

Eligible costs guidance

PART 1 - Introduction

If you are an academic applicant applying for DCMS funding you need to complete an online standard proposal and provide DCMS with a PDF copy of the output document as part of your proposal. You can get this from the research council's Je-S website. You must be registered with Je-S to use this system. Please see the Guidance for academics applying via the Je-S system for more information.

If you are a non-academic organisation planning to claim funds from DCMS you must complete a Finance Form and include all your eligible costs.

The Finance Form is a spreadsheet with tabs for each section. The sections of this guidance represent the tabs in the Finance Form.

The information below describes the forms of eligible costs. Overall, costs will only be eligible if they:

1. are incurred within the Grant Funding Period; and
2. are net of VAT recoverable from HM Revenue and Customs and gross of irrecoverable VAT; and
3. are directly attributable to the delivery of the consortium for the Purpose; and
4. are incurred by, or Distributed to, UK-based organisations (non-UK organisations may be Consortium Participants but cannot receive Distributions of Grant Funding); and
5. are capable of being capitalised and/or treated as capital expenditure in line with the Consolidated Budgeting Guidance.

All eligible costs must be permitted by UK GAAP and/or international accounting and financial reporting standards.

The following costs are not eligible:

1. non-capital operating costs (including pay and accommodation costs) other than the sums as set out in Part 2 ;
2. capital usage costs other than as set out in Part 2. Any costs that are claimed as materials costs but are for capital must be claimed as capital usage costs;
3. payments that support lobbying or activity intended to influence or attempt to influence Parliament, Government or political parties, or attempting to influence the awarding or renewal of contracts and grants, or attempting to influence legislative or regulatory action;
4. payments for activities of a political or exclusively religious nature;

5. payments of costs that have been reimbursed or are to be reimbursed from funding provided by other public authorities or from the private sector;
6. payments to cover interest (including service charge payments for finance leases);
7. payments of statutory fines, fines issued by a regulator, criminal fines or penalties;
8. costs to petition for additional funding;
9. input VAT reclaimable from HM Revenue and Customs;
10. goods or services that the Recipient has a statutory duty to provide;
11. contributions in kind (i.e. a contribution in goods or services, as opposed to money);
12. depreciation, amortisation or impairment of fixed assets;
13. gifts to individuals;
14. entertaining (entertaining for this purpose means anything that would be a taxable benefit to the person being entertained, according to current UK tax regulations);
15. liabilities incurred before the issue of this Grant Agreement unless agreed in writing by the Authority; and
16. buildings or land.

PART 2 - Finance Template Guidance

1. Guide

This tab provides summary guidance of how to complete the workbook.

2. Application details

This tab asks you to submit information about:

- your organisation and contact details
- the geographical location of where the work is to be carried out

In certifying your organisation status please pay particular attention to organisation ownership. Make sure you follow the European Commission (EC) small to medium enterprise (SME) definition when establishing your organisation size.

3. Uploads

This tab asks you to upload supporting documentation including accounts, signed declaration statements and other applicable documentation.

It contains instructions on how to upload documentation.

4. Labour costs

This tab asks for details of employed staff working directly on the project. All listed staff should be on your payroll and subject to PAYE. If you are a micro company, sole trader or partnership not running PAYE go to section 5.1.

We need to establish the day rate for staff. This is calculated by the number of working days per year less bank holidays and your organisation's annual leave entitlement, which you should enter.

You can include direct staff in this tab (such as engineers, scientists and project managers) as well as any indirect back office staff who are directly supporting the project activities (such as budgeting, project reporting and recruiting). This category also covers contractors on your Project team who are working directly on the Project. When making grant claims against labour costs, actual costs claimed must be supported with timesheets of those individuals who have worked on the project.

The gross employee costs should be calculated based on your PAYE records. They should include gross salary, National Insurance (NI), company pension contribution, life insurance or other non-discretionary package costs.

Ineligible labour costs include:

- use of blended labour rates inclusive of overheads
- discretionary bonuses or performance related payments of any kind
- time spent not working directly on the project (for example sick, non-productive time or training days)
- dividend payments
- forecasted pay increases

If an employee is part-time you should enter their costs as full-time equivalent.

You should enter the number of staff at each grade. If you are unable to specify personnel at the stage of application, we will accept an average grade based on the band or job family. Actual claims will need supporting documentation (for example timesheets) of the individuals allocated to the project.

The form will calculate the day rate that will be applied to the number of days your staff are allocated to the project.

5. Overheads

We understand that organisations calculate overheads in different ways.

This tab offer 3 options:

1. The percentage overhead option allows you to claim a fixed percentage of your labour costs as overhead. You should enter 20%. This includes both direct and indirect overhead. Selecting this option allows us to review a successful grant application much faster as no further documentation is needed from you.
2. The 2nd option asks you to complete calculations for claiming direct and indirect overheads. Any value claimed under this method will need to be reviewed by our project finance team if your application is successful. This is so we can assess the appropriateness of the overhead value you are claiming. See section 6.1
3. Not to claim overheads

Full overhead recovery/full absorption costing is not eligible.

Please note that once the overhead is calculated and approved it cannot be exceeded at any time throughout the project life.

5.1 Overhead calculation

If you select the overhead option to calculate overheads, you should enter information to support the proposed overheads. This will need to be reviewed by our project finance team if your application is successful. This is so we can assess the appropriateness of the overhead value you are claiming.

6. Materials costs

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

If you are using materials supplied by associated companies or subcontracted from other consortium members, these must be listed at cost excluding any profit element or margin.

Examples of materials include hardware, software, connectivity, civil engineering work directly associated with the Project, sub-contractor work directly associated with the Project, and capitalised research, development and innovation.

Software that you have bought specifically for use during your project should be included in this tab. If you or a consortium partner already own software that will be used in the project you may only claim the additional costs incurred and paid between the start and end of your project. 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.

7. Travel and subsistence costs

You can claim reasonable travel and subsistence costs for those individuals identified in the labour tab. Costs must be necessary and incurred exclusively for the progression of your project. Travel costs must be at economy travel only.

You should provide details and the purpose for the expenditure, including the number of staff involved.

8. Capital usage

You can claim the usage costs of capital assets providing they meet the following criteria:

- they have a useful life of at least one year
- they are stand alone, clearly definable and moveable
- they conform to your organisation's capitalisation policy

Please calculate the usage value for all equipment and tools bought for use on your project with the following calculation.

First calculate the monthly depreciation charge:

$$\text{Monthly depreciation charge} = \frac{\text{Original purchase price (ex VAT)}}{\text{Depreciation period in months}}$$

Then calculate the Project capital usage cost:

$$\text{Project capital usage cost} = \text{Monthly depreciation charge} \times \text{Number of months in the Project} \times \text{Percentage of time used on Project}$$

Then calculate the overall capital usage costs for all assets.

Worked example - An enterprise has a capital item with an original purchase price of £305,000. Their accounting policy states the cost would be depreciated over 4 years. This item is to be used on the project for 15 months for 15% of the time only. The calculation for the direct project-related costs of this item would be:

£305,000 divided by 48 months equals £6,354. Therefore, the cost to the project should be £6,354 multiplied by 15 project months. Applying 15% utilisation would equal £14,296.

9. Subcontract costs

You can claim costs relating to work carried out by third-party organisations that are not part of your project team. The work must:

- be essential to the success of your project
- involve expertise that does not exist within the project team
- involve skills that it is not practical to develop in-house for your project

You should name the subcontractor (where known) and describe what the subcontractor will be doing and where the work will be undertaken.

Any work supplied by associated companies should be charged at cost. Where subcontractors are non-UK based, please justify why you are unable to use a UK alternative.

There may be exceptional circumstances where a partner can also be a subcontractor within a project. In these circumstances we would need a full explanation as to why this option has been chosen over claiming the costs within the relevant partner organisation's own application.

Subcontract services supplied by partner companies should exclude any profit element and be charged at cost. Where a partner is also a subcontractor within a project, it is important that a company in receipt of the project funding stays within Subsidy Control Limits.

10. Other costs

This category can be used for any direct project costs which are not covered in the other categories. Examples of other costs include subscriptions, rent of space and hire of equipment. Accountancy, legal and related services should be included in sub contracts, not here. Contingency is ineligible.

11. Summary – Lead Applicants only

If you are the Lead Applicant, you should complete this tab for your workbook. This should summarise the financial information for all consortium members.