ARIA's eligible expenditure guidance

As a publicly funded agency, ARIA's first priority is our responsibility to the taxpayer. This means all expenditure must adhere to the principles of spending public money responsibly and funds must be used efficiently, transparently, and in line with the objectives of the supported project.

Eligible expenditure

The following costs will be considered as eligible expenditure if incurred for the purposes of the Project Activities:

- **Labour** – Defined as salary costs plus employer National Insurance (NI), employer pension contributions, or equivalent employer taxes and social security contributions for non-UK applicants.
- **Materials** – Includes consumables and items directly required for the project that will be used up during the course of its execution.
- **Travel and subsistence** – Travel costs must be reasonable and necessary for the purposes of the project (see 'Travel & expenses' section below).
- **Subcontractor costs** – Includes all costs associated with subcontractors, including collaborators on the project, other than the lead applicant.
- **Equipment & facility use** – Costs relating to workshops or laboratories that can be identified specifically as directly attributable to the project can be claimed in this section. This includes the purchase of equipment where necessary for project delivery and not already covered by indirect costs.
- **Other costs** – As identified in your application and approved by ARIA as part of any subsequent agreement.

Indirect costs are eligible if calculated using a methodology approved by ARIA. These are costs that support a project but aren't directly linked to a specific activity or deliverable - such as administrative support, utilities, office space, and general IT. Ensure these (e.g., finance team costs) are not also included elsewhere in the proposal to avoid double counting. There are **three options for claiming indirect costs**:

1. An overhead charge of **25% of your labour costs** and **5% of all other costs**.
2. A **company-calculated overhead rate** (evidence required and subject to ARIA approval). Organisations should provide justification for their chosen overhead method, and ARIA will assess whether it is appropriate.
3. **Full Economic Costing (FEC)**, which must be verifiable, with supporting evidence provided.

Pre-award costs

In general, costs can only be incurred from the **start of the funding period** specified in the contract, and only once the contract has been signed. Pre-award costs are those incurred before the contract is signed or, if signed earlier, before the official funding period begins.

Pre-award costs may be considered eligible if they are **necessary for the efficient and timely performance** of the scope of work. Such costs must be justified and **approved in writing by ARIA in advance** of being incurred. These may include, but are not limited to, essential preparatory work, such as securing key personnel or purchasing critical equipment and materials. All pre-award costs must fall under eligible expenditure as defined in this guidance.

Travel & expenses (including events)

As a UK taxpayer-funded agency, ARIA must ensure that all expenditure is necessary, appropriate, and considers environmental impact. The following principles apply:

- ARIA **will not fund first-class or business-class flights or rail fares**. Premium economy can be funded for flights exceeding 10 hours.
- Applicants should seek to **minimise overall costs** (e.g., video conferencing vs face-to-face meetings, advance booking for travel).
- Applicants should prioritise **low-carbon and sustainable options** wherever possible.
- **Hotel, subsistence, event, and accommodation costs must be reasonable**. As a general guide, costs should be proportionate and in line with standard business rates for the location. Contact ARIA for guidance on specific items if required.

Ineligible expenditure

Funding recipients **may not claim** the following costs unless otherwise agreed in writing by ARIA:

- Margin on costs unless explicitly permitted in the funding agreement. For **grants**, no profit margin is payable - ARIA funds costs only. For **research agreement contracts**, the maximum allowable profit margin is **10%**. Any profit included in a cost proposal must be **fully justified and agreed with ARIA in advance**. Additionally, profit **cannot be increased** to cover any costs that have been identified as ineligible in this document.

- Input VAT reclaimable from HMRC.
- **Acquisition or improvement of assets** (unless the funding is explicitly for capital use – this will be stipulated in the funding letter).
- Liabilities incurred **before the commencement** of the funding agreement unless agreed in writing by ARIA (see 'Pre-award costs' section above).

Other prohibited expenditures include:

- **Paid-for-lobbying** (including funding staff or external consultants to influence or attempt to influence policy or regulation).
- Attempting to **influence legislative or regulatory action**.
- Activities of a **political or exclusively religious nature**.
- Using ARIA funding to directly **enable one part of government to challenge another** on topics unrelated to the agreed purpose of the project.
- Petitioning for **additional funding**.
- Expenses such as **entertainment expenses**, specifically aimed at exerting undue influence to change government policy.
- **Contributions in kind**.
- Taking out loans in general is acceptable, but **interest payments or service charge payments for finance leases** are not eligible for reimbursement. **Director's loans may be permitted if agreed with ARIA in advance**, but **no interest should be charged** on director's loans.
- **Gifts**.
- **Incorporation costs** and any other costs relating to the **setup of a new entity**. This includes but is not limited to company registration fees, legal and professional fees relating to incorporation, company formation services, VAT registration costs, bank account setup costs and domain name and website costs as well as branding and marketing costs.
- Statutory **fines**, criminal fines or penalties, civil penalties, damages or any associated legal costs.
- Costs for activities where **statutory responsibility** already exists or is fully funded elsewhere.
- **Bad debts to related parties**.
- **Payments for unfair dismissal or other compensation**.