Research and Development Grant

Application form
Scottish Enterprise Research and Development Grant

The grant offers research and development (R&D) support to companies of all sizes which are aiming to become more competitive by developing new products, processes or services to benefit the national economy. We provide grants to help organisations develop a new product, process or service up to the prototype stage before it is ready for sale.

The grant is only available to companies in Scotland or companies wanting to establish a presence within Scotland to carry out research and development activities. The aim of the grant is to encourage investment in research and development and create jobs in Scotland.

This form asks you for the information we need to assess your application. You should send us a separate project proposal, and there are guidance notes at the end of this form to help you with this. There may be some areas of overlap in the application form and the project proposal. This is to allow you to expand on the information we ask for in this form.

If we award you a grant, we may publish information from sections 1.1, 1.2, 2.1, 2.3, 3.1 and 3.2 of this form.

It is essential for you to understand both the time commitment and the information you will need to provide during this period to make sure we can make a decision on your eligibility for an award.

As part of the assessment process, as well as a review to check that you meet the conditions relating to state aid and technical content, we will carry out a detailed financial assessment on the financial performance of your company (and of each company applying for support for projects involving more than one company) based on your project costs and your project funding.

For companies that are part of a group, we will also look at the parent company. For companies applying for support as part of a joint venture, we will look at the finances of all the partners in the joint venture.

For projects involving more than one company, each of the companies applying for a grant must fill in this form, but only one project proposal should be provided for the whole project (please see the project proposal guidance notes).

We have been guaranteed funding from the European Commission’s European Structural and Investment Funds (ESIF) to contribute towards the support we provide to eligible SMEs. If you are awarded a grant and meet ESIF eligibility criteria, the grant offer letter will confirm this. You will need to provide evidence to support your claim before you can receive the grant. Details of the evidence we need will be included in the offer of grant.

Once you have filled in this application form in full, send it to us with your project proposal, Excel project cost summary, application checklist and declaration. Together, all of these documents make up your application. If you do not provide all of the documents we ask for, we may not be able to process your application. The documents can be sent to RandDgrant@scotent.co.uk.

R&D grants are ‘notified state aid’. So, even if you are an SME, your spending on a research and development project does not qualify for SME R&D tax credit. However, if you are a registered company, you may still be able to benefit under the large company R&D tax credit scheme.

There is more information on state aids on the EU website at www.eur-lex.europa.eu, and more information on the R&D tax credit scheme on the HM Revenue and Customs website at www.hmrc.gov.uk/randd

We are committed to encouraging applicants from all backgrounds and sectors. We will treat all applications equally.

Copies of this application form in alternative formats are available from our website at www.scottish-enterprise.com
Section 1 | About the company applying for a grant (the applicant company)

1.1 Company name

1.2 Registered office address and postcode
   Address
   Postcode

1.3 Registered company number (or numbers)

1.4 Postal address and postcode
   Address
   Postcode

1.5 Is the company an SME? Yes ☐ No ☐
   European Commission SME definition ec.europa.eu/growth/smtes

1.6 Country the company headquarters is in

1.7 Is the applicant company part of a group? Yes ☐ No ☐

1.8 Name and company registration number of any linked business (or businesses) and their relationship to the applicant company European Commission definition of a Linked Business europa.eu/legislation_summaries/enterprise/business(s)_environment/n26026_en.htm
   Company name
   Address
   Postcode
   Registration number

1.9 Who should we contact to discuss this application?
   Name
   Phone
   Email
   Position in company

1.10 Name of the person authorised to sign on behalf of the company and their position in the company. Please make sure that this application is signed by someone who is authorised to sign on behalf of the company and provide evidence of their authorisation.
   Name
   Position in company
1.11 Number of permanent full-time equivalent (FTE) R&D jobs in the Scottish-based applicant company (see box below for a definition of ‘full-time equivalent’)

Now       1 year ago       2 years ago       3 years ago

1.12 Number of FTE non-R&D jobs in the Scottish-based applicant company

Now       1 year ago       2 years ago       3 years ago

1.13 Yearly R&D budget in the Scottish-based company applying for the grant (£)

Now       1 year ago       2 years ago       3 years ago

1.14 Does your company operate as a cost centre or on a profit-generating basis?
An applicant may be part of a group of companies or be the single Scottish company within an international company. In this case the applicant company might not work to make a profit in Scotland. Instead it might be allocated a budget which it spends. Companies that work in this way are known as cost centres.

Cost-centre basis ☐   Profit-centre basis ☐

1.15 As part of our appraisal we will consider your approach to fair work practices, including payment of the Real Living Wage, transparency on gender-equal pay and use of zero-hour contracts. [https://scottishbusinesspledge.scot/](https://scottishbusinesspledge.scot/)

Please provide details of any existing jobs which do not currently pay the Real Living Wage.

Will this change during the project? Yes ☐   No ☐

1.16 Does your business use zero-hour contracts? Yes ☐   No ☐
If yes, please provide details of

- the circumstances in which they are used; and
- any differences in terms and conditions in comparison to other employees

1.17 If your business has more than 250 employees (including group companies), please confirm that you have reported on your gender pay gap on [www.gender-pay-gap-service.gov.uk](http://www.gender-pay-gap-service.gov.uk)

Yes ☐   No ☐
1.18 All companies which are awarded an R&D grant will have the opportunity to work with our specialist teams to review their approach to Fair Work. This will include:
   o ensuring transparency on gender equal pay and developing an action plan if appropriate
   o only using fairly negotiated zero-hour contracts

Please confirm that you would be willing to work with our teams in these areas?

Yes ☐ No ☐

Definition of a full-time equivalent (FTE)

(a) an individual employee who is employed directly by the company for 30 or more hours per week calculated on the basis of the total number of hours worked (including allowance for annual leave and any other leave entitlement under their contract of employment or otherwise) in a 52-week year

or

(b) One or more individual employees who are each employed directly by the company for less than 30 hours per week or for a period of less than 52 weeks per year or both, together are employed for a total of 30 or more hours per week or for a period of 52 weeks or more a year, or both

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Section 2 | About the project

2.1 Project title (Up to 20 words)

2.2 Project description (50 to 100 words)

2.3 Tick ONE box to show the broad area of technology your proposed project is in

- [ ] Aerospace and marine
- [ ] Chemical sciences
- [ ] Construction
- [ ] Creative industries
- [ ] Defence
- [ ] Financial services
- [ ] Food and drink
- [ ] Forest industries
- [ ] Life science
- [ ] Manufacturing
- [ ] Oil and gas
- [ ] Renewable energy
- [ ] Software
- [ ] Textiles
- [ ] Tourism
- [ ] Other (please specify)

2.4 Please list the project’s SMART objectives
SMART objectives must be: Specific, Measurable, Achievable, Realistic and Time-bound

<table>
<thead>
<tr>
<th>Objective description</th>
<th>By when</th>
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</tbody>
</table>

2.5 Give details of the milestones below

<table>
<thead>
<tr>
<th>Technical milestone/challenge</th>
<th>Milestone target date</th>
<th>Total spend on milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>M2</td>
<td>£</td>
<td></td>
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<tr>
<td>M3</td>
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<td>M4</td>
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<td>M8</td>
<td>£</td>
<td></td>
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<tr>
<td>M9</td>
<td>£</td>
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</tbody>
</table>
Section 3 | About the project’s finances

3.1 Total project spend £

3.2 Grant amount applied for £

3.3 How long will the project last? *(This must be no longer than 3 years).*

3.4 What is the intended project start date?

3.5 Match funding
Please list the match funding in the table below. Before we can award a grant, we will need confirmation that all relevant match funding is in place and details of any conditions attached to other approved funding. The full project finance package needs to be detailed and clear and you must include all contributions to the project. When filling in the Source of funds column you should write ‘Existing cash resources’, ‘New debt finance’, ‘New equity’ or ‘Grant’. In the Status column, you should write ‘Applied for’, ‘In discussion’, ‘Depends on the full finance package being completed’, ‘Depends on the grant being received’ or ‘Approved’. Please note that any grant we offer you will depend on your project receiving the funding listed in the table.

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>Amount</th>
<th>Status</th>
<th>Are the funds in place?</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>£</td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td>2</td>
<td>£</td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td>3</td>
<td>£</td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td>4</td>
<td>£</td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
</tbody>
</table>

£ total

3.6 List all public-sector support awarded during the current and previous two accounting years. *(Continue on a separate sheet if necessary).*

<table>
<thead>
<tr>
<th>Year</th>
<th>Source of support</th>
<th>Was it a grant or a loan?</th>
<th>Amount</th>
<th>Conditions attached?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Grant ☐ Loan ☐</td>
<td>£</td>
<td>Yes ☐ No ☐</td>
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<tr>
<td></td>
<td></td>
<td>Grant ☐ Loan ☐</td>
<td>£</td>
<td>Yes ☐ No ☐</td>
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<td></td>
<td></td>
<td>Grant ☐ Loan ☐</td>
<td>£</td>
<td>Yes ☐ No ☐</td>
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<td>Grant ☐ Loan ☐</td>
<td>£</td>
<td>Yes ☐ No ☐</td>
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<tr>
<td></td>
<td></td>
<td>Grant ☐ Loan ☐</td>
<td>£</td>
<td>Yes ☐ No ☐</td>
</tr>
</tbody>
</table>

3.7 Are there any contractual obligations in place which mean you are already committed to carrying out this project? Yes ☐ No ☐
R&D Grant Application checklist and declaration

Please make sure that you include the following information in your application for a Research and Development Grant.

If you do not include all the information listed, your application will be delayed, or we may not be able to process it.

Please list all appendices and make sure they are numbered and referenced in the project proposal where appropriate.

For projects involving more than one company, we need the following information for each of the companies applying for a grant, except for the project proposal which should cover the project as a whole and which the company acting as our lead contact should provide.

<table>
<thead>
<tr>
<th>Application document checklist</th>
<th>Enclosed</th>
<th>Appendix number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed project proposal <em>(please refer to the R&amp;D Grant project proposal guidance notes - page 10)</em></td>
<td></td>
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<tr>
<td>Filled-in Excel cost summary template (Scottish Enterprise format)</td>
<td></td>
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<tr>
<td>Business plan</td>
<td></td>
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<tr>
<td>Annual report <em>(if your company is part of a group)</em></td>
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<tr>
<td>Evidence of project match funding</td>
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<tr>
<td>Competitor analysis and other relevant market research</td>
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<td></td>
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<tr>
<td>Project plan <em>(Gantt chart or similar format)</em></td>
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<tr>
<td>Brief CVs for key managers and project staff</td>
<td></td>
<td></td>
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<tr>
<td>Latest consolidated and audited company accounts</td>
<td></td>
<td></td>
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<tr>
<td>Latest management accounts</td>
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<tr>
<td>Cash-flow forecast <em>(covering at least project period)</em></td>
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<tr>
<td>Balance sheet projections <em>(covering at least project period)</em></td>
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<tr>
<td>Profit-and-loss projections <em>(covering at least project period)</em></td>
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<tr>
<td>Evidence of commercial interest in the project’s output, if available</td>
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<tr>
<td>Heads of terms or full co-operation agreement</td>
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<tr>
<td>Filled-in Economic impact template <em>(Scottish Enterprise format)</em></td>
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Data protection

By signing this application, you acknowledge that the information provided in this application may comprise company information and personal data (as defined in the General Data Protection Regulation (EU) 2016/679 and the Data Protection Act 2018 ("Data Protection Law")). Any personal data provided in the application will be processed by SE in accordance with Data Protection Laws and held in accordance with Scottish Enterprise’s privacy notice, which can be found at https://www.scottish-enterprise.com/help/privacy-notice/your-rights. Individuals can find information on their rights in respect of the personal data we hold by also visiting our privacy notice.

The information provided in this application may be shared and used by Scottish Enterprise, The Scottish Government, Highlands and Islands Enterprise and other associated bodies such as local delivery organisations, consultants and agents collectively referred to as ‘the Agencies’, to assess its suitability for support. If the application is successful, the Agencies will use the information provided in this application form for administration and management purposes, including carrying out appropriate checks and audits. Some information may also be passed to auditors, the European Commission or its agents for administrative purposes.

By signing this application, you are confirming that you are the data controller of personal data contained in this application and that this personal data can be processed by Scottish Enterprise for the purposes outlined above. If successful you will also be the data controller for the personal data provided as evidence.

You understand that if you are awarded a grant under this application, you must actively work with an individual we nominate, who will monitor the project’s progress. The individual we nominate may be an external provider to allow for technical monitoring of project milestones.

The agencies would also like to use this information to help identify services, new products or information on seminars that may be of interest to you or the development of your business. If you want to receive this information, please tick this box □.

If you do not receive support from the European Structural and Investment Funds (ESIF), the information you provide will not be given to any other organisation for any purpose other than detecting or preventing fraud. To detect or prevent fraud, information may be given to:

• subcontractors employed by Scottish Enterprise for the purpose of preventing and detecting fraud;
• other Scottish Enterprise departments (and their subcontractors) responsible for providing grant support in Wales and Northern Ireland;
• Highlands and Islands Enterprise, Invest Northern Ireland, IUK, local authorities and their subcontractors;
• The Department for Work and Pensions;
• HM Revenue & Customs; and
• law enforcement agencies.

If you receive support from the European Structural and Investment Funds, we will give information about you and the grant (including the evidence you have provided) to auditors, the European Commission or its agents.

You have the right to ask for a copy of the information we hold about you under the Data Protection Act 2018, and you can ask us to correct any inaccuracies in your information (we may charge a small fee for this).

If at any time you want us to remove your details from our database, please write to us at Scottish Enterprise, Atrium Court, 50 Waterloo St, Glasgow, G2 6HQ or phone us on 0141 204 1111.
Declaration

I confirm that I am authorised to sign on behalf of the company.

I confirm that all the information given in this application (including the application, proposal and all supporting documents and appendices) is true and accurate. I understand that the application may not be valid if any of the information is false or inaccurate, and if this is the case I may have to pay back any grant our company has received.

I acknowledge that any changes to this application must be made in line with the procedures you or Scottish Government have told me about.

I am applying for the amount of grant support shown in 3.2 for the project described in 2.1.

Signature

Name (BLOCK CAPITALS)

Position in company

Company name

Date

Where to send your application

If sending this form electronically, please also send a hard copy with original signature to

Scottish Enterprise R&D Grants Team
Atrium Court
50 Waterloo Street
Glasgow G2 6HQ
R&D Grant project proposal guidance notes

Each company that is applying individually for a Research and Development Grant from us should provide a project proposal, which follows these guidance notes. This does not apply where a group of companies are applying together for a grant for a single project.

If a group of companies are applying together for grant funding for a single project, each company should fill in the application form, but we only need one project proposal for the whole project. The project proposal should summarise all the project information and should refer to the individual companies where this applies, and where we tell you to in these guidance notes. Where we ask for information about the company, this should be provided for each company involved in the project.

There may be some areas of overlap in the application form and project proposal. This is to allow you to give more details about the information you have provided on the application form.

If you do not provide all parts of the application, we may not be able to take your application forward.

Section 1 | About the company

Please provide:

• an organisational chart of the company; and
• a project team structure chart.

Please describe the structure of the company including, where this applies, any interaction with related companies or groups.

Please provide information on the project’s management team, including its structure, experience, knowledge and skills.

In the case of projects involving more than one company, you should name each company, outline the relationship between the companies involved in the project, including their role in the project, and describe the project’s management structure.

Please describe, in detail, the decision-making process in the company with regard to prioritising budgets and projects.

How and where will the decision to carry out this project (or not) be taken?

Whereabouts in the internal decision-making process is this project proposal at the moment?

Do you, or any other partners or directors of your business, have any interests in, or control over, any other company?

Section 2 | About the project

Applicants should provide a detailed description of the project’s technical components using a set of clear work packages. Each work package should identify objectives, articulate technical challenges and robustly describe the R&D activities to achieve the proposed objectives. Areas of significant technical innovation should be highlighted. The work packages and milestones should correlate with the project Gantt chart.

Where appropriate applicants should provide an estimated level of industrial research and experimental development within each work package. Definitions of ‘industrial research’ or ‘experimental development’ as set out in the Community Framework for State aid for Research, Development and Innovation. These definitions are given below.

**Industrial research** means ‘the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components, parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation’.

**Experimental development** means ‘acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services. Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved
products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is not necessarily the final commercial product, and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.

In assessing which proposals we should support, we are looking for evidence that applicants have recognised the most significant risks and put in place measures to protect against these. Please make sure you cover all risks, including technical, financial and commercial risks, but do not necessarily limit your analysis to these topics.

Please provide a detailed Gantt chart (or equivalent) for the proposed project, including scheduled activities and tasks, and estimates of the resources needed for these.

What are the timelines for researching, developing, testing, demonstrating and marketing the development project?

Please provide an overview of the arrangements for managing the project in the company applying for the Research and Development Grant.

How is the project in line with or different from the strategy of the company? If the company is part of a group, you should explain this with reference to both the Scottish company and the group.

How is this project in line with or different from any projects we have previously supported or are currently supporting, or which have received or are receiving any other support from a public body?

What have been the outputs from previous projects we have provided funding for? Please be specific and include, for example, the number of new jobs created, sales, products and processes launched, improved corporate position and improved Scottish supply-chain links.

What consideration have you given to health, safety and environmental planning?

Section 3 | About the project’s finances

Note We have included a list of eligible and ineligible project costs at the end of this document. (Eligible costs are those that you can apply for funding for, and ineligible costs are those that you cannot).

Please provide full details of the project’s match-funding position. Refer to any loans and investment, and tell us if the money is coming from external sources, such as company profits, private investors, director’s loan or bank overdraft.

Please list and provide evidence of other applications you have made for funding for the project and explain why these have not been successful.

Please give details of all completed, current and planned investment rounds.

Explain why you need a grant from us and how you calculated the amount you are applying for. You should provide full financial, technical and commercial reasons.

Please explain how a Research and Development Grant will lead to an increased level of research and development. You can use the following indicators, together with relevant information, to show that this is the case.

- **Increase in project size**: increase in the total project costs (without a reduction in spending when compared with how the situation would be if you didn’t receive a grant), or an increase in the number of people assigned to research, development and innovation activities.

- **Increase in scope**: increase in number of outputs the project is expected to deliver, or an increase in the level of ambition of the project. Examples might include developing prototypes of new products, introducing new processes, improving staff skills, entering new markets, gaining new customers and so on.

- **Increase in speed**: the project would be completed in less time when compared with the time that would be needed to complete the project if you didn’t receive a grant.

Please give details of the assumptions behind the information you have provided in the ‘About the project’s finances’ section of the application form. For example, if a Research and Development Grant would mean that the project could be completed in less time, explain how the grant
would help you achieve this, and why this is important for you or the sector with regard, for example, to market drivers, legislation and competitive position.

If receiving a grant would lead to an increase in any, some or all of the above, please use the same indicators to explain what the project would look like if you did not receive a grant.

Section 4 | About the effects of the project

Please provide an overview of the proposed route to market for the prototype, including timescales and manufacturing plans and how these plans may be of economic benefit to Scotland. Explain where the technology will be developed, tested and manufactured, and include a summary of what advanced planning or actions have been completed. Are there any partners or other people or organisations involved?

Will developing the prototype and marketing the project outcomes involve contracts being placed with supply-chain companies to manufacture goods? If yes, please provide details including where the supply-chain providers are likely to be based. Please also provide details of contracts that may be placed with existing Scottish supply-chain companies.

What are the market opportunities, both locally and globally, associated with this research and development project?

What is the size of the overall market? (Please provide evidence of research as an appendix).

What value of the market do you hope to gain and how do you plan to achieve this? (Show the value in pounds (£) and as a percentage).

What is the profile of the target customer? If possible, please provide a list of potential customers and competitor analysis.

Are customers willing to pay for the product or service that will be created by the project? (Please remember, customer contracts should not be in place before we award a Research and Development Grant, as this would make the activity commercial. However, we encourage you to work to create customer interest).

Please explain the nature of any links to academia both in the company and directly on this project. What links with academia does the applicant company normally have? What new links will this project create?

Please provide a table showing the number of jobs created and protected by the project, and by when.

If this project will protect jobs, please describe why these jobs are considered to be at risk and you need a grant to protect them (provide evidence).

Annex 1 | Project costs guidance notes

The following is a guide as to which costs are eligible for grant funding. You should consider these when filling in the application form and the Excel summary cost template. You should also list any other project costs which you feel we should consider. Show all costs without VAT. All costs included in the estimate must actually be paid for by the company.

Staff pay

Researchers, technicians and other supporting staff employed only for the research activity. (Job costs are capped at £60,000 per person per year. Pension and National Insurance costs are eligible as well as salary and you should include these under overheads. Where a salary is capped at £60,000, only the proportionate share of pension and National Insurance contributions should be counted as eligible). Directors’ fees charged as consultants or subcontractors to their own company are eligible, and are capped at £60,000 per year. You must show that these fees are charged at a normal commercial rate and that the company’s own paperwork reflects the arrangements for the subcontracted work. The same rules will apply to the cost of labour charged to the project by any company which is linked to the company receiving the grant, for example, the company headquarters or a related subsidiary, including where this cost is charged on a salary, subcontract or consultancy basis.

Staff must be paid at least the Real Living Wage for costs to be considered eligible.

Consultancy

Consultancy and equivalent services used only for the research activity, including any research, technical knowledge and so on bought from outside sources.

Overheads

Overheads costs which you must pay as a direct result of the research activity can include rent, rates, utilities (water, gas, electricity and so on),
cleaning and repair costs (must not be your normal costs and must be project-related), insurance, technical manuals, IT, network and server costs.

For overhead costs you must include a monetary figure beside each category and you should also explain how the costs were calculated, for example per area of floor, per number of employees involved in the project.

**Materials**

Other operating expenses, for example, costs of materials, supplies and similar products which are a direct result of the research activity. Materials bought from other organisations and used in the development phase. If waste or scrap material has a significant resale value, your estimated costs should reflect this.

**Training**

Training costs associated with introducing new technology or new skills that are needed to make sure the proposed development is successful.

**Trials and testing**

Costs associated with carrying out formal testing to make sure that the product or process meets the specification and market requirements. Please note that certification fees are not eligible costs as we consider these to be costs that apply after the ‘pre-commercial development’ stage.

**Intellectual property (for SMEs only)**

Intellectual property costs may include the costs associated with buying in or licensing the rights to use other people’s intellectual property (as long as they are not associated with your business) as well as the costs of protecting intellectual property arising from the project.

**Accountant’s certificate for final claim (for SMEs only)**

The cost of certifying the claims for payment associated with the project, only when we have asked you to do this. An independent accountant’s certificate must be included with the first claim for payment and each year during the project and with the final claim for payment. This should confirm the costs and expenses of all amounts claimed as eligible spending for this and all previous claims.

**Capital equipment**

Costs of instruments and equipment used only and continually (except where transferred commercially) for the research activity. The costs of capital equipment and tools are allowed only as far as they are needed for the project and you must include a note as to whether these are needed for research and development purposes only or whether they can be used after the project is completed. Only capital equipment bought within the project period is eligible. Please list each item of capital equipment and tool in your project costs and state the cost and whether the equipment is being bought outright, leased or bought on hire purchase.

**Bought outright**

If you will buy the equipment outright, the eligible cost is the depreciation on the equipment from the time you buy it. This is calculated as the amount spent on the equipment during the project less the estimated value of the equipment and tools at the end of the project. For IT equipment, depreciation should normally be calculated over 36 months (1,095 days) and for all other equipment it should be calculated over 48 months (1,460 days). For example, if a computer bought for £1,500 on day 1 of quarter 2 forms part of the eligible costs of a project lasting 12 months, the net eligible cost would be £375 – that is, £1,500 – £1,125 (£1,500 ÷ 36 x 9), the purchase price minus the value of the capital equipment at the end of the project. Show both the gross and the residual values.

If there is software involved in research and development projects that will not have a value at the end of the project, calculate the depreciation over the project period.

**Leased equipment**

If you will lease the equipment, the eligible costs are the leasing costs you will pay during the project period, not including any interest or service charges.

**Hire purchase**

If you will buy an item of capital equipment under a hire-purchase agreement and that item is needed directly for use in the project, the eligible cost is either the depreciation value of that item or the hire-purchase cost of that item over the project period, whichever is lower. The depreciation value is calculated over 36 months for IT equipment and over 48 months for all other equipment. Any interest or service charges are not eligible.
**Ineligible project costs**

The following costs are not eligible for grant funding but if you must pay these costs as a direct result of carrying out this project, you should include them in cost estimates so that we can gain an overview of the full project.

- Costs from before the agreed project start date
- Notional costs, such as an allowance for unexpected costs, a calculation of the expected profit normally earned by production equipment which will be lost as result of that equipment being used for research and development activity instead of production, and contributions in kind (you must actually have to pay the costs for them to be eligible for the grant)

- VAT

- Interest and service charges arising from hire-purchase, leasing or credit arrangements

- Advertising and entertaining

- Profit earned by a subsidiary or related enterprise or person in providing materials, subcontracting, consultancy or trials and testing

- Directors’ dividends

- Certification fees

- Inflation and contingency allowances shown as an addition to project costs

- The cost of printing operating, service and maintenance manuals

- For large companies, the cost of protecting intellectual property rights arising from the project (this is an eligible cost for SMEs and is usually limited to the country where the project is first launched)

- The cost of licensing background intellectual property (that is, intellectual property that has been developed before the start of the project if the company needs access to this intellectual property to allow it to carry out the project when the intellectual property is being licensed from a subsidiary or related business or person)

- Training costs related to selling or distributing the developed product, process or service

- Capital equipment and tools for manufacturing or producing the product, process or service (eligible costs are limited to depreciation over the project period)

- The cost of buying land and buildings

- The cost of preparing an application

- Work carried out after the contract for the project ends

- Relocation and recruitment costs

- Salary overheads other than National Insurance and pension contributions

- Staff paid below the Real Living Wage

- Other overheads that are not included in the eligible cost section above

- Costs that are charged outwith the European Economic Area