



TRAILBLAZERS

Co-investment Cash Definition: Frequently Asked Questions

1. What match funding rules apply to the Healthy Ageing Trailblazers?

In Stage 1 the General Block Exemption Regulations state-aid apply under “Article 25 Aid for research and development projects”.

In Stage 2 there are two criteria that must both be met:

- Overall the match funding expectation is up to 50% of the total eligible project costs will be funded by a UK Research and innovation grant.
- The funding for any single organisation must fall within the maximum limits set by the General Block Exemption Regulations for state-aid

It is the responsibility of the lead bidder to manage the overall financing of the Trailblazer, and to ensure that the criteria are still met when proposing any changes.

2. Why are the match funding requirements more demanding than limits set by the General Block Exemption Regulations for state-aid?

The Industrial Strategy Challenge Fund was established to invest in the world-leading research base and highly innovative businesses. In the case of the Trailblazers, we are expecting the innovations to be based on technologies at higher readiness levels, already working at a small scale and ready to develop to scale. The innovations are likely to be more about business models, service integration and supply chain development. That is why we are expecting Trailblazer bidders to be prepared to find a greater proportion of the investment than would be the case for earlier stage innovations.

3. Doesn't the match funding requirement exclude participation by SMEs?

The Investment Accelerator is where we are investing in SMEs, including social enterprises, with innovative early stage propositions. In the investment accelerator the applicants can receive 100% funding split as 50% UKRI grant and 50% equity stake. This comes with a commitment from the equity investment partner to secure further funding downstream to support business growth.

4. What if we are unsure of how we could meet the Stage 2 match funding requirements?

It is expected that there will be a degree of uncertainty about how Stage 2 will be funded. You should apply for Stage 1 and develop your financial proposals as part of the Stage 1 work. The application for Stage 2 will be competitive and require you to outline a sustainable financial model. Note that to participate in Stage 1 the general limits on State Aid still apply.

5. What proportion of match funding may be provided as 'in kind' contributions?

Up to 40% of the match funding may be provided through in kind contributions in Stage 2 only.

6. What is the definition of cash for match funding?

'Cash' means a direct transfer of resources to support research or innovation activity, not paid for or reimbursed by UKRI.

A hypothetical example would be where a company in the Trailblazer agrees to purchase consumables for use in a study led by researchers funded through the ISCF. In this example, there is a transfer of cash from the company to the consumables producer and the company is not reimbursed by UKRI.

The general rule is that staff costs should be treated as cash, as they involve a transfer of non-returnable resource (from the employer to the employee in the form of wages) to support Research and Innovation.

7. Can social impact investment be used as match funding?

Yes. Provided the investment is not funded directly by taxpayers.

8. Can public sector organisations contribute to the match funding?

Match funding is additional leverage over and above the contribution from tax-funded activities. Public sector funding would not normally be eligible.

9. If a University is only funded at 80% of Full Economic Costs (FEC), does the remaining 20% represent match funding?

The payment of the rate at 80% FEC is standard UKRI practice. The 20% balance is considered to be funded through tax and is not an eligible cost to be counted against match funding.

Worked Example for a Trailblazer Application at Stages 1 and 2

This example shows how matched funding might be managed between collaborators. It is based on a Trailblazer proposal involving 4 organisations. A is a large enterprise, B is an SME, C is an academic organisation and D a local government organisation.

The Trailblazer Stage 1 bid proposes a project seeking £100,000 in grant funding. In this example, the bidders aim to distribute the grant with £30,000 each to A and B, and £20,000 each to C and D. Each partner's contribution has been costed up to the maximum allowable under Stage Aid regulations. In this case, the total project costs come to £142,857 and the total grant requested is £100,000. All organisations meet the relevant State Aid limits for the work, and in addition the total public sector contribution is 28%, so under the 30% limit.

Organisation	A	B	C	D	Project Total
Type	Large Enterprise	SME	Academic Organisation	Public Sector (e.g. LEP)	
Stage 1 Grant	£30,000	£30,000	£20,000	£20,000	£100,000
Match	£30,000	£12,857			£42,857
Project costs	£60,000	£42,857	£20,000	£20,000	£142,857
Grant % of total project costs	50%	70%	100%	100%	
GBER Article 25 limits for Industrial Research	50%	70%	100%	100%	
ASSESSMENT					
Is the proposed grant funding within the limits set for Industrial research in GBER Article 25	Met	Met	Met	Met	
Do private sector (incl plc, Ltd, CIC) organisations account for at least 70% of the total project costs	Met 72%		n/a	n/a	

For the Trailblazer Stage 2 application, the bidders propose a project with total costs of £12M. The total project costs have been apportioned to each partner as shown in the table below. (e.g. £6M for company A). In the first iteration of the business plan each partner has bid for a grant share up to the maximum allowable under State Aid rules. The application for funding complies with two criteria – that grant funding is within State Aid limits and the proportion of project costs attributable to public sector bodies is less than 30%. However, it does not meet the Trailblazer overall funding requirement of 50% match funding.

Organisation	A	B	C	D	Project Total
Type	Large Enterprise	SME	Academic Organisation	Public Sector (e.g. LEP)	
Stage 2 Grant (£M)	£3.0	£2.8	£1.0	£1.0	£7.8
Match (£M)	£3.0	£1.2	£0.0	£0.0	£4.2
Project costs (£M)	£6.0	£4.0	£1.0	£1.0	£12.0
Grant % of total project costs	50%	70%	100%	100%	
GBER Article 25 limits for Industrial Research	50%	70%	100%	100%	
ASSESSMENT					
Is the proposed grant funding within the limits set for Industrial research in GBER Article 25	Met	Met	Met	Met	
Do private sector (incl plc, Ltd, CIC) organisations account for at least 70% of the total project costs	Met (10m of 12M = 83%)		n/a	n/a	
Is the total match funding 50% of the total project costs					Fail (£4.2M match < £6M)

The bidders then rework their financial proposal with both company A and company B providing additional match funding. The total project costs remain £12M and now the match funding is 50% of the total project costs.

Organisation	A	B	C	D	Project Total
Type	Large Enterprise	SME	Academic Organisation	Public Sector (e.g. LEP)	
Stage 2 Grant (£M)	£2.0	£2.0	£1.0	£1.0	£6.0
Match (£M)	£4.0	£2.0	£0.0	£0.0	£6.0
Project costs (£M)	£6.0	£4.0	£1.0	£1.0	£12.0
Grant % of total project costs	33%	50%	100%	100%	50%
GBER Article 25 limits for Industrial Research	50%	70%	100%	100%	
ASSESSMENT					
Is the proposed grant funding within the limits set for Industrial research in GBER Article 25	Met	Met	Met	Met	
Do private sector (incl plc, Ltd, CIC) organisations account for at least 70% of the total project costs	Met (10m of 12M = 83%)		n/a	n/a	
Is the total match funding 50% of the total project costs					Pass (£6M match = £6M grant)

Note that for the £6M match funding, £2.4M (40%) may be provided through in-kind contributions, and at least £3.6M in 'cash'.