?
- How will you be better than your nearest competitor?
- How does this fit with your current products or services.
- What is the nature of the outcomes of your project – for example is this project a prototype, proof of concept, new process, product or service design?
- What uncertainties are you testing and/or what scientific or technological advance will you achieve?

Your innovation in responding to Covid-19 and its wider impacts (max 300 words)

Positive or negative, all businesses have seen unprecedented change to their business model as a result of Covid-19.

- Explain how your innovation meets new challenges created by Covid-19 and its wider impact.

- How will your innovation support recovery, resilience or growth?
- Will your innovation have a positive or negative impact on customers, supply chains, your sector or wider sectors?
- Will it affect the local or global economy and/or meet new local or central government priorities?
- Will it enhance or destroy the environment?
- Will your innovation influence wider societal issues, with impacts on social engagement, diversity, health & safety?
- Will it create new jobs or reduce employment opportunities beyond the actual project itself?

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
- How will this innovation broaden your market or increase your productivity

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 or more equipped to meet the challenge 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 (adding 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 describing how the risk can be avoided or minimised

You are required to provide a GANTT Chart – Part B – to support your application. We have provided an example GANTT Chart and have provided a template in Excel Appendix C should you need it. You do not have to use these templates and are welcome to submit GANTT Charts using your own project management systems.

3.5 Experience

Organisation (Max 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). What is the expertise in your team and what are their current roles?

3.6 Additionality

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

Examples could include:

- 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

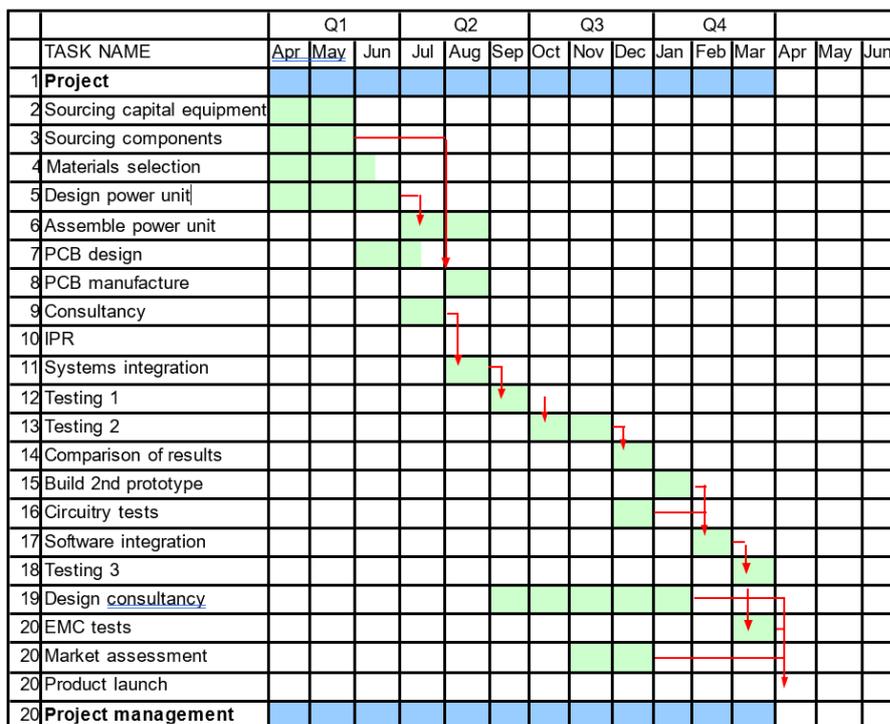
Please breakdown your source of private match investment. Section 9 provides more information about private match funding.

Section 5 – Job outcomes

List the number of jobs you will create in the West of England as a result of your DIF project. Section 8 provides more information about jobs created.

Appendix B – Example of Part B - Gantt Chart

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



Appendix C – Part C – Budget and Depreciation Calculator

Part C – Budget/Depreciation Calculator – this document has guidance notes throughout. If you have any queries about completing this document please contact the DIF Team: DIF@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 and 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 DIF programme requirements.

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 UWE Bristol and the grant funders 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.