

Post Award Funding Guidance

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Post Award Guidance

What happens if you are successful

Project Set up

You must complete project set up before your project can start and any costs can be claimed. Project set up includes:

- Completion of new customer set up form (to be provided by the PACE team) Provide name and email addresses for your project team as well as a finance contact
- Provide bank details and any other financial information as requested. Please note we can only pay funds to a business account that has the same name as your organisation in the application.

Project Award Agreement

Successful applicants will be provided with a copy of the template Project Award Agreement. This is the legal agreement that will need to be entered into and fully signed by all parties before work can commence on the project. Only eligible costs incurred from the start date of the project listed in the fully signed agreement will be paid.

Claims

The Lead Recipient is responsible for submission of claims and quarterly forecasts. Funding will be paid to the Lead Recipient who is responsible for onward distribution of funding to any co-applicants.

Costs are only eligible if they are incurred and paid between the project start and end date. The permitted expenditure guidance that was shared by PACE R&D advisors at full application stage is attached to this document as Appendix 1.

Claims must be made quarterly in arrears, based on actual costs incurred and defrayed. Only items that have been paid for (i.e. funds have left the bank account) can be claimed in any given quarter. For example if you receive an invoice for goods in Q1 but the payment did not leave your bank account until Q2, the cost must be claimed from PACE in Q2.

A claims template will be provided to you by PACE which should be completed every quarter. The template will ask for details of the actual costs incurred for the current claim period as well as an updated forecast for the duration of the project. You will need to provide commentary on any variance to the previous forecast for the current quarter claim as well as the overall project forecast.

The claims template must be submitted via email to Finance@paceamr.org.uk within 30 days of the period end. Alongside the claims template you will also need to upload copies of all invoices, receipts, evidence to support payroll costs and any audit reports to the data sharing platform. (Access to the data sharing platform will be granted to you by the PACE team during the project set up phase).

Claims will only be paid on submission of an Independent Accountant Report "IAR" at the appropriate intervals as described in the Project Award Agreement (see IAR section for further information).

Awards are made subject to successful completion of milestones, see Milestone Completion section for further details.

Forecast and Variance Analysis

Every quarter on submission of a claim, an updated forecast must be provided. Recipients will be required to provide commentary on any deviation to the previously submitted forecast for the preceding quarter, as well as an explain for any deviation to the overall budget or forecast underspends.

Please note that virement/ transfer between different cost category headings is not permitted without prior written permission.

Milestone Completion

A number of milestones will be written into the project plan and form part of the Project Award Agreement. Payment of the grant is subject to successful completion of each milestone. Eligible costs will be honoured up to the point of a formal stop decision being notified to the recipient. Costs claimed must not exceed the agreed budget for each milestone. Any costs incurred after formal notification of a stop decision will not be paid.

Work can only be done on one milestone at a time (unless otherwise advised by the PACE team). A milestone progress meeting will be held with the PACE team who will assess whether the milestone has been successfully completed and a stop/go decision will be made. Only once a Recipient has been notified that a milestone has been completed successfully, can work begin on the next milestone (unless specifically authorised to do so in writing by the PACE team). Any costs incurred in relation to a milestone which a Recipient has not yet been instructed to start work on will not be paid.

Independent Accountant Report “IAR”

A requirement of PACE funding is that the Lead Recipient must appoint a qualified Independent Accountant to inspect it's financial statements and records relating to the award. The Independent Accountant will prepare an Independent Accountant's Report “IAR” which must be submitted alongside other claim documents. The intervals at which an IAR is required is set out in the table below:

INTERVALS FOR SUBMISSION OF ACCOUNTANT'S REPORTS				
Size of Award received by Recipient	Report required with all claims	Report required <u>with</u> : first claim of value; upon each anniversary; and last claim	Report required with first claim of value and last claims only	Report required with last claim only
Awards in <u>excess</u> of £2,000,000 (or in special circumstances)	Yes			
Awards between £500,000 and £2,000,000		Yes		
Awards between £100,00 and £499,999			Yes	
Awards between £50,001 and £99,999				Yes
Awards of £50,000 and under				Formal report replaced by Statement of <u>Expenditure</u> , including eligible costs incurred and defrayed, signed by a Director of the named participant

A "Terms of Engagement" template will be provided to recipients which can be used when instructing Independent Accountants. This outlines the scope of the accountant's work and the form of the report required. It is the responsibility of the Recipient to arrange the audit, liaise with the Independent Accountant and provide them with all relevant evidence. The PACE team will not have any involvement during this process.

The cost of appointing an Independent Accountant to complete the required reports **is not** a permitted cost on the grant and must be funded by the Recipients themselves.

Once the Independent Accountant has provided the Recipient with the Independent Accountant Report (IAR), it is the responsibility of the recipient to upload the report to the data sharing platform alongside the other documentary evidence needed for submission of a claim. Any claim received without an IAR at the relevant interval will not be paid.

Claims – Value Added Tax (VAT)/International Sales Tax

- For UK companies registered for VAT – all project costs claimed from PACE should be exclusive of VAT. It is the responsibility of the recipient to recover any VAT through their organisations VAT returns.
- For UK companies not registered for VAT – project costs claimed from PACE can be inclusive of VAT.
- For companies outside of the UK – project costs claimed from PACE can be inclusive of VAT or relevant international sales tax where applicable, unless the organisation is registered to recover VAT in the UK.

Please note that the budget awarded in your Project Award Agreement is inclusive of any VAT costs and will not be increased.

Payment of the grant

Once your claim has been approved by the PACE team, payment will be made into your nominated business bank account within 14 days. Payment will be made to the Lead Recipient who is responsible for distributing funding to any Co-Applicants.

Change requests

Any changes proposed by the Recipient to the project plan, milestones, budget or project dates must be agreed in writing by [MDC](#). A change request form must be completed which details the proposed changes and justification. The template form will be provided to you at the Project Kick-off meeting. A decision on the change request will be made by the PACE team and notified to you in writing. If a change request is approved that changes the terms of the Project Award Agreement, a formal variation to agreement may be required.

Final Report

Final scientific and finance reports shall be submitted by the Recipient upon completion of the project within 45 days of the project end. The final report should include the details outlined in the Project Award Agreement such as financial information, activities carried out, findings and conclusions arising, impact and any resulting IP. A template document and guidance will be provided.

The last grant payment associated with the final claim will not be released until all final scientific and financial reports have been received.

Appendix 1 – Permitted Costs Guidance

Summary

- Project costs will be funded at 100% of direct costs only.
- Indirect (administration) overheads and estates costs will not be funded and are not a permitted cost for this funding call.
- Independent Auditor or Accounting Reports (IAR's) are a requirement of PACE funding, however the cost of this is not permitted and cannot be claimed from the grant. (See IAR threshold table for details on when an audit is required. Further information will also be provided in the Project Award Agreement).
- Virement/transfer of costs between cost category headings is not permitted without prior written consent.
- The purchase of equipment less than £8,333.33 excluding VAT or equivalent foreign sales tax is classed as materials and is permitted.
- The purchase of equipment more than £8,333.33 excluding VAT or equivalent foreign sales tax is classed as capital equipment and not permitted for this funding call.
- The definition of Small and Medium Enterprises (SME) for the purposes of PACE is:
- Micro-entity – At least two of; i) The average number of employees must not be more than 10 ii) turnover not more than £632,000 or equivalent foreign currency and/or iii) balance sheet total not more than £316,000 or equivalent foreign currency.
- Small enterprise – At least two of; i) Not more than 50 employees ii) annual turnover not more than £10.2 million or equivalent foreign currency and/or iii) balance sheet total not more than £3.26 million or equivalent foreign currency.
- Medium enterprise – At least two of; i) Not more than 250 employees ii) annual turnover not more than £36 million or equivalent foreign currency and/or iii) balance sheet total not more than £18 million or equivalent foreign currency.

Category I1. Labour Costs

This section asks for details of employed staff working directly on the project. All listed staff should be on your payroll and subject to PAYE if UK based. If you are a UK micro company, sole trader or partnership not running PAYE, go to the 'Micro companies, sole traders and partnerships not operating a PAYE scheme' section.

Note: you may be required to supply employee information in the event of an audit or assurance review on costs being claimed for individuals.

We need to establish the day rate for the role or roles of each person working on the project. This is calculated by the number of working days per year less bank/public holidays and your organisation's annual leave entitlement.

We also need to understand the length of time your organisation will be working on the project. This is not necessarily the length of the total project, as your organisation's involvement may only be for a defined period of time.

You can include direct staff (such as scientists and project managers) as well as any indirect, back-office staff who are identified to be directly supporting the project activities (such as budgeting, project reporting and recruiting).

For UK based applicants the gross employee costs should be calculated based on your PAYE records. They should include gross salary, employer's National Insurance (NI), company pension contribution, life insurance and other non-discretionary package costs.

For international applicants the gross employee costs should include the cost to the company of gross salary, employer's social security contributions, employer's pension contributions and any other non-discretionary package costs incurred by the employer.

Labour costs not permitted include:

- use of blended labour rates inclusive of overheads
- discretionary bonuses or performance related payments of any kind
- time spent not working directly on the project (for example sick, non-productive time or training days and maternity pay)
- overtime or time off in lieu
- dividend payments
- forecasted pay increases
- apprenticeship levy for UK based applicants
- Redundancy or severance payments

If an employee is part-time you should enter their costs as full-time equivalent. You should enter the number of staff at each grade.

Claims must be for actual costs incurred and paid.

All claims will need supporting documentation for the individuals allocated to and working on the project. When making grant claims against labour costs, actual costs claimed must be supported with either timesheets, project records or both, for those individuals who have worked on the project.

Micro companies, sole traders and partnerships not operating a PAYE scheme (UK based entities only)

If you do not currently operate a company PAYE scheme and are working directly on the project, you can include your labour as a permitted cost. This should be in line with the PACE funding rules and is subject to the following conditions:

- your labour costs must be calculated using a maximum of eight hours per day (at £22 per hour), up to 40 hours per week
- your costs must be recorded through the business accounts
- your project time must be supported by timesheets and project records

Any claims for grant awarded must comply with these criteria.

Category I2. Overheads

Not a permitted cost for this funding call

Costs not permitted include:

- Indirect (administration) overhead costs
- Estates costs

Category I3. Materials

The costs of materials to be used directly on your project are permitted costs if they are purchased from third parties. If the material has a residual or resale value at the end of your project, costs should be reduced accordingly.

If you are using materials supplied by associated companies or subcontracted from other consortium members, these must be listed at cost excluding any profit element or margin.

Software that you have bought specifically for use during your project should be included in this cost category. If you or a consortium partner already own software that will be used in the project, you may only claim the additional costs incurred and paid between the start and end of your project.

Examples of costs that may be permitted are those related to the preparation of disks, manuals, installation, training or customisation. Costs should be split between their component parts and allocated to the appropriate cost category.

Category I4. Capital usage

You can claim the usage costs of capital assets providing they meet the following criteria:

- they have a useful life of at least one year
- they are stand-alone, clearly definable and moveable
- they conform to your organisation's capitalisation policy, as per your organisation's published accounts

Please calculate the usage value for all equipment and tools bought for use on your project with the following calculation:

- original purchase price (excluding VAT or equivalent foreign sales tax) divided by depreciation period in months (as per your current capitalisation policy) equals monthly depreciation charge
- project capital usage cost equals (monthly depreciation charge multiplied by number of project months) multiplied by percentage of time used on project

Case study

An enterprise has a capital item with an original purchase price of £305,000. Their accounting policy states the cost would be depreciated over four years. This item is to be used on the project for 15 months for 15% of the time only.

The calculation for the direct project-related costs of this item would be: £305,000 divided by 48 months equals £6,354. Therefore, the cost to the project should be £6,354 multiplied by 15 project months. Applying 15% utilisation would equal £14,296.

Category I5. Sub-Contracts

You can claim costs relating to work carried out by third-party organisations or external consultants that are not part of your project team. The work must:

- be essential to the success of your project
- involve expertise that does not exist within the project team
- involve skills that it is not practical to develop in-house for your project

You should name the subcontractor (where known) and describe what the subcontractor will be doing and where the work will be undertaken. Their role and engagement will need to be fully justified within your application.

Any work supplied by associated companies should be charged at cost. If your organisation is registered in the UK, where subcontractors are non-UK based, please justify why you are unable to use a UK alternative.

There may be exceptional circumstances where a co-applicant can also be a subcontractor within a project. In these circumstances a full explanation must be given as to why this option has been chosen over claiming the costs within the relevant applicant/co-applicant organisation's own application.

Subcontract services supplied by co-applicant companies should exclude any profit element and be charged at cost. Where a co-applicant is also a subcontractor within a project, it is important that a company in receipt of the project funding stays within subsidy control limits.

Any change to the original subcontractor table occurring during live projects must be raised with your R&D advisor. Any change to the budget must be approved via a change request per the process defined in the project award agreement.

Category 16. Travel & Subsistence

You can claim reasonable travel and subsistence costs for those individuals identified in the labour category. Costs must be necessary and incurred exclusively for the progression of your project. Travel costs must be at economy, best value for money, travel only. Environmental issues should also be considered when travelling i.e use of train not air and car where possible.

For UK based entities see the <https://www.gov.uk/expenses-and-benefits-travel> for HMRC guidance and <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30200> for the [HMRC employment income manual](#) for more information.

You should provide details and the purpose for the expenditure, including the number of staff involved and mode of transport.

Separate the types of travel on separate lines, for example:

- car mileage (at 45p per mile)
- flight ticket
- taxi
- hotel accommodation (with breakfast included in price)

Costs not permitted include:

- purchase of fuel
- first-class travel
- entertainment or marketing
- visas
- unreasonable food costs (overnight stay). The maximum amounts that can be claimed from the grant as are follows:

- i) £15 for breakfast where not included in the cost of accommodation
- ii) £15 lunch including one non-alcoholic drink
- lii) £30 for dinner including one non-alcoholic drink

Category 17. Other Costs

This category can be used for any direct project costs which are not covered in the previous cost categories. See examples of other costs below (this list is not exhaustive).

Preparation of technical reports

Project costs related to technical reports may be eligible, for example, where the main aim of your project is the support of standards or technology transfer. You should show how this report is above and beyond what good project management would produce.

Market assessment

Some support of market assessment studies is eligible to help understand how your project results are applicable to the intended market. You must demonstrate that these costs are essential to meet the scope of the competition. Any direct sales activity costs are ineligible.

Licensing in new technologies

We may consider support where we deem it makes sense to do so, for example, to avoid 'reinventing the wheel'. If imported technology makes up a large part of your project (which is technology valued at more than £100,000), we expect the development of that technology as part of your project.

Regulatory compliance

Regulatory compliance costs are eligible where they can be justified and shown to be necessary to deliver your project.

Costs not permitted include:

- Preparing, filing or maintaining of Intellectual Property (IP)
- Any other legal costs associated with Intellectual Property (IP)