

North West of England Objective 2 Programme 2000-6

Information Note No: 5

In-kind Contributions

(January 2001)

The “Information Notes” Series

These notes aim to help applicants through the processes of putting together and completing a successful application. They should also assist in the proper appraisal of projects. Copies may be obtained from the address on the front page. The aim is to answer the most frequently asked questions, and concentrate on areas 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.

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ERDF: In - kind contributions

Introduction

In-kind contributions provided by the applicant or other organisations, may be an acceptable alternative to monetary contributions towards a project's costs. For such costs to be eligible the following assumptions must be met.

1. 3 forms of in-kind support are envisaged:
 - i) unpaid voluntary work, provided by a private person or a body
 - ii) the supply of raw materials
 - iii) the supply of land, real estate and long term equipment
2. Value for money of all cash-in-kind transactions must be established. E.g. is the cost of contribution reasonable for the project, irrespective of the cost to the company providing the service.
3. All in-kind support must be quantifiable. However, where time spent on the project can be accurately recorded (timesheets) and the cost of the contribution calculated as proportion of actual salary costs, this may be regarded as a "real cost" rather than an in-kind contribution.
4. For capital in-kind support, an independent evaluation of the value of the goods must be provided.
5. The ERDF available to a project containing an in-kind contribution cannot exceed the total "real expenditure" of the project. Normal maximum grant intervention rates depending on the type of activity also apply.

The following tables offer some examples of how in-kind contributions should be calculated in the preparation of an ERDF application.

Unpaid voluntary work, provided by a private person or a body (Contributions of Staff Time)

Example	Potential Eligible Match Funding	Rationale
A manager at a Plc contributes a day position is the equivalent of a senior level of skills. The average daily rate for is typically profit.	£240	It is not possible to assess the cost to an organisation of employing a manager. Salary and overhead details are not available and there is no daily rate. There needs to be some way to measure the value of the contribution. The most accurate being to equate it to the equivalent of the manager at a professional services company, where

		the daily rate (and costs within) is identifiable.
An individual spends a day working on a project. His organisation normally charges out his time at £300 per day, of which £50 is profit and £250 costs.	Salary cost divided by time spent on project	It costs the organisation £250 to provide a day of this person's time delivering in the field. However, if no monetary transaction has occurred, the value of this support should be restricted to the actual salary cost proportionate to the time spent on the project.
The Managing Director of an international Plc spends a day at a meeting contributing to a project. He is the only person who can make this contribution. It costs the Plc £200K per annum to employ him/her = £909 per working day (220 days per year).	Up to £909	This is the marginal cost of employing this person for one day. It exceeds any reasonable consultancy costs and so an equivalent cannot be assumed. However, the vfm test must be applied. The value of the person to the project must be more important than the value to the Plc. Their costed contribution should reflect the quality and level of input.

The supply of raw materials

Example	Potential Eligible Match Funding	Rationale
A manager makes a presentation at a seminar. The presentation he makes has cost his organisation £2000 to develop. They do not charge for the contribution.	£2000	The presentation has been developed specifically for the project. The cost of its development is £2000. To satisfy Assumption No. 1, the costs would need to be expressed in terms of materials and time spent.
An organisation buys a piece of software for £2000. After a year the software is available for £800, at which time it is donated to the project.	£800	The value of the software has depreciated and the contribution is now only the equivalent of £800. Depreciation and current market value is therefore relevant to the cost of the donation.
An organisation spends £10,000 developing training materials for itself. It makes these materials available for use in a project.	The notional rental or lease value of the materials	The organisation would have developed material anyway. It has not been developed for the exclusive use of the project, and the materials will not be transferred to the project. Costs should be restricted to a notional rental or lease value.
An organisation spends £10,000 developing training materials. It donates these materials to a project.	£10,000	The materials have been developed and the organisation wants to make them available to a wider (SME) community through the project. It has cost them £10,000 to develop and ownership of the material is transferred to the project.
An organisation spends £10,000 developing training materials for exclusive use of the project. Their normal	£10,000	Only the cost of development is eligible, not the profit element.

sale price is £15,000.		
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The supply of land, property and long term equipment

Example	Potential Eligible Match Funding	Rationale
An organisation has donated a plot of land exclusively for a community resource centre project. The land has been independently valued at £100K. The donation is dependent upon the project going ahead.	£100K	It has cost the organisation £100K to donate the land. The transaction will take place once grant approval is given.
An organisation donates a room to a project for the day. The normal charge for this room is £500 and it would have been booked but for the donation. £100 is profit	£400	It has cost the organisation £400 to donate the room. Where no formal arrangements exist for commercial room hire, then an assessment of the cost to the donating authority must be undertaken e.g. pro-rata cost of overheads.

Further information is available from:

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