



UNDERSTANDING INNOVATE UK GRANT FUNDING

A guide to help you decide on whether
to apply for grant funding



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Introduction

Funding is one of the biggest obstacles for startups and SME's and those that have an innovative tech offering often turn to grants as a serious funding option.

Government business grants can be a powerful and very attractive finance tool for businesses as there is no loss of equity, and the money does not have to be paid back.

You might also be surprised at the amount on offer. Imagine what you could do with a six-figure sum!

Most see grants as an easy and free source of money. However, this is a misnomer! Serious consideration should be given to applying for grants as the application process is extremely time consuming, can be expensive and you need to ensure you are 'in scope' with the grant's requirements.

Preparing a strong application can take several months and you will have to devote a lot of time to ensure you have all the relevant information and elements in place in order to have a good chance of success.

It can also be expensive should you choose to use the services of a grant writer who charge an amount upfront typically around £6-7k and then a success fee based on a percentage of the total bid.

This guide is broken down into four parts.

01 Smart grant overview

An overview on Innovate UK's Smart grant. One of the most popular grants available.

02 Are you ready to apply for a grant?

information to help you better understand the requirements for a strong application to help you decide whether you should proceed with the application, wait till you have the elements in place to improve your chances or, dismiss the idea all together.

03 Key features of a good application

Guidance on what are the key elements that make up a good application. Most Innovate UK funding programmes follow a similar application format and the advice is transferrable to most grant funding applications.

04 Apply or not?

Next steps if you have decided to apply.

We hope this guide will provide you with all the information you need to assess whether or not you should apply for a grant.

IMPORTANT PLEASE READ

The information contained in this guide relates to Innovate smart grants that were available pre-March 2022.

As of the 1st April the smart grant questions, assessment and other criteria may have changed.

This guide does not discuss and address any matters relating to new Innovate grants commencing 1st April 2022 onwards.

However, whilst there are some changes the basic principles remain the same. This guide will be updated once we have a better understanding on the new grants

To further help you, Acumenology has produced a series of Business Guides on a range of relevant topics. You can find these at: www.acumenology.co.uk/business-guides

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Smart grant overview

Backed by the UK government, Innovate UK is the UK's innovation agency, part of UK Research and Innovation.

Its remit is to help businesses turn innovative ideas into commercially successful products and services, to boost the productivity and economic growth of the UK as a whole.



The Smart Grants scheme is Innovate UK's main grant programme.

Grants are available to fund new technology that could help the UK economy grow through 'commercially viable innovative or disruptive ideas', from any industry, for any part of the economy, from the arts, design and media, to creative industries to science or engineering.

They should be able to provide evidence for considerable potential to gain market share, generate economic impact and exports. The most important thing is that the idea, if successful, will be something that people will want to use and be willing to pay for.

Grants are for projects that offer a major innovation compared to what's already available and have strong potential for commercialisation in the UK and overseas.

Your idea must be demonstrably and significantly different from anything that has been developed in that area to date.

Smart: innovation funding guidance

How much is available?

Different amounts of grant funding are available depending on the size of the business applying for funding and the stage of their project.

Theoretically, you could get up to £2 million. However, that's more likely to be awarded to multiple businesses collaborating as a single application.

For a first application, it is recommended one applies for a max £500,000 project.

Who is Eligible?

Any UK-registered SME can apply, working in any industry as long as you are seeking to develop a new, innovative technology.

If leading a project, the business will need to be registered in the UK and conduct their project here.

What are Smart Grants Available For?

In the Innovate UK Smart Grant, and most grants generally, you apply for funding of a tech-based 'project'.

Different amounts of grant funding are available depending on the size of the business applying for funding and the stage of the project.

Projects can be:

- **Feasibility Studies:** early feasibility studies to analyse and evaluate the potential of an idea, including market research
- **Industrial Research:** with the intention that the skills and knowledge acquired will lead to an improvement in existing products, processes or services
- **Experimental Development:** actually, developing innovative new products, processes or services through activities including prototype testing, piloting and demonstration services



The Smart Grant Application Process

The good news is that the application is all done online, via the GOV.uk site, with no in-person interviews to attend.

Businesses will need to register and complete an application via the Innovation Funding Service.

The less-good news is the length and detail of the application itself.

There's no sugar-coating it - you'll have to complete a long list of questions, as well as several appendices and spreadsheets.

Applicants will need to outline the need or challenge they have identified and how their innovation will meet this, going beyond competitors and what's currently considered state-of-the-art.

They will need to demonstrate and evidence a clear market that will want to buy and use the final product, process or service, and how they will access and exploit this.

They will also need to explain why a grant is important to their project's development and what would happen without this.



You'll need to supply detailed information about your project, including:

- The size and scale of the market opportunity, with supporting evidence.
- A team structure, with bios for everyone, including subcontractors
- A competitor index.
- A comprehensive risk register.
- A thorough technical spec for your solution.
- A well-thought out project management plan, with timescales and dependencies.
- A cost breakdown for all elements of your project, from salaries to expenses.

Innovate assigns five reviewers to each application, with highly-specific marking criteria that requires a lot of specifically-structured information.

The application itself comes in at around 7,000 words.

03 Are you ready to apply for a grant?

Before you spend valuable resources applying for a grant, it is essential you take time to assess if you have a strong case and, that you have in place, all the elements assessors look for.

Spending time at this stage taking a deep and objective look at your 'business case' for a grant will save you considerable time and money.

Consider the following elements to assess the potential strength of your grant application.

Scope

This may seem obvious but ensuring your project is in scope is a critical first step to get right.

Failing to meet this requirement will mean your project is ineligible and it may not even be assessed.

Be sure to read the scope of the competition carefully and assess how your project addresses the specific areas of interest.

If the evaluators don't believe the project is in scope it will be rejected no matter how strong the application is.

Don't waste a lot of time and effort writing an application if you're not sure that it's a good fit.

In essence, Innovate UK look at the following fundamental areas in assessing their investment decision.

Make sure you have a strong and compelling case for each of these areas.



Problem or unmet need As for any business it starts with identifying a significant problem or unmet need.

Assessors are looking to understand the need for your solution.

How big is this need and importantly can you validate that it exists?

Is the need local, regional, country specific or global?

The larger the scale of the problem the better. Preferably at a global scale.

Why hasn't the need been met yet and who is it a problem for?

All too often businesses fail to identify and validate a significant problem/need. Ensure you do not fall into this trap

Market size

Is the potential market large enough? Does it represent value for money compared to the investment requested?

Innovation

Is your proposed solution genuinely 'innovative', disruptive and beyond what is currently available and, can it be world leading?

Is the idea sufficiently distinctive and strong to be successfully exploited in the UK and globally?



Commercial viability

Can you demonstrate with evidence that the project is commercially viable?

Have you identified a clear route to market and can it be exploited and scaled for global markets?

Do you have potential partners or LOI's (letters of Intent) in place?

Is it at the right stage of development? It must be market driven, rather than predominantly a research project.

Public funding

Since the grant is from public funds you need to justify why should public money be used.

Why not use company funds or raise finance via VC /angels?.

Remember that grants are not for 100% of the project cost. They are typically for 70% which means you have to raise the balance.

Have you got this 30% funding lined up?

You can save yourself a lot of time, money and resources by being honest, critical and objective and asking yourself how your project addresses these key issues.

Before applying consider the information in the next section.

Remember that grants are a competition and extremely competitive at that with a success rate at around 7-8%.

You should only consider applying if you strongly believe that you have a good chance of succeeding.

04 Key features of a good application?

The information presented here is guidance and is not structured to reflect the order of the questions in the Innovate UK application form.

It is a summary of what makes a good proposal rather than a list of the questions in the application form.

Understanding these key features will better help you decide on whether you should proceed with your application or not

The key features of a good proposal are:

- Alignment to scope
- Innovation
- Strong business case
- Convincing value proposition
- Credible R&D plan
- Right consortium
- Need for support
- Risk & risk mitigation



1. Alignment to scope

Read the briefing document carefully and be very clear to assess how your project fits the scope set out.

Do not assume the assessors are experts in your field and if you have any doubts, get these clarified with the competition helpdesk to make sure you are in scope before you start.

2. Innovation

Innovation should be at the heart of your application.

We are not talking about incremental improvements but delivering a significant or step change.



This can mean developing something completely new, or applying an existing technology to a new sector.

The innovation can be technical (pushing the boundaries of a technology or applying it to a new problem) or commercial (addressing a need in a novel way)

Can the innovation can be enabling and underpinning: i.e. does it have the potential to drive improvements in multiple applications across a wide scope?

Intellectual Property and Freedom to Operate

You will need address the IP in your project by setting out any current IP and your strategy for protecting any new IP arising.

The Intellectual Property Office (IPO) has useful resources for companies on protecting your IP.

<https://www.ipo.gov.uk/ip-support/>

You will need to show that you have the freedom to operate in your chosen sector and geographies.

Evidence to support this can include results of patent searches, literature surveys and competitor analyses.

Make it clear how your project improves on the nearest current state-of-the-art offering. Ensure your claims are substantiated and you can demonstrate that your idea is genuinely novel and not too incremental.

Timeliness

Timeliness is an important issue to address; many exciting and innovative technologies do not realise their potential because the market is not yet ready.

3. Strong business case

There needs to be a strong and compelling business case for the innovation and the project overall that sets out the problem and need you are addressing and customer demand

Can you demonstrate a credible business opportunity? Your business case must be focused on how you will make money from the idea, placed in the context of the market opportunity and market size.

Avoid talking too much about the solution without first describing the issue since the assessor is looking to see whether you understand the potential market for your project.

The best responses use current market data references (avoid wildly optimistic projections!) and describe the wider picture before focusing on the market share expected for your solution.



The dynamics of the market are also important. Is it growing? How fast? What trends affect it? What is the competition? What are the barriers to entry?

You need to explain how your product will be made, who will retail it, etc

Don't forget to address any legislation or regulatory issues, current or forthcoming, that may affect your ability to access a market.

Don't claim too much as a key element the assessor will need to make a judgement on is to see if the investment of public funding will be value for money.

Ensure any projections for growth and market share are realistic not optimistic.

If the project is collaborative, you will need to address the role of each of the project partners.

For example, having a retailer or supplier in the project can really add weight to your exploitation plans.

The detail you provide here should support your claims of market capture as the assessor will be trying to establish whether your proposal is more 'market pull' rather 'technology push' and thus more likely to succeed.

4. Convincing value proposition

The success of an innovation is dependent of people adopting and using the technology, for if they do not do so, can the technology be seen as commercially viable?



Even the most cutting-edge technology will fail if potential customers see no benefit or are unable to use it effectively.

Technology-enabled innovations often fail to adequately understand and deal with human/customer considerations.

DO NOT UNDERESTIMATE THE INERTIA BARRIER.

Developing and demonstrating a strong and convincing value proposition that sets out the target customers/end user, addresses their needs and shows how these will be met is an essential element of the grant application

Does the innovation require a change of culture? If so how will this be achieved? Using tools such as the Value Proposition Canvas can help.

The value proposition should include benefits for all the project partners as well as stakeholders outside the project.

Given that these are public funds, you need to demonstrate how the project will be able to provide benefits in other categories as well.

Economic benefits:

To your customers, your supply chains, through exports, raised visibility of the sector or competitiveness of the UK

Social benefits:

These can include regional benefits, in terms of local employment localised growth; customer benefits in terms of quality of life, and employee benefits such skill development etc.

Environmental benefits:

This can cover emissions consumption, energy efficiency, biodiversity, or more sustainable business models or consumer behaviour.

Regional benefits:

These may include some of the economic, social and environmental benefits where there is a regional bias.

Will the project help raise the profile of a particular region or sector and deliver other knock-on benefits such as supply chain?

5. Credible R&D plan

The R&D plan sets out what you will do in the project and needs to be OUTCOME focused.



You need to provide sufficient detail to be able to judge the quality and feasibility of the technical plan and value for money.

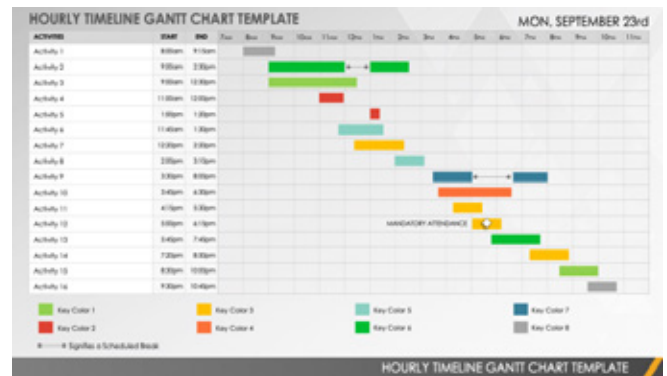
Use the following suggested format to ensure you include all the relevant information clearly and concisely:

Work Package No. & Name, Partners involved, Timeline (e.g. M0-12), Description of Activity & Milestone.

The project is best summarised in a Gantt chart (included as an appendix) with each task explained with an appropriate level of detail.

The tasks should be clear on resource allocation, cost and interdependency with other tasks.

A strong proposal needs to identify both the short-term AND long-term the scope, deliverables and exploitations of the project beyond the funded element of the project.



If the proposal does not take the project to the commercialisation stage, you will need to address the further steps required to achieve commercialisation

Strong proposals include details about the immediate opportunity after completion.

Doing this can help strengthen the risk analysis, for example, including risks around potential time to markets, shifts/changes in business focus and/or markets and potential competitors.

6. Right consortium

Is your application going to be as a single company or as part of a consortium?

How important is having a consortium of partners to the success of the project?

Remember, a key consideration is about demonstrating that the project will proceed as described and, will be likely to deliver the intended outcomes after the project has ended.

Thus, will the route to market and commercial exploitation be achieved by a single company or a consortium of suppliers, manufacturers, end users etc?

You will need to identify project partners, why they are important and what skills, experience, resource and facilities they have to carry out their role AND how they will benefit from the project.

In other words, what makes this a strong consortium?

DO NOT IGNORE ANY

Be upfront and explain your plan to fill them and remember to include this within your risk mitigation strategy.

Use the Appendix to provide additional details about your partners. You get half an A4 page per partner in Innovate UK applications so make sure you list the most relevant experience and evidence of success.

7. Need for support

This section needs to explain why public money should be used for the project.

Explain why the project would not go ahead, or would be delayed or reduced in scope without Innovate UK funding

You would need to explain and justify why the project cannot be funded through other commercial sources such as it is too risky for commercial investors.

Other important factors include: reducing the time to market in order to get there ahead of competitors; to

increase the amount of R&D taking place in the UK, or to facilitate a new R&D collaboration.



8. Risk & risk mitigation

All projects come with associated risks and a common mistake is for applicants to underplay the risk and portray the project as having a high chance of success.

If you do this you run the risk of assessors marking down your score because the question then arises as to why public support is required if the project is already low risk.

Complete a risk assessment and provide mitigation strategies across all key areas:

- Technical (including regulatory)
- Commercial,
- IP
- Managerial
- communication
- Health, safety & environmental

Use the format:

Risk, Rating (High, Medium, Low), Impact, Mitigation

Best practice is to provide a table in the appendix similar to that below.

Risk	Probability	Impact	Rating	Mitigation	Rating after mitigation	Owner
e.g.	1 = low	1 = low	Probability X	Partner	1 = low	e.g.
Partner	2 = med	2 = med	impact	agreement	2,4 = med	Project
pulling out	3 = high	3 = high	1 = low	signed, other	3,6,9 = high	owner
			2,4 = med	interested		
			3,6,9 = high	parties		

05

Apply or not?

We hope reading the information provided has helped you decide whether or not to proceed with the grant application.

If you have decided not to proceed, think of the time and resources you have saved yourself.

If you have decided to go ahead and apply, be prepared. Allocate sufficient time and ensure you have all the elements in place before you apply.

Remember you can reapply in case you fail with your first application.

You will be given reasons where your application was weak and this will give you the opportunity to address this should you decide to reapply.

You can only apply twice.

Remember, you will also need to ensure you have the 30% funding lined up as the grant will only fund 70% of the project costs.

Finally, consider using the services of a grant writing company.

There is a very useful presentation on “A guide to writing applications for R&D Grant Funding” by Mairi Dillon from the Access to Funding and Finance Innovate UK Knowledge Transfer Network. [CLICK HERE](#) to read the presentation