

**UK Shared Prosperity Fund
Supporting Local Business
Call Definition Document**

**Call for Innovation Projects
April 2023 to March 2025**



UK Government

**LEVELLING
— UP —**

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1 UK Shared Prosperity Fund (UKSPF).

The UKSPF will invest in economic growth and regeneration in the regions of the United Kingdom (UK), replacing the previous European Structural and Investment Funds (ESIF). All current European funded programmes will end in 2023.

To help realise their Levelling Up aims, UK Government has set out that the UKSPF should invest to achieve the following objectives:

- Boost productivity, pay, jobs and living standards.
- Spread opportunities and improve public services.
- Restore a sense of community, local pride and belonging.
- Empower local leaders and communities.

The UKSPF has three investment priorities:

1. Communities and Place,
2. Supporting Local Business, and
3. People and Skills.

The Supporting Local Business investment priority relates to the following Levelling Up Missions, set out in the Government's Levelling Up White Paper¹:

- **Mission 1.** By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, with the gap between the top performing and other areas closing.
- **Mission 2.** By 2030, domestic public investment in Research & Development outside the Greater Southeast will increase by at least 40% and at least one third over the Spending Review period, with that additional government funding seeking to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.
- **Mission 9.** By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing.

2 UKSPF Supporting Local Business Investment Priorities for the County Durham and North of Tyne areas.

This funding call is a joint call for innovation projects by Durham County Council and the North of Tyne Combined Authority as Lead Accountable Bodies for UKSPF in their respective areas. All Lead Accountable Bodies for UKSPF submitted their investment plans which were approved by Government in 2022; the following sections set out a high level overview of the priorities in scope of this call.

North of Tyne – UKSPF Investment Plan

NTCA will deliver three programmes of activity in the UKSPF Local Business Support theme as set out in the published summary of the UKSPF Investment Plan² approved by Government in December 2022.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf

² <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/08/220728-NTCA-UKSPF-IP-Summary-Document-Final.pdf>

Programmes	Activities
Raising innovation levels to boost productivity in key sectors	Connecting businesses with collaborative innovation opportunities at our universities, catapults, and major investments; accelerating innovation in our key sectors; encouraging SMEs to become innovation active; providing brokerage and signposting to innovation advice and investment.
Start-up, social enterprise, and rural businesses	Supporting business start-ups, social enterprise growth, incubators and co-working spaces, rural business growth and addressing specific rural challenges and opportunities – as well as place-based enterprise support targeting communities and high streets.
Business growth and improved energy efficiency	Supporting business growth accelerators, scale-up programmes and access to finance for growth; facilitating growth of business clusters and supply chains in our key sectors; providing brokerage and signposting to business growth advice and investment; providing energy efficiency and carbon reduction advice and support.

Figure 1: Extract from NTCA UKSPF Investment Plan Summary

County Durham UKSPF Investment Plan

The County Durham UKSPF Investment Plan³ proposed the following areas of focus under the Supporting Local Business Investment Priority:

- activities that increase productivity within the county, providing a broad business support offer, strengthening the local business ecosystems, and providing support at all stages for businesses to start, sustain, grow, and innovate. This includes social enterprise development linked to community wealth building.
- the fostering of innovation and growth including creating business accelerator programmes, incubators, and workspace provision.
- green technology and support for decarbonisation, recognising the County’s climate change emergency. There will also be a focus on nurturing the county’s sector specialisms and clusters. County Durham has a well-performing manufacturing and engineering sector, large health and care sector and growing visitor economy. Alongside this County Durham has growing strengths in the green economy, space, advanced material electronics, life sciences, creative & cultural and high growth service sub-sectors, such as fintech.

3 Funding Call Details and Funding Parameters

This funding call is a joint call for innovation projects by Durham County Council and the North of Tyne Combined Authority as Lead Accountable Bodies for UKSPF in their respective areas.

Strategic Context

The North East lags many other regions and the UK excluding London average on several key measures of economic performance and growth. The County Durham Economic Partnership and the North of Tyne Combined Authority, as well as the North East LEP have set out ambitions to strengthen the regional economy, particularly by stimulating innovation and Research and Development (R&D) activity to close the existing performance gaps.

Innovation is a key driver of growth. It is well accepted that increasing innovation activity within the region’s business community will contribute to a narrowing of the innovation gap between the North East and other areas of the UK and will support sustainable growth. However, the area faces several challenges because of sub-optimal levels of investment in R&D and low productivity.

³ [The UK Shared Prosperity Fund \(UKSPF\) - Durham County Council](#)

Despite the presence of significant innovation assets in the North East (e.g., leading universities, innovation Catapults, and some key innovation intensive businesses), expenditure on research and, in particular development, is significantly lower than the rest of the country at approximately 46% of the England average (excluding London).

The majority of R&D spend in the region is via the public sector, including universities. Private sector R&D investment lags significantly behind the rest of the country, with spend per head at 37% of the national average.

Increasing the number of R&D and innovation-active businesses in the area, and the amount of R&D expenditure per business based in the area, are therefore very important priorities for the region – as is strengthening the catalytic effect and spillovers between public investment in and strength of regional research and technology intensive institutions and increased levels of private R&D.

Weaknesses in innovation activity are highlighted by the low number of patent applications in the region. In 2020, 31 patent applications per million adults were granted in the North East, compared to 83 in England (excluding London). Low levels of innovation activity and investment are also reflected in weak productivity performance in the North East. GVA per head in the region lags the national average by £2,900 per person per year.

To build a more productive and resilient economy (in the face of current challenges including Covid recovery, EU Exit, and high inflation) the North East region, would benefit significantly from more businesses expanding into new technological and geographic markets. Increasing innovation among the existing business base, as well as increasing business start-up rates and conversion to high growth businesses, is crucial.

UKSPF resources will enable the region to address some of these key challenges through a focused approach to investment in innovation activity.

Raising innovation levels will help to unlock opportunities in areas of ‘global super opportunity’ in which the region has existing strengths on which to build, including our key position in Europe’s energy infrastructure, our strength in health and life sciences and high value and advanced manufacturing.

Key opportunities include direct and supply chain opportunities in:

- Offshore power and other forms of renewable energy generation
- Battery and Electrification lifecycle technologies
- Carbon Capture and Storage and green technologies
- Inclusive innovation in health and ageing.
- High-growth service sub-sectors including technology enabled innovation in financial services and creative industries.

These strengths require the effective deployment of existing strengths including:

- Our leading universities – who are key civic actors, generating economic, innovation, social, and cultural impacts for their localities and the region.
- Sector and innovation ecosystem enablers including a significant digital cluster and expertise in data and digitalisation, an open innovation cluster and the strength of our knowledge economy and anchor institutions.
- Nationally and internationally significant innovation assets including but not limited to National Innovation Centres, Centres of Excellence, and national Catapult centres with significant operations in the region (Advanced Manufacturing Catapult, Centre for Process

Innovation, Offshore Renewable Energy Catapult, and Digital Catapult). Collectively, these assets provide specialist knowledge, capacity, and facilities to support businesses to grow through the adoption of new products and processes and are critical in underpinning innovation in our economy in response to global trends.

- Availability of skills and strategically significant development sites and opportunities.
- Several large organisations based in North of Tyne and County Durham are actively investing in innovation partnerships with local businesses, creating valuable collaboration and supply chain opportunities for our local SME base.

UKSPF resources will complement existing investment in business growth in County Durham and the North of Tyne Combined Authority, including targeted sectoral growth programmes; employer-led skills interventions; challenge-led innovation programmes; and access to finance initiatives (including loan and equity funds).

Core objectives of the Call

This call invites organisations to apply for UKSPF funding to deliver activities focused on the objective of **raising innovation levels to boost productivity in key sectors**, which falls within the Supporting Local Business Investment Priority within the approved UKSPF Investment Plans for both the North of Tyne and County Durham. **Applicants should ensure their proposals are focused and meet all objectives appropriately.**

The specific objectives of the call are to:

- Improve overall levels of innovation and contribute significantly to a narrowing of the gap in R&D activity and productivity between County Durham and North of Tyne areas and national averages.
- Drive the commercial exploitation of university research and innovation expertise, creating additional wealth and direct creation of new high value jobs and enterprises in the local economy.
- Increase the number and quality of spin out companies from universities and other research-intensive organisations; ensuring the mentoring, talent, and investment they need to meet their potential is available.
- Connect local businesses with collaborative innovation opportunities at our knowledge intensive institutions, including universities and catapult centres, to accelerate innovation in our key sectors and areas of economic potential.
- Develop cross sector collaboration that unlocks private sector investment in R&D.
- Deliver direct economic impact in the form of achievement of UKSPF outputs and outcomes, and to do so at a value for money benchmark that is in-line with local and national conventions as set out in this call document.

Eligible activities

Activity should focus on integrated and flexible models of delivery that support businesses, entrepreneurs and innovators based in County Durham and the North of Tyne area to develop new (or improve existing) products, services, or processes, and to better commercialise research and innovation from key institutions in the private sector.

The support provided by the activity delivered will harness expertise within a range of knowledge intensive institutions across to the region and focus this in a way that adds value to beneficiary businesses at all stages of the innovation journey: from early-stage R&D, through to near market research, commercialisation, and product launch.

Activities to be supported though the available funding are likely to include:

- Activity to better connect businesses, innovators, and entrepreneurs to innovation expertise within regional research and technology organisations, to enhance and accelerate innovation within their business and where at scale engagement is possible, cluster.
- Support for entrepreneurs to commercialise new products and business processes, including activities to stimulate and enable spin-out businesses from universities, colleges, and research institutions. This may include:
 - investment readiness support to help validate business models and demonstrate value for future investors.
 - detailed innovation assessment and specialist innovation support to provide advice, support, and due diligence.
 - Access to skills and expertise to support the commercialisation of research and ideas in the private sector.
 - advice and support for academics to identify and engage with opportunities for commercialisation.
- Provision of grant funding for beneficiary organisations, when as a part of wider package of support for entrepreneurs and innovators, to further develop and / or test an innovation concept, idea - this could include funding for feasibility work, proof of concept, product testing or product design to progress towards commercialisation of a new / improved product, process, or service.
- Activity designed to engage more businesses in knowledge transfer and R&D activity and the development of links to wider higher education institutions and research institutions and to demonstrate the benefits of working with knowledge intensive partners.

4 Delivery Timescales and Funding

The funding is available over 2 years, commencing in year two of the UKSPF programme, for delivery within County Durham and the North of Tyne Combined Authority areas.

The value of this open call is up to **£4.75 million**, this is made up of up to £2.75 million from NTCA and up to £2 million from County Durham.

Year	Start Date	End Date
UKSPF Year Two	1 st April 2023	31 st March 2024
UKSPF Year Three	1 st April 2024	31 st March 2025

Funding available is both Revenue and Capital funding in the following indicative proportions:

- Revenue funding (75%)
- Capital funding (in the form of grants to businesses) (25%)

5 Summary of Call Parameters

Dates	The earliest potential start date for delivery is the 1 st of April 2023 All activity and spend must be complete by the 31 st of March 2025
Eligibility	Organisations must be a UK registered research and technology organisation and carry out all your R&D project activity (subsequently funded as a result of this call) in the North East.

<p>Indicative Fund Allocation</p>	<p>Total Funding available is up to £4.75m.</p> <p>No guarantees of funding are given and any decisions to award funding on this basis will observe local UKSPF governance arrangements.</p> <p>Funding is available in the following indicative proportions:</p> <ul style="list-style-type: none"> ▪ Revenue funding (75%) ▪ Capital funding (in the form of grants to businesses) (25%) <p>We reserve the right to amend the financial envelope to respond to the needs of the area and priorities of strategic partners – any such changes will be with agreement with the grant recipient(s).</p>
<p>Geographical Scope</p>	<p>Applicants should set out proposals on the following basis:</p> <p>Proposed activity to benefit beneficiaries based within the County Durham and North of Tyne geography only.</p> <p>We reserve the right to amend the geographical scope of activity to respond to the needs of the area and priorities of strategic partners – any such changes will be with the agreement of the grant recipients(s).</p>
<p>Applications</p>	<p>Applicants are expected to submit proposals which demonstrate impact and additionality. UKSPF funding is not intended to replace existing funding.</p> <p>Preference will be given to a single strategic programme covering the full scope of the call and the whole of the mandatory geography set out above.</p> <p>Application is a single stage process using the UKSPF application form provided. This is made up of:</p> <ul style="list-style-type: none"> • UKSPF Business Case Form • Finance Tables Spreadsheet • Any relevant supporting documents. <p>IMPORTANT NOTE REGARDING APPLICATION FORMS:</p> <p>Applications are to be submitted using NTCA’s standard application form (provided on request).</p> <p>Where references to NTCA or the North of Tyne area are made in this form, in respect of this funding opportunity these should be interpreted as <u>County Durham and the North of Tyne area</u>, in line with the scope and intent of this call document.</p> <p>When responding to Section 4 of this form (the Economic Case) applicants should detail how projects will contribute to both the Inclusive Strategy for County Durham and NTCA Inclusive Economy Statement.</p> <p>Applications are to be submitted using NTCA’s standard Financial Annex spreadsheet. Where references to NTCA or the North of Tyne area are made in this annex, in respect of this funding opportunity these should be interpreted as <u>County Durham and the North of Tyne area</u>, in line with the scope and intent of this call document. The financial annex submitted should include total costs and a narrative should be provided</p>

	<p>in the appropriate section of the application form explaining any apportionment to each Lead Accountable Body for UKSPF.</p> <p>Additional information may be requested at any time to meet the requirements of funders.</p>
Application selection	<p>All applications will be scored in line with the application award criteria set out in the supporting guidance.</p> <p>With regard to strategic fit, preference will be given to a single strategic programme covering the full scope of the call and the whole of the mandatory geography set out above.</p> <p>Any applications not successful in securing funding but meeting minimum quality and value for money criteria (a score of not lower than 60% on any evaluation criterion) will be added to a project pipeline and may be considered in future subject to funding being available.</p>
Specific Funding Requirements	<ul style="list-style-type: none"> ▪ All activity should align with UKSPF investment priorities E19, E20, E23 and E24. ▪ Funding should be used to provide innovation support to business beneficiaries. We do not anticipate direct funding for research activity as a result of this call or material contributions to core costs or non-business facing activities of research institutes. <p>Proposals must:</p> <ul style="list-style-type: none"> ▪ Complement, develop, and build on regional and national innovation assets including national and regional hubs, centres of excellence and Catapults. ▪ Add value to and align with existing funded innovation activity. ▪ Demonstrate clear demand for proposed activities and / or a track record of effective delivery. ▪ Specify how activity will focus on sectors and explain why. ▪ Define different levels and intensity of support to be provided, demonstrating how activities will support businesses at different stages of the innovation journey.
Eligible match funding	<p>Projects are welcomed that bring match funding. There is no set level of match funding required, however, it is expected match funding to be auditable and attributable to project expenditure. Therefore, match funding for projects must relate to actual project expenditure. Please see guidance for additional information.</p> <p>Match funding should be clearly shown in the financial tables submitted and be included in total project costs. Levels of match funding will be taken into consideration under value for money assessment criteria.</p>
Procurement	<p>Applications must demonstrate that the project will follow national procurement regulations (where applicable), and that procurement processes achieve best value for money for public funds.</p>
Calculation and eligibility of costs	<p>Please see guidance document for additional information regarding the calculation and eligibility of costs.</p>

Deadline	Applications must be received by noon on Tuesday 14th March 2023 . Any application not fully completed and submitted after this date and time will be disregarded by the assessment panel. Submissions should be sent to ukspf@northoftyne-ca.gov.uk cc'ing ukspf@durham.gov.uk by the deadline.
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6 Outputs and Outcomes

Activity will be focused primarily on delivering the outputs and outcomes associated with UKSPF interventions E19, E20, E23 and E24.

- Investment in research and development at the local level (E19)
- R&D grants supporting innovative product and service development (E20)
- Strengthening local entrepreneurial ecosystems, and supporting businesses at all stages of their development to start, sustain, grow, and innovate, including through local networks (E23)
- Training hubs, business support offers, incubators (E24)

The UKSPF Outputs and Outcomes⁷ associated with this call are listed in the tables below. **These target values provide an indication of what would be viewed by the NTCA and Durham County Council and wider partners as acceptable value for money for public resources in the context of activities set out in this call document.**

The following target values relate to **£4,750,000** of UKSPF funding available across the County Durham and the North of Tyne areas combined. Proposals for activity in these areas should be guided by these values and proposals should adhere to these. Should proposals request less funding than the total amount available targets should be viewed as proportionate to the level of investment sought.

UKSPF Intervention	Output Indicator	Target per £4.75m of funding
E19, E20, E23, E24	No. of businesses receiving non-financial support	119
E20, E23, E24	No. of businesses receiving grants	40
E23, E24	Number of potential Entrepreneurs provided assistance to be business ready	63

UKSPF Intervention	Outcome Indicator	Target per £4.75m of funding
E19, E20, E24	No. of organisations engaged in new knowledge transfer activity	91
E19, E20, E24	No. of businesses adopting new to the firm technologies or processes	59
E19, E20	No. of new to market products	32
E20	No. of R&D active businesses	95
E20	No of businesses adopting new or improved products or services	37
E23, E24	Jobs created	95
E23, E24	Jobs safeguarded	40

E23, E24	No. of new businesses created	16
E24	No. of early-stage firms which increase their revenue following support	48

Approval of contracted outcomes and outputs will be agreed between Durham County Council and the NTCA and successful applicants and will remain subject to the publication of further government guidance. Providers will be required to outline how they will deliver value for money as part of the application process. In the application it is expected that outcomes and outputs will be disaggregated to demonstrate the geographical apportionment of beneficiaries supported across County Durham and the NTCA area separately and in proportionate terms to the funding available in each area.

7 Evaluation Criteria

Proposals will be scored against the following criteria:

Criteria	Available marks
Strategic Fit	Pass (10-20) or fail
Delivery of desired outcomes/objectives	Pass (10-25) or fail
Value for Money	15
Social Value	10
Subsidy Control Risk	5
Project Management	15
Inclusive Economy Fit	10

8 Data submissions and quarterly monitoring arrangements

The funding claim process will operate quarterly in arrears with projects able to claim for actual expenditure on project activities on a quarterly basis after defrayal of eligible expenditure. Applicant organisations are required to cashflow the project prior to receiving the first claim payment; this should be factored into project planning and financial profiles included within the business case.

Once a complete claim is received against eligible expenditure as described in the business case, the grant will be paid to projects based on the project intervention rate. For example, a project with a total value of £1m with £500,000 UKSPF investment would have a 50% intervention rate. If a project submitted a claim for £200,000 of eligible expenditure, then UKSPF would pay 50% of those costs (£100,000). In exceptional circumstances it may be agreed to adjust the profile of financial drawdown, this should be discussed and agreed as part of the development of the business case.

Claims will be paid when:

- A fully completed claim form has been approved by the lead authority(s) together with supporting information (including a detailed transaction list from which information will be sampled and evidence of defrayment required).
- Any project specific funding conditions have been complied with.
- Financial, output, milestone, risk, and progress information has been provided.

Claims will be due one month following the quarter end. For example, a Q1 April-June 2023 claim will be due by 31st July 2023.

9 Evaluation, Research and Data Collection

The evaluation of the UKSPF programme is vital as it will help to inform the future direction and longevity of the policy. All funded organisations and their delivery partners must commit to participate in research and evaluation by collecting and providing data, taking part in qualitative interviews, completing surveys, and allowing their data to be processed and analysed for this purpose.