

ENIAC Joint Undertaking [JU] 2009 Call

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Eligibility cost criteria for UK Collaborators

The ENIAC JU Programme is a European Commission Joint Technology Initiative. This programme is jointly managed by The European Commission and the AENEAS association. It supports research in the Embedded Systems domain with funding from both the European Union and participating EU Member States.

Funding support for participants from these participating states is administered under rules set by these states. The Technology Strategy Board coordinates UK's participation in the ENIAC JU Programme

The Technology Strategy Board and the Engineering and Physical Sciences Research Council are jointly supporting UK participation in the ENIAC JU 2009 call. This document provides guidance for eligible costs for UK applicants seeking funding from the ENIAC JU programme.

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The Technology Strategy Board is a business-led executive non-departmental public body, established by the UK Government. Its mission is to promote and support research into, and development and exploitation of, technology and innovation for the benefit of UK business, in order to increase economic growth and improve the quality of life. www.innovateuk.org

Grant Funding Rates

All successful applicants to the ENIAC JU 2009 competition will receive 16.7% of their eligible costs returned as grant from the ENIAC Joint Undertaking.

The grant from the ENIAC JU forms only part of what is available to UK applicants: an additional budget of **€1.5 million** has been allocated by the Technology Strategy Board and EPSRC, for the sole use of UK applicants to the 2009 competition.

Combining the ENIAC JU and UK grants, and subject to the budget limitation above, successful consortia with UK members will be eligible to receive total grants of up to:

- 75% of eligible costs for Basic Research workpackages in the UK
- 50% of eligible costs for Applied Research workpackages in the UK
- 25% of eligible costs for Experimental Development workpackages in the UK

It is expected that the majority of workpackages under the ENIAC JU programme will be Applied Research.

The UK grant may be shared amongst the UK consortium members in any way, subject to ceilings of:

- 100% of eligible costs for academic collaborators.
- 60% of eligible costs for small and medium-sized enterprises.
- 50% of eligible costs for large companies.

In completing the competition entry documents, the ENIAC JU grant (16.7%) and the UK grant (typically 33.3%) should be detailed separately.

Note that UK Academic collaborators must be accompanied in applications to the ENIAC JU programme by UK industry collaborators. Academic collaborators are also required to identify sources of funding for their entire eligible costs (80%FEC). If the only source of funding is the ENIAC JU programme, then the above rules will require that their UK industrial partners draw less than the ceiling levels of grant.

Definitions of eligible cost categories and further guidance for special categories such as RTOs and micro companies are detailed later in the remainder of this document.

Guidance for Academic Collaborators

Definition of Academic Collaborators

For the purposes of the ENIAC JU Programme, to be considered as an Academic collaborator an organisation must be one of:-

- Universities and similar HEI organisations;
- Government Research Establishments;
- Not-for-profit RTOs:
 - RTOs that are, or that are constituent parts of, a charity registered with the Charities Commission; or
 - Associations that are eligible for exemption from corporation tax under section 508 of the Income and Corporation Taxes Act 1988; or
 - RTOs that are wholly owned subsidiaries of an association approved under section 508 of the Income and Corporation Taxes Act whose articles of association require that all profits are returned (gift-aided) to the section 508 association.

RTOs should refer to the specific RTO guidance provided later in this document.

UK academics from universities and HEIs should only apply if they have previously held EPSRC grants and the application is a continuation of this research programme.

UK Academic collaborators must be accompanied in applications to the ENIAC JU programme by UK industry collaborators.

Eligible Costs for Academic Collaborators

The combination of the UK and ENIAC JU grant programmes will offer Academic collaborators the same levels of support as the UK Research Councils. All academic collaborators must therefore calculate their project costs on the basis of Full Economic Costs (FEC) as defined by the Research Councils. Technology Programme funding for successful projects will be provided at 80% of Full Economic Costs.

The remaining 20% of FEC costs do not constitute a contribution to the project by the academic partner and must **not** be included in any total project costs provided by the academic partner. Further, it is not allowable for any other partner to provide any of that 20% to the academic or indeed for any partner to provide any of the costs of any other partner within their project costs in any way.

Guidance for Industry Collaborators

If an organisation is not classed as an Academic collaborator, it is classed as Industry collaborator.

Eligible Costs for Industry Collaborators

Eligible costs outlined in the ENIAC JU application must include all the costs for the total project, i.e. for all parties/collaborators involved in the project. Funds are paid on the basis of audited actual eligible costs incurred and defrayed.

The following headings show the main eligible costs for UK industry participants in the ENIAC JU programme.

- Labour Costs
- Reasonable Overheads
- Materials Consumed
- Capital Equipment
- Sub-contracts; Consultancy; Fees including Fees for Trial and Testing
- Travel and Subsistence
- Other Costs
 - Training Costs
 - Preparation of Technical Report
 - Market Assessment/ Feasibility Studies
 - Licensing in New Technologies
 - Patent Costs (SME's only)
 - Project Management
 - Software
 - Receipts and Residual Values for Energy Projects
 - Legal and accounting costs
 - Wider Business benefit Activities (WBBA)

Labour Costs - This includes the costs of personnel working directly on the project. You should provide the total man-days effort and cost required for your staff to work on the project, briefly describe the role of each person within the project and provide their gross salary and the total labour effort in man days for each role within the project, together with the total number of working days per year for your organisation (365 days less weekends and holidays etc.). In calculating the labour costs, reasonable overheads can be included. The overheads must exclude the costs of land, buildings, and other operational costs not directly attributable to the project.

Materials Consumed - These will be the materials to be consumed on the project, not included in the overheads, purchased from third parties. Materials supplied by subsidiaries or associated companies should exclude the profit element of the value placed on that material. If waste or scrap material has a significant residual/resale value the figures should reflect this. Foreseen cost increases, such as on specific materials, may be considered by the Programme.

Capital Equipment - You should provide details of capital equipment and tools to be bought or consumed on the project, giving the purchase cost (or value at the start of the project if you already own the equipment), it is expected residual value at the end of the project and utilisation within the project.

Sub-contracts; Consultancy; Fees including Fees for Trial and Testing - You should show any work that is essential to the success of the project where the expertise does not exist in the collaborative group. For example, you may wish to demonstrate that it would not be cost-effective to develop in-house skills for this one project. The same rules governing the use of subsidiaries and associated organisations with regard to supply of materials apply here. Attention will be paid to the size of this contribution when assessing eligibility and level of support.

Travel and Subsistence - You should only include reasonable costs that are justified and will be incurred exclusively for progressing this project. Note that if any general travel and subsistence is included in your overhead calculations, this proportion should be subtracted from the Travel and Subsistence expenditure during the claims process.

Other Costs - Other costs should include costs not accounted for in the above sections. Some examples follow. You should ensure that a case is made for the other costs within your Application Form.

Training Costs - These costs are eligible for support where they are specific to and necessary for the project. The Programme may consider support for management training specific to the project but will not support ongoing training.

Preparation of Technical Report - For example, where the main objective of a project is the support of standards or technology transfer.

Market Assessment/ Feasibility Studies - There is some scope for support, in exceptional circumstances, of "state of the art" studies in areas that will affect the nature and likely outcome of a project. Support may also be given for underpinning research leading to development of a programme, i.e. a suite of projects.

Licensing in New Technologies - Exceptionally, the Programme may consider support where it makes sense to do so, for example, to avoid "reinventing the wheel". Where imported technology makes up a large part of a project (where technology is valued at more than £100,000) then it will be expected that there is development of that technology as part of the project.

Patent Costs (SME's only) - The Programme may support some of the costs of protecting foreground IPR for SME's up to a total of £5,000 per partner.

Project Management - The costs of project management by a 'lead organisation' on behalf of the consortium are eligible and should be included with the labour totals. In cases where management is sub-contracted, a strong case should be made for the necessity and benefits of this approach.

Software - The provision of software licences by collaborators of the project consortium must only reflect the true costs of supplying that software to the project and not the commercial rate, the inclusion of any profit element or the amortisation of previous development costs. The preparation of disks, manuals, installation, customisation, training and lost opportunity costs may be eligible.

Receipts and Residual Values for Energy Projects - Receipts from electricity generation and residual values of prototype plant will be addressed by the Programme under standard Treasury rules whereby a proportion of the revenue or

displaced electricity costs will be recovered and a discounted residual value of a generating plant will be calculated similarly.

Legal and accounting costs - The legal costs of setting up the project or the collaboration and costs associated in conducting audits or making grant claims are ineligible and must not be included as an 'Other Cost'.

Wider Business benefit Activities (WBBA) - RTOs may include WBBA costs which can attract up to 100% funding. Note that this is only available to RTO collaborators that satisfy that definition and only their WBBA costs can attract this level of funding.

Ineligible Project Costs

The following costs are ineligible and should be excluded from any part of the project costs and any overhead calculations.

- Input VAT.
- Interest charges, bad debts, profits, advertising, entertaining.
- Hire purchase interest and any associated service charges.
- Advertising and marketing costs or activities.
- Profit earned by a subsidiary or by an associate undertaking work sub-contracted out under the project.
- Inflation and contingency allowances expressed as an overall arbitrary percentage, additional to eligible costs. However, reasonable inflation rates can be included in labour and material cost estimates.
- The value of existing assets such as IPR, data, software programmes and other exploitable assets that any of the collaborators contribute towards the project.
- Project audit or legal fees.
- Any of the remaining 20% of FEC costs from academic collaborators.

Guidance for Sole Traders, Partnerships and Micro Companies.

For UK participants in the ENIAC Programme, there are additional conditions for sole traders, partnerships and micro-companies with fewer than 10 employees.

Sole Traders, Partnerships and Micro-Companies

The Technology Strategy Board and recognise that very small organisations can be the source of important innovation and valuable expertise and welcome their involvement within ENIAC JU Programme projects where they can add value without creating undue risk for the project or themselves, and are capable of exploiting the results of the project. To reduce the risks and to satisfy the funders that the projects are not being used as a revenue generating exercise for the micro-organisations, the following guidelines have been developed to regulate their involvement.

Strictly for the purposes of the ENIAC JU Programme - these very small organisations (micro-organisations) are defined as sole proprietorships, partnerships and limited companies with fewer than 10 employees. The guidance within this note and the Terms and Conditions stipulated herein are applicable to all JU Technology projects, regardless of the source of grant funding. They do not set precedents beyond the current competitions or the ENIAC JU Technology Programme.

Participation

There are several ways that micro-organisations can actively participate in the ENIAC JU Programme. They can participate in projects as subcontractors and charge a commercial rate to the project. If they operate in this manner, they will not normally be party to the collaboration agreement, and so not of right receive any long term benefit from the project outcomes, such as any share of intellectual property or beneficial ownership or use.

Micro-organisations may alternatively participate in projects as collaborators (subject to the financial criteria below). In this case they would need to be party to the collaboration agreement and to carry out exploitation of the results under the terms of the standard offer letter.

Only in very exceptional circumstances and with the prior approval of the ENIAC JU Programme, should a micro-organisation be the lead partner of a project.

Conditions of Participation

Like all industrial participants of the ENIAC JU Technology Programme, micro-organisations should only be involved in a project if it extends their research and development activities beyond what they would normally be carrying out and if the outcomes of the project are beneficial to, and exploitable by, them. The ENIAC JU Programme projects are not a revenue generating activity and grants can only be paid against real costs incurred and defrayed against the project in question. All costs will be subject to an audit as outlined in the project's offer letter.

In order to participate therefore, micro-organisations must show additional trading activity or sources of additional finance to support their participation in the project of at least the same value as their total project costs (including any grant sought).

Sole Traders and Partnerships

In order to participate, sole traders and partnerships must have been trading for at least 12 months.

They must be VAT registered (Flat Rate Scheme is acceptable) and maintain up to date “books” or management accounts sufficient to generate a Profit and Loss account.

They must be able to show revenue generation from commercial operations for the previous 12 months of at least the same value as their total projected annual costs of participation in the ENIAC JU Technology Programme. This revenue total should not include grant income from this or any other project but could include sub-contract fees from a project that it is not participating in as a collaborator, or work carried out for public sector organisations on a commercial or contractual basis.

At the end of each project year, they must supply a letter from their accountant to verify that revenue generation from commercial operations outside of the project continues to satisfy the requirement of being at least equal to their total eligible project costs. Copies of VAT returns may be used as evidence. Should this revenue drop below the above threshold, the ENIAC JU Technology Programme may withdraw support for the organisation and encourage the project to source the contribution elsewhere.

Limited Companies with fewer than 10 employees

Very small companies are treated as normal industry collaborators. Their inclusion in this guidance is intended to clarify a number of accounting and cost issues and to set minimum revenue thresholds to ensure the viability of their participation and ability to exploit the results of the project.

Micro-companies must be able to show how the balance of the project costs will be funded. This can be through revenue generation from commercial operations or from financing operations such as equity investment or loans. This revenue total should not include grant income from any other project but could include sub-contract fees from a project that it is not participating in as a collaborator, or work carried out for public sector organisations on a commercial or contractual basis. Non project related annual revenue, reserves, loans and investment must be at least that of their total eligible annual costs of the project (including any grant sought).

At the end of each project year, the micro-company must supply a letter from their accountant to verify that revenue generation from commercial operations, reserves, loans and investment outside of the project continue to satisfy the requirement of being at least that of their eligible project costs. Should this revenue drop below the threshold, the ENIAC JU Technology Programme may withdraw support for the organisation and encourage the project to source the contribution elsewhere.

Labour rates can only be calculated on the basis of salaries actually paid out. Remuneration through profit related pay, dividends, shares, share options or any form of good-will contribution to the company is not a direct cost and cannot be included in the calculation of labour rates. For example, companies that pay directors a salary of £5k and use dividend payments for the remainder of the remuneration package (for personal tax liability reasons) can only include a daily labour rate based on the £5k salary (i.e. £22 per day).

Guidance for Research and Technology Organisations

Research and Technology Organisations (RTOs) can operate as either industry partners or academic partners within ENIAC JU projects.

In addition, there are certain functions that an RTO can undertake that are deemed to be for the benefit of the wider community as a whole.

This Section addresses the implications of these roles for RTOs and overall project funding within the context of the ENIAC JU Programme.

RTOs as academic partners

An RTO is considered to be operating as an academic partner if the organisation satisfies the legal definitions of the tax rule 508 regarding exempt organisations and the work it is contributing towards the project is essentially academic in nature, i.e. is providing high quality research input to the project rather than product or system development. RTOs wishing to be considered as capable of producing academic quality work need to be registered with RCUK as eligible to submit a Je-S Application Form

All academic partners, and therefore an RTO meeting the requirements in the previous point, must calculate their eligible project costs on the basis of Full Economic Costs (FEC) as defined by the Research Councils. ENIAC JU Programme funding for successful projects will be provided at 80% of Full Economic Costs. The remaining 20% FEC costs do not constitute a contribution to the project by the academic partner / RTO and must not be included in any total project cost calculations or other financial information provided. RTOs in this category must use Je-S to submit their financial information.

In calculating its Full Economic Costs, an RTO is not obliged to use the TRAC methodology to calculate its indirect and estate costs. An RTO that has not had its FEC costing methodology and systems validated by the Research Councils can use the default figures available on the Higher Education Funding Council's website at <http://www.hefce.ac.uk/finance/fundinghe/TransparencyReview/>.

The Technology Strategy Board will need to be satisfied that the work is genuinely academic in standard and nature. This justification should be clearly made by the UK applicants within the ENIAC JU application.

RTOs as industry partners

An RTO is considered to be operating as an industry partner if the organisation does not satisfy the legal definitions of a rule 508 exempt organisation or the work it is contributing to the project is not essentially academic in nature.

Funding for industry partners must not exceed 50% of their eligible project costs, or 60% if they are classified as an SME.

Wider Business Benefit Activities

An RTO operating as an industry partner might undertake activities within the project that are considered beneficial to the community at large or to wider industrial/technology sectors. These activities may be funded at a rate higher than

50% (or 60% for SMEs) of the eligible costs. However this normally applies only to non-profit organisations and the RTO will need to supply compelling evidence of its ability to engage wider communities in a non-commercial and non intellectual property generating manner.

These activities are expected to constitute less than 10% of the overall project activities.

The Technology Strategy Board will discuss these activities with the RTO to determine the appropriate funding level. The RTO should therefore contact the Programme well in advance of the deadline for the submission of applications to ensure that appropriate funding levels are agreed before the application is submitted.

The Technology Strategy Board will need to be satisfied that the work is genuinely of a wider benefit and is above and beyond the dissemination that would normally be expected of an ENIAC JU project. This justification should be clearly made by UK participants within the ENIAC JU application.