

# The Genecom Orphans Project

## Information for Applicants

These notes are intended to assist SME's, entrepreneurs and scientists wishing to work together through Orphan's project funding. They are collated from information supplied by ESEP, the management authority responsible for management of European Structural Funds on behalf of the Scottish Government and from real life examples. Last updated 27<sup>th</sup> February 2009.

### Some common questions about the project

#### Consultancy Projects

- Q1 Does an SME or individual entrepreneur need to use a tendering process when seeking to find a suitable consultant?
- A1 No, not if it is normal policy for the applicant not to do so.**
- Q2 What is the maximum fee allowable by the Scottish Government for consultancy undertaken and paid for from Orphans' funding?
- A2 The figure suggested by the Scottish Government is £500 per day ex VAT**
- Q3 What happens in the event that a higher fee rate is chargeable?
- A3 The fee rate applicable should be described in the application. Where a consultant's charge out rate exceeds £500, it will be necessary for the applicant to make a case for a grant over and above the recommended fee rate. This can be based on specialist expertise not available elsewhere, etc.**
- Q4 What happens in the event that the Scottish Government do not accept the justification of higher fee rate?
- A4 Genecom's grant from the Scottish Government is based on retrospective claims by us against real expenditure incurred by recipients of Orphan's grant awards. In this circumstance, if the Scottish Government declined to fund in full, the fee charged by a consultant, Genecom believes that it is likely that the Scottish Government would not meet the full claim by Genecom . We therefore need to be reassured that the fee-rate chargeable by a consultant is justified and to avoid the situation implied in the question, to submit the justification to ESEP before making an award.**
- Q5 Should an SME or individual invoice Genecom for VAT charged by a consultant?
- A5 It would be usual practice for an SME or individual entrepreneur to pay a consultant's invoice directly and thereafter invoice Genecom for payment through the Orphan's grant (in some case's an individual or SME may request Genecom to do this directly or Genecom may make an advanced payment of grant to the individual entrepreneur or SME). Where VAT is charged by the consultant, if an applicant for Orphan's grant funding is registered for VAT and can reclaim VAT incurred, Genecom will pay invoices NET of VAT**

## Some worked examples

- E1 A scientist at the Moredun Research Institute (MRI's) is chosen by and engaged under a consultancy agreement by an SME who is registered for VAT to carry out a market evaluation on behalf of the SME.

The cost of MRI's involvement is £5,000 and the SME applies to Genecom Ltd for an Orphans' grant. Is this permissible and what grant is payable to the SME and how does the SME claim this?

**If the SME chooses the MRI scientist and it is not usually the policy of the SME to tender work of this nature then this relationship is acceptable under the Orphan's grant rules and subject to an application by the SME counter-signed by MRI, the existence of a formal consultancy agreement between the SME and MRI, Genecom can issue a formal grant offer of £5,000 in total.**

**Genecom would expect MRI to invoice the SME for the work undertaken.**

**Genecom would then pay the SME, the full amount of grant that can be substantiated by evidence of expenditure by the SME, in this case MRI's invoice plus copies of the SME's bank statements showing that the expenditure has been defrayed by the SME (the SME can obliterate all other items on statements etc., provided to Genecom Ltd). Genecom will pay the SME net of VAT since the SME can recover VAT itself.**

**It is the SME's responsibility to collect this information since without it, Genecom Ltd cannot reclaim grant from the Scottish Government**

- E2 A Scottish SME wishes to collaborate with the Institute for Animal Health (IAH) and draws up a formal collaboration agreement between the parties. The collaboration makes use of IAH's scientific expertise to supplement the SME's expertise in novel forms of pest control

**Collaboration with IAH in England is permissible if discernible economic benefit can be demonstrated for the Scottish SME in Scotland**

**Although the SME did not submit a tender seeking the collaboration and chose IAH itself, this is permissible if it is not the SME's policy to tender for collaborative effort of this sort and the project is eligible for Orphan's grant support as benefit will be created for the Scottish SME.**

- E3 Some costs relating to staff time are incurred at the SME plus some expenditure on consumables. What evidence must the SME provide for Genecom before claiming grant?

**The SME would need to provide evidence of salary payments for the staff involved. If the staff are not employed solely (100%) of their time on the project then Genecom will need timesheets showing the percentage of time spent on the project. The SME should then calculate an hourly rate of pay based on gross annual salary divided by days worked per**

**annum (less holiday entitlement, weekends and any other non-working time) and contracted hours worked/week/day.**

E4 During the collaboration, IAH incurs some costs for consumables and 5% of an IAH scientist's time in supervising the collaboration. What evidence should IAH provide to Genecom?

**If the IAH scientist is engaged in a consultancy capacity, see E1 above. If not, see E3**

E5 IAH incurs costs during the collaboration in carrying out proteomic, genomic and bio-informatics analysis. Are these costs eligible for grant and how should these be charged?

**A5 These costs are eligible for grant and should be charged by IAH to the SME. The SME would then invoice Genecom for the costs incurred by the SME, Net of VAT if the SME is registered for VAT, See E1 above**

Q6 How should the collaboration be documented?

**A6 Genecom has been advised that the Scottish Government expects relationships of this sort to be covered by a formal collaboration agreement in order that the Scottish Government's auditors can review the arrangements against expenditure incurred. The SME may wish to draw up the agreement itself or may ask Genecom to broker an agreement on behalf of the parties.**

### **What is the Issue with Intellectual Property?**

Genecom expects matters concerning intellectual property to be dealt with between the parties involved but can assist where requested and we can provide simple templates. A formal collaboration or consultancy agreement setting out IP matters should be in place before the project commences.

As the Orphan's project was conceived as a means of maximising economic benefit for Scotland, it will be necessary to ensure that IP is vested where most benefit can be demonstrated for Scotland. This does not mean that all ownership must reside with the SME or entrepreneur or conversely the Scottish member and each case should be dealt with on a case-by-case basis.

### **What about Institutional Overheads?**

Genecom understands that core costs of an SME or member collaborating with an SME are not eligible for ERDF and thus Orphan's grant

### **I want to work with an organisation that is not a 'Genecom' member**

Orphan's grant support is available to SME's and individual entrepreneurs that wish to collaborate with or benefit from the services, expertise and facilities of the Institute for Animal Health (IAH), Moredun Research Institute (MRI) or the Roslin Foundation (RF). Although the Scottish Crop Research Institute joined the Genecom project in 2008, as of 27<sup>th</sup> February 2009, SCRI had not joined the Orphan's project and applicants cannot apply for grants to engage SCRI.

**In the case of an applicant wishing to work with or benefit from an organisation other than IAH, MRI or RF, this will be permissible in principle:**

- (a) In the event that the new party is willing to meet directly, 54% of any claim for grant by the SME or individual entrepreneur; and**
- (b) The members of Genecom Ltd (excluding SCRI) i.e., IAH, MRI or the RF authorise Genecom Ltd to make a grant to the applicant of the remainder of the claim, limited to 46% of total grant (capped as of 27<sup>th</sup> February 2009 to £4600).**

**However, Genecom Ltd would expect the new party to enter into a legally binding agreement with Genecom Ltd to pay the balance that cannot be recovered by Genecom from the Scottish Government**