

INNOVATION INITIATIVE FOR SME'S ELIGIBLE COSTS

For a cost within your project to be eligible for funding it must:

1. be incurred and paid between your project start and end dates.
2. meet the eligibility criteria in the categories listed below.

SCCoE pays your grant on the basis of eligible costs. These costs will be audited upon completion of the funded Project to verify actual eligible costs.

These costs must be incurred and paid between your project start and end dates.

LABOUR COSTS

You may claim the labour costs of all individuals working directly on your project.

Please note: If your application is successful and is awarded funding, all labour cost claims must be supported by accounting records (including timesheets and payroll records for example) that show the actual hours worked by individuals and paid by the organisation. Discretionary bonuses or performance related payments of any kind are not eligible.

The costs that you can include in your labour costs (based upon your PAYE records) are; gross salary, NI, company pension contribution, life insurance or other non-discretionary package costs.

Where an employee is part time, their costs should be entered as full time equivalent. Your eligible labour costs will be on the basis of salary amounts actually incurred and paid. You therefore cannot include any form of inkind/goodwill contribution by staff members or costs relating to profit related pay, dividends, shares, share options, royalties or similar remuneration methods.

For example, companies that pay Directors a salary of £7k and use dividend payments for the remainder of the remuneration package (for personal tax liability reasons) can only include a daily labour rate based on the £7k salary.

The total number of working days per year for the organisation is based on full time working days per year less standard holiday allowance. Sick days, waiting time, training days and non-productive time are not eligible as part of the calculation. On your finance form, list the total man-days worked by all personnel working directly on your project and briefly describe their role.

PROJECT MANAGEMENT

The costs of project management by a 'lead organisation' on behalf of your consortium are eligible and should be included within your Labour calculation. In cases where your project management is sub-contracted, a strong case should be made for the necessity and benefits of this approach.

Micro companies only

In some micro companies a Director may be running the business in addition to working on a project, receiving income only in the form of dividends. Your labour can be included as eligible costs subject to the following conditions:

Labour costs must be calculated using a maximum of:

- 8 hours per day
- 5 days and up to 40 hours per week
- £22 per hour

All costs arising as a result of using the above calculation must be paid to the Director through the business payroll and subject to Income Tax and National Insurance at source. Time worked on the project must be supported by timesheets, payroll and project records giving a good audit trail.

If your application is successful:

- the total amount of time and cost will be reviewed before approval
- the terms and conditions of the grant will include compliance with the above provisions

Sole Traders & members of Unlimited Partnerships not operating a payroll

If you are a sole trader or a member of an unlimited partnership with no employees and so not operating a PAYE scheme, you will be paying income tax and national insurance on business income. If this is the case, you can claim for your time spent working on the project using the method detailed above for Directors of micro companies. The same rules apply for the rate, hours and accounting records, and the terms and conditions will be included in your offer letter should you be successful.

Administration Support Costs

As a business we understand that in undertaking a project you may incur additional support staff costs associated with your administration functions. In order to assist you with making a claim for such costs we require that the costs you wish to claim are both directly attributable and incremental to the project you are undertaking.

In order to support you with this claim, you can calculate administration costs by simply claiming 20% of Labour Costs as an administration fee.

MATERIALS CONSUMED

The costs of materials to be consumed directly on your project are eligible costs, providing that they are purchased from third parties. If material has a residual/resale value at the end of your project, costs should be reduced accordingly.

If you are using materials supplied by associated companies or sub contracted/purchased from other consortium members then you are required to exclude the profit element of the value placed on that material - the materials should be charged at cost.

Software that you have purchased specifically for use during your project should be included in materials. However if you already own software which will be used in the project, or it is provided for usage within your consortium by a consortium member, only additional costs incurred & paid between the start and end of your project will be eligible. Examples of costs that may be eligible are those related to the preparation of disks, manuals, installation, training or customisation.

Costs should be split between their component parts and allocated to the appropriate cost category.

CAPITAL USAGE

Capital usage refers to an asset utilised by your planned project, which has a useful life of more than one year, is stand-alone, distinct and moveable. You should provide details of capital equipment and tools to be bought or consumed on your project. You should calculate a 'usage' value by taking the purchase cost (or net present value at the start of your project, if the equipment is already owned) less its expected residual value at the end of your project. This value is then multiplied by the percentage that your project will be utilising the equipment. This final value represents the eligible cost to your project.

SUB-CONTRACTS, CONSULTANCY FEES (INCLUDING FEES FOR TRIAL AND TESTING)

Sub contract costs relate to work carried out by third party organisations that are not part of your project or your collaborative group. You may sub contract work that is essential to the success of your project where the expertise does not exist in the collaborative group or where it would not be cost-effective to develop in-house skills for your project. Sub contract services supplied by associated companies should exclude any profit element and be charged at cost.

You should name the subcontractor and describe what the subcontractor will be doing and where the work will be undertaken

OTHER COSTS

Other Costs can be used for eligible costs which are not included in the above sections. Each type of cost that you include in this section should be described in the application form as to what it is, why it is eligible and so included in the costs of the project.

Examples may include:

- Training Costs – These costs are eligible for support where they are specific to and necessary for your project
- Preparation of Technical Report(s) – For example, where the main objective of your project is the support of standards or technology transfer. You should demonstrate how this report is above and beyond what would normally be produced through good project management.
- Market Assessment – There is some scope for support of market assessments studies in order to more fully understand the applicability of your projects results to the intended market and to help steer your project towards exploitable ends. Market research as a promotional tool is ineligible.
- Patent filing costs for NEW IP generated by your project are eligible for SMEs up to a limit of £2,500 per partner. These should not include legal costs relating to the filing of trademark related expenditure as these are deemed to be marketing/exploitation costs.
- Regulatory compliance costs are eligible if necessary to carry out your project. However, the legal costs of setting up your project or the collaboration and costs associated in conducting audits, accountant's reports or making grant claims are ineligible.

RECEIPTS AND INCOME

Any income generated as a result of the project incurred during the project timeframe must be offset against the costs submitted.

ADDITIONAL GUIDANCE FOR START-UP COMPANIES AND SOLE TRADERS

Eligible costs for start-up companies and new sole traders are based on the standard cost headings with the same rules of eligible and ineligible costs that are set out for all other business participants in the sections above. The following guidance is intended to assist you if you do not have a trading history on which to base your calculations.

Labour rate calculation

Sole Traders and members of Unlimited Partnerships Labour costs are normally calculated on the basis of salary paid through a business payroll scheme. For sole traders and members of unlimited partnerships not operating a PAYE scheme, and where you do not have sufficient trading history to state your actual direct labour rate (excluding overhead and profit), the maximum labour rate you can claim is set out above. You will need to keep project records to show the hours worked directly on the project and how your labour claimed has been taxed as business income.

Administration Support Costs

Please see above guidance on administration support costs.

COSTS WHICH ARE NOT ELIGIBLE FOR FUNDING

The following costs are ineligible and should be excluded from any part of your project costs and any overhead calculations:

- Recoverable input VAT;
- Interest charges, bad debts, profits, advertising, entertaining;
- Hire purchase interest and any associated service charges;

- Production, R&D, quality control/assurance, engineering, distribution, supply chain or selling costs or activities;
- Advertising and marketing costs or activities;
- Entertainment and hospitality costs;
- Profit earned by a subsidiary or by an associate undertaking work sub-contracted out under your project;
- Inflation and contingency allowances;
- The value of existing assets such as IPR (not developed as part of this project), data, software programmes and other exploitable assets that any of the collaborators contribute towards your project;
- Project audit or legal costs. The legal costs of setting up your project or the collaboration and costs associated in conducting audits, accountant's reports or making grant claims;
- Any of the remaining 20% of FEC costs from academic collaborators;
- Sick days, waiting time and non-productive time;
- Bonuses, awards, profit related pay, company car expenses and any discretionary benefits to staff.