

# Policy

## (Schedule 1)

### 1 Summary

- 1.1 The COVID-19 pandemic has created an unprecedented economic shock for Kirklees, severely impacting business resilience and survival, and increasing unemployment. Improving productivity through innovation is vital to Kirklees' economic recovery. Higher levels of investment in innovation correlate with faster growth and higher income levels, leading to the creation of new products and services, more effective processes and better ways of doing business i.e. economic growth.
- 1.2 The Kirklees Innovation Voucher Scheme ('the Scheme') seeks to overcome some of the challenges created by the pandemic, fostering long term business resilience and growth, safeguarding jobs, and creating the environment for new employment by inspiring innovation. This document sets out the background to the scheme, qualifying criteria, and the process by which applications will be approved.

### 2 Background / Context

- 2.1 The Kirklees Economic Strategy (KES) strives to create the right environment for businesses to invest, grow and create more jobs, supporting the growth of an inclusive and productive economy. Adopted in 2020, the Kirklees Economic Recovery Plan builds on the priorities and actions developed through the KES, setting out how the Council and other anchor institutions can aid recovery from the COVID 19 pandemic by supporting business growth and enterprise, skills and employment, distinctive places, building back greener and inclusivity.
- 2.2 The Scheme is one of 5 projects that form the Kirklees Local Economic Recovery Programme. The Programme presents an integrated response to the challenges faced by businesses because of the COVID-19 pandemic and is set in the context of the Council's Economic Recovery Plan. The support provided by this scheme will encourage and support businesses to engage in innovative activities and invest in research and development.
- 2.3 The Scheme is funded by the WYCA Single Investment Fund with match from the Government's Additional Restrictions Grant allocated to the Council in 2020. The Scheme has a total funding allocation of £250K and runs from October 2021 to March 2023.
- 2.4 The scheme complements existing regional and UK innovation provision and plugs gaps in support including limited opportunities for consumer-facing business. It also facilitates the development of credible first phase market research which has been identified as a stumbling block to businesses turning innovative ideas into tangible business propositions and moving on to next-phase innovation support schemes.

- 2.5 Via engagement with the Kirklees business team, this route also plugs businesses into the wider business support ecosystem; building a long-term relationship that will continue to assist business growth, resilience, and sustainability.

### 3 Purpose of the Scheme

- 3.1 The Scheme is primarily aimed at start-up (1+ year), Micro and SME businesses that have not previously undertaken innovation projects and need early-stage research to progress their project forward to access further investment or funding.

- 3.2 By SME we mean:

- Having less than 250 employees
- Having a turnover of under €50million and/or a balance sheet of under €43m
- Not being part of a larger group of companies that exceeds the SME threshold

- 3.3 Start-up (1 year+), sole traders, micro and SME businesses in Kirklees can apply for Scheme funding of £1.5K - £5K to access specialist knowledge, technology and facilities to support early phase innovation activity.

- 3.4 The Scheme aims to:

- Encourage a **greater level of business innovation**, supporting business to develop innovative product and process solutions to enhance their growth and competitiveness.
- Support new **first-time innovation** within a business
- Enable local business to work-up credible **first-phase innovation proposals** from which to develop tangible business propositions and stimulate progression to further stages of innovation development
- Support new **first-time partnerships** between business and specialists such as market research consultants, universities, colleges, technology institutions, research organisations
- **Connect** businesses into the innovation ecosystem of national, regional and local support
- Support business to **build back better** with social value commitments to sustainability, local supply chain and/or inspiring the next generation.

- 3.5 By innovation we mean: ‘the introduction of a new or unique product, or new/enhanced process that has commercial potential to significantly impact the company’s bottom line’.

- 3.6 The Scheme will support:

- Proof of market: market research/scoping projects/competitor analysis to test and identify gaps in the market
- New product conceptualisation and development, including prototyping and testing
- Process improvements, including exploring, adapting or adopting new (specialist) technology

Examples of the type of project outputs expected are:

- Reports
- Technical design drawings and specifications
- Technology roadmaps
- Rough product or process prototypes
- Results of specific analysis, including market research

- Specialist hardware adaptations
- Bespoke app development
- Specialist software adaptations, including website integration

The innovation project must have clear potential for commercial impact, but is not expected to produce a finished, commercial product or a fully embedded new process as an output of this Scheme. It is acknowledged that further investment will likely be needed by the business to bring new products to market/embed new processes.

### **3.7** The Scheme will not support:

- Buying equipment (other than specialist technical software to enable digital transformation – see 4.5)
- Testing products that are not within the ownership of your business
- Existing products/solutions already in market (other than specialist technical software to enable digital transformation – see 4.5)
- Standard mobile apps
- Standard software or hardware purchases, and basic software development unless there is a clearly evidenced rationale that the investment supports innovation.
- General marketing and sales activities, including website design
- General business expenses including property expenses, travel expenses and subsistence
- Professional fees, including patent / intellectual property advice, accountancy, solicitors etc.
- Patent / design registration fees
- Standard business advice
- Staff training
- Business plans and economic appraisals
- Achieving compliance with statutory regulations or legislation.

**3.8** For business-facing (B2B) enterprises this Scheme is intended as a gateway to external next phase support. At the recommendation of Kirklees Council, consumer-facing (B2C) enterprises may be invited to make a second application through the Scheme to take a completed, existing application on to the next phase.

## **4** Scheme Criteria

**4.1** The Voucher must be used to part fund an innovation project that uses specialist external knowledge/software to develop a new product or new/significantly enhanced process. Applications will be accepted for a project that involves working with a number of specialists.

**4.2** The Voucher cannot be used to fund the purchase of products or services from subsidiaries or the parent company of the applicant business, or where there are shared Directors between the applicant business and the specialist supplier.

**4.3** The business must:

- Be based or have a trading address in the Kirklees local authority district area.
- Be a Micro or SME (including start up's of 1year+ and sole traders),
- Meet Subsidy Allowance rules
- Not be in debt to the Council
- Be solvent (i.e. not in financial difficulty, in administration or subject to a striking off notice)

- 4.4** Applications are accepted from all sectors, regardless of whether the business is B2B or B2C. However charitable organisations are not eligible for this Scheme.
- 4.4** Projects must
- Be innovative i.e. focussed on commercialising an idea or doing something different
  - Aim to introduce a new product or new/enhanced process
  - Access specialist expertise or technology that does not currently exist within the business
  - Clearly demonstrate commercial justification which could include:
    - Business growth, including employees
    - Increased market share or a new market
    - Improved productivity
    - Increased efficiency
    - Increased turnover
- 4.5** Where projects enable digital transformation, bespoke solutions are preferred, but tailored or off the shelf specialist software will be considered where the applicant can demonstrate:
- clear, evidenced rationale that the solution supports innovation
  - the benefits of the transformation to the business
  - that they have fully researched the range of solutions available on the market
- 4.6** Total project costs must be between £3,000 and £10,000. The Voucher will support 50% of the total project costs i.e. £1,500 - £5,000. Support decreases to 40% of the total project costs for eligible B2C businesses that are invited to make a second application; all other criteria remain the same. Awards will be applied in accordance with Financial Procedure Rules which set out levels of responsibility and gives authority to officers to approve Vouchers up to specific financial limits.
- 4.7** To ensure that businesses are aware of the full support landscape, businesses under 3 years old are required to engage with the Council's Startup team. Those that are 3 years old and over are required to engage with the Council's Grow team.
- 4.8** The Voucher is intended to plug funding gaps in the wider innovation business support landscape. The Voucher will not be awarded where other funding streams are more suitable. It may be used (at our discretion) to contribute to a project, where other funding streams can only part-fund activity.
- 4.9** Up to 4 businesses may pool Vouchers in support of one larger project to solve a common issue. If applying as a consortium, applicants are required to name a Lead Partner who will be responsible for the administration of the project. All communication, and the release of all funds, will be made with the Lead Partner. It is the responsibility of the Lead Partner to distribute funds as necessary to other consortium members.
- 4.10** As part of the Council's commitment to deliver inclusive growth that benefits everyone, businesses are encouraged to support positive change in their local area. You will be asked whether you wish to voluntarily commit to making a difference locally such as:
- Complete a supply chain audit to identify opportunities to buy more from local suppliers
  - Complete an energy audit to identify ways for your business to reduce energy consumption
  - Create an environmental policy to show your commitment to reducing / minimising your businesses impact on the environment
  - Inspire the next generation by working with schools or colleges

- Share your team, resources and expertise and support a local cause by volunteering through [tsl Kirklees Volunteering](#)

**4.11** No work must be started for which Scheme aid is sought before the applicant has received and accepted the Voucher offer from the Scheme.

## **5 Applications**

**5.1** Businesses will work with a Growth Manager and obtain a quote for the proposed work in advance of applying. The quote must include:

- the type of support being provided
- the timescale for delivery
- the total cost, including VAT

**5.2** All applicants are required to complete an online Application Form outlining what will be delivered, by whom and when, and supply the necessary evidence which will include:

- A quote for the proposed work from the specialist(s) that the business wishes to work with
- Company accounts and other relevant financial information for the Council to establish the financial standing, and turnover of applicants
- A Project Plan (if available)
- Letters of support from consortium members (if applicable)

**5.3** Once an application is received, Council officers will make the necessary statutory, eligibility and minimum threshold checks, and complete an appraisal form setting out the merits of the application.

**5.4** Recommendations will be made by the Council officers to the Council's Verification Panel (being the decision-making panel) where a final decision will be taken.

**5.5** Application Forms will be assessed on a rolling basis, with decisions relayed to applicants within 4 weeks of receipt.

**5.6** Applicants that are unsuccessful may be asked to reapply or submit additional information at the discretion of Kirklees Council.

## **6 Guidelines for making awards**

**6.1** Applications must meet a minimum threshold to be considered for Scheme support and will be considered on a rolling basis. Applicants must demonstrate, with verifiable supporting evidence, the expected benefits of the innovation project to the business.

**6.2** Each Application Form will be considered on its individual merit but in deciding on the award the decision maker will be mindful of the following factors:

- Whether innovation is new to the business
- Other sources of public or private investment available to the applicant
- The level of innovation and potential to lead to a longer-term transformational product/process
- Whether the software (if applicable) is bespoke, tailored or off the shelf

- Motivation for the project, including the relationship between the innovation and the impact of COVID-19 for the business
- The likelihood of competitive differentiation and/or commercial viability of the new product/process
- Closeness to market of the product/process
- The wider potential benefits of the innovation, such as whether the award may directly result in creating or safeguarding jobs in the local area, supporting inclusive economic growth, and the achievement of other social or environmental benefits including sustainable business growth
- The financial stability and profitability of the applicant business
- Value for money of the chosen specialist(s)
- The Council's statutory equality duties

**6.3** Any Voucher offered is on the understanding that the business will not engage in any activities which are unlawful, for example the sale of drugs and illicit material or use the Voucher for purposes other than those outlined in the Application Form. The Council reserves the right to turn down Voucher applications from any business which may bring the Scheme into disrepute.

## **7 General conditions and requirements**

### **7.1 Payment**

**7.1.1** The maximum amount of Voucher funding awarded to any business through this Scheme is £10,000.

**7.1.2** If a business is able to reclaim VAT the Voucher offer will be based on the net project cost. If a business is unable to reclaim the VAT the Voucher offer will be based on the total project cost including VAT.

**7.1.3** Payments will be reimbursed at the end of the project activity:

- upon satisfactory completion of the project or project phase, and
- evidence provided that the expenditure has been defrayed, and
- the claim is made by the expiry date on the Funding Agreement (i.e. 6 months from the date of the Funding Agreement)

**7.1.4** The applicant is responsible for correctly reporting the costs incurred with any expenditure related to the project. Acceptable evidence will include receipted paid invoice(s), proof of payment and evidence of activity. You must retain any receipts and other proof of expenditure and you must respond to Kirklees Council's request for evidence of expenditure within 28 days of the date of request. If it is discovered that the amounts claimed do not reasonably represent expenditure, then Council reserves the right to take action to recover the whole or part of the Voucher.

**7.1.5** The Voucher is only payable for costs incurred after an application has been approved and will be paid at the agreed intervention rate dependent upon Subsidy Allowance assessment.

**7.1.6 Project Variation:** Where Project costs increase, the Council may authorise a 10% variation from the original Funding Agreement, up to a maximum funding cap of £5,000. Where Project costs decrease, the Council will only pay 50% of the final cost. If the final total project cost is £2,999 or lower, no funding will be paid by Kirklees Council.

- 7.1.7** Vouchers are not transferrable and must be used for the project detailed in the approved Application Form and Funding Agreement.
- 7.1.8** The Council reserve the right to reissue an expired Voucher with revised terms and conditions, where projects have been reasonably delayed, and are nearing completion. It is the business responsibility to notify the Council of any project delays before the original Voucher has expired.
- 7.1.9** Businesses which cease trading or move outside the Kirklees District after a Voucher has been awarded will no longer be deemed eligible for the Scheme and any offer of a Voucher will be revoked. If the Voucher has already been claimed, the business is not be expected to repay the funding.

## **7.2 Subsidy Control**

- 7.2.1** The Subsidy Control Act 2022 determines how much public funding a business is lawfully able to receive.

### **Minimal Financial Assistance**

- 7.2.2** Under the Scheme, Grants may be paid in accordance with Section 36 and 37 of the Subsidy Control Act, which enables a Grant Recipient to receive up to a maximum £315,000 over a rolling three-year period if the subsidy does not contravene section 16 (export performance) or 17 (use of domestic goods and services). Public aid received under the previous Small Amounts of Financial Assistance Allowance **does** count towards the £315,000 Minimal Financial Assistance threshold.
- 7.2.3** To administer minimal financial assistance it is necessary for the Council to establish that the award of the Grant will not result in the undertaking having received more than £315,000 within the current year or the previous two financial years. The Council will ensure compliance with the legal requirements and any permitted exemptions. Each case will be considered based on the organisation's individual circumstances in full consideration of subsidy rules.
- 7.2.4** In order to comply with Section 36 and Section 37 of the Subsidy Control Act:

**7.2.4.1** Before giving minimal financial assistance, the Council must give to the Grant Recipient a minimal financial assistance notification. The following is deemed to be a minimal financial assistance notification:

**7.2.4.1.1** The Council is proposing to give to the Grant Recipient a subsidy by way of minimal financial assistance,

**7.2.4.1.2** The gross value amount of the assistance is set out in the Grant Funding Agreement.

**7.2.4.2** The Grant Recipient must provide a written confirmation, to the Council, that the total amount will not exceed the minimal financial assistance threshold of £315,000.

**7.2.4.3** The Council will only give the Grant to the Grant Recipient after it has received the written confirmation from the Grant Recipient that the total amount will not exceed the minimal financial assistance threshold of £315,000.

**7.2.3.4** When the Council makes the Grant payment it must provide to the Grant Recipient a minimal financial assistance confirmation in writing as follows:

- (a) that the Grant is given as minimal financial assistance,
- (b) the date on which it is given, and
- (c) the gross value amount of the Grant.

**7.2.3.5** The Grant Recipient must keep a written record detailing:

- (a) that it has received the Grant by way of minimal financial assistance,
- (b) the date on which it was given, and
- (c) the gross value amount of the assistance.
- (d) This record must be kept for at least three years beginning with the date on which the Grant was given by the Council.

### **7.3 Monitoring and Privacy**

**7.3.1** The Voucher Recipient is expected to cooperate in any evaluation, monitoring and publicity (non-confidential information only) upon request by Kirklees Council.

**7.3.2** A survey to determine the longer-term outputs and impact of the Project will be issued for businesses to complete approximately 6 months after the Voucher is claimed.

**7.3.3** Businesses must provide all reasonable information requested to allow monitoring of anticipated benefits (for example: jobs created; improved business performance as a result of the project)

**7.3.4** Businesses are expected to retain project records for 7 years from the date of the Funding Agreement.

**7.3.5** The information that you provide in your Application Form will be used to assess your eligibility for the Voucher and stored in accordance with our [privacy policy](#).

**7.3.6** The Council may share information provided to us with other bodies responsible for auditing or administering public funds, or where undertaking a public function, in order to prevent and detect fraud. Find out more in our [Data Matching statement](#).

### **7.4 Transparency**

**7.4.1** In accordance with the Local Government Transparency Code 2015, the Council is required to publish details of all grant awards [on its website](#) including the amount of grant awarded and paid, which in this case will be the Vouchers awarded, and the date this happened. Personal and commercially sensitive information will be redacted.

**7.4.2** The Council is subject to the requirements of the Freedom of Information Act 2000 (FOIA) may disclose information without consulting or obtaining consent from the Voucher Recipient and is responsible for determining whether information is exempt from disclosure under the FOIA.

### **7.5 Repayment**

**7.5.1** Repayment of the full Voucher will be sought if any aspect of the Application Form or Funding Claim Form is found to be fraudulent or has the potential to bring the Scheme into disrepute.

**7.5.2** The Council is entitled to recover any Vouchers paid in error.



**7.5.3** The Funding Agreement Terms and Conditions set out the full termination clauses relating to this Scheme.

## **7.6 Appeals**

**7.6.1** There is no formal right of appeal against an award decision. However, in the event of a dispute in relation to the application of this policy and any related award decision, the matter should first be referred to the Head of Business, Economy and Growth at [business.enquiries@kirklees.gov.uk](mailto:business.enquiries@kirklees.gov.uk)

## **7.7 Other**

**7.7.1** The Scheme will end September 2023, or sooner if the funding pot is allocated prior to this date. The Council reserves the right to withdraw the availability of the Scheme at any time.

**7.7.2** Vouchers are provided at the discretion of the Council via its powers under the Local Government Act 1988 and Localism Act 2011. The Council reserves the right to determine eligibility for the Scheme on a case-by-case basis, in accordance with this Policy. The decision of the Council is final.

**7.7.3** The Business, Economy and Growth Service will be the lead service for allocating and control of the Scheme.

## **8 Updating the policy**

This policy will be subject to regular review to ensure it is meeting its objectives and continues to have regard to the interest of the Council taxpayers in Kirklees. This matter is delegated to the Kirklees Business Economy and Growth Service.