



IEEA Common Challenges and Key Information - FAQs

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The following document provides information on common challenges that applicants face when preparing applications to the BEIS IEEA. Please note that the below is only a reference guide and is not a replacement for the full [IEEA guidance note](#).

1. How much funding might I be eligible for?

Projects will typically be eligible for grant awards between £150,000 and £1 million. There is scope for a small number of exceptional projects to receive more than £1 million, where significant cross sector carbon savings are expected. In addition, there is scope for a small number of smaller projects to be awarded less than £150,000, where they can demonstrate sufficient carbon saving impact.

Maximum funding intensities towards eligible costs are shown below but note that these amounts are not guaranteed, and the actual amount offered will be decided on a case-by-case basis.

Private sector organisations are eligible for different funding intensities dependent on the type of research and the sizes of organisations involved.

Research category	Size of enterprise	Maximum amount of funding towards eligible project costs	
		Single business applications	Collaborative applications
Industrial Research	Small/micro	70%	80%
	Medium	60%	75%
	Large	50%	65%
Experimental Development	Small/micro	45%	60%
	Medium	35%	50%
	Large	25%	40%

- The definitions of industrial research, experimental development and collaboration can be found in the IEEA guidance notes (section 4.6) and below.
- It is possible for a project to include a mixture of both industrial research and experimental development, with the funding intensity calculated on a pro rata basis. However, as the IEEA is focused on collaborative demonstration of technology leading to commercialisation, it is expected that the majority of the activity will be experimental development.

Universities and research organisations may be funded up to 80% of eligible costs.

- Where consortium partners are universities, or not-for-profit research and technology organisations (RTOs), their activities may be funded at up to 80% or 100% of full economic costs respectively, as long as the activities are considered to be “non-economic” activity. These include activities which couldn’t be tendered and delivered by private sector organisations, and where the results will be disseminated widely (e.g., by way of teaching, publication or knowledge transfer).
- Where universities and RTOs are undertaking tasks which are not considered to be non-economic activity, then the normal funding intensities shown above apply, based on the size of organisation and type of research.

- Eligibility for collaboration uplift for this competition is the same as eligibility for collaboration uplift within EU state aid rules defined in the GBER: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0651-20170710&from=EN> – Article 25, section 6b.

2. What is the difference between industrial research and experimental development?

Industrial Research vs. Experimental Development – It is essential that applicants explicitly state and define if individual activities within their projects constitute **Industrial Research** or **Experimental Development** (see section 4.6 of the IEEA Guidance Note).

- It is possible to have a mixture of industrial research and experimental development, with different classifications by work package, and funding intensity calculated accordingly. However, as the IEEA is focused on collaborative technology demonstration leading to commercialisation - **experimental development is expected to be the majority of the activity.**
- **Industrial Research** - ‘The planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services.’
- **Industrial research activities can include but are not limited to:**
 - o The creation of component parts of complex systems
 - o Construction of prototypes in a laboratory environment / environment with simulated interfaces to existing systems
 - o Trialling short manufacturing runs (pilot lines) when necessary for the industrial research and notably for generic technology validation.
- **Experimental Development** - ‘Acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services.’
- **Experimental development activities can include but are not limited to:**
 - o Prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real-life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set.
- Applications that incorrectly assign activities to industrial research or experimental development will not be automatically disqualified. However, should the application be successful, you may be asked to justify your assignment of activity types or reassign activity type which could result in a change in the total project funding.

3. How do you qualify as a collaborative application?

- To benefit from the Collaborative Application grant funding intensities shown in the table in Question 1, one of the following conditions must be satisfied:
 - o The project involves effective collaboration between organisations among which at least one is medium, small or micro sized, and no one organisation accounts for more than **70% of total eligible project costs**.
 - o If one partner will incur >70% of the total eligible costs, the results of the project will be widely disseminated through conferences, publication, open access repositories, or free or open-source software. If collaborative uplift is being sought, **strong justification and details must be provided on how results will be widely disseminated**.
 - o the project involves effective collaboration between an undertaking and one or more research and technology organisations, where the latter bears at least 10 % of the total eligible project costs and have the right to publish their own research results, and no single undertaking bears more than 70 % of the total eligible project costs.
- University partners undertaking non-economic activity may claim up to 80% of their costs. Other research organisations may claim up to 100% of eligible costs in the application. Please see section 4.7 of the guidance note for further details.
- Applications that claim public funding above the percentages above the allowable values will not be automatically disqualified. However, should the application be successful, you will be asked to justify your funding intensities and may need to reassign funding which could result in a change in the total project funding.

4. In a consortium arrangement, how should costs be appropriately allocated between partners?

Cost allocations must be made so that appropriate funding intensities are used.

- Where the consortium members are different size organisations, each party must claim an appropriate funding intensity against their costs. Costs are typically allocated to the organisation incurring the cost. The exception to this is for equipment costs, where the funding intensity claimed should normally be based on the eligible funding intensity for the organisation that will retain the equipment at the end of the project.
- **Example:** Consider a project where a technology developer (TD) purchases a heat exchanger, incorporates this into a wider system, then installs the system at an industrial company's site. If the industry company keeps the system at the end of the project, then **EITHER** this cost must be allocated to the industry company **OR** if the cost is allocated to the TD, they should claim the eligible funding intensity of the industrial company. If the TD is expected to retain the equipment at the end of the project, then the eligible funding intensity for the TD should be used.

5. How are overheads calculated?

- BEIS calculate overheads as a fixed percentage of all direct labour costs and will not normally pay overheads above 20%, unless **robust justification for 20% being surpassed has been provided**. The overhead rate is agreed with BEIS before the Grant Offer Letter is issued and cannot be changed during the work.
- If a rate of >20% is claimed, applicants should provide supporting data and calculations which explain how the overhead rate is derived, and how the overheads relate to the delivery of this project.
- Universities and RTOs should provide a calculation to show how their overheads have been determined or alternatively a statement from the university declaring the agreed overhead rate used for Government grant funded work (as used, for example, for Innovate UK funding applications made through the Je-S system, using the TRAC methodology).
- Applications that claim overhead values that are not in line with the above guidance and are not sufficiently justified will not be automatically disqualified. However, should the application be successful, you will be asked to justify your overheads and may need to recalculate these which could result in a change in the total project funding.

6. Can match funding from my organisation include an “in kind” contribution?

- Match funding needs to be demonstrated by a transfer of money. Staff time is acceptable as the staff are paid for their time and therefore money has changed hands in respect of the staff time.
- In-kind contributions, i.e., where a good or service is gifted to the project as opposed to money, is difficult to assign a value to. Hence this type of contribution is not eligible as match funding and should be avoided.

7. What are common mistakes when allocation and justifying costs?

- **Materials & Consumables Costs vs. Capital Equipment Costs** – Applicants should take care to appropriately assign costs to either of these categories.
 - o Applications where assessor believe costs may have been inappropriately assigned costs to either category will not result in an automatic disqualification. However, should the application be successful, you may be asked to justify the cost category of items and may need to reassign these which could result in a change in the total project funding. This is particularly important when costs move from Materials & Consumables Costs to Capital Equipment Costs as depreciation will need to be applied.

General Justification of Costs – A common cause of clarifications on applications is on the justification of costs.

- Any additional costs that are listed for non-lead partners and subcontractors, even if not claimed for, should have detailed justification provided and an explanation for this costing in the relevant boxes in the finance form.
- For labour costs, day rates specified **must** be actual day cost rates. Justification and evidence for these figures must be given.

8. What are common questions around eligibility of costs?

- Costs associated with **IP** must be sufficiently explained, especially with higher amounts claimed. Costs associated with patent filing are not eligible.
- Any costs regarding **legal** expenditure must be clarified, and sufficient justification of their relevance to the project must be given.
- Costs attributed to **business development and sales** are not eligible. Any other costs associated with marketing must have a thorough breakdown in the finance form.
- The IEEA is not able to fund customer visits and meetings where they relate to business development and sales. Exhibition costs for demonstration projects may not be eligible depending on their purpose, for example if they relate mainly to business development and sales.

9. Can materials and equipment be transferred between consortium partners?

Yes – but not for a profit.

- It is not permissible for a consortium partner to profit from supplying equipment or materials or consultancy to any other consortium partner. Such transfers should be at cost.
- Equipment, materials and consultancy provided by third party suppliers (i.e., not project participants) can be purchased at market rates. The IEEA partner should ensure that the cost is competitive (e.g., through competitive tendering) and good value for money.

10. How does depreciation affect the costs that can be claimed for capital items?

Grants can only be paid against the amount by which capital items depreciate (during the project)

- For capital items purchased during IEEA projects, the grant is only payable against the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered as eligible - not the full capital cost.
- Different companies will have different approaches to depreciation. For example, in some cases, the depreciation over the life of the product could be considered as the purchase price minus the net

realisable value (NRV) at the end of project. The NRV could take into account factors such as how much the equipment could be sold for at the end of the project, costs for decommissioning, costs of transportation away from the demonstration site etc.

- We will normally require the accounting team of the ultimate owner of the equipment to declare the estimated depreciation and expected NRV of the equipment, to confirm the grant funding.
- Where the NRV is predicted to be zero or minimal, the applicant should provide a justification for this.

11. How do I calculate direct staff costs and day rates?

It is essential not to include non-eligible costs as part of your staff cost and day rate calculations.

- The day rates shown in the IEEA financial proposal spreadsheet should be the actual direct staff costs for each planned staff member working on the project (e.g., engineers, project managers, technicians, etc.).
- Calculate direct (gross) project labour costs based on your PAYE records. These may include gross salary, National Insurance (NI), company pension contribution, life insurance or other non-discretionary package costs.
- The following costs are not eligible for inclusion:
 - o discretionary bonuses or performance related payments of any kind
 - o time spent not working directly on the project (e.g., sick, non-productive time or training)
 - o dividend payments
 - o forecasted pay increases
- Day rates should be based on the direct costs of employing staff and should not include overheads. Overheads are listed separately (see section below). Day rates should not include any element of profit.
- **Consultancy charge-out rates should not be used.**
- To calculate the day rate:
 - o Day rate for particular grade/role = Direct (gross) annual employment cost (salary, NI, pension etc) for that role ÷ number of staff working days per year (usually 260 days minus your organisation's annual leave entitlement and bank holidays)
 - o Note that only time directly allocated to the IEEA project can be claimed (at the relevant funding intensity), and staff will need to keep timesheets to record time worked on the project.