

Grants

At first glance, a grant can appear to be just about the best way of funding your project but it is worth remembering that grants rarely cover the entire cost of the project concerned, they are notoriously difficult to obtain and a good deal of time and effort can be invested even in a failed grant application. It is also worth remembering that many grants are awarded on a 'relative merit' basis where there is a limited amount of funding available and the funds are awarded to the application with the greatest merit. This means that your grant application may meet all of the specified grant criteria but the application may still fail simply because the grant awarding body determine that other applicants have greater merit.

The number, nature and rules of grant schemes change over time, to get an up-to-date view of the potential grants applicable to your project please contact Blue Sky at the earliest opportunity.

By way of examples, a general list of the sort of grants that are commonly available in the West Midlands is set out below but the following typical limitations are drawn to your attention:-

- Grants are rarely available for the total cost of the project – 25% to 50% is more common
- Grants are rarely available for the 'internal' costs of the project (your own wages and salaries) and more commonly apply to external costs only
- As part of the application process it is likely that you will be called upon to show that you need the grant funding to achieve the project and how you will fund the balance of the project cost not covered by the grant. For this reason grants are almost never retrospective and it is wise not to commit to spending on the project until the grant application has been accepted
- Most grants have some form of geographic limitations (i.e. they are targeted at specific often under developed geographic areas) and many grants have other limitations and rules. Given that most grants are hugely oversubscribed, it is our opinion that there is little merit in making an application where your project does not meet these rules
- The greater amount of grant support being sought then (perhaps unsurprisingly) the greater the scrutiny that will be applied to your grant application and the longer the application process will take
- The size of your company (or group of companies) is not usually a barrier to making a grant application but it may affect the amount of the grant available (the larger grant contributions in percentage terms) being reserved for Small to Medium Sized Enterprises (SMEs)
- It is common that grant awards contracts will set out a requirement for future reporting (on the outcome of the project, jobs created etc.) and if you are successful in procuring a grant you need to be aware that you will be expected to observe these reporting requirements for some years after the grant has been spent

Grants for Research & Development

Grant support is often available to encourage businesses to carry out research and development work especially where this will lead to technically innovative products, services or processes. The appetite of the grant awarding body will often be influenced by the nature of the innovation, the likelihood that IPR will result from the project, the risk involved in the project (as a general rule, the greater the technical risk/uncertainty then the better the chance of securing the grant), the commercial prospects for the innovation and the environmental/social benefits of the project.

Grants for Investment

Grant support is sometimes available for capital investment projects (like the investment in new plant & machinery) where it can be shown that this is necessary, unavoidable, that it will enhance productivity and that it will create new or secure full-time skilled jobs in the region concerned. The scrutiny of applications for grants of this type will often consider the economic benefit for the region as a whole (applications which simply displace jobs in other EC regions are discouraged), they will look carefully at the source/availability of the company's funding needed to meet the portion of the project cost that are not covered by the grant, they will

look carefully at the number and type of jobs that will be created by the project and they will look at the commercial justification (sales and profits that will be generated) of the project.

Grants for Investment Readiness

Grant support is sometimes available to contribute towards the costs of expert external assistance needed to make sure that a company is investment ready. This support is often limited to Small to Medium sized Enterprises (SMEs) and will usually contribute a percentage (typically up to 50%) of the cost of expert external assistance procured to assist in the preparation of Business Plans, Investment Proposals and Financial Forecasts etc.



To find out how **Blue Sky Corporate Finance** can help you
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