

Innovate UK

Innovate UK/EUREKA Eurostars 2016 Guidelines for applicants

UK Partner Eligibility Criteria

UK Eligible Participants

- In the UK, only research & development (R&D) performing SMEs are eligible for grant funding
- Academics/universities, Research and Technology Organisations (RTOs) and large companies can participate, but must fund their own participation or use funds from other sources
- Maximum grant budget is €360,000 per UK project partner, grant rate is up to 60% of eligible project costs
- UK eligibility project costs follow the UK domestic rules

UK Eligibility Criteria

- UK SMEs can only take part in one Eurostars project at any one time. The final project report on an existing project must have been accepted by the Eurostars secretariat before the application deadline for this call to be eligible to apply. Holders of existing Eurostars projects can apply for other Innovate UK funding without this restriction.
- Participants must be separate non-linked legal entities
- Companies must be registered at Companies House and trading for 12 months at the closing date for applications
- All work must be carried out in the UK and project costs must be incurred in the UK
- Labour costs have to be PAYE
- UK subcontracting is capped at 20% of the UK partner eligible costs
- UK lead projects must be managed by an SME as per the Eurostars criteria. Project Management cannot be subcontracted
- SMEs with one or fewer employees [part time equivalent] cannot lead a project

The eligibility criteria must be met at the closing date for application and the eligibility criteria is applicable throughout the whole duration of the project.

EUREKA Eurostars Eligible Project Costs

The following headings show the eligible costs for UK participants in the EUREKA Eurostars programme.

- Labour Costs
- Reasonable Overheads = Capped at 100%
- Materials Consumed
- Sub-contracts; Consultancy; Fees including Fees for Trial/Testing [there is a limit on the amount of subcontracting].
- Travel and Subsistence
- Other Costs
 - Training Costs
 - Preparation of Technical Report
 - Market Assessment/ Feasibility Studies
 - Licensing in New Technologies
 - Patent Costs – up to £7,500 in grant
 - Project Management
 - Legal and accounting costs

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Labour Costs - This includes the costs of personnel working directly on the project. You should provide the total man-days effort and cost required for your staff to work on the project, briefly describe the role of each person within the project and provide their gross salary and the total labour effort in man days for each role within the project, together with the total number of working days per year for your organisation (365 days less weekends and holidays etc.). In calculating the labour costs, reasonable overheads can be included. The overheads must exclude the costs of land, buildings, and other operational costs not directly attributable to the project.

Overheads - Reasonable overheads can be included, as stated above.

Materials Consumed - These will be the materials to be consumed on the project, not included in the overheads, purchased from third parties. Materials supplied by subsidiaries or associated companies should exclude the profit element of the value placed on that material. If waste or scrap material has a significant residual/resale value the figures should reflect this. Foreseen cost increases, such as on specific materials, may be considered by the Programme.

Sub-contracts; Consultancy; Fees including Fees for Trial and Testing - You should show any work that is essential to the success of the project where the expertise does not exist in the collaborative group. For example, you may wish to demonstrate that it would not be cost-effective to develop in-house skills for this one project. The same rules governing the use of subsidiaries and associated organisations with regard to supply of materials apply here. Attention will be paid to the size of this contribution when assessing eligibility and level of support.

Travel and Subsistence - You should only include reasonable costs that are justified and will be incurred exclusively for progressing this project. Note that if any general travel and subsistence is included in your overhead calculations, this proportion should be subtracted from the Travel and Subsistence expenditure during the claims process.

Other Costs

Other costs should include costs not accounted for in the above sections. Some examples follow. You should ensure that a case is made for the other costs within your EUREKA Eurostars application form.

- **Training Costs** - These costs are eligible for support where they are specific to and necessary for the project. The Programme may consider support for management training specific to the project but will not support on-going training.
- **Preparation of Technical Report** - For example, where the main objective of a project is the support of standards or technology transfer.
- **Market Assessment/ Feasibility Studies** - There is some scope for support, in exceptional circumstances, of “state of the art” studies in areas that will affect the nature and likely outcome of a project. Support may also be given for underpinning research leading to development of a programme, i.e. a suite of projects.
- **Licensing in New Technologies** - Exceptionally, the Programme may consider support where it makes sense to do so, for example, to avoid “reinventing the wheel”. Where imported technology makes up a large part of a project (where technology is valued at more than £100,000) then it will be expected that there is development of that technology as part of the project
- **Patent Costs** - The Programme will support some of the costs of protecting foreground IPR for up to a total of £7,500 per partner.
- **Project Management** - The costs of project management by a ‘lead organisation’ on behalf of the consortium are eligible and should be included with the labour totals. In cases where management is subcontracted, a strong case should be made for the necessity and benefits of this approach.

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Ineligible Project Costs

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

- Input VAT.
- Capital Equipment.
- Software.
- Receipts and Residual Values for Energy Projects
- Interest charges, bad debts, profits, advertising, entertaining.
- Hire purchase interest and any associated service charges.
- Advertising and marketing costs or activities.
- Profit earned by a subsidiary or by an associate undertaking work subcontracted out under the project.
- Inflation and contingency allowances expressed as an overall arbitrary percentage, additional to eligible costs. However, reasonable inflation rates can be included in labour and material cost estimates.
- The value of existing assets such as IPR, data, software programmes and other exploitable assets that any of the collaborators contribute towards the project.
- Project audit or legal fees.

Guidance for Micro-Companies, Partnerships and Sole Traders

For support there are additional conditions for sole traders, partnerships and micro-companies with fewer than 10 employees as described below.

We recognise that very small organisations can be the source of important innovation and valuable expertise and welcome their involvement within the EUREKA Eurostars Programme, where they can add value without creating undue risk for the EUREKA Eurostars project and are capable of exploiting the results of the project. To reduce the risks and to satisfy the funders that the EUREKA Eurostars projects are not being used as a revenue generating exercise for the micro-organisations, the following guidelines have been developed to regulate their involvement.

Participation

There are several ways that micro-organisations can actively participate in the EUREKA Eurostars Programme. They can participate in EUREKA Eurostars projects as subcontractors and charge a commercial rate to the project. If they operate in this manner, they will not be party to the collaboration agreement and not receive any long-term benefit from the project outcomes, such as any share of intellectual property or beneficial ownership or use.

Micro-organisations may alternatively participate in projects as collaborators (subject to the financial criteria below). In this case they would need to be party to the collaboration agreement and to carry out exploitation of the results under the terms of the standard offer letter.

Only in very exceptional circumstances and with the prior approval of the EUREKA Eurostars Technology Programme, should a micro-organisation be the lead partner of a project.

Conditions of Participation

Like all industrial participants of the EUREKA Eurostars Technology Programme, micro-organisations should only be involved in a project if it extends their research and development activities beyond what they would normally be carrying out and if the outcomes of the project are beneficial to and exploitable by, them. EUREKA Eurostars Technology Programme projects are not a revenue generating activity and grants can only be paid against real costs incurred and defrayed against the project in question. All costs will be subject to an audit as outlined in the project's offer letter. In order to participate therefore, micro-companies must show additional trading activity or sources of additional finance to support their participation in the project of at least the same value as their total project costs (including any grant sought).

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Micro companies, Partnerships and Sole Traders

Very small companies are treated as normal industry collaborators. Their inclusion in this guidance is intended to clarify a number of accounting and cost issues and to set minimum revenue thresholds to ensure the viability of their participation and ability to exploit the results of the project.

In order to participate in the EUREKA Eurostars programme micro companies (fewer than 10 employees), partnerships and sole traders,

- Must have been trading for at least 12 months.
- Must be VAT registered (Flat Rate Scheme is acceptable) and maintain up to date “books” or management accounts sufficient to generate a Profit and Loss account.
- Show revenue generation from commercial operations for the previous 12 months of at least the same value as their total projected annual costs of participation in the EUREKA Eurostars Programme. This can be through revenue generation from commercial operations or from financing operations such as equity investment or loans. This revenue total should not include grant income from this or any other project but could include sub-contract fees from a project that it is not participating in as a collaborator, or work carried out for public sector organisations on a commercial or contractual basis.
- Must be able to show how the balance of the project costs will be funded. Plus capability and funds to be able to fully undertake and exploit potential innovative technologies resulting from the programme.
- At the end of each project year, they must supply a letter from their accountant to verify that revenue generation from commercial operations outside of the project continues to satisfy the requirement of being at least equal to their total eligible project costs. Copies of VAT returns may be used as evidence. Should this revenue drop below the above threshold, the EUREKA Eurostars Programme may withdraw support for the organisation and encourage the project to source the contribution elsewhere.
- Labour rates can only be calculated on the basis of salaries actually paid out. Remuneration through profit related pay, dividends, shares, share options or any form of good-will contribution to the company is not a direct cost and cannot be included in the calculation of labour rates. For example, companies that pay directors a salary of £5k 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 £5k salary (i.e. £22 per day).

For further questions on anything in this document or about the EUREKA Eurostars contact:

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