

GRANT UPDATE



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Happy New Year! There has been a huge amount of press comment and debate recently regarding the UK's poor productivity and low capital investment rate compared to the G7 and other EU countries. In our Winter Grant Update our focus is therefore on government support into research, development and innovation in an attempt to boost productivity. On the same theme, we highlight support for manufacturers in West and East Midlands, and feature two new schemes to help accelerate innovation in Cornwall's SMEs. In addition, for businesses in Bath, Bristol, NE Somerset and West Midlands, support is available to assist with the installation of full fibre connectivity.

Innovation Support for the UK Productivity Gap

"Productivity isn't everything, but in the long run it is almost everything," said Paul Krugman, the Nobel Prize-winning economist, in 1994.

Productivity – the amount the average worker produces in an hour – has stopped rising in the UK since the start of the financial crisis. UK output per hour is now approximately equal to 2007 levels and is nearly 20% below the G7 average. It takes a German or French worker four days to make what takes us a week and business investment into plant and equipment relative to GDP is less than any G7 or EU country (9.6% in 2016).

Directly linked to the gap in productivity, spending on research and development (R&D) is also well below our European counterparts – 1.7% of GDP compared to 3% in Germany. Alarm bells have been ringing in Westminster for some time now and in November 2016 the Chancellor announced the formation of a £23 billion National Productivity & Innovation Fund to help address the issue. In the November 2017 Budget, Mr Hammond increased the Fund's size to £31 billion. With a 6-year investment horizon to 2023, the three areas that the Fund's capital expenditure will focus on are: housing, research and development, and economic infrastructure, including transport and digital communications.

If weak productivity is an illness then it is fair to say that R&D investment is seen as a fundamental part of the cure. The government's new Industrial Strategy aims to make the UK the world's most innovative nation by 2030 and the Prime Minister has just announced an ambition to raise the level of R&D investment from 1.7% to 2.4% of GDP by 2027. Indeed, part of the Industrial Strategy announcement was a further boost of £725 million into



the Industrial Strategy Challenge Fund to capture the value of innovation. The Industrial Strategy Challenge Fund provides funding and support to UK businesses and researchers, and is part of the government's £4.7 billion increase into R&D over four years.

So how does all this innovation support reach the businesses it is intended to benefit? Innovate UK is the country's innovation agency, sponsored by the Department for Business, Energy & Industrial Strategy (BEIS), to support business to realise the potential of new technologies, develop ideas and make them a commercial success. It runs several grant and funding competitions, as well as a loans scheme and national innovation programmes, to build and grow successful businesses through innovation. Details of current grant competitions and innovation loans can be found at – <https://www.gov.uk/government/organisations/innovate-uk>.

Businesses interested in innovation grants and R&D Tax Credits should note that the interaction between the two forms of State Aid is complex, and are therefore advised to seek specialist professional advice before committing to an application for support.

For information on how we can assist you with grant funding and R&D Tax Credits, contact Ewan McClymont, Director Grant Services, at emcclymont@bishopfleming.co.uk, or Bishop Fleming's Tax Advisory Service on 03333-219000.



AeroSpace Cornwall

The global aerospace and space sectors are experiencing exciting changes, and growing rapidly. Many of the advances in coming years will require innovative products, services and technologies, and the South West is one of the most capable regions that can take advantage of this.

The AeroSpace Cornwall programme promotes research, development and innovation (RD&I) across Cornwall and the Isles of Scilly (CloS). It offers technical and commercial support for businesses looking to develop products, services and technologies which could add competitive advantage to the aerospace and space sectors. The programme will support RD&I projects with a team of RD&I mentors, funding, a competitiveness toolkit and innovation vouchers.

The programme is led by Cornwall Development Company, delivered in partnership with the West of England Aerospace Forum. It aims to increase the size and capability of the CloS aerospace clusters and secure ongoing investment in them. A central platform of the programme is to develop an 'innovation environment' for the aerospace and space sectors by encouraging local businesses to collaborate and engage with research institutions, and take advantage of national programmes to accelerate their innovations. Although not exhaustive, key areas of focus include technologies relating to aerospace, unmanned aerial systems (UAS), embedded software for satellites and applications using earth observation, navigation and meteorology. AeroSpace Cornwall aims to secure investment from global collaborators and investors as potential end users of the products,

services and technology developed as part of the programme. In addition, it will increase the performance and competitiveness of local enterprises, create highly skilled jobs and launch new products into the marketplace.

Businesses can benefit from collaborative R&D funding for projects with a typical consortia project receiving a maximum of £150k (although there may be exceptions to this) and innovation vouchers of up to £5,000. Other assistance includes a 'supply chain competitiveness toolkit' which can lead to SC21 – a nationally recognised change management toolkit, as well as ongoing investment support for partner relocation to Cornwall, and financial support to attend trade shows and commercial meetings. Projects supported by the AeroSpace Cornwall programme will need to be completed by November 2019.

For further information contact Natasha Downing, on 01209 615067 or email, natasha.downing@cornwalldevelopmentcompany.co.uk



Manufacturing Growth Programme

The Manufacturing Growth Programme is designed to support SME manufacturers to grow by identifying, understanding and removing barriers to growth, and enabling sustainable business growth.

The £9.7m scheme is funded by the European Regional Development Fund (ERDF) and delivered by Economic Growth Solutions (EGS) in the West Midlands, Yorkshire and Humber, parts of the East Midlands and East of England. With a team of dedicated Growth Managers, SMEs can benefit from free consultation to establish practical steps to achieve business growth, as well as access up to 35% grant funding towards the cost of an improvement project. The grant has an average value of £1,400 and can be used for revenue based activity such as engaging with a third party specialist or business professional.

For further information, SMEs in The Marches and Worcestershire should contact Catherine Bray at EGS on 01664-501301 or visit www.manufacturinggrowthprogramme.co.uk.

Gigabit Voucher Scheme

The Government is testing a new Gigabit Voucher Scheme that will provide SMEs with vouchers worth up to £3,000 to support the capital costs of installing new gigabit capable connections.

A fund of £2m is available for SMEs in Bristol, Bath & North East Somerset, Coventry, Warwickshire, West Yorkshire, and Aberdeenshire areas. The vouchers are available through registered suppliers, and in Bristol, Bath and North East Somerset only, residents may also be awarded vouchers up to £500.

The Gigabit Voucher Scheme is part of the £200m Local Full Fibre Network Programme, which helps to fund locally led projects to leverage investment into full fibre broadband. For further details visit <http://gigabitvoucher.culture.gov.uk>



Acceleration Through Innovation

A new business support scheme in Cornwall and the Isles of Scilly is designed to bring forward new innovations that will drive growth and productivity in eligible SMEs.

Acceleration Through Innovation (ATI) is a £3 million three-year project led by the University of Plymouth in partnership with Cornwall Innovation. The programme provides intensive support to businesses that are ready to innovate with niche expertise from specialists and certified innovation professionals. It supports employee and employer led innovation to help inspire new ways of thinking, and provides an opportunity for businesses to implement innovative processes and trial the market. ATI will be delivering nine Pop-up Innovation Centres across Cornwall and the Isles of Scilly with events including Master Classes, Innovation Acceleration Days and Innovation Clubs.

Within the programme, the ATI Innovation Fund can assist SMEs with grants of between £2,500 and £25,000 for both capital and revenue costs in five areas. These include; proof of market, proof of concept, prototyping, IP protection, and new product / service generation.

For further details contact 01209-705166, ati@plymouth.ac.uk or visit www.aticornwallinnovation.co.uk

Top Tips to Maximise Grant Success

If you've ever applied for grant funding you may have found the experience somewhat daunting. Here are six top tips that might make the process run more smoothly next time you are looking at this type of funding.

1. Are you eligible? Not all business sectors are eligible for funding so an early dialogue with the fund provider is therefore recommended. Equally important, avoid trying to engineer your project to fit the grant criteria as this may divert you from where your business ought to be heading.

2. Can you demonstrate a 'need' for funding? If the project will go ahead anyway then your case for grant is seriously weakened. Some examples of 'need' could be a cashflow shortfall, funding gap or payback policy. It could also be to reduce risk, or with property projects, to address a discrepancy between market value and build cost. The maximum intervention rate is normally 50% so you will need to demonstrate that you can match fund the grant either from reserves, cashflow or loan.

3. What will the impact be on competition? Generally speaking, if you sell to or service a mainly local client base you will struggle to attract grant funding. This is due to EU 'displacement' rules that don't allow your local competition to be disadvantaged by you receiving a grant.

4. Has the project already started? Grants are very rarely retrospective – in other words, if you have already started to incur costs then you cannot claim funding against them and indeed, the overall project may be deemed ineligible as it would be viewed as proceeding anyway.

5. What will you deliver in return? To attract grant funding you normally have to deliver outputs that provide economic benefit to the region. These are usually – protecting existing jobs, creating new jobs, up-skilling staff, increasing productivity and improving profitability. There is also increasing emphasis on the environmental impact, social diversity and introduction of innovative products and processes.

6. First impressions count. Getting your house in order with up-to-date management information, market and customer data, costs and project benefits – this will significantly enhance your credibility. The overall application usually requires a business plan and credible financial forecasts – a succinct account of your business, market, customers, competitors, products, project summary and rationale, and benefits as a result of your investment.

If in doubt, seek professional advice. Bishop Fleming offer a free initial grant consultation and funding search. Contact Ewan McClymont, Director Grant Services – 03333-219000 or email emcclymont@bishopfleming.co.uk.

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Grant Services

Specialist grant funding advice for businesses in the South West and Midlands.

Whether you are seeking advice on the grants currently available, or require an experienced professional to advise you through the grant application process, Bishop Fleming can provide the help you need.

Our specialist Grants Service is a well established part of the firm's corporate finance discipline. We're highly experienced in helping businesses to find and secure grant funding. We can tell you which schemes are available, whether you meet the qualifying criteria, as well as assist with the application process.

The sources and availability of grants change frequently. We therefore maintain our own grants database which currently details more than 100 schemes. Through our 'grant matching' service, we can easily refer to the database to check whether your business might qualify for a grant.

Our track record speaks for itself – we've helped secure over £20m of grant funding for projects in sectors such as:

- Renewable energy
- Environmental technology
- Oil and gas drilling
- Marine
- Advanced engineering
- Manufacturing
- Creative media
- Construction
- Medical
- Tourism
- Brewing and food processing

Grants secured have related to capital investment, recruitment and training, consultancy, mentoring and marketing.

For more information, please contact our Director of Grant Services

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bishopfleming.co.uk/service/grant-services