Digital Growth Grant Competition: Clarification and further information

To aid bidders in their applications for the Digital Growth Grant, we are publishing additional guidance in response to frequently asked questions.

Please note that a list of updates to the Invitation to Application has been added in Appendix B.

Additional eligible costs guidance

- **No costs incurred before the start of the grant funded period can be claimed as part of the grant.** In the application form, we ask bidders to set out their mobilisation plan (from grant agreement to starting delivery when the funding starts). If setting up a new structure is taking place after the funding start date (3/4/2023), this will need to be reflected in the application form.
- As per section 11.5 of the ITA, **the grant may be spent on staff costs where they directly relate to programme activity**, i.e. salaries, employer's national, insurance contributions and employer's contributions to any occupational pension scheme or stakeholder pension scheme. The grant can be spent on contractors, as well as employed staff. Additional perks and benefits, including private health insurance, are not eligible costs under the grant.
- It is up to organisations to determine if and how they want to apply reasonable and **proportionate overheads** to their grant application. This could either be a percentage of the total overhead costs, or a more specific apportionment method to attribute costs to the grant activity. We will be assessing value for money as part of the grant assessment, and the overheads included in the application will be reviewed as part of this.
- There is no additional funding for TUPE'd staff above the available funding levels noted in the ITA. It is up to bidders to determine what they consider to be adequate resources (whether this be existing, TUPE'd or additional staff) and this should be demonstrated within their response.
- **Potential redundancy costs** as a result of the grant ending after two years or extending at a reduced level would not be eligible costs. Only redundancy payments where such expenditure is incurred directly as a result of the application of TUPE to staff currently employed by Tech Nation and delivering DCMS grant funded activity would be eligible costs.
- **Running a small grant scheme** could be considered eligible expenditure if a robust business case backed up by a clear risk register for this is made. Measures would need to be put in place to ensure this is compliant with subsidy control rules.
- **Using the grant funding as a vehicle for equity investment.** The successful grant recipient cannot use the grant funding to buy equity stakes in companies supported through programmes. The funding has to be used to provide business support. However, the grant recipient can use other funds that they receive from other

sources (such as other revenue streams) to take equity in companies supported through the business support programmes. Measures would need to be put in place to ensure this complies with subsidy control rules.
- In general, grant recipients can leverage the grant to generate **commercial gain or profit** on the provision that the funded activities contribute directly to the commercial sustainability of the activities over the medium term. Grant recipients will have to be transparent with DCMS about any commercial gain or profit leveraged against the grant and will have to confirm that any money leveraged against the grant has not and will not be used to duplicate DCMS funding. In accordance with that transparency, we would ideally want to see how the commercial gain will support the sustainability of this activity over the medium term. Funding secured from other sources for the same purpose as the Digital Growth grant would be considered duplicate funding and as a result, the DCMS grant will be reduced accordingly.
- **Finance form clarifications.** The 'People' tab is designed to generate the most accurate information on personnel costs at the point of application so we would expect current salary details only per position. If you are expecting to make a pay award through the life of the grant, please include an estimate for this in the 'other costs' tab. In terms of representing roles in the template that start part way through the year, the FTE can be reduced accordingly. For example, if a full time role starts half way through year 1, the FTE can be entered as 0.5 in column G. This will then calculate 50% of an individual's salary in year 1 to reflect they have worked half the year. Year 2 (column H) could then reflect 1 full FTE to reflect the fact they will be in post all of that year.

Additional clarification on the T&Cs

- **Intellectual property** created by the predecessor service that is material to future delivery is owned by DCMS with the right to licence to a new provider. This includes, for example, the intellectual property rights in the source code of the Growth Platform. DCMS does not own intellectual property rights in the content of the platform. Any IP rights that DCMS owns would be licenced for use by DCMS under the Open Government Licence, for which there are no fees.
- There are no service **assets in scope of transfer** to the new provider. Additionally, Tech Nation assets such as brand, individual programme brands, copyright and so on are not in scope of transfer either.
- **Clause 21 -** On a day-to-day basis, this relates to the monitoring of the grant activities and ensuring adherence to the Delivery Plan and compliance with the obligations of the grant.
- **Clause 32(e) -** This relates to the monitoring of the grant activities, value for money, delivery risks and compliance with the grant agreement. These clauses exist to enable DCMS to obtain the information it requires to determine whether the recipient has spent the grant funds properly on eligible expenditure relating to the project. As to whether any of this information is disclosable under clause 96, only the information referred to in clause 96 (which includes monitoring reports provided by the grant recipient pursuant to clause 32) would be disclosable under this clause.
- **Clauses 49 and 50 -** The purpose of the rights of audit in the grant agreement are to ensure that grant monies are spent properly by the recipient on eligible expenditure

relating to the Project, and not on anything else, and the economy, efficiency and effectiveness with which the grant recipient has used its resources (i.e. the DCMS grant funding) in discharging its obligations under the grant agreement.
- DCMS is not requiring that the services delivered be **branded** in a specific way. As per the grant T&Cs, any branding would need to acknowledge funding by DCMS.

Consortia applications

- **Difference between consortium partners and delivery partners.** If you are applying as a consortium, then the consortium members are the organisations that form this consortium. Consortium partners will be funded by the grant. However, if you are applying as a single organisation, but intend to work with other organisations to deliver (parts of) the project, then these would be the delivery partners. Delivery partners are not funded by the grant.
- **Difference between consortium partners and subcontractors.** Consortium partners are jointly and severally responsible and liable for the performance of the grantees obligations under any grant agreement with the Department. Subcontractors are contracted directly by the grantee, and therefore have a contractual agreement with the successful grantee to provide a service to them. Subcontractors are not parties to the grant agreement.
- Subcontracting arrangements should adhere to the grant T&Cs. DCMS would not normally scrutinise grantee subcontracting arrangements. However, where a successful grantee wants to subcontract activities to a public body, they will have to seek prior approval from DCMS.
- Where the group is proposing to create and apply as a separate legal entity, due diligence will be conducted on each individual member of the consortium.

Scope and requirements clarification

- **Definitions**. A startup is defined as a company that has been operating for two years or less which is independent and operates privately. These companies are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand. They generally start with high costs and limited revenue. A scaleup is defined as a company having an average annualised return of at least 20% a year, over a 3-year period with at least 10 employees in the beginning of the period. In terms of turnover, a scale-up is expected to generate at least between $1 million and $3 million. A range of other definitions exist and we welcome bidders to adopt definitions they find most suitable.
- **Evaluation of applications.** As set out in the ITA, a score of 0-4 will be assigned to each question in the application form. Weighting values indicate the relative importance of the question in the overall evaluation. The score of each question will be multiplied by the weighting shown in the application form. The sum of these weighted scores will generate a final score. DCMS shall award the Grant to the Bidder that submits the highest scoring application.

- **Eligibility of public sector organisations.** Footnote 14 on page 12 defines what DCMS means by public sector organisations for the purposes of this grant. This includes Ministerial Departments, non-Ministerial Departments, Non-Departmental Public Bodies, Local Authorities, Mayoral Combined Authorities. This also includes Government Agencies. We do not consider Universities and/or Higher Education Institutions to be public sector organisations. This definition is not based on the percentage of revenue organisations receive from the public sector.
- **Consortium letters of support format.** This can take the form of a dated collaboration agreement signed by each partner or a letter of support from each partner that is on organisation/company headed paper, is dated and includes a signature.

Monitoring and evaluation approach

- The delivery outcomes in section 6 of the ITA expand upon the objectives and are cross-cutting in nature. For example, outcomes 6.1.5 and 6.1.6 apply to the delivery of the grant as a whole. Applicants need to demonstrate how they would deliver on both the high-level objectives and the outcomes.
- **Delivery Outcome 1 describes an indicative / potential KPI as "Number of companies engaged that have not yet received government-funded business support".** The rationale behind this is to assess how unique the support provided by the Digital Growth Grant is, relative to other government-funded business support that is currently available. Additionally, this indicative KPI helps to assess the reach of any associated communications campaign and wider awareness of Digital Growth Grant activities.
- Applicants have the flexibility to produce either a single **Theory of Change** or multiple Theories of Change as they see fit and in accordance with the descriptions included in the Application Form and the ITA.