

Project Costs Eligibility Guidance

Scotland Can Do Innovation Challenges – R&D Feasibility Funding Call

Eligible Project Costs

Include a description of what is included under each subheading in your estimates of the project costs. All costs should be before VAT unless your business is not registered for VAT. The following list is a guide to which costs are eligible, but you should also list any others which you feel should be considered and provide a detailed breakdown of all the project costs. All costs included in the estimate must be your responsibility and be paid for by you. Please note that any money spent on the project before the agreed project start date will not be eligible for funding.

- A) Salary costs** - State your rates of staff costs and estimate the pay to staff working on the project and the amount of time each person is likely to spend working on the project. Include the names of staff members if you know this. Salary costs must be reasonable for the expertise needed. Your estimate should indicate the actual salaries each person will be paid, but please note that the eligible staff costs a grant will be paid on are limited to no more than an annual full-time equivalent salary of £60,000 per person. Salary costs should not: include any posts that have been specially created and are currently being part-funded with support from publicly funded job creation schemes (e.g. Regional Selective Assistance, RSA), or from other publicly funded incentives; or relate to staff that are based outwith the UK/EU Member States.
- B) Materials** used are those bought from third parties. If waste or scrap material has a significant residual or resale value, your estimate of costs should reflect this.
- C) Consultants and subcontractors** - If a proportion of the project costs is allocated for the cost of consultants or subcontractors, or fees for trials and testing, you should explain why the work cannot be carried out more effectively and cheaply in-house and identify who will be carrying out the work. Consultancy and subcontracted work performed outwith the UK/European Economic Area is not eligible for support. Confidentiality or non-disclosure agreements should be in place with all third parties working on the project. Any intellectual property resulting from that work must be owned by your business. Directors' time claimed on a consultancy or subcontracted basis must not include any profit and the eligible costs the grant will be paid on are limited to no more than an annual full-time equivalent fee of £60,000.
- D) Fees for trials and testing** are eligible, but certification fees are not eligible.
- E) Overheads** - The grant allows you to claim 20% of your salary costs as overheads. This includes both direct and indirect (administrative) overheads. If you are claiming a contribution to overheads this flat rate approach allows a faster application review and claim process.
- F) Travel and Subsistence Costs** directly related to the project are eligible for support.
- G) Accountancy fees** - You will need a report from an independent accountant for the final claim relating to the feasibility project. The cost to produce this is eligible for support.

H) Capital Equipment

Equipment costs - The cost of equipment is eligible only if it is needed for the project. Only equipment you get within the project period is eligible. List each item of equipment included in your project costs and indicate the cost, as well as whether you are buying it outright, leasing it or buying it on hire purchase.

- Buying equipment outright - If you are buying the equipment outright, the eligible cost is the depreciation (reduction in value) from the time the equipment is bought to the end of the project. IT equipment should normally be depreciated over 36 months (1,095 days) and all other equipment over 48 months (1,460 days) on a straight-line basis. For example, if a computer bought for £1,500 on day 1 of the second quarter forms part of the eligible costs of a project lasting 12 months, the eligible cost would be the purchase price divided by 36 and multiplied by the number of months remaining in the year ($£1,500 \div 36 \times 9 = £375$). Both the gross and residual values should be shown in the table of costs.
- Leased equipment - If you are leasing the equipment, the eligible costs are the leasing costs due during the project period, not including any interest or service charges.
- Hire purchase - The eligible costs are calculated by depreciating the hire-purchase payments due during the project period, not including any interest or service charges. IT equipment should normally be depreciated over 36 months and for all other equipment over 48 months on a straight-line basis. When calculating eligible costs for hire-purchase equipment, use either of the hire-purchase costs due or the depreciation charge, whichever is less. For example, if a computer is to be bought for £1,500 (not including VAT) on hire purchase over 24 months, and your project lasts 12 months, then the total hire-purchase costs due during the project period are £750. Assuming the item was bought on day one of the project, and the item depreciated over 12 months, the residual value of this item would be £500. As the hire-purchase costs are higher than depreciation, the eligible cost in this example would be £500.

Software - If there is software involved in the project, this should be depreciated as follows:

- For generic software (for example, Windows, Word, Excel, PowerPoint, CAD), this should be depreciated over three years.
- In projects using specialised software that will not have a value at the end of the project, this should be fully depreciated over the project period.