

Product and Process Innovation (PAPI) Capital Grant Scheme York, North Yorkshire & East Riding (YNYER)

Expression of Interest (EOI) Guidance Notes

What is the Product and Process Innovation Capital Grants Scheme?

The University of York (UoY) has received approval and funding from the European Regional Development Fund (ERDF) for a capital grants scheme, the Product and Process Innovation Capital Grant Scheme (PAPI), “the scheme”. The scheme has been established to support eligible small and medium sized enterprises (SMEs) across York, North Yorkshire and East Riding to stimulate innovation through the provision of capital grants aimed at the development of new products. The aim is to generate economic growth through improved productivity and job creation.

The PAPI project works with businesses engaged in the following sectors:

- Bioscience
- Digital and creative media
- Food and drink
- Electronic-based
- Health and social care
- Manufacturing (using biological and chemical materials)

How much funding is available from PAPI?

A grant of 40% is available on eligible project spend between £20,000 and £50,000. This equates to a grant of between £8,000 and £20,000. Project spend can be over £50,000 but the grant will be capped at £20,000.

Key points to note:

1. We cannot support activity that has already taken place, or provide funding for equipment you have already purchased.
2. Applications for grants are assessed at monthly appraisal panels. If your project is approved then there are set procurement processes that must be followed to comply with National and EU procurement rules. These procurement rules can sometimes be complicated and procurement is the main area where errors can be made (and grant lost). We provide further guidance and support with this process to reduce the potential risk of mistakes.
3. Grant funding will be provided in arrears and so the business must be able to fund 100% of the costs in the short term prior to the grant payment being made.

What kind of projects can PAPI fund?

PAPI aims to incentivise the development of innovative activity in a number of key sectors (see above for a list of the sectors). The **capital** equipment purchased through the scheme should enable a business to develop new innovative products.

In particular, projects that are developing prototypes, are in the initial stages of production or at scale-up stage. Such equipment can enable businesses to develop initial products and test proof of concept on a limited scale before committing to full scale industrial development. Examples could include:

- Product prototypes
- Initial product moulding or parts development
- Small scale demonstrator kits, that show how a product would work – which then can be scaled up once proven
- Scale up equipment – e.g. an business may be creating small batches of product and require larger vessels to produce larger batch sizes that have full production economies of scale

PAPI can also fund ‘process’ innovation as long as the process contributes to the development of a new product.

Projects that cannot be supported

There are some types of projects that **cannot** be funded for a variety of reasons. These include:

Revenue costs (unless directly tied to a capital purchase).

PAPI is a designated capital grant scheme, so can only fund capital items and not revenue. The only exceptions would be where the revenue spend is required for the capital spend (e.g. shipping and installation costs of equipment).

There may be other funding schemes available that can cover certain revenue costs and we can signpost you to these, if appropriate.

Development/purchase of buildings and general office equipment.

All capital purchases must be integral to the project being supported. That is, it must be for used solely for the purposes of the project. Building works and general office equipment (e.g. laptops, mobile phones etc.) that could also be used by the business for purposes other than the project would not be considered eligible.

Renewable energy installations.

PAPI cannot provide financial support for renewable energy installations such as solar PV and biomass boilers. This is because they are supported through the Governments Feed In Tariff (FiT) and Renewable Heat Incentive (RHI) subsidy scheme. Funding the purchase of this equipment through ERDF and receiving additional energy payments would be considered as double funding.

Transport such as cars, vans or boats.

Transport vehicles are generally excluded as their inherent mobility means that they are more likely to be used outside of the region.

Projects that help an organisation to respond to a statutory legislative change.

If a business is required to make a change to their operations due to statutory reasons then this is a mandatory requirement. Therefore the business is not undertaking the activity for innovation reasons.

Rural enterprises.

Some rural enterprises are not eligible under ERDF and are supported under the Rural Development Fund for England’s (RDPE) Growth Programme. Please use [this link](#) for more information and guidance on RDPE funding.

Businesses in financial difficulty.

PAPI grant funding cannot be provided where the company is in financial difficulty and there is a reasonable expectation that it may cease to trade (known as "financial distress"). An initial check of the company's accounts will be undertaken by PAPI staff at EOI stage; with a more detailed assessment at Full Application stage. This due diligence check is contractually required by the funding body, to ensure that grant funding is not unduly put at risk.

EOI form section-by-section guidance

When completing the EOI form, the business is advised to refer to the information contained in Annex 1 at the end of the document. This shows the criteria by which submissions will be assessed and may prove useful both as a checklist to ensure answers have been provided as well as providing more clarity on the relative importance of the different aspects of the project proposal in terms of how they will be judged.

Sections 1 & 2: Contact details and business information

Please complete this section in full, giving a good general description of your business activity; this enables UoY to correctly identify whether your business is in a PAPI priority sector. The main point of contact should be the day to day project manager (if we need to request additional information) however this form needs to be signed by your company budget decision maker, preferably the Finance Director or Managing Director.

Please note that this is not an exhaustive list of eligibility criteria. The eligibility criteria can be complex and the UoY must satisfy itself that your project meets the funder's rules. The final decision on the eligibility of your business is the responsibility of UoY.

To be **eligible for support** from PAPI your business must be:

- Located in York, North Yorkshire and East Riding.
- Classified as a Small or Medium-sized Enterprise (SME)¹:
 - Have fewer than 250 employees
 - Have an annual turnover not exceeding €50 million, or a balance sheet not exceeding €43 million

| Question | How to answer | Why we need this information |
|-------------------------------|---|--|
| Business name | Please provide the full registered name of the business related to the registered number. | If your business trades under a 'group' and has a different name, we need to identify this for eligibility purposes. |
| Business address and postcode | Please provide the full registered address of the business related to the registered number. If your business has more than one site, and this project will take place at a different site address as to the registered address, please state this clearly. | As above. |

¹ Source: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

| Question | How to answer | Why we need this information |
|---|--|---|
| Name, position, email, telephone and mobile | Please provide contact details for the day to day project manager. | We need to have a point of contact who can deal with queries. |
| Business Sector | Please tell us your business sector. Please be specific, e.g. if 'manufacturer' please state what products are manufactured. | We need to ensure that we work with businesses that are in an eligible sector. |
| Date established/started trading | Please tell us the date your business was incorporated or the date it started trading. | Again this helps us to ascertain if you are eligible. |
| What is your annual turnover? | Please state the most recent annual turnover figures available to your business. | ERDF funding criteria limits our funding to SMEs and to be considered an SME you are required to have less than €50 million in turnover. |
| Value of balance sheet? | Please state the most recent annual balance sheet figures available to your business. This is the total assets on your balance sheet, not net assets | ERDF funding criteria limits our funding to SMEs and to be considered an SME you are required to have less than €43 million on your total balance sheet. |
| How many employees do you have? | Please state the total number of full time equivalent employees you have in your business. | ERDF funding criteria limits our funding to SMEs and to be considered an SME you are required to have less than 250 employees. |
| Companies house registration number | Please confirm your Companies House registration number. | This confirms that the company exists and its legal status |
| VAT number | Please confirm if you are VAT registered and your number. | If you are VAT registered you can re-claim VAT from HMRC, so all grants paid will be net of VAT. If you have a valid VAT exemption, we can pay VAT on your grant claim. |

Section 3: Background

| Question | How to answer | Why we need this information |
|---|---|---|
| a) Where did you hear about the Product and Process Innovation Capital Grant Scheme? | Please state how you became aware of the grant scheme. | This will help us assess the effectiveness of our marketing |
| b) Have you secured any additional sources of public funding within the last 5 years? | - If you have not then "No" - If you have received public funding then please give <i>brief details</i> including: organisation who provided funds; and approximate date the aid was approved. | This information is not mandatory. It will help us improve our internal monitoring of applications and gives us an idea of what public funding experience you have to date. |

Section 4: Business summary

| How to answer | Why we need this information |
|---|---|
| Please outline the business history, sector and market you are working in. How long have you been operating? What do you sell, are your markets local, regional, national. Do you export? | This helps us to better understand the background of your business and sets the context of your proposal. |

Section 5: Project summary

| Question | How to answer | Why we need this information |
|---|---|--|
| a) What is the title of your PAPI project | Please provide us with a brief 'one line' project title. | This will be used to identify the project. |
| b) Tell us about your project | <p>What is your project; please provide some information and context. What is your reason for undertaking this project? Are you receiving requests from customers? Are you unable to meet market demands?</p> <p>PAPI funding is provided to support economic growth so explain why this grant is required and how it will help the business grow.</p> <p>The project should be about the development of a new product (funding for improved process development is also eligible if this leads to the creation of a new product). Please detail what new product(s) will be developed as a result of the PAPI project.</p> | <p>The UoY receives funding from ERDF for innovative activity, so all projects supported must demonstrate they fit this criteria.</p> <p>We expect the businesses to have clear business rationale for this project.</p> |
| c) What new product(s) and/or service(s) will be created as a result of the PAPI funding? | <p>Tell us what outputs and results you will achieve from delivering your project. As a minimum the project must deliver one new product and one new job created.</p> <p>Please also explain why you consider the new product/service to be innovative.</p> | We are measured against outputs and results achieved and need to understand what you expect your project to deliver. |

| Question | How to answer | Why we need this information |
|--|--|--|
| d) What type of jobs are expected to be created? | What jobs will be created as a direct result of this project? | |
| e) Outputs* (See guidance below) | Detail the new jobs, new products, and any increase in sales and/or reduction in costs. | |
| f) What is the current status of the project? | Summarise how you have developed your project ideas to date. Include information on any research or feasibility work that has been completed. | We would like to know how long you have been considering this project, its current status and to understand better the context of your project idea. |
| g) What is your project timescale? | To be eligible for PAPI funding the start date should be after the next appraisal panel meeting (panel dates are available on request). | If the project starts before the next panel this tells us that you do not require the grant funding and that the project will happen anyway. |

***Output definitions**

| Output | Definition |
|--|--|
| New jobs created | A new job is created when it is a direct consequence of the project intervention. Jobs needs to be a new, permanent, and expressed as a full time equivalent (based on 36 hours – e.g. 18 hours would be classed as a 0.5 FTE job) The post must also be filled. |
| New to the <u>firm</u> product created | A new product is defined as one that has different functionality to those currently being produced by the business. Products can be tangible or intangible (including services). |
| New to the <u>market</u> product created | A product is new to the market if there is no other product available on a market that offers the same functionality, or the design or technology that the new product uses is fundamentally different from the design or technology of already existing products. Products can be tangible or intangible (including services). |
| Increase in sales: | Value (£m) of annual sales increase attributable to new the product |
| Reduced costs: | For example, this could either be reduction in utility costs or waste management (landfill) costs |

Section 6: Project equipment

| Question | How to answer | Why we need this information |
|---|--|--|
| a) What Items are you seeking grant support for? | <p>Please give specific details of each capital item required and the estimated costs (net of VAT if you are VAT registered).</p> <p>PAPI can fund development of digital projects where there is a purchase of a bespoke solution from a 3rd party and the IP is retained.</p> | <p>We need to check that the equipment you are looking to purchase is eligible and relates to the project.</p> |
| Summarise the total project cost (excluding VAT) and how much will be contributed by the business and/or secured from a third party, as applicable. | <p>Where known, please provide breakdowns for all sources of finance you will use to match fund this project.</p> | <p>We need to be clear that the company has sufficient funds to cover the match funding required. Hire Purchase and asset management finance are not acceptable sources of match funding.</p> <p>Note that grant funding will be provided in arrears. The business must be able to fund 100% of the costs in the short term prior to the grant payment being made.</p> |

Section 7: Previous company R&D investment

Annual R&D spend (last financial year) – Please detail your annual research and development spend over the last financial year. This can include things such as research carried out to prove feasibility, R&D tax credits, new product development and trials with potential customers.

Number of product and/or process innovations (last 3 financial years) – Please tell us the number of products and/or processes your business has developed over the last three financial years.

Section 8: State aid

By signing the Declaration (Section 11) you will be confirming that your business has not been classed as an ‘undertaking in difficulty’ as defined under Article 2, Para 18 of the [General Block Exemption Regulation \(GBER\) No 651/2014](#) at the date of the Declaration.

Section 9: Equal opportunities information

ERDF rules request that we ask for this information for programme monitoring purposes.

Section 10: Data protection

Please read the data protection and declaration statement carefully and only tick the check box if you fully agree to the terms.

Section 11: Declaration signatory of the beneficiary

Your business's budget decision maker must sign this form, preferably the Finance Director, Managing Director or Owner.

By signing the Declaration you will be confirming that your business has not been classed as an 'undertaking in difficulty' as defined under Article 2, Para 18 of the [General Block Exemption Regulation \(GBER\) No 651/2014](#) at the date of the Declaration.

Next steps - Your EOI will be assessed and if your project is eligible and meets the scope of the PAPI Capital Grants Scheme you will be invited to submit a full application.

Queries - For any queries please contact the PAPI team on: Tel: 01904 328076, Email: papi-project@york.ac.uk

Annex 1: Assessment of EOIs

To provide transparency and clarity this section details the criteria used to assess EOIs. EOIs are assessed against a checklist of criteria to ensure that both the proposed activity and business are eligible to receive grant funding through the scheme. The key checklist questions are listed below. It is worth making sure that the answer to all these questions is 'yes' before submitting your completed EOI.

- Is the project within the region? (York, North Yorkshire and East Riding region)
- Is the applicant in an eligible sector (not primary agriculture, retail or financial services)?
- Is the applicant an SME (based on turnover and employees)?
- Is the project within the spend thresholds of between £20,000 and £50,000 (£8,000 and £20,000 grant)?
- Is the company's financial situation stable? (an initial financial check will be completed using Companies House data)
- Is this an innovative project that has the potential to deliver growth, create new jobs and develop a new product?
- Has the applicant identified the capital items to be funded and are these eligible?
- Does the project have a suitable level of outputs for the level of grant requested? (the minimum requirement is 1 new job and 1 new product created)
- Is the SME within the GBER 28 limit (both now and if we provide the grant requested)?