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Getting a grant for your business

Securing grant funding could really help your business develop and grow. But even experts can find it difficult to keep track of the hundreds of different grant schemes which keep appearing and then disappearing.

This briefing outlines the kind of grants available to small and medium-sized businesses. It explains the criteria a project must meet to qualify for a grant, and the potential benefits and pitfalls involved in applying.

This briefing covers:

- **Which business activities are most likely to qualify.**
- **Factors that could affect your eligibility.**
- **How to identify grants you may be entitled to.**
- **How to apply.**

1. Be prepared

Do not waste time trying to get a grant unless you are prepared to overcome four potential obstacles first.

1.1 You must be ready to put up some of your own money.

- It is extremely rare for a grant to finance 100 per cent of the costs of any project.
- Grants typically cover 15 to 60 per cent of the total finance required for a project.

Even if a larger proportion of the project cost is available, you will still need to invest time and resources in researching and applying for the grant.

1.2 Grants are usually only available for specified projects. For example, investment in capital equipment and job creation, researching and developing a new product or process, or training programmes.

- The normal, organic process of company development does not usually qualify, however, there may be support for small and medium-sized enterprises that will accelerate investment and job creation.

1.3 You must have a clear project plan.

- You will probably need to show how the project ties in with the strategic direction of your business as outlined in your business plan.

1.4 Grant schemes are for projects that are not already under way, and almost always impose certain restrictions.

- The project must help towards achieving the objectives of the grant provider – usually a department or agency of local, national or European government.

- In most cases, you must be able to show that the project would not take place and achieve the same benefits without the grant.

2. National and regional grants

National and regional grants usually focus on particular business purposes or activities. These themes are:

2.1 Investment – there are regional grants that support growth through capital investment and job creation.

- The location of your business may entitle you to a grant. You may be eligible for a range of targeted grants and support from both the UK Government and the European Commission (EC) if your business is in an economically depressed area, especially if it is one with high unemployment. These areas include those in general industrial decline, those where major traditional industries such as steel, coal, textiles and fishing have collapsed, and some rural and inner-city areas.
- There are several different tiers of funding which reflect both the relative economic needs of different regions, and the size of the enterprise. At present, Cornwall, West Wales and the Valleys get the most support.
- Businesses in areas which receive support may secure SFIE (Selective Financial Investment for England) or Regional Selective Assistance (RSA) in Wales, which provides partial funding towards projects.

2.2 Innovation – there is a wide range of grant schemes that encourage research and development (R&D) activities.

- A comprehensive range of funding is available through Department for Business, Enterprise & Regulatory Reform (BERR) programmes. These can offer support from investigating an idea through to proof of concept and development. Visit www.berr.gov.uk.
- R&D grants that focus on specific industries are periodically launched (eg the Carbon Trust, DEFRA and WRAP have all launched such grants).
- Various EU programmes provide funding to small and medium-sized businesses wanting to take part in EC research framework programmes in the field of science and technology. Visit ec.europa.eu/research/sme-techweb.
- R&D activities can be supported by grants that cover the cost of high-level researchers.

Such schemes can be EU or UK sponsored and can encourage collaboration with academic institutions. There are also tax incentives that support R&D activities.

2.3 Energy and the environment – these schemes recognise the additional cost for businesses that adopt or engage in investments that improve energy efficiency and environmental improvements.

- R&D programmes are available to companies working on developing energy and environmental products.
- Grant schemes may be available for new or refurbished buildings that aim to improve energy use.

Capital allowances are also available to businesses that install energy saving equipment and processes.

2.4 Training.

- Assistance to develop the skills and capability of staff is generally provided through the Learning and Skills Council (www.lsc.gov.uk). Business Link may also be able to assist (www.businesslink.gov.uk).

There are many other grants available (see 4).

3. Other grant areas

Other grants are available depending on the location and type of your business.

3.1 Exports – support is often available to businesses looking to export goods they manufacture.

- UK Trade & Investment offers funding to help exporters, as well as a range of charged-for, but subsidised, services. Contact Business Link (www.businesslink.gov.uk) or UK Trade & Investment (020 7215 5444; www.uktradeinvest.gov.uk).

3.2 Logistics and freight – schemes that promote alternatives to road haulage are often available.

- Where a shift to alternative forms of transport that will have a large and measurable impact on local and national congestion is possible, there may be grants available that address any cost differences.

3.3 Industry specific grants – where local or national schemes target individual industries that need promotion.

- Themes such as rural diversification, crafts, tourism and agriculture have been featured.
- Grants may become available from time to time to address local industry issues so it is worth staying in touch with local authorities and agencies.

3.4 Some local grants are intended to help new businesses and boost employment.

- Local support (eg subsidised rent and rates) is often available to encourage small businesses to start up in particular areas. Look at business and industrial parks that may offer incentives. For hi-tech enterprises examine the benefits presented by science parks (www.ukspa.org.uk) and local incubator centres.

4. Identifying possible grants

There are many different grant schemes in existence. You need to identify the few grants your business or project could be eligible for.

4.1 Contact your local Business Link (0845 600 9 006 www.businesslink.gov.uk) or other business support organisation. Businesslink.gov.uk contains an extensive, free online national grants and support directory which increasingly is being supported at a regional level through a range of additional knowledge bases.

Most Business Links also have access to a European Information Centre and to GRANTfinder, a database which will identify European, national, government and charitable grant schemes. Basic information is usually free.

- Ask for a list of grant schemes (including contact details) your project may qualify for.
- A business adviser will probably be available to help you narrow down the range of schemes.

4.2 Try other sources of free or subsidised information.

- There are a number of free and subscription websites that list available grants.

By answering a few questions you can pinpoint a shortlist of grants for which your project may qualify. Try www.j4bgrants.co.uk, or www.grantnet.com.

- Your bank and your trade association may also be able to offer advice.

4.3 Talk to the administrators of any grant schemes which seem to fit your situation.

These might include:

- The European Commission.

Avoid calling the Commission's main switchboard.

Instead, send an email or phone the section which deals with the scheme you are specifically interested in (http://ec.europa.eu/grants/index_en.htm).

- Government departments, such as the Department for Business, Enterprise and Regulatory Reform (www.berr.gov.uk).
- Business Link, local councils or Regional Development Agencies.

4.4 If necessary, get professional help.

- It is probably worth paying for help to apply for any grants worth £50,000 or more.

- Experts can help you to 'model' your project so that it is more likely to meet the qualifying criteria of the grant.
- Some accountants provide grant services and there are consultants dedicated to securing external funding. Check their experience of successfully obtaining grants for businesses similar to yours.
- Negotiate the fees.

Flat-rate fees may seem less expensive in the first instance, but must be paid even if you do not get a grant. Success-based fees demonstrate that the consultants will share the risk based on their confidence in your project.

5. Making a start

5.1 Make personal contact with an individual involved in administering the scheme.

- You will get advice on whether it is worth applying for.
- You can often get help to complete the application form.

5.2 Find out answers to some basic questions.

- Is the scheme open and when will it close? Will funds be available after the application has been processed?
- When are grants handed out?

Some schemes only pay out money to successful applicants once a year.

- What does the scheme aim to achieve?

It will help to know the type of projects funded in the past.

- How long is the application process, and what does it involve?

5.3 Submit a proposal (see 6).

- This usually involves filling in a form.

5.4 Wait for the decision (see box, page 3).

- If you are awarded a grant after a long delay, and the situation has changed since your initial application, it may be possible to adapt and refine your project idea.

6. The application

Your grant application should not be a work of fiction. But it should show your proposals in the best possible light.

You will need to provide:

6.1 A detailed project description.

6.2 An explanation of the potential benefits the project offers.

- These benefits must fit in with the aims of the grant scheme.
- They might include specific benefits to the local community, to the region, your industry, or to British exports.

6.3 A detailed work plan, indicating who will do what, and by when.

- This should include full costings.

6.4 Details of your own relevant experience and performance.

- Explain how your own background, experience and expertise make success probable.

If there seems to be a significant risk of the project failing, you are unlikely to be given a grant.

7. Grant payments

7.1 Plan your cashflow.

- You might have to wait to be reimbursed, so you may need to make arrangements for a bridging loan.

7.2 Grant money is generally handed over according to an agreed schedule.

Payments may be made:

- In instalments, at fixed periods.
- In arrears, against proof of actual expenditure.
- With some payments up front, and the rest as you meet the stipulated requirements at each stage.

For example, a payment might be conditional on the project employing a certain number of people.

7.3 Keep detailed records.

The grant-providers will want to monitor how the money is being used.

- This may involve visits to your premises, or you may have to visit them to present a report.
- There may be a final audit before you are given the last payment.

Application timescales

Do not expect an immediate decision on a grant application. You may have to wait some time for it to be considered.

A. Local grants, such as those given out by local councils, are usually processed fairly quickly.

- You may have to wait up to six weeks for a decision. Such grants generally involve simple application procedures.

B. National or European grants typically take two to six months to obtain, but can take up to a year.

- You are usually able to submit a relatively simple Stage 1 application in the first instance.

This enables the grant provider to assess whether your project stands a serious chance of being funded.

A Stage 1 application form will only be two to five pages long, but it can take two or three days to prepare, because you must include costings.

- You can then decide whether or not to proceed with a full Stage 2 application.

A Stage 2 form is usually 15 to 25 pages.

Experts' quotes

“Remember to focus on the funding provider's outcomes – they are, after all, looking for solutions to identified problems. Take time to find out what their policy is – this could simply be a mission statement or recommendations from a recent consultation. And make sure your application is the one to spark their interest.”

Rebecca Stark,
GRANTfinder

“With the 2007 changes to 'assisted area' boundaries and wider inclusion for SMEs it is timely to recheck eligibility for grants that support business growth and investment. Equally, with focus on stimulating and encouraging innovation, there is increased support for enterprises that push industry boundaries and seek novel solutions.”

Helen Carr,
PNO Consultants

Expert contributors

Thanks to Rebecca Stark (GRANTfinder, 01909 501200); John Devonald (PNO Consultants, 0161 488 3488).

Further Help

ACCA's advisory website is dedicated to meeting the needs of ACCA members in practice. www.accaglobal.com/advisory contains a wide range of information prepared by qualified accountants and is updated by ACCA's Technical Advisory team.

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