

ALL ABOUT GRANTS

Foreword

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This Government believes in enterprise and opportunity. We want to create the right conditions for businesses to thrive and prosper, making the UK the best place in the world to start and expand a business. With help from initiatives like the Enterprise Advisory Service's "All about Grants" guide, which gives information on sources of finance for small firms, I believe we are going in the right direction. I commend this guide to you.

This guide aims to throw light on the subject of grant and support schemes for business by clarifying what has historically been a confusing situation and, at the same time, dispelling some of the myths.

The purpose of this document is to put you on the right path before you get underway with an application for a particular scheme, by covering the following:

1. Are You Missing Out?
2. Types of Support
3. Purpose of Schemes
4. Awarding Bodies
5. Eligibility
6. Making Application
7. Consultants and Advisers
8. Frequently Asked Questions
9. Next Steps
10. The 10 "Golden Rules"

The total value of support schemes applicable to UK businesses is estimated at some £5 billion per annum. This guide is intended to help you make sure you get your fair share of that money.

1. Are You Missing Out?

If you are in business or thinking of starting one you may be wondering whether you can obtain any help from the public purse.

You may be aware of others who have received grants, or you may have seen reference in the press to grants "from Europe", or award schemes from the DTI, or local council grants etc., etc. If so, you may rightly be asking – "What about me?"

Finding out about grants can be a daunting task, even for experts. At any one time there are hundreds of different schemes in operation. Complications arise for researchers because the schemes are offered by hundreds of different "awarding bodies" and the fact that schemes are constantly changing, with some lapsing and other new ones arising.

However, the good news is that most businesses are eligible at any one time to apply for a number of different schemes. The problem is that no one knocks on your door to invite your company to apply! The onus is entirely on you to find out what's on offer, and to try to keep up to date with this information.

This guide is intended to help you understand the overall situation regarding grants, and to show you how you can find out which schemes you can apply for.

2. Types of Support

Support for business comes in a very wide variety of forms. Perhaps the most obvious is the direct (cash) grant but other forms of assistance are also numerous. The main types are:

a) Direct Grant

This is a cash item, which may be offered for activities such as Training, Employment, Export Development, Recruitment or Capital Investment projects.

It is rare nowadays to obtain 100% grant funding. Most schemes require the recipient company to put up a proportion of the cost, with a figure 50% being typical. Some schemes state maximum amounts in absolute terms, others have no limits.

b) Repayable Grant

This is where cash funding is offered for a project with the intention that the sums be repaid out of future revenues. The grant is not repayable in the event the project fails.

c) Soft Loan

This is a loan where the terms and conditions of repayment are more generous (or softer) than those, which would prevail if the loan were made available under normal commercial terms.

The interest rate may be less than the on-going commercial rate for a similar loan and/or the repayment term may be longer. Sometimes the loan may be interest-free.

d) Equity Finance

Here a capital sum is injected into the business where the provider does not expect interest or repayment of the loan itself. Rather, the provider of funds takes an equity share of the business, in the hope/expectation that the value of the stake will appreciate at some time in the future, enabling a sale of the stake facilitating a return on the original investment.

Unlike a venture capitalist, who would work in exactly the same way, the expectations and requirements of providers of public funds are less demanding in terms of the eventual return required from the investment, and this is reflected in the terms and conditions and the criteria, which the proposed project must meet.

e) Free or Subsidised Consultancy

Often it is the lack of a particular skill or skills which a company needs - this is particularly so in the case of start-ups and new companies. Some schemes, in recognition of this fact, offer to provide these skills directly via the utilisation, at free or subsidised rates, of consultancy services.

This is achieved by paying, in whole or in part, the fees of accredited or approved consultants who possess the skills the organisation lacks.

f) Access to Resources

It is sometimes the case that small or medium sized organisations do not possess the physical resources or facilities they need in order to develop particular projects. This can be the case particularly in manufacturing or research and development projects, where access to specialised testing equipment can be a drawback.

A number of schemes recognise this problem and provide access to publicly owned facilities (e.g. research facilities operated by the Ministry of Defence).

g) Technology Transfer

New technological advances and practices are sometimes developed by small or medium sized organisations but more usually come from larger organisations in the commercial, academic or public sectors.

The transferring of technology to a wider sphere can be a difficult and costly process. It can also, in the ordinary course of events, take a long time to achieve. A number of schemes tackle this problem with a variety of means to help the faster achievement of transfer.

h) Best Practice Transfer

There are now a number of well-established quality and best practice initiatives. Some, like Investors in People and ISO 9000 apply throughout industry and commerce regardless of sector. Others such as the Lexcel scheme, which applies to the legal profession, are sector specific.

The transfer of best practice procedures from one organisation to another can often be achieved to the benefit of the recipient organisation and, for that reason, is encouraged by business support networks.

i) Shared Cost Contract

The costs of research and development programmes can be prohibitive for companies and organisations acting alone. This applies even to large companies.

Sharing the costs of such programmes with others, whereby all participants share in the costs and the consequent resulting know-how, can be a solution. Such arrangements are often brokered, and sometimes part financed, by public bodies or institutions.

j) Subsidies

Some awarding bodies, whilst not always advancing direct cash grants, will subsidise the costs of approved products or services used by firms.

k) Advice and Information

Researching the essential information required to develop products, services and markets can be time-consuming and costly for smaller enterprises. A significant input by public bodies therefore goes to the provision of advisory and information services and a number of schemes are of this type.

l) Packaged Assistance

The types of schemes identified above are not always delivered singly and to the exclusion of others. Often a scheme will consist of a number of separately identified types, each becoming one element of a package designed specifically for the recipient organisation.

Such schemes offer flexibility to meet the sometimes-diverse needs an organisation has for help and assistance in respect of a particular project.

m) Competitive Awards Schemes

Companies have considerable opportunities to attain industry recognition at national or even international level for outstanding performance through participation in one or more of the great variety of competitive awards schemes that operate, usually, on an annual basis. Often sponsored by government departments, lead-bodies, even Banks, these schemes offer the chance to earn major PR results from the wide publicity generated. Many schemes also offer significant cash prizes or benefits in kind at category or overall winner level.

Note - Relocation Grants

Grants are not normally available for relocation within one of the home countries - the logic being that there is no overall advantage to the country in subsidising the move of a company from A to B.

However, there are incentives to attract companies to relocate from overseas to the UK or to set up operations here. There are also incentives to move from one of the home countries to another.

In addition, there are a number of differently defined "special areas" throughout the UK. Within these areas a number of incentives are offered to resident organisations. Such incentives are also available to those considering relocating to a special area or developing a project there.

3. The Purpose of Schemes

All publicly funded schemes have, as their ultimate purpose, the encouragement and development of trade and commerce. New and growing businesses create jobs and bring wealth.

Long-term, governments strive to create the economic conditions, which foster the start and growth of businesses. As a means of helping achieve this objective public (taxpayer's) money is made available to help and encourage enterprise. The money is distributed through a variety of ministries, departments, agencies and quangos both on a national and local basis. (In addition to the national government the European Commission is a main source of extra funds, also distributed through a variety of EC and other agencies.)

Each awarding body (whether it be a ministry, agency or quango) has its own specific remit and objectives and may spend part of its budget on schemes to help achieve these. For example, the Department of Employment and Education may offer grants to assist firms to employ or train new workers. It might do this directly through a nationally administered scheme or indirectly, by funding Business Link or the Enterprise Agencies, who, in turn, will use this money to run their own schemes.

The result of this method of funding is that there are very many different schemes, offered by a large number of different awarding bodies. Together, the variety of schemes will cover most if not all activities any one business will be engaged in, including the following:

- Employment
- Training
- Marketing
- Manufacturing
- Design
- Quality
- Exporting
- Research & Development
- Property/Premises
- Technology Transfer
- Environment
- Start-Up

For the most part schemes are available to businesses across the United Kingdom although some will contain restrictions on application according to a number of different factors.

4. Awarding Bodies

Virtually any publicly funded organisation is potentially a provider of assistance to enterprise. However, by their nature, some are more directly involved than others. Awarding bodies will be of European, national, or local origin.

a) European

The European Commission is the main source of funds provided by the European Union. It administers a wide variety of schemes through its Structural Funds and by other means. Individual Directorates (i.e. Enterprise DG, Regional Affairs, Agriculture etc, also operate specific grant schemes)

b) National Government

In the UK national government can mean the Government of the United Kingdom (i.e. Parliament at Westminster) the Scottish Parliament, the Welsh Assembly or the Northern Ireland Assembly at Stormont. Each of these bodies has its own grouping of departments and agencies and, to a certain extent, its own policy objectives.

At any one time the number of awarding bodies who are nationally based probably exceeds one hundred. Amongst the most important of these are;

Department of Trade & Industry
Department for Education & Employment
Department of Environment, Transport & the Regions
Industrial Development Board (N.Ireland)
Scottish Executive
Welsh Development Agency
Countryside Agency
Enterprise Ireland
Industrial Research & Technology Unit, etc;etc.

c) Local

In addition to the several hundred local government authorities, any of which are potential grant providers, there are a number of locally based agencies and organisations which have been established specifically to provide support for enterprise at local level. These include:

- Business Link
- Small Business Service
- Enterprise Agencies
- TECs
- LECs
- Business Connect
- Enterprise Trusts
- County Enterprise Boards
- Scottish Enterprise

- Highlands & Islands Enterprise
..... plus others

5. Eligibility

Whether or not you qualify for any particular scheme is dependent on 3 main criteria:

- Location
- Size
- Industry

a) Location

The UK is comprised of four separate home countries. Each has its own institutions or awarding bodies offering their own schemes (in addition to those offered by the UK national government and the European Commission). The first element in the location criterion is, therefore, the particular home country in which then business is based.

The second element is whether the business is based in one of the many "special areas" into which the UK is divided. Since these areas are designated by the awarding bodies themselves and are different from each other - indeed, may be drawn up for one particular scheme - it is not easy to ascertain whether or not your business is located within the required boundary. It is necessary to consult the particular awarding body or the requisite map.

b) Size

Certain schemes are restricted to small or medium sized organisations (SMEs). These are companies with less than 250 employees.

Other schemes go further in their defined target definitions and may restrict application to those employing 50, or 20, or 10 employees.

c) Industry or Sector

The industry in which the company operates is the third eligibility factor. This may affect eligibility on an inclusive or exclusive basis. Exclusive schemes are those which apply generally across industry sectors but specifically exclude a certain industry or sector. Such schemes are not common.

More likely to occur are industry specific (or inclusive) schemes. These are schemes which are established to tackle particular problems or issues affecting an industry sector.

Note

Although any of the above restrictions will, if applicable, debar a company from applying it should be noted that the vast majority of schemes apply without restriction to location, size, or industry sector.

6. Making Application

Prior to starting make sure you have thought through all the implications of your project and identified all schemes of potential benefit. (See Golden Rules 1 & 6 below).

a) Before you apply

Make sure you have the following arrangements planned or in place:

- You have matching funds available to meet any grant you may receive
- You can describe your plans as a Project
- You have a written Business Plan
(See Golden Rules 3, 7 & 9 below for further explanation)

b) The Application

We strongly advise that you make personal contact, if possible, with the grant provider before completing the application documentation (See Golden Rule 10).

Make sure your application explains how the Project will meet the objectives of the awarding body. Include a work plan, including full costings. Pay particular attention to describing your business's track record - you are applying for public funds and those responsible for making the decision need assurance you will spend it wisely and ensure the Project completes.

c) Timescales

Generally, the more "local" the awarding body, the quicker you are likely to get a decision.

Applications to your local authority, TEC or Business Link, for example, are likely to be resolved in a matter of days or weeks. National bodies have larger bureaucracies and will take longer, perhaps several weeks, to decide. Many awarding bodies have, or are considering speeding up the applications process by creating what are known as "Fast Track" procedures.

It is applications to European bodies, which take longest, and waiting times can easily stretch into months rather than weeks. This is partly due to bureaucracy but also to the nature of many European schemes.

Most European schemes are not constantly open to applications. Instead there are short periods during the course of the scheme's life when applications are considered. These periods are preceded by the issuing of notices known as "Calls for Proposals" which are announced in the Official Journal published daily by the EC.

7. Consultants and Advisers

Should you use "grant consultants" or other advisers to help you obtain grants?

The first point to realise is that when you apply for public money it is your company and your project, which is under the microscope. There can be no better ambassador for your cause than you and/or your colleagues! To that extent logic suggests that you are better off if you "do it yourself".

However, there are occasions where help can be useful:

a) Identifying Schemes

This is the most difficult aspect of all to deal with unaided, since it is necessary to devote a good deal of time and resource to researching schemes.

It is wise to use others to help in the identification process - ideally to subscribe to a reputable information service which is accessible on an on-going basis so you can always check on the current and up to date situation as and when different potential projects arise in your business.

b) Applying for Grants

If you are applying for a substantial grant (say one worth several thousands of pounds) and the awarding body is "remote" and bureaucratic, or the information required needs a technical expertise you do not possess, then it can help to appoint a consultant. This may be particularly so in the case of applications to European bodies where an expert's knowledge of the processes required could prove invaluable.

In most other circumstances, however, the cost of consultancy probably outweighs its usefulness.

Caution

The history of "grants consultancy" is not a good one! Many so-called experts have proved to be nothing more than opportunists who make false promises in order to extract fees from clients who have been ultimately left "high and dry" with failed grant applications.

If you do decide to appoint consultants or advisers check their track record and verify their claims before you make a binding commitment. NB: There are some schemes which disbar applications being made by any third party on behalf of another business!

8. Frequently Asked Questions

The following are among the most often questions asked:

i) How many schemes are there?

It is just not possible to be exact but the number is large.

The Enterprise Advisory Service main database of grants usually consists of over 3000 different schemes at any one time. However, this does not carry any of the many hundreds of schemes offered by local sources such as local authorities, enterprise agencies, business link, TECs and others.

ii) How can I keep up to date with what's on offer?

There is no easy way to do this with just your own resource. Changes are constantly occurring with schemes being revised, introduced or withdrawn.

We suggest you take up membership of the Enterprise Advisory Service which is the least expensive and most convenient way to keep up to date - that way you will be able to interrogate the database at any time and see which schemes fit any current project.

iii) Who qualifies?

There is no business or industry sector, which is excluded from applying for assistance. There may be restrictions applying to individual schemes but such schemes are in the minority.

Where there are restrictions these are usually in respect of size (normally measured by the size of the payroll) and this nearly always favours the smaller enterprise. If location restrictions apply they will be in favour of one or more of the areas which are specially defined.

iv) What sort of grants is available?

There are many different ways in which industry receives public support. See Section 2 of this document for a listing of the more usual types of schemes.

v) Is it true that manufacturing companies are favoured?

No, not at all. Generally, what a particular company does (whether it be in manufacturing, services, trade or whatever) is much less important than the number of people it employs and its contribution to the local or national economy.

vi) Are grant applications competitive?

In the sense that there is a limited amount of money in the kitty, each application competes with others. Some schemes are more obviously competitive in that the awarding body will state in advance that say, the 50 best proposals received in a period will be successful. However, these types of scheme are not the norm.

There are various Awards schemes in existence however, where the nature of the scheme is to find and reward the best applications, perhaps on a regional and a national basis. Naturally with these types of schemes the number of winners is very limited.

vii) Is the money taxable?

Usually where the grant is in the form of cash it is treated as normal revenue for the business and is therefore subject to tax in the same way as ordinary revenue, after deduction of expenses and allowances. In some cases, elements or particular stages of a grant may attract tax liability.

Schemes which provide assistance in kind (i.e. where no direct cash award is involved) will not normally attract any additional taxation.

viii) Do I need to engage a consultant?

Probably not in most instances. Most awarding bodies now try to make the application process simple and easy to understand and effect.

Only in situations where the application is for a large sum and/or the awarding body is one where the bureaucracy makes dealings difficult should it be necessary to employ professional help.

9. Next Steps

We hope having read this document that you are now more knowledgeable about grants and business support generally.

We suggest you make a start to getting your fair share of the public purse by looking at the current schemes and considering how some may benefit your organisation. We invite you to join the EAS service which includes access 24 hours a day, 7 days per week to our web site. This will allow you to:

Always be aware of the latest grant schemes

Access the web sites of Awarding Bodies directly via hyperlinks direct to the relevant pages which define the schemes in detail

Provide detailed maps of the UK indicating all "special areas"

Have access to our Helpline to answer your questions and queries

In addition to the above benefits, as a member you will also have access to:

Sources of Venture Capital

Business Angels Networks

Direct access to major national and European organisations, which provide peripheral support and information useful to industry

Direct access to European and International databases of current international trade opportunities

A News page to keep you updated with developments in the field of public sector assistance for industry

We wish you luck and look forward to welcoming you as a member

Sincerely

Enterprise Advisory Service

10. The 10 Golden Rules

The assistance provided for enterprise is limited. There are likely to be more applications than can be satisfied by the resources made available. In other words you will be competing for grants against other applicants. You can enhance your chances of success by following the 10 Golden rules:

1. *Keep yourself informed about which grants are available*

You cannot apply for a grant if you are unaware of its existence! Grants are constantly being introduced but there is no system, which lets you know automatically. You have to keep yourself informed.

2. Do not start your Project before you make the Application

If you start a project and then apply for a grant to help complete it your application will certainly fail. Not unreasonably the awarding body will take the view that by starting the project without a grant you must have had sufficient funds to complete it without assistance. Grants are only given for projects, which need them in order to go ahead.

3. Make sure your application is in respect of a Project

Usually, grants are given for specific projects, not for the normal organic growth of a business. If, for example, you need new equipment to launch a product, make sure your application emphasises the Project, not the equipment. State the advantages of the Project's success (for example, it will safeguard or create jobs) and explain that the purchase of the equipment is a pre-requisite for that success.

4. Apply as soon as possible

The chances of a successful application are always highest just after a scheme is launched. That is when there is the most money "in the pot", and it's also the time when those administering the scheme are keenest to get applications in and grants awarded. Competition is likely to be less fierce. Try to keep an eye on new scheme launches and get in early!

5. Write your application proposal to match the Awarding Body's objectives

We don't mean that you should be untruthful or misleading in your application, but it should show your proposals in the best possible light. Make sure you mention the benefits the project will bring. These benefits should fit in with the objectives of the awarding body and the grant scheme itself.

If there are benefits to others, such as the local community, or the country in the form of potential exports, for example, make sure these are included.

6. Use your Imagination!

Again we don't mean you should be untruthful or make things up! By using your imagination we mean you should consider all the consequences of your project. In your mind it may be a project to increase revenue and profits, but that is not the way to make a grant application.

Will you create employment opportunities? Will your staff need retraining? Could you use help in marketing? Are larger premises required? Will the project create export potential? Can you develop the project in a depressed or "special area"? By thinking in these terms you could find you are eligible for several grants.

7. Have a Business Plan

Most grant applications require the submission of a Business Plan. You may have one already written, perhaps to raise bank finance. Alter the Plan slightly to emphasise the project and its importance to your company.

8. *Demonstrate that you cannot proceed without a Grant*

It is a pre-requisite with most schemes that the project be dependent on grant funds in order that it proceeds. This is not unreasonable since those who will donate the monies have a duty to ensure it is spent in the public interest. You will therefore need to show the Project is dependent on the grant being made.

9. *Make sure you have matching funds available*

It is extremely rare for a grant to finance 100% of the costs of any project. Typically nowadays a grant will contribute 15% - 50% of the total finance required. Those making the decision about the grant are spending public money. They have a duty to ensure it is spent wisely and they will need to be absolutely convinced that you have, or can raise from other sources, the balance required.

10. *Talk to the Awarding Body before you apply*

Make personal contact with an individual responsible for administering the scheme.

This has a number of advantages - you will be given advice on whether it is worth while your applying, before you start spending time and money on making the application; you may get some help and advice on completing the application form; you may get an "insight" into how you should shape your application and, finally, as in any business situation it is helpful if you can strike a good personal relationship.

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