

Grants

**Start your
own business**

www.syob.co.uk

Even experts can find it difficult to keep track of the hundreds of different grant schemes which keep appearing — and then disappearing.

This briefing will give you a good idea of whether your start-up is likely to be eligible for a grant — and whether such a grant is worth the effort involved in applying.

It covers:

- Which business activities are most likely to qualify.
- Where in the UK additional aid is available.
- What criteria a project must meet.
- How to apply.

1 Before you start

Do not waste time trying to get a grant unless you are prepared to overcome four potential obstacles.

1.1 You must be ready to put up some of your own **money**.

- It is extremely rare for a grant to finance 100 per cent of the costs of any project.
- Grants typically cover 15 to 50 per cent of the total finance required for a project.

Even if a larger proportion of the project cost is available, you will still need to invest time and resources in researching and applying for the grant.

1.2 Grants are usually only available for specified **projects**.

For example, the development of a new

product, or the setting up of a specific training programme.

- The gradual, organic process of company development does not normally qualify.

1.3 You must have a **plan**.

You may have already written a business plan which you used for another purpose, such as raising finance from the bank.

- The business plan will need altering to place the emphasis on the specific project involved.

1.4 Grant schemes almost always impose **restrictions**.

- The project must not be under way already.
- The project must help towards achieving

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the objectives of the grant provider — usually a department or agency of local, national or European government.

- In most cases, you must be able to demonstrate that the project would not take place and achieve the same benefits without the grant.

2 What grants are available?

Whether or not you qualify for grant support is likely to depend on five criteria — location, industry, purpose, size and employment.

Common business grants

The grant schemes that are helpful to start-ups mostly try to promote public policy objectives.

- A** Loans of up to £125,000 are potentially available to help small firms pay for **training** or vocational education.
- B** There are grants aimed at stimulating product and process development, **innovation** and technology transfer.
 - A range of funding is available under the Small Business Service's R&D Project Grants scheme, which replaces the Smart scheme. The scheme's awards process places increased emphasis on proving your company's financial health. An associated grant to investigate an innovative idea, to help businesses prepare for innovation has also been launched.
Call 0845 600 9 006 or visit www.businesslink.gov.uk.
- C** Local development agencies and councils may offer rent and rates concessions to encourage **relocation** to their areas.
- D** Partial funding may be available for **research** activity.
 - Joint research projects by industry and academic institutions can attract grants.

Many businesses also make use of schemes that offer practical support rather than finance. This may take the form of consultancy (free or subsidised), access to equipment and resources, seconded employees, and so on.

Other schemes exist to stimulate co-operation, joint ventures and market expansion.

2.1 The **location** where you start up your business may entitle you to a grant.

You may be eligible for special grants and support if you are starting a business in an economically depressed area, especially if it is one with high unemployment.

- These areas include those in general industrial decline, those where major traditional industries such as steel, coal, textiles and fishing have collapsed, and some rural areas and inner-city areas.
- There are several different tiers of funding which reflect the relative economic needs of different regions. At present Cornwall, Merseyside, South Yorkshire and West Wales and the Valleys get the most support.

In addition, your local council or Business Link may have its own schemes to help combat specific local problems.

2.2 The **industry** you are in may affect what grant funding is available.

Although many grants are available across most sectors, some sectors may be specifically targeted for extra funding.

- Industries that may receive specific support include rural diversification, crafts, tourism and agriculture.

2.3 Some grants focus on particular **purposes** or activities, such as:

- Training and skills development. Assistance is generally provided through the local Business Link or Learning & Skills Council.
- Research and development.
- Improving manufacturing methods.
- The environment.
For example, developing processes which reduce pollution or waste.

2.4 Some grants are only available to businesses of a certain minimum **size**.

- A lot of government support is targeted at growing businesses, rather than one-man bands.

2.5 Some grants are intended to help new businesses and boost **employment**.

- Local support (eg subsidised rent and rates) is often available to encourage small businesses to start up in particular places.
- Some business support organisations give small grants and loans to start-ups. The Prince's Trust (0800 842842 or

“It's always well worth looking into the possibility of getting grants, but they may not be easily available. You always stand your best chance if you go into negotiations with a thoroughly considered and well-prepared business plan.”

George Derbyshire, National Federation of Enterprise Agencies

www.princes-trust.org.uk) is especially active in this area. It provides loans — and grants in certain circumstances — to 18 to 30-year-old entrepreneurs who have been unable to raise finance elsewhere.

A project to build a new factory on derelict land in a depressed area, with the potential to create new jobs and boost exports, might qualify for several different grants. On the other hand, a plumber starting a business in a relatively wealthy part of the country is unlikely to qualify for any grants at all.

3 Identifying possible grants

There are many different grant schemes in existence. You need to identify the few grants your business or project could be eligible for.

3.1 Contact your local **Business Link** or other business support organisation.

Most have access to a European Information Centre and to Grantfinder, a database which will identify appropriate European, national, government and charitable grant schemes.

Basic information is usually free.

Useful subsidies

Grants can be extremely worthwhile, especially if you can use them to subsidise an investment that you need to make anyway.

But thinking up a project in order to qualify for a grant can do you more harm than good.

- Jill Sherman visited her local Business Link and discovered a long list of grant-aided training programmes. She signed on for a day's training in recruitment, funded in full. The training helped considerably when she came to hire her next employee.
- Peter Kiernan took full advantage of the available grants by investing heavily in state-of-the-art equipment for his catering business. The investment was a disaster. It meant increased bank borrowings and valuable time spent on grant applications, but the equipment itself was hardly ever used.

Remember that grants vary from region to region.

- Ask for a list of grant schemes (including contact details) for which your project might qualify.
- A business adviser will probably be available to help you narrow down the range of schemes.

3.2 Try **other sources** of free or subsidised information.

- These might include your bank, your trade association, regional development agency or the Department of Trade and Industry (DTI).
- There are a number of free and subscription websites that list available grants. By answering a few questions you can pinpoint a shortlist of grants that you might qualify for. Try www.j4bgrants.co.uk, www.grantnet.com and www.govgrants.com.

3.3 Get in touch with the **administrators** of any grant schemes which seem to fit your situation.

These might include:

- The European Commission. Avoid calling the commission's main switchboard. Instead, send an email or phone the section which deals with the scheme you are interested in, using the number provided by your Business Link.
- Government departments, such as the DTI.
- Business Link, local councils or regional development agencies.

3.4 Ask the administrator some basic **questions**.

- Will it be worth your while applying?
- Are funds still available under the scheme? Will funds still be available by the time your application has been processed?
- When are grants handed out? Some schemes only pay out money to successful applicants once a year.
- What does the scheme aim to achieve? It will help to know what sort of projects have been funded in the past.
- How long is the application process, and what does it involve?

You can often get help completing the application form.

4 The application process

4.1 Submit a **proposal**.

This usually involves filling in a form. Show

your proposals in the best possible light, providing:

- A detailed project description.
- An explanation of the potential benefits the project offers, which must fit in with the aims of the grant scheme. They might include specific benefits to the local community, to the region or to your industry — or a potential increase in British exports.
- A detailed work plan, indicating who will do what, and by when. Include full costings.
- Details of your own relevant experience and track record. Show how your own background, experience and expertise make success probable. If there seems to be a significant risk of the project failing, you are unlikely to be given a grant.

4.2 If necessary, get **professional help**.

- It is probably worth paying for help to apply for any grants potentially worth £50,000 or more.
- Some accountants and consultants are grant experts. (See also, **Choosing and using an accountant**.)
- Negotiate the fees. Flat-rate fees may seem less expensive in the first instance, but must be paid even if you do not get a grant.

4.3 Wait for the **decision** (see 5).

5 Application timescales

Do not expect an immediate decision on a grant application. You may have to wait some time for it to be considered.

5.1 **Local grants**, such as those given out by local councils, are usually processed fairly quickly.

- You may have to wait up to six weeks before you hear whether the grant will be awarded.
- Such grants generally involve simple application procedures.

5.2 **National or European grants** typically take two to six months to obtain, but can take up to a year.

- You are usually able to submit a relatively simple Stage 1 application in the first instance. This enables the grant-giving body to assess whether your project stands a serious chance of being funded. A Stage 1 application form will only be two

to five pages long, but it can take two or three days to prepare, because you must include costings.

- You can then decide whether or not to proceed with a full 'Stage 2' application. A Stage 2 form is usually 15 to 25 pages.

If you are awarded a grant after a long delay, and the situation has changed since your initial application, it may be possible to adapt and refine your project idea.

6 Grant payments

6.1 Plan your **cashflow**.

- You may have to wait to be reimbursed, so you may need to make arrangements for a bridging loan.

6.2 Grant money is generally handed over according to an agreed **schedule**. Payments may be made:

- In instalments, at fixed periods.
- In arrears, against proof of actual expenditure.
- With some payments up front, and the rest as you meet the stipulated requirements at each stage. For example, a payment might be conditional on the project employing a certain number of people.

6.3 Keep detailed **records**. The grant providers will want to monitor how the money is being used.

- This may involve visits to your premises, or you may have to visit them to present a report.
- There may be a final audit before you are given the last payment.

Expert contributors

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Further help

There are other Start-up Briefing titles that can help you. These briefings are referred to in the text by name, such as **Choosing and using an accountant**.

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