

# **NW of England Objective 2 Programme**

**2000-6**

## **Information Note 1**

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***A Model ERDF Application***

(January 2001)

## The “Information Notes” Series

These notes have been drawn up to help applicants through the processes of putting together and completing a successful application. Copies may be obtained from the address on the front page. The aim is to answer the most frequently asked questions, and draw attention to the areas of the process where applicants often misunderstand what is required and so provide insufficient or inaccurate information. If your question is not answered in this series of notes, please let us know in the Secretariat and we will try to provide you with an answer (it isn't always possible to be definitive immediately) and consider whether these guides need to be amended or added to.

**Note** There are also two notes for guidance on Action Plans published by DETR which the Secretariat can supply i.e. Guidance notes 1 & 2 - to be updated shortly

### **Acknowledgement**

*The NW European Programmes Secretariat gratefully acknowledges the work done in the SW and NE Secretariats on which this note is based*

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## ***Model Applications***

### **Introduction**

This information note has been produced to assist partners with the preparation of ERDF applications for the Objective 2 Programme.

A well-prepared and presented ERDF application requires a thorough reading of:

- The Single Programming Document and the Programme Complement (SPD/PC)
- Any appropriate strategy which has been developed as a requirement of the Single Programming Document;
- The Action Plan or LIP under which the project is competing for funding (if applicable);
- The Information Notes and any other guidance produced by the Secretariat.
- The ERDF application form and accompanying guidance notes.

In addition, applicants should set aside sufficient time to produce a detailed application. ERDF is a competitive fund, with value for money being a key feature. Hastily prepared applications are likely to be referred back to the applicant or may fail to be viewed favourably.

### ***The Single Programming Document and Programme Complement***

The Single Programming Document (SPD) is the formal agreement between the UK Government and the European Commission, which sets out the economic development plan for the region, which will be supported by the European Structural Funds. The SPD outlines the eligible area, the aims and objectives of the overall strategy, and details the series of priorities and measures through which the Programme will be implemented.

The SPD/PC has three broad priorities through which the Programme will be implemented i.e. business ideas, people and communities, strategic regional investment. Each priority is further divided into a number of measures, which detail a range of activities which will contribute towards the goals of the priorities. For example priority one covers business start-up, competitive SMEs, investment finance, knowledge economy and premises investment. Even within a measure a range of actions can be funded. (The Programme Complement provides more detailed information on the aspirations of the SPD at Priority and Measure levels.)

Applications can bid for funding under one or more measures but must specify which, provide justification in terms of the rationale, the activity, and the physical outputs and economic impacts of the measures.

### **Action Plans**

Action Plans are the preferred mechanism for the allocation of the programme resource and the delivery of its objectives. They can be developed by geographic or thematic partnerships in a co-ordinated way to meet specified objectives. They can cover small geographical areas to provide focussed support for areas of need, or larger geographical areas or target groups for thematic objectives. For example, a plan might be developed for a cluster of communities which are targeted for community economic development support. The plan would include details of the anticipated outcome of the various projects to be undertaken in the area; give basic details of proposed projects; advise the sources of matching funding; and give the dates by which targets might be achieved. Further information on preparation of action plans is available through the Secretariat. The Secretariat can also advise on whether a project application should be submitted through an Action Plan and provide details of existing plans for that purpose.

### **Eligibility**

Each project is checked to ensure that the activities it intends to undertake and the expenditure it will incur are eligible. A separate note has been produced on eligible activities

and expenditure. There are a number of areas where Structural Fund support is not available such as housing or healthcare. There are other activities, such as CCTV for town centre improvements, which are ineligible, or road provision, which is only eligible in particular circumstances. In addition, there are a number of types of expenditure where the amount of expenditure which can be considered as a contribution towards the project is limited, such as the cost of land acquisition, or the amount available for professional fees.

Applicants must be able to demonstrate:

- a) that grant is needed before their projects can proceed, and
- b) that the level of grant requested is the minimum necessary to secure the project.

(See separate Information Note 3 covering the grant rates for various types of project.)

### **Appraisal**

Applications will be assessed against a system which takes account of the measure bid for, three cross-cutting themes: sustainability, ICT and equal opportunities as well as other programme-wide objectives. The project will be scored against prescribed criteria agreed by the Programme Monitoring Committee. This leads to a transparent system, where all partners are aware of the system by which their application will be scored. It is important to provide sufficient justification to allow the project to score well. A poorly prepared application will lead to either a request for more information, or to the project being awarded a relatively low score.

Applicants should ensure that they provide sufficient information to allow their project to be awarded the maximum possible score. The selection criteria reflect the priorities of the SPD and place an emphasis on added-value, delivery- both physically and financially, partnership, economic impact and value for money. It is important that every application reflects these factors.

### ***Assertion Versus Justification***

It is important that applicants fully justify all aspects of their application. To do this it is necessary to fully explain the rationale behind each section of the application. Applicants frequently provide statements of assertion in support of applications, with insufficient justification to check the validity of the statement. Two examples are given below:

**Assertion:** "Anywhere Borough Council has high unemployment".

**Justification:** "Anywhere Borough Council has high unemployment as demonstrated by its Development Area status (which places it within the worst 15% of TTWAs in relation to unemployment). In January 1996 the area had an unemployment rate of x% compared to a GB figure of y% - source: Department for Education and Employment".

**Assertion:** "Anywhere Borough Council needs to provide more workshop units".

**Justification:** "Anywhere Borough Council is the sole provider of workshop units in the district and its 24 units are currently 100% occupied. Property inquiries to the Estates Department have increased from 20 in the previous year to 60 in the current year and a small business survey carried out by the Chamber of Commerce identified lack of suitable premises as a constraint for many small businesses in the area (copy enclosed)".

Distinguishing between assertion and justification is fundamental to the preparation of a good quality application. Although providing full justification is time consuming, it is essential to allow a comprehensive appraisal to be undertaken.

Most applicants will have access to the information needed to properly justify their proposals. The principal sources of information are likely to be the relevant strategy for the Priority under

which the project is submitted and the various departments of the local authority, the Small Business Service, local and regional tourist organisations and local business representative organisations.

Background information on the local labour market is produced by a number of organisations including some local authorities, the Training and Enterprise Councils (and successor SBS network) and academic departments at local colleges and universities. Applicants must fully detail all sources of information when providing supporting text, including the title, date and author of the report.

### ***Applying for ERDF Grant***

The Application for Grant Form (ERDF1) contains 12 sections/ questions and the accompanying Guidance Notes (ERDF1G) provide details of the information required under each heading.

Both forms are available from the Secretariat/AP Partnership.

It is important that every question is answered in detail, taking account of the assertion versus justification distinction outlined earlier. Further points for guidance are provided below; if all these points can be answered then actually filling in the application form is straightforward.

### ***What The Project Aims To Do***

It should be explained in a simple and straightforward manner what the project aims to do.

- e.g. reduce unemployment by assisting new enterprises with marketing advice.

### ***How The Project Will Be Implemented***

It is important that applicants explain the mechanics of their project, particularly in relation to revenue schemes. In the case of support to SMEs for example, the purpose and type of support (grant, loan, advice, consultancy) must be detailed along with maximum and minimum levels of support, contribution from the beneficiaries, and any other relevant qualifying material, eg size of company, activity, location. Details of the exit strategy for the project should also be given. Projects will not be approved unless full details are provided.

### ***How The Project Contributes To The SPD***

Projects should be clearly linked to the SPD/PC and must identify a principal measure against which it will be assessed, although other measures to which it will contribute can be detailed. Partners should clearly develop the link between the measure and the project. This should include ensuring that the activity is identified within the scope of the measure and that the physical outputs and economic impacts have been identified in the SPD/PC. The rationale of the project should reflect the rationale of the measure. Those projects applying for funding under an Action Plan would also need to demonstrate the fit with that plan.

### ***How The Project Will Be Funded (match funding)***

Although the application form has a number of financial tables, applicants are also encouraged to explain their funding package in text. A straightforward explanation of which organisations are providing finance and why must be provided. If any of the project finance is coming from an individual, community, company or group of companies then full details must be provided. Details should also be given of which contributions have already been secured and which are still subject to confirmation. An offer of grant will only be issued when all of the matched funding is in place. In-kind contributions should also be identified.

### ***National Regeneration Programme Funds***

A number of partners are seeking to use National Regeneration Programme Funds matching finance. Applicants should clearly state which of the Funds they are applying to, and provide

supplementary information on when their Lottery bid will be submitted, when a decision will be taken, and what will happen to the project if that funding is not forthcoming.

### ***Why The Project Requires ERDF Support***

Applicants must fully explain why ERDF support is required and why a certain level of grant is required. ERDF support is only available if added-value can be determined i.e. that the ERDF contribution will allow the project to proceed, or to be undertaken on a larger scale or in a more timely manner. The level of grant that will be approved is the minimum necessary for the project to go ahead and justification must be provided.

### ***What The Project Will Produce***

Although the physical outputs section of the application form appears to be straightforward, applicants should give careful consideration to the figures they produce. Exaggerated or over-optimistic forecasts of physical outputs will lead to either a delay in approval, or to the project under-achieving the targets with the possibility of grant being withheld or withdrawn. Any figures that are produced must be fully justified, and where appropriate the methodology explained in detail. The financial, output and impact figures should be consistent with each other.

Applicants must identify physical outputs appropriate to the measure and these must be taken from the physical outputs identified in the SPD/PC.

Any project which proposes activity across both the fully eligible area and transitional area must identify the outputs attributable to each separately.

### ***How The Project Will Be Monitored And Evaluated***

Details must be given of monitoring and evaluation arrangements. Grant can be withheld or withdrawn from projects that substantially under-achieve, therefore it is important that applicants put in place adequate arrangements to record and collect data. Full details of these arrangements must be provided with the application. Note that it is not sufficient merely to state that "normal monitoring procedures will be followed". Applicants must be able to document and verify both the physical outputs and economic impacts predicted in the application.

In a number of cases this will require information provided by clients of services or facilities. Where this is the case applicants are advised to make the provision of monitoring information by the client a condition of support. In other cases partners may need to undertake special surveys or research work. Costs may be included in the project proposal, but the resources allocated to monitoring should be in proportion to the scale of the project. In cases where the provision of monitoring information appears either difficult or time-consuming applicants are advised to contact the Secretariat at an early stage.

### ***Financial Tables***

Particular attention should be paid to the financial tables in the application form and to the provision of supplementary information to support the application. The financial tables must be completely filled in with additional information provided where appropriate. Many projects contain certain costs or activities that are ineligible for support or have components that have different grant rates. Applicants must provide sufficient detail to distinguish between the various elements.

Any project which proposes activity across both the fully eligible area and transitional area of the programme must identify the costs separately.

### ***Gross Project Costs***

These relate to the total costs of the project, even where some of the costs are not eligible for grant. This can relate to expenditure which is wholly ineligible because of the activity, expenditure which is ineligible due to the location (i.e. expenditure which will benefit people, businesses, locations outside of the Programme Area) or expenditure which is partly ineligible due to scale (that part of land purchase which exceeds the 10% of other eligible costs).

### **Grant Rates**

The grant rate sought for various components of the project should be identified. If, after approval, it is discovered that higher rates of grant have been awarded in error, the grant must be re-paid to bring it into line with the proper maximum figure. A separate information note covers grant rates in more detail.

Where a project spans more than one calendar year, the financial tables should be completed to reflect the average grant rate in each year. For example, if an ERDF grant rate of 30% is sought on a two-year project, the financial tables should assume an ERDF contribution of 30% in each year.

### **Proportionality**

ERDF funding can only be used for projects where the benefits are realised in the Programme Area. Projects which offer services or activities across all of the North West must identify total project costs which relate to the whole of the proposed area, and then identify eligible costs ie those project costs which relate solely to, or can be attributed to, the Programme Area.

There are various options open to the applicant to determine the allocation between eligible costs and non-eligible costs. For projects where the beneficiaries are individuals or identifiable companies, then costs can be apportioned easily, even if based on estimates that can then be amended as the project proceeds.

For projects where the benefits cannot easily be attributed, for example a tourism promotion scheme for the whole of the North West, then costs can be apportioned by population, the number of tourist businesses, or the number of tourism employees. Applicants are required to explain how costs have been apportioned and to justify the methodology. Applicants are advised to contact the Secretariat to discuss apportionment.

### **Private Sector** (see also information note 4)

Full details must be given of the status of private sector applicants, whether they are private companies or representative organisations. Applicants should explain how the private sector is contributing; especially where representative organisations are involved, and outline the benefits the private sector will receive.

In cases where capital projects are owned and controlled by the private sector, the applicant is responsible for proposing suitable arrangements for the re-payment of grant should the assets be sold in the early years, or where the ERDF investment leads to "excessive" profits.

Applicants should propose a graduated re-payment of grant over a number of years starting with 100% re-payment if the assets are sold prior to or on completion of the physical works. In terms of excessive profits, applicants should propose a system by which excessive profits can be calculated and identified.

Each application is considered on a case by case basis and applicants are advised to contact the Secretariat at an early stage.

### **Contributions in Kind**

Full details must be provided of those elements of the project which comprise in-kind contributions. Applicants should note that as a general principle, whilst contributions in kind can be counted as match funding, the amount of ERDF awarded can not exceed the amount of real contribution to the project, up to a maximum of 50% of the total eligible cost. Further details of in-kind contributions are given in Information note 3.

### **Conclusion**

If these points are answered and the application form is properly filled in then a full appraisal will be able to be carried out. Applicants are however reminded that their responsibilities do not end with the submission of the application form, or the receipt of a grant offer letter. The

need to successfully implement the project and provide adequate financial and monitoring data continues throughout the life of the project and is a condition of the grant offer.

### **Points to note**

#### ***Consultancy Reports***

Consultancy reports are often provided to fully justify an application. As such, they represent a valuable source of additional information. Applicants are advised to reference particular sections of any report in the official application form. Similarly, it may be appropriate to summarise the most relevant parts of the report in a short supplementary report.

#### ***Replacement and maintenance costs***

Replacement and maintenance costs are not normally eligible for support. Applicants should be aware that monitoring and audit visits that discover that work described in the application is in fact replacement or maintenance would result in action. Projects that undertake such work and receive grant support in error will be required to repay part or the entire grant.

#### ***Planning Permission***

Where required, full planning permission (not merely outline or conditional) **must** be in place before an offer of ERDF will be issued.

#### ***Public Procurement***

Special tendering arrangements relate to particular types of projects. These are covered by the following Directives - the Works Directive 93/37 and 97/52, the Supplies Directive 77/52, the Services Directive 92/50, the Utilities Directive 93/38 and the Utilities Directive 90/531. Further details are contained in the application form and in the Structural Funds Handbook on the DTI website. ([Www.dti.gov.uk/europe/structuralfunds](http://www.dti.gov.uk/europe/structuralfunds))

Applicants should be aware of the following:

- the applicant is responsible for complying with any relevant Directives,
- the practice of sub-dividing large contracts into a number of smaller contracts to avoid financial thresholds may lead to the re-payment of grant,
- even where the sum is below the threshold applicants should consider using competitive tendering to ensure the maximum value for money.

### **On going Responsibilities**

#### ***Changes To The Project***

The Secretariat /Action Plan Partnership should be notified as soon as possible of:

- any changes of ownership of a grant aided asset,
- increases or decreases of project costs (changes of up to 10% need not be immediately notified)
- any project which is likely to substantially under-achieve.

In the case of increased costs, additional grant support will not normally be offered, and applicants will be expected to abide by the terms of the grant offer letter i.e. to deliver the stated project for the amount of grant offered. Additional grant may be considered if the additional expenditure will result in additional benefits. In the case of reduced costs, the grant will normally be reduced, proportionately to the start date. Thus, if a grant of £50,000 is offered against a £100,000 project, matched funding of £50,000 will be in place and the ERDF grant rate is 50%. In the event of the project costing only £80,000 the matched funding of

£50,000 would be assumed to be still in place and the gap to be filled by the ERDF grant would be reduced to by £80,000 x 50% = £40,000.

The Commission has the right to reduce or suspend assistance where the project is failing to justify assistance (deliver the benefits). Applicants are strongly advised to contact the Secretariat/AP Partnership at an early stage if they have concerns regarding the effectiveness of a project.

All partners should be aware that the Commission has the right to recover grant paid which has been used for any elements of the project which are not specified on the original approved application. Partners are strongly advised to contact the Secretariat/AP Partnership if they are concerned about any aspect of expenditure.

#### ***Audit***

Applicants are required to maintain adequate records and to make these available on request. EU and Government auditors visit a number of projects in the UK each year.

Projects with a total grant value of £250K and over must submit an external annual audit to the Secretariat/AB at the end of each financial year. Projects with a grant value claimed of £10k and over must submit a final external audit to the Secretariat/AB at the end of the project.

#### **Conclusion**

Applicants are strongly advised to read all of the information notes as well as the guidance which accompanies the ERDF application form. As the interpretation of eligible expenditure and activity can change applicants are advised to keep in touch with the Secretariat/AP Partnership staff and to discuss project ideas at an early stage.

#### ***Further information is available from:***

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