



## **Priority Axis 2**

**May 2011**

# **Applicant Guidance**

**East Midlands**  
**ERDF Competitiveness**  
**Programme 2007-13**

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## 1. Introduction to the East Midlands ERDF Competitiveness Programme

The European Regional Development Fund (ERDF) aims to strengthen economic and social cohesion in the European Union by supporting regional economic development. The East Midlands is eligible for €268.5m (worth approximately £229m at March 2011 exchange rates) between 2007 and 2013 which, when combined with match funding, provides a programme value of approximately £458m – a significant investment in the economic development of the region.

The East Midlands qualifies as a competitiveness and employment region under the EU's Cohesion Policy, which aims to meet the EU objective to become:

*“...the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social inclusion”.*

The East Midlands Operational Programme<sup>1</sup> (OP) sets out the region's strategy for delivering the funds. It is based on an analysis of the region's main challenges, needs, strengths and opportunities as set out in the socio-economic and SWOT analyses, and the policy frameworks and drivers set down in the European Commission's Community Strategic Guidelines and the UK's National Strategic Reference Framework. In addition, the Programme is both set within the framework of, and will contribute to the delivery of, the Regional Economic Strategy (RES).

The Programme seeks to add value by enhancing and extending RES commitments to the Lisbon and Gothenburg agendas. The overall Strategic Programme Objective is:

*“To become a region of highly productive, innovative and sustainable businesses and support the most disadvantaged of our communities to realise their economic potential”.*

This will be achieved under three Programme Priorities:

- Increasing productivity through innovation;
- Improving resource efficiency in businesses and communities; and
- Increasing sustainable economic and enterprise activity in disadvantaged communities.

The Programme will be delivered through two main Priority Axes:

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<sup>1</sup> The OP is available to download at: <http://www.eastmidlandserdf.org.uk>

- Priority Axis 1 (PA1): Innovation and sustainable business practice; and
- Priority Axis 2 (PA2): Sustainable economic and enterprise activity in disadvantaged communities.

**Priority Axis 1** is concerned with increasing productivity through innovation and sustainable business practice. Resources are being thematically targeted to focus on increasing commercialisation of innovation in Small and Medium Enterprises (SMEs) in priority sectors and in businesses with high growth potential to create higher value added products and services, and includes support for SME engagement in Research and Development (R&D) for emerging and enabling technologies. It will also promote and support innovation to improve resource efficiency.

**Priority Axis 2** is concerned with increasing sustainable economic and enterprise activity in disadvantaged communities and is spatially targeted to focus resources on the most disadvantaged areas whilst exploiting the potential linkages to adjacent areas of economic growth. The aim is to create new indigenous economic opportunities by building local capacity, resources and support; reviving local infrastructure and environments and stimulating and supporting enterprise and new market opportunities.

ERDF programmes vary from region to region because the challenges and opportunities in each area differ. Therefore what might be prioritised for funding under a programme in another part of England may not be supported by the East Midlands ERDF Competitiveness Programme 2007 - 13, and vice-versa.

## 2. Arrangements for Managing the Programme

The Department for Communities & Local Government (DCLG) has overall responsibility for the ERDF 2007-13 Programme. In the East Midlands, responsibility for implementation of the Programme is currently delegated to the East Midlands Development Agency (*emda*) which was designated an “Intermediary Body” for the purpose of managing the funds, and act as the ERDF Team to the Programme Monitoring Committee (PMC). However, the Government has announced that Regional Development Agencies are due to close at the end of March 2012 and so, on 1 July 2011, responsibility for implementation of the Programme is will revert to DCLG.

Similarly, changes announced by the Coalition Government mean that responsibility for the strategic direction of the Programme and its Governance will transfer to a Local Management Committee (LMC) in due course. Details of the changes will be published on the [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk) website.

### 3. Introduction to Priority Axis 2

Priority Axis 2 aims to promote sustainable economic growth by increasing the level of enterprise, creating new jobs and moving towards a more knowledge-based economy. Resources are being directed at the region's most disadvantaged communities in order to support and develop a range of bespoke economic and enterprise activities to meet the specific identified needs of localities and target communities and will:

- Increase the size and diversity of the enterprise base;
- Stimulate demand for new services within localities ie exploiting local procurement opportunities;
- Support the development of local enterprise initiatives to support the resource efficiency objective;
- Increase the level of private sector investment in disadvantaged communities;
- Improve access to employment opportunities; and
- Improve the physical (green and built) environments and attractiveness of disadvantaged areas.

It is anticipated that during the lifetime of the Programme, some businesses and social enterprises that are supported under Priority Axis 2 will also be able to benefit from support under Priority Axis 1. For example, initiatives under Priority Axis 2 should lead to new enterprises being created in disadvantaged areas as a result of new market opportunities being created in key sectors and initiatives to improve resource efficiency and to increase take up of renewable energy. These enterprises may then need higher level innovation-specific support to support continued growth.

The following indicators were used to identify the Programme's target areas:

- Unemployment rate;
- Economic activity rate;
- Employment rate;
- Proportion of working age with no qualifications;
- VAT registrations per 10,000 people;
- Self employment rate; and
- Average earnings.

Using the same indicators that were agreed for the 2008-10 (above) allocation, but with information from 2005-08 (and 2009 where available), the original District analysis was updated in summer 2010 as part of the Programme's *Interim Programme Assessment*. The updated District rankings are as follows:

District	Rankings on 2001-05 data	District	Rankings on 2005-08 data	Change in 05-08 ranking
Nottingham	1	Nottingham	1	-
Bolsover	2	Leicester	2	1
Leicester	3	Bolsover	3	-1
Ashfield	4	Mansfield	4	2
Corby	5	Ashfield	5	-1
Mansfield	6	Corby	6	-1
Lincoln	7	Derby	7	1
Derby	8	Lincoln	8	-1
Boston	9	Bassetlaw	9	1
Bassetlaw	10	Chesterfield	10	2
East Lindsey	11	Oadby and Wigston	11	2
Chesterfield	12	East Lindsey	12	-1
Oadby and Wigston	13	North East Derbyshire	13	5
Gedling	14	Broxtowe	14	2
Amber Valley	15	Boston	15	-6
Broxtowe	16	Kettering	16	12
West Lindsey	17	South Holland	17	2
North East Derbyshire	18	Northampton	18	3
South Holland	19	Newark and Sherwood	19	7

Boston is no longer one of the 12 most disadvantaged Districts, having gained six rankings to 15<sup>th</sup>, and Oadby and Wigston is now within the highest 12 having moved up two places from an original ranking of 13<sup>th</sup>.

Given the changes to the PA2 target Districts, the Programme Monitoring Committee agreed to the suggestion an increased allocation of £1m ERDF for Boston to assist them through the transition.

### **Delivery Strands and Indicative Actions**

53% (approximately £121m) of the Programme's total allocation will be used to support the four Strands of activity under PA2 detailed in the Operational Programme:

- Enterprise support;
- Access to finance;
- Access to resources and support; and
- Reviving local infrastructure and environments.

The following table sets out the indicative actions that might be supported:

<b>Strand</b>	<b>Ref:</b>	<b>Indicative Actions</b>
<b>2a. Enterprise Support</b>	2a-1	Enhanced enterprise and start-up initiatives including enterprise awareness coaching, mentoring provision and initiatives to support enterprise in target communities.
	2a-2	Bespoke business support initiatives for businesses and social enterprises to develop and enter new markets, including those concerned with waste minimisation, renewable energies and resource efficiency opportunities, including financial assistance and consultancy support.
	2a-3	Developing the capacity of local businesses and social enterprises to access local procurement opportunities.
	2a-4	Creation and refurbishment of premises, employment sites and small scale enterprise facilities.
<b>2b. Access to Finance</b>	2b-1	Development and provision of appropriate financial instruments, including Community Development Finance Instruments (CDFI).
	2b-2	Access to finance and investor readiness support.
<b>2c. Access to Resources and Support</b>	2c-1	Developing and improving access to employment opportunities, including local transport initiatives, connectivity (including ICT) and accessibility.
<b>2d. Reviving Local Infrastructure and Environments</b>	2d-1	Rehabilitation and development of local environments to create more attractive places for communities and investors.

## Outputs, Results and Impacts

Outlined below are the total outputs, results and impacts expected to be generated by investment under PA2 during the Programme period.

<b>Outputs</b>	<b>Target</b>
No of businesses assisted to improve performance	<b>3,700</b>
Public and private investment leveraged (€)	<b>129,000,000</b>
Sq metres of new or upgraded floor space (internal premises)	<b>19,000</b>
No. of people assisted to start a business	<b>2,700</b>
Brownfield land reclaimed or redeveloped (ha)	<b>17</b>

<b>Results</b>	<b>Target</b>
No. of jobs created	<b>6,200</b>
No. of businesses improving performance	<b>3,300</b>
GVA (Gross Value Added) resulting from businesses improving performance (€)	<b>118,000,000</b>
No. of new businesses created and new businesses attracted to the region	<b>1,600</b>

<b>Impacts</b>	<b>Target</b>
Increase in GVA (Gross Value Added) (€)	<b>106,000,000</b>
Increase in employment	<b>3,000</b>
Increase in businesses	<b>500</b>

## The Lisbon Jobs and Growth Agenda

The East Midlands ERDF Competitiveness Programme must ensure that at least 75% of total expenditure is directed towards the Lisbon Jobs and Growth Agenda<sup>2</sup>. This is a ten-year strategy agreed by EU member states to become by 2010 the “most competitive and dynamic knowledge-based economy in the world, capable of creating sustainable economic growth with more and better jobs and greater social inclusion”. In March 2005, EU Heads of Government re-launched the Lisbon Strategy with a new focus on jobs and growth.

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<sup>2</sup> The Programme has, however, expressed an aspiration to achieve a far greater Lisbon focus than the minimum requirement.

All projects supported through Priority Axis 1 will be expected to contribute to the Lisbon agenda and in order to achieve the overall Programme target at least 77% of PA2 spend needs to contribute towards Lisbon objectives.

#### 4. 'Indicative' Allocations

On 14 February 2008 the PMC agreed that 80% of the available PA2 ERDF resource be allocated to the 12 target areas on an indicative basis for the first three years of Programme delivery (this will represent four years actual funding due to the delay in Programme approval). The remaining 20% was allocated to regionally managed business support activity.

LAD/unitary authority	First Half of Programme ERDF Amount (£)	Share of PA2 allocation (%)
<b>Ashfield</b>	3,248,965	6.7
<b>Bassetlaw</b>	3,142,508	6.5
<b>Bolsover</b>	2,419,508	5.0
<b>Boston</b>	2,419,508	5.0
<b>Chesterfield</b>	2,836,039	5.9
<b>Corby</b>	2,419,508	5.0
<b>Derby City</b>	6,642,136	13.7
<b>East Lindsey</b>	3,896,124	8.1
<b>Leicester City</b>	8,089,349	16.7
<b>Lincoln</b>	2,461,810	5.1
<b>Mansfield</b>	2,813,769	5.8
<b>Nottingham</b>	8,000,951	16.5
<b>Total</b>	<b>48,390,175</b>	<b>100</b>

This approach is intended to give partners the ability to plan activity/investment strategically, with the appropriate assurance that ERDF funding will be available (and at a specified level) for eligible activities. The allocations are, however, indicative only and commitment/spend will be closely monitored and reported to the PMC for formal review each year. Depending on performance, funds could be re-allocated between individual districts and/or regionally managed programmes.

Based on the methodology previously agreed by the PMC (14 02 08 PMC Paper 02 refers), the following 2011-2013 indicative District allocations have been calculated:

LAD/unitary authority	Second Half of Programme ERDF Amount (£)	Share of PA2 allocation (%)
Nottingham	8,077,305	16.7
Leicester	8,367,507	17.3
Bolsover	2,418,355	5
Mansfield	2,756,924	5.7
Ashfield	3,143,861	6.5
Corby	2,418,355	5
Derby	6,626,292	13.7
Lincoln	2,418,355	5
Bassetlaw	3,047,127	6.3
Chesterfield	2,708,557	5.6
Oadby and Wigston	2,418,355	5
East Lindsey	3,966,102	8.2
<b>Total</b>	<b>48,367,095</b>	<b>100</b>

## 5. Local ERDF Investment Plans

In order to access their funding allocations the Districts have produced Local ERDF Investment Plans which set out:

- Support for the Operational Programme and indicative actions covered;
- Alignment with local, sub-regional and regional plans including Local Area Agreements, Multi Area Agreements (where appropriate), Sub Regional Investment Plans and the Regional Economic Strategy;
- Priorities for investment, whether spatial, thematic or based on a benefit group (including need and rationale for these priorities);
- Processes for selection of projects/recommendations for appraisal (including assessment criteria and route to market);
- Potential delivery mechanisms (planned and potential projects, including timescales and prospective sources of match funding);
- Profiling of ERDF expenditure and outputs;
- Complementarity with local ESF activity;
- Contribution to the Cross Cutting Themes; and
- Alignment with existing Local indicators.

A number of Districts have elected to work together and manage their allocations collectively to allow more flexibility and to facilitate the delivery of larger scale investments (see *Section 10 - Contact Details*). In those instances the relevant sub-regional and local partnerships have agreed a single combined Plan. In all cases the individual Districts or Groups have nominated a Lead Body/Partnership and given assurance that all appropriate bodies were involved in the Plan's preparation and given an opportunity to determine how the funds are utilised.

See the 'Applying for Funding' pages at: [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk) for details and copies of the Local ERDF Investment Plans.

## 6. Core Selection Criteria

### Who Can Apply?

ERDF grants can be awarded to public sector and, in some instances, private ('not for profit') and third sector organisations. Historically, many successful ERDF bids have tended to be co-ordinated by the public sector, notably local authorities and by non-profit distributing private organisations acting in the public interest (such as Further and Higher Education institutions).

Applicant organisations must be legally constituted and be able to enter into a legally binding arrangement. The applicant is the organisation that negotiates and subsequently enters into a funding agreement (and therefore carries the liability for ensuring that the terms of the ERDF funding agreement are met). ERDF is not paid directly to profit-distributing private sector organisations or for an organisation's own benefit (although in many instances private sector organisations – particularly SMEs – are the end beneficiaries of support). All activity to be funded must be State Aid and Procurement law compliant.

### Core Criteria

In order to be eligible for assistance through the East Midlands 2007-13 ERDF Programme, all projects must adhere to a set of core criteria that have been developed in response to the Operational Programme, the relevant EC Regulations and the National Eligibility Rules. All projects must therefore:

- Deliver against the objectives of the ERDF Operational Programme;
- Form part of a Key Activity or Programme of Investment identified in the Investment Framework;
- As a general rule, be located within the programme area and demonstrate that the outputs will be delivered in, and impact on, the programme area<sup>3</sup>;
- Identify expected outputs and results and provide details of clear and attainable targets;

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<sup>3</sup> Exceptions to this rule may be considered provided (a) the project is situated in a NUTS III area <http://www.ons.gov.uk/search/index.html?newquery=nuts+3> adjacent to the programme area [http://www.statistics.gov.uk/geography/nuts\\_em.asp](http://www.statistics.gov.uk/geography/nuts_em.asp) ; and (b) the results and impacts will be delivered within the programme area; and (c) the PMC / LMC agrees the principles for the investment.

- Demonstrate an additional and sustainable benefit to the socio-economic development of the area;
- Demonstrate acceptable value for money in terms of outputs/results and benefits returned on the investment;
- Have a sound funding package in place, identifying the recipient of the funds and the sources of match funding;
- Not duplicate existing activity (but could extend such activity) and must not be a substitute for existing or planned domestic expenditure;
- Undertake an options analysis to ensure their proposals are the best way of achieving the desired outputs/results;
- Demonstrate full consideration of the cross cutting themes of Environmental Sustainability and Equalities at project design stage; and
- Demonstrate that they have fully considered procurement and state aid issues.

Further details regarding ERDF Eligibility Conditions can be found in Annex 1.

## 7. Project Assessment Criteria and Process

In addition to the Core Selection Criteria detailed above, in order to ensure a well-balanced portfolio of high quality projects yielding optimum return on investment, further assessment criteria/processes will be applied. These will ensure applicants have fully demonstrated how their proposals will deliver Priority Axis 2 outputs, results and impacts, and value for money.

The process begins with the submission of an Expression of Interest (EOI) form to the relevant PA2 District Lead. These will be assessed for their 'fit' with the activities described at Section 3 above; regional, sub-regional and Local Investment Plans (where appropriate); the applicant's delivery capability will also be tested; along with the applicant's delivery capability, project costs, and funding package.

EOIs will be expected to achieve a minimum quality threshold score of **30 (50%)** in order to progress. Those achieving or exceeding the threshold will be submitted to the relevant PA2 District Lead group for prioritisation and local endorsement. Applicants whose EOIs have been prioritised will be invited to an Application Workshop and asked to submit a full application.

Applicants whose EOIs have failed to achieve the minimum or 'cut off' score (if applicable) will be advised they have been unsuccessful.

Full applications will be initially assessed against the following qualitative criteria by the DCLG ERDF Team:

- **Additionality** - the applicant will need to clearly demonstrate the additional benefits that ERDF funding would bring;
- **Value for Money** - applicants will need to demonstrate that maximum benefit has been derived in terms of PA2 outputs, results and impacts, given the funding requested;
- **Cost Justification** - the applicant will need to detail how project costs were calculated;
- **Indicator Justification** - the applicant will need to demonstrate how outputs, results and impacts have been calculated;
- **Quality of systems** - the applicant will need to clearly demonstrate that they have satisfactory management systems in place to ensure that the project (if funded) will comply with the rules and regulations that govern ERDF support;
- **Publicity** - applicants will need to set out how they plan to publicise the project and how this complies with Programme publicity requirements;
- **Cross Cutting Themes** - the applicant will need to demonstrate how both the *Environmental Sustainability* and *Equalities* cross cutting themes have been included in their project proposals (guidance regarding integration of the cross cutting themes in both project design and delivery is given at Chapter 8); and
- **Exit Strategy** - applicants will need to demonstrate that they have fully considered what happens to their proposed project once ERDF funding has been exhausted.

Applications will also be subject to an independent appraisal in accordance with the Government's Office of Project Appraisal Training (OffPAT) Guidelines. This independent appraisal tests the consistency of the information provided by the applicant, checks the aims and objectives of each application (assessing whether alternative delivery options have been fully considered), and seeks to highlight any possible duplication or conflicts with other publicly funded initiatives or projects.

The appraisal process tests the project's assumptions, the indicative value for money, the rationale and the evidence provided by the applicant to indicate that there is a need and a demand for each proposition.

## 8. Cross Cutting Themes

The purpose of Cross Cutting Themes (CCTs) within the East Midlands Operational Programme (OP) is to ensure that *Equalities* and *Environmental Sustainability* underpin and inform all activity financed through the Programme. The aim is to integrate, or mainstream, the themes across all activities. Mainstreaming ensures that CCTs are considered at every stage of the life of a project, from its development, application and delivery, to how it is monitored and evaluated.

## Environmental Sustainability

The OP states that the objective of the *Environmental Sustainability* CCT is:

- *To minimise environmental and resource impact, respect environmental capacities, and maximise the potential for the environment as an economic driver.*

The effective integration of *Environmental Sustainability* into the Programme can help deliver a more competitive, dynamic and innovative regional economy by embracing and responding to the economic opportunities that environmental integration provides.

This is in line with the RES which states that “*the region's environment is an important asset and protecting and investing in it makes economic sense*”. A high quality environment enhances quality of life, helps tackle deprivation and attracts people, businesses and investment. Improving environmental performance through measures such as energy and resource efficiency, sustainable transport and waste minimisation, saves businesses money while helping to reduce carbon emissions and reduce the whole life costs of buildings and premises.

The OP recognises *Environmental Sustainability* as one of the three pillars of Sustainable Development. The inclusion of an *Environmental Sustainability* CCT means that, whilst achieving their social and economic goals, individual projects should also aim to minimise negative environmental impacts and, where possible, enhance environmental benefits.

This should be done with particular reference to the OP strategic environmental objectives, as identified in the Strategic Environmental Assessment (SEA) of the East Midlands ERDF Operational Programme<sup>4</sup>. The OP is set within the framework of, and therefore contributes to, the delivery of environmental objectives within both the RES and Integrated Regional Strategy (IRS).

The *Environmental Sustainability* CCT will, where appropriate, draw on the experience and best practice established during the 2000-2006 East Midlands Objective 2 Programme. Minimising a project's environmental impact and, where possible, enhancing environmental benefits will be achieved both directly by funding specific activities under the main OP priorities and indirectly by raising awareness of, promoting and developing *Environmental Sustainability* approaches in project design, delivery, monitoring and evaluation.

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<sup>4</sup> The S.E.A is available to download from <http://www.goem.gov.uk/goem/euro/struct-funds/ERDF07-13/?a=42496>

## **Opportunity for Priority Axis 2 Integration**

Priority Axis 2 provides significant opportunities for funding specific (or vertical) activities that promote *Environmental Sustainability*. However, all OP projects will be required to demonstrate alignment with the principles of environmental sustainability as a cross cutting (or horizontal) theme.

Specifically, all projects should promote mitigation and adaptation approaches to climate change and contribute to a more resource efficient regional economy by:

- Minimising the need to travel, and where necessary, taking steps to minimise the environmental impact of travel & transport (including procurement measures which allow locally produced/sustainably sourced goods and services to compete on equivalent terms);
- Wherever practicable, Products/Programmes of Activity should, through the consumables they buy and use, seek to minimise environmental impact(s) and maximise cost savings through the efficient use of resources;
- Undertake to reduce, reuse, recycle or reclaim wastes and surplus materials wherever possible;
- Require subcontractors, and encourage clients and collaborators, to do the same; and
- Consider opportunities for related social and economic benefits (e.g. involvement of local groups/volunteers).

Whilst the requirements above will help to ensure low-carbon projects, additional resource use and carbon monitoring requirements may be required to support SEA monitoring, impact assessment and evaluation purposes.

## **Equalities**

The OP states that the principal objective of the *Equalities* CCT is:

- *To reduce economic and social inequalities by ensuring that opportunities generated by the Programme are available to everyone (regardless of their Gender, Disability, Race, Age, Sexual Orientation or Religion/Belief).*

This CCT supports the aim of the Achieving Equality strand of the Regional Economic Strategy, which is:

*“To reduce economic inequalities and increase productivity by ensuring that everyone has the opportunity to contribute to and benefit from the region’s sustainable economic growth”.*

Equality of opportunity is important for economic, legislative and moral reasons. Only by ensuring that everyone has equal access to opportunities will we achieve the goal of being a ‘flourishing region’. More specifically, equality of opportunity is

critical to the success of the ERDF Programme. People from traditionally excluded groups make up a significant proportion of the region's population and evidence shows that many experience barriers to social and economic inclusion. If exclusion continues to inhibit the prospects of these groups, economic opportunities will not be maximised and social cohesion threatened. The effective integration of *Equalities* into the Programme will assist more people and businesses to access the opportunities that the Programme offers and thereby improve not only their quality of life, but also the regional economy.

### **Opportunity for Priority Axis 2 Integration**

Priority Axis 2 provides significant opportunities for funding specific activities that promote equality of opportunity, either directly or indirectly. However, all OP projects or Activity will also be required to demonstrate alignment with the principles of equality of opportunity as a CCT.

Specifically, all projects should:

- Ensure the needs of **all** potential beneficiaries are considered at project design stage in order that the service is appropriately delivered;
- Ensure that community consultation is undertaken to ensure that the proposed project is designed to meet the needs of all;
- Ensure all communication mechanisms are accessible for all i.e. events, websites, promotional materials; and
- Ensure all physical regeneration i.e. new buildings and upgrading existing premises is subject to Inclusive Design Principles.

### **Project Level Delivery**

All projects will need qualitative and/or quantitative indicators, with appropriate targets for each CCT, to demonstrate how the project will contribute to each theme. This will ensure that activity relating to the CCTs is included in the project delivery plan, and will enable projects to measure, report and evaluate this activity.

Monitoring of the CCTs will be included as an integral part of the wider project monitoring process under the Programme, and projects will, as a result, be asked to provide demonstrable evidence to support their achievement.

## 9. Application and Appraisal Process

There are two stages to the application process:

### Stage One - Expression of Interest (EOI)

Where Partners call for activity through local bidding rounds the process will begin with the submission of an Expression of Interest (EOI) form to the Lead Body/Partnership. The EOIs will then be assessed by that Lead Body/Partnership and the DCLG ERDF Team against the following criteria:

- Need and rationale for the project;
- Contribution to the objectives and intended outputs and results for Priority Axis 2;
- Fit with the local ERDF Investment Plan and appropriate regional, sub-regional and local strategies;
- Deliverability (including track record and match funding): and
- Partnership delivery capacity.

Expression of Interest (EOI) forms and the Assessment Framework (which details the relative priority or 'weighting' applied to these criteria) will be published on the 'Applying for Funding' pages at: [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk).

EOIs will be expected to achieve a minimum quality threshold score of 50% in order to progress. If the local 'Call' for activity is over subscribed (the value of EOIs received exceeds the allocated budget), a higher threshold may need to be considered/introduced by the Lead Body/Partnership. Applicants whose EOIs have failed to reach the threshold will be advised that they have been unsuccessful. Following local prioritisation, those achieving or exceeding the appropriate score may be invited by the Lead Body/Partnership to submit a full application.

### Stage Two - Full Application

Applicants successful at the EOI stage will be invited to submit a Full Application. The information in the application should be consistent with that in the EOI. Full applications will be assessed by the ERDF Team against the qualitative criteria detailed at Section 7. The application will also be subject to independent appraisal (also as detailed at Section 7). Further guidance on completing the Full Application form will be provided to those applicants invited to proceed to this stage.

### Application Workshops

PA2 Districts will from time to time hold workshops to assist those applicants who have reached the full application stage. At these workshops further guidance will be given on eligibility requirements, including the Environmental Sustainability

and Equalities CCTs. It is not a requirement that applicants attend but they may find it helpful to do so. Further details of these workshops will be provided to those applicants invited to proceed to the application stage.

Completed applications (along with those arising through limited bidding or non-competitive selection where appropriate) will be passed (with the appropriate endorsement by the Lead Body/Partnership) to the DCLG ERDF Team for assessment/appraisal.

### **Publication of Successful Applicants**

The ERDF Team will publish a list of the successful applicants and projects on the East Midlands ERDF website, or an alternative portal, if the site closes. Project information will include organisation name, project name, total project cost, ERDF grant, project description and Priority and Strand.

### **Freedom of Information Act (FOI) 2000**

All information that you provide is potentially subject to the Freedom of Information Act 2000. If you feel that any information that you submit is either commercially sensitive or confidential, you should say so. You should be aware however that the decision about whether to disclose information to a third party pursuant to a request for it rests solely with the Managing Authority (subject to the requirements of the Courts in their interpretation of the Act). For further information about the Act and its effect, you may wish to visit: [www.ico.gov.uk](http://www.ico.gov.uk)

## 10. Contact Details

### **ERDF Team**

East Midlands Development Agency  
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### **Derby City Partnership**

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## 11. Frequently Asked Questions

### **What types of activities are eligible for ERDF support?**

To be considered for funding applicants must clearly demonstrate that their proposals are in line with the aims and objectives of the Strands and Indicative Actions of Priority Axis 1. Chapter 3 sets out in detail what type of activity is eligible for support; applicants must refer to this before completing an EOI. Given the anticipated high level of interest in the fund, and noting that this is a competitive bidding process, inevitably not all proposals which meet the activity specifications will necessarily be offered funding.

### **How much funding will the East Midlands receive from the ERDF?**

The East Midlands is eligible for €268.5m (worth approximately £229m at March 2011 exchange rates) between 2007 and 2013, which when combined with match funding, provides a programme value of approximately £458m – a significant investment in the economic development of the East Midlands region.

### **How much ERDF can contribute to my projects costs?**

ERDF will only support a proportion of a project's costs. The principle is that the amount of ERDF awarded will always be the minimum necessary to enable a project to proceed. The maximum amount of ERDF available will be a percentage of a project's total costs. This percentage is known as the 'intervention rate'. Projects can opt to use a lower intervention rate or, if justified, request a higher rate. However, the intervention rate for Priority Axis 2 will not normally exceed 62.72%. In terms of Programme delivery, the aim is to move to fewer, more strategic investments - larger projects that will achieve a greater impact are encouraged, but smaller or pilot projects that can equally demonstrate a significant contribution to the objectives and results of Priority Axis 2 may also be considered.

### **Are there specific rules for calculating the project's budget?**

Annex 1 provides information on the types of costs which are eligible and how some of these costs should be calculated. Should your application reach the application stage, you will need to ensure that all costs meet EC guidelines. Failure to do this will result in no funding offer being made.

### **When can my project start, and for how long can it run?**

Project activity can commence from the date funding is approved. Any expenditure incurred prior to this date will be deemed ineligible, unless identified in the application, agreed in the appraisal and subsequent Funding Agreement as eligible preliminary expenditure in the specific categories in the Eligibility Chapter 2, and claimed in the first claim. Retrospective start dates are not generally permitted and

any exceptions will be determined by the ERDF Team on a case by case basis. Note that should your application enter funding agreement negotiations with the ERDF Team, the project start date may slip depending on the duration and complexity of the negotiations. The last date for eligible expenditure and output attainment and provision of the final evaluation, are fields on the application form, being the financial and physical end dates, and these are confirmed in the Funding Agreement. All expenditure, together with outputs contracted and a final evaluation report must be completed and claimed by the 30 June 2015 deadline. The programme website contains an Evaluation Toolkit for guidance.

### **Does ERDF have to be used to add value to an activity?**

Yes. A fundamental principle of ERDF is that projects should add value to new or existing activity, and that the funded activity would not have occurred without ERDF support. ERDF cannot be used to replace existing or planned domestic expenditure. If applications do not demonstrate “additionality”, they will not be successful.

### **Can I apply to continue a project already funded from elsewhere?**

Applicants are permitted to continue projects already in receipt of public sector funds, provided that they meet the criteria outlined in this *Prospectus*, and provided the ERDF funding will add value to the activity. Where this is the case, applicants should also state why other succession funding has not been secured. As part of the Expression of Interest, applicants have to provide an assessment of their track record.

### **Why do you check an applicant’s track record?**

We want to fund the best projects. When assessing an organisation’s application for ERDF, assessors will consider the organisation’s track record in delivering similar activity, including existing ERDF projects managerial and delivery performance.

The ERDF Team will request an applicant’s audited accounts; projects which are unable to provide audited accounts for the past two financial years will be required to provide a guarantor for the total eligible ERDF grant.

### **What targets must projects achieve?**

To maximise their chances of success, applicants will need to show that their proposal will deliver a proportionate share of those targets relevant to the particular OP Strand, and that they have integrated the CCTs by contributing to their objectives and performance indicators. All targets set must be realistic and achievable.

There are different types of indicators, depending on the activity of projects. These are:

**Outputs** - a direct measure of project activities in terms of what the ERDF is actually “purchasing” e.g. number of Small to Medium Sized enterprises (SME) assisted to improve their performance;

**Results** - the gross economic impact effects of the activity supported e.g. jobs created; and

**Impacts** - the final or ultimate consequence of support expressed as net additional impacts rather than gross effects.

### **How long must I retain project documentation?**

All successful projects in receipt of ERDF must comply with EC regulations about preserving documents and maintaining an audit trail.

Documents relating to projects supported under the 2007-2013 programme should be retained for a period of three years following the final payment by the EC to the Department for Communities and Local Government. This currently means that all project documents will need to be stored and remain accessible until at least 31 December 2025, but this date may be extended, depending on the programme closure date.

### **Will projects be required to publicise ERDF funding support?**

Yes. A condition of the award of European Regional Development Fund (ERDF) funding is that projects acknowledge receipt of ERDF funding in all promotional literature, advertising and other documents. Projects in receipt of funding for capital works will also be required to promote ERDF. Failure to do this can result in the repayment of ERDF funds. Further information on publicity requirements will be provided to successful applicants, and more detail is available in the ERDF Publicity section on the [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk) website.

### **What is the Business Simplification agenda?**

On 17 March 2011, Mark Prisk, Minister of State for Business and Enterprise, announced a steam-lined and refocused *Solution for Business* portfolio of products: [www.businesslink.gov.uk/governmentsupport](http://www.businesslink.gov.uk/governmentsupport). All activities funded through this call will be expected to align with these products.

### **Are there any requirements to work in partnership?**

Delivery partnerships are not compulsory. However, applicants should strongly consider working in partnership to ensure that their project team includes the appropriate expertise to deliver all parts of the activity; that there are beneficiary progression routes, and that the project has strong links into the community, for example, by working with minority-led partner organisations with grass roots links.

The ERDF Team will issue a funding agreement, which will need to be signed and sealed as a deed by both parties, to the successful lead organisation which submits the ERDF application. Applicants will need to develop a legally-binding agreement, such as a partnership agreement, with partners to ensure they subscribe to the successful delivery of the project, are aware of their roles, and are aware of the finances associated with their element of the delivery; this is not considered as sub-contracting (see below). All delivery partners should ideally be confirmed at Expression of Interest (EOI) stage. Note that the lead applicant is responsible for ensuring all delivery partners comply with the ERDF delivery and monitoring rules. This can be an onerous task, so applicants are advised to limit their partners to only those that will add real value to the project.

### **Can I sub-contract delivery of the project?**

Sub-contracting delivery must add value to a project's activity. The ERDF Team will normally only accept one level of sub-contracting (e.g. the lead organisation can sub-contract to a contractual partner). It is the lead organisation's responsibility to ensure appropriate legal agreements are in place.

If the lead applicant is a public body, then it is bound by the Public Contracts Regulations 2006 (which incorporates the Official Journal of the European Union (known as OJEU) requirements).

### **Will the Programme fund Pilot projects?**

The East Midlands ERDF programme will test new actions (projects and approaches) under Priority Axis 1. The objective is to test projects and approaches and identify those which are successful which can be implemented on a more extensive basis later in the programme. Projects which will be supported will have to be innovative (new), useful (responding to a market failure) and feasible (i.e. can absorb ERDF funds in a sound and timely manner).

Using pilot projects within the Programme aims to generate new ideas. These new ideas should be tested through small projects which should last no longer than 18 months. The results of these pilot actions will then be analysed by the projects themselves and by the ERDF Team. Once the results are known, the successful actions may be developed further on a larger scale in the context of the Programme's activities. Less successful pilots will not be continued but an analysis of the difficulties encountered will be undertaken so that useful learning can be generated. Pilot projects should fit with the Priorities and Strands of the Programme and will need to identify appropriate performance indicators.

### **Where can I find the National and Regional rules governing the East Midlands Operational Programme and this call for activity?**

The National rules are held in the User Manual chapters of the Department for Communities and Local Government's Sharepoint website at the following link.

<https://support.erdff.comunities.gov.uk/Wiki%20Pages/Home.aspx>

It would particularly assist applicants to undertake a close examination of the Eligibility conditions found in Chapter 2, especially where they are also intending using Regional Growth Fund as match funding. ERDF rules will apply to all a project's costs, including any match funding, and not to just the ERDF funding. It must be borne in mind that these rules apply to the entire ERDF Structural Funds Programme in England, and so are not all relevant to this call, as areas of applicability are limited to the context and provisions of the East Midlands ERDF Competitiveness Operational Programme and this Prospectus.

Specific East Midlands Guidance Documents, Templates and rules on Output and Result requirements are available on the East Midlands ERDF website, particularly in the Applying for Funding, Project Management and ERDF Publicity sections at: [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk)

### **Will state aid rules apply to this call?**

Yes, where an application involves support for an 'undertaking', that support must be compatible with state aid rules. For advice on State Aid rules please see the Department for Business, Innovation and Skills website at: <http://www.bis.gov.uk/policies/europe/state-aid/advice-on-state-aid>

and the European Commission's Europa website at: [http://ec.europa.eu/competition/state\\_aid/overview/what\\_is\\_state\\_aid.html](http://ec.europa.eu/competition/state_aid/overview/what_is_state_aid.html)

State aid compliance is the applicant's responsibility, and they may wish to consider obtaining legal advice on this matter.

### **Can the Regional Growth Fund (RGF) be used to match fund ERDF support?**

The Regional Growth Fund is a £1.4bn fund which is designed to encourage enterprise, growth and jobs in the private sector and support regions that are dependent on the public sector and is a potential source of match funding for ERDF projects. The ERDF Team has worked with the RGF Secretariat to align the RGF2 application process with this Call for Activity under ERDF Priority Axis 1 to co-ordinate the assessment and appraisal of bids seeking support from both funds. The deadline for RGF2 applications is 1st July 2011. Projects seeking RGF2 and ERDF support will need to satisfy the relevant criteria for both funding programmes.

RGF2 is inviting applications for 'programmes' of activity as well as for individual projects. Whilst ERDF cannot be used to support programmes of activity as defined in the RGF2 guidance, RGF2 programmes can identify individual project proposals to be co-funded by ERDF and RGF2.

## **Annex 1 - ERDF Eligibility Conditions**

The following eligibility conditions apply to all English ERDF Convergence and Regional Competitiveness and Employment Operational Programmes. Further detailed guidance regarding the eligibility of activities/costs etc. will be published shortly on the East Midlands ERDF website. Applications to the East Midlands Programme will also be subject to the Core Selection Criteria and Project Assessment Criteria and processes described at Chapter 7.

### **ELIGIBLE ACTIVITIES (with restrictions where appropriate)**

Only ERDF projects that comply with the Priority Axes in the relevant OP will be selected for approval. However, the following, non-exhaustive, list of activities, based on the priorities identified in the National Strategic Reference Framework, should be eligible:-

#### **Innovation and Knowledge**

Knowledge networks and cluster; support for businesses on intellectual asset management; encouraging creativity of new ideas in businesses; building capability of businesses; funding for R&D; strengthening access, through integrated services, for business through HE centres; awareness raising activity; innovation/incubation centres; research into environmental technologies and renewable energy where this can lead to an economic benefit.

#### **Enterprise and Growth**

Marketing and promotion of enterprise to young working people through innovative means; tailored support to start-up businesses, such as business strategy planning, marketing support business collaborations and partnerships; specialist support to help businesses improve their environmental performance, including identifying new opportunities presented by changing environmental standards; enabling businesses to compete internationally, through awareness raising seminars and workshops, providing communications infrastructure; supporting businesses in environmental technology sector, through supply chain development, partnerships and collaboration, access to specialists, financial initiatives, incubation and managed workspace and e-business activities.

#### **Sustainable Communities**

Refurbishment of premises for creation of local enterprise facilities; business support for under-represented groups such as women and ethnic minorities; access to finance, social enterprise support in deprived communities; environmental and small scale neighbourhood improvements.

## **Additional rules for supporting premises for enterprises**

The following rules apply to ERDF support for the development of premises for enterprises:

- i. the rent requested from the tenants should be at the prevailing market rate in the area;
- ii. Where it is proposed that there will be a mix of large firms and SMEs in occupation, there is a need to demonstrate how the presence of large firms will benefit the SME community and that there will be no State Aid or anti-competitiveness implications;
- iii. the premises should not be constructed to meet the specific requirements of a single user for the economic life time of the investment;
- iv. Productive activities which enable the creation or maintenance of permanent jobs are eligible as tenants. Non-productive activities, such as retail facilities or the provision of services to the public for payment, are ineligible;
- v. Demand within the programme area, in terms of size and type of premises, must be demonstrated either by evidence on market failure in the eligible area, full occupancy of similar units in the area or by enquiries from potential occupiers; and
- vi. It must be recognised, however, that it may be difficult to judge beforehand the type and size of companies that will move into the site. If the applicant is unable to give clear assurances, such factors as previous usage - if the site is being modernised, the facilities being made available and the type of location will need to be considered. This will need to be judged at the appraisal stage, but in many cases the outcome will need to be checked during monitoring.

## **State Aid Implications**

Where a project or scheme contains State Aid within the meaning of Article 87 of the EC Treaty, then appropriate legal cover is required. The European Commission has developed a number of Guidelines and Frameworks that enable them to consider the compatibility of funding schemes within certain areas of activity, for example risk capital and Research Development and Innovation. There are also a number of areas where the Commission has judged aid to be compatible, without the need for approval, if a number of criteria are met. Legal

cover here is provided by instruments such as the Training, and the Employment Aid Block Exemptions<sup>5</sup>.

## **Capital Projects**

Capital projects most likely to attract ERDF support are those concerned with the provision of basic services or communications for existing and future industry and commerce. There must be a clear and demonstrable link between a project and the industrial or economic development of the Programme area. The project must also show that it will lead to a genuine improvement of facilities - a straightforward replacement project (eg a sewer with no increase in capacity) would not be likely to attract grant, neither would works of essential repair or maintenance.

There is a wide range of infrastructure provision which may receive grant, as permitted in a programme. Listed below are examples of some of the types of capital projects which can be supported under the 2007-13 round of programmes, although the list is by no means exhaustive:

- i. Small scale transport investment. Major transport infrastructure, such as airports, railways, bridges or major roads will be ineligible in Competitiveness programmes, but can be supported under the Convergence programmes if there is provision in the OP. Promoting clean and sustainable transport, particularly in urban areas is specifically supported in Article 5 of the ERDF Regulation. Where they are integral to the project, the provision of access roads to new business and/or R&D facilities supported by ERDF are eligible. In addition, the costs of publicity and signage, for public or community transport provision are eligible for ERDF;
- ii. Infrastructure, such as sewerage, drainage and flood protection works associated with the provision of eligible activities such as business and R&D premises;
- iii. Landfill waste disposal sites can receive assistance, where all or part of the waste is from industry, provided that the site will ultimately be returned to open space or agricultural use after completion of tipping and remains in public ownership;
- iv. Tourist infrastructure projects designed to attract or retain visitors from outside the area and which will sustain or generate local jobs and revenue by, for example, increasing the use and/or provision of hotel bedrooms.

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<sup>5</sup> Further information can be found on the DG Competition website at [http://ec.europa.eu/comm/competition/state\\_aid/overview/index\\_en.cfm](http://ec.europa.eu/comm/competition/state_aid/overview/index_en.cfm) and information and advice can be sought from the BERR State Aid Branch – <http://www.berr.gov.uk/bbf/state-aid/index.html>.

Facilities which primarily serve local people are not to be encouraged, and evidence of expected use by visitors from outside the area is essential;

v. Advance factories, small workshop units can receive ERDF support where they are to be occupied by manufacturing industries;

vi. Brownfield land clearance. The land reclamation and associated works are eligible for ERDF grant where they are consistent with the Programme. Comprehensive applications covering reclamation, site servicing and preparation for final use are preferred to separate applications covering different aspects of the work. In cases where reclaimed sites are to be sold or leased to the private sector, local authorities must certify that land will be disposed of at a market value rate for unspoiled land;

vii. Environmental capital works, particularly where they are linked to biodiversity and investments in NATURA 2000 sites, can be assisted if they are part of a project contributing to the economic development of the programme area, such as improvement of town centres and other prominent sites or buildings;

viii. Infrastructure projects for R&D, training and business development, where not covered above, are also eligible for support within the terms of the Programme.

Capital projects may include preliminary expenditure to cover the costs of site investigation works, site surveys, environmental appraisals and/or feasibility studies. These must be identified in the full application and form part of the original grant offer. Appropriate milestones and outputs should be identified to enable any subsequent re-assessment of the application to establish if the project remains viable.

## **Overheads**

Overheads are eligible expenditure provided they are based on real costs which relate to the implementation of an ERDF project and are allocated pro rata to the operation according to a duly justified fair and equitable.

## **Financial Charges and Guarantee Costs**

Under Article 49 of the Implementing Regulation, the following charges and costs are eligible for ERDF:-

- Charges for transnational financial transactions (most likely to arise under Transnational Co-operation programmes);
- Bank charges for opening and administering a bank account, where the implementation of an operation requires a separate account to be opened;

- Legal consultancy fees, notional fees, costs of technical and financial experts, and accountancy and audit costs, if they are directly linked to the ERDF operation and are necessary for its preparation or implementation or, in the case of accounting and audit costs, if they relate to requirements imposed by the Managing Authority; the cost of guarantees provided by a bank or other financial institution to the extent to which the guarantees are required by National or community legislation; and
- The cost of guarantees provided by a bank or other financial institution to the extent to which the guarantees are required by National or Community legislation.

### **Value Added Tax**

VAT that derives directly from the project and which is not recoverable may be eligible but precise rules are complex and if there is any doubt advice should be sought from HMRC.

### **Salary Related Costs**

Redundancy payments are eligible for ERDF, where the employees' employment contract includes them. Indeed, the Community Law 2002 abolished the use of fixed term contracts without redundancy.

Similarly, if they are written into an employment contract, sick leave and/or maternity payments are an eligible cost. The costs of employing a temporary replacement for an employee away on maternity leave are also eligible for ERDF. However, this may result in an overall increase in staff costs for the project the applicant would need approval to amend the budget.

### **Environmental Sustainability**

Environmental sustainability is a cross cutting theme for all the English ERDF programmes and can be the key theme for an eligible ERDF project, as long as it also contributes towards the economic development of the area in which it is located. Examples of the types of project which might be supported include:

- working with research centres and further and higher education organisations to design and develop of products responding to environmental and energy related opportunities;
- incorporation of exemplar environmental specification into low/zero carbon new and/or refurbished business workspace;
- installation of electricity and heat generating systems and distribution networks to supply low carbon heat and electricity to businesses and employment sites;

- installation of on-site renewable energy systems and distribution networks to supply renewable energy to businesses and employment sites to improve their environmental performance;
- physical environmental improvements in and adjacent to employment sites, to create green and open space that provides environmental, social and economic benefits to the business and wider community by contributing to the creation of accessible sustainable business settings and locations;
- establishment of new capital loan and investment funds targeting sustainable urban regeneration activity to ensure that it incorporates good practice environmental specifications as well as energy, water and waste infrastructure.

## INELIGIBLE ACTIVITIES

Eligibility of projects will need to be considered on the basis of individual applications. However, projects which should not be assisted include those that fall within the following sectors:

- (i) Those covered by EC sectoral restrictions: These include the production of synthetic fibres, textiles and clothing, motor vehicles, shipbuilding, coal and steel, agriculture and Annex 1 food processing. As these restrictions apply to aid to the manufacturing sector, they are unlikely to apply directly to ERDF projects.
- (ii) Banks and insurance companies. These should not be directly offered grant, as it would be anti competitive, although they would be acceptable as supporting members of a consortium or as co-financers of a Venture Capital Fund or other loan fund;
- (iii) Establishments providing generalised (school age) education. However, specialised activities involving technical education or vocational training, even at university level, may be eligible;
- (iv) Provision of local social welfare facilities eg hospitals, nursing homes, fire stations, day nurseries, child-minding facilities, sports facilities, parks, public libraries when these are not directly linked to activities of an economic nature specifically related to the objectives of the Operational Programme;

Note also that the following activities are not normally eligible:

- (v) Retail facilities. The general principle is that support for retail facilities will not assist economic development and that improved performance for one facility will displace similar activity elsewhere. There may be rare exceptions, for instance under Sustainable Communities Priorities, where the provision or

improvement of a retail outlet is an important integral part of a general economic development strategy. Where a cultural or tourism benefit can be demonstrated, retail facilities as part of a craft workshop might be supported;

(vi) Coastal protection, soil conservation and infrastructures; all with an exclusively agricultural bias, reforestation and prevention of forest fires, insofar as such infrastructures can be financed under EAFRD.

(vii) That proportion of public expenditure incurred in land acquisition not directly linked to productive investment or investment in infrastructure.

(viii) Building and renovation of housing, although, as part of a wider strategy to regenerate the area, improvement of external estates and prominent buildings in key locations can be supported where this is closely linked to OP objectives.

(ix) Major infrastructure in ports, on the grounds that port developments and port operations should not need public subsidy. Furthermore, it could distort competition between ports. Subsidy tends to spread the problems caused by excess capacity and can be damaging to otherwise healthy neighbouring ports.

## **INELIGIBLE COSTS**

In addition to the activities listed above, the following individual costs are not eligible for ERDF support:

- notional costs, for example, where an item usually retails at £x, but the applicant buys it cheaper but claims the difference between the price paid and £x.
- payments for activity of a political nature
- depreciation or impairment of assets purchased with ERDF
- provisions
- contingencies and contingent liabilities
- dividends
- interest or service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors
- costs involved in winding up a company
- payments for unfair dismissal
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors or shareholders
- payments for gifts and donations
- entertainments

- statutory fines and penalties
- criminal fines and damages
- legal expenses in respect of litigation
- costs incurred by individuals in setting up and contributing towards private pension schemes, or the setting up of such schemes by organisations in receipt of ERDF
- costs incurred by organisations in relocating personnel displaced by the refurbishment or conversion of a building for ERDF use

### **Revenue Generating Projects**

In accordance with Article 55 of the General Regulation, the definition of a revenue generating project is any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users, or any operation involving the sale or rent of land or buildings or any other provision of services against payment.

The Commission has further reiterated that while projects which generate revenue may be supported by ERDF, any anticipated revenue should be deducted from the eligible expenditure at the time of the offer of grant. The ERDF grant should be based on eligible expenditure alone, excluding anticipated revenue. If it is not possible to calculate the anticipated revenue, the revenue to be generated within five years of the completion of the project should be deducted from the eligible expenditure.

### **INELIGIBLE MATCH FUNDING**

Contributions in kind are ineligible for ERDF, except in cases where a clear valuation can be made, such as the donation of a building or land. Discounted sales of equipment, the provision of volunteers' time, the discounted provision of services or advice (eg solicitors', accountants' or SME staff time) **are ineligible.**

## Annex 2 – East Midlands ERDF 2007-13 Performance Indicators

### Outputs

Number of businesses assisted to improve performance	
Terms	Definitions
<b>Unit of Measurement</b>	No. of businesses/enterprises
<b>Business/ Enterprise</b>	<p>There are 3 main types of business/enterprise (i) sole proprietorships, (ii) partnerships, and (iii) companies. All will be registered with HMRC for business tax; most but not all are governed by the Companies Act legislation. These include:</p> <ul style="list-style-type: none"> <li>• start-ups of all sizes, whether or not VAT registered;</li> <li>• self-employed &amp; sole traders;</li> <li>• partnerships/limited liability partnerships;</li> <li>• companies (private or public limited companies; private unlimited companies);</li> <li>• independent spin-outs from established businesses, universities and other research and development organisations;</li> <li>• not for profit companies, co-operatives, community enterprises, social enterprises,<sup>6</sup></li> <li>• farm enterprises;</li> <li>• new to the region branches of businesses which remain established elsewhere in the UK (i.e. expansions); and</li> <li>• foreign direct investment (FDI) bringing new enterprises to the region; both first time investment and subsequent expansions.</li> </ul>
<b>Support</b>	<p>This is a minimum of either:</p> <ul style="list-style-type: none"> <li>• 2 days active consultancy advice or other non-financial assistance, or</li> <li>• grant (or equivalent) of at least £1,000.</li> </ul>
<b>Assistance</b>	<p>Provision of consultancy support, information, advice and guidance to individual businesses, located within the region.</p> <p>The assistance can be personal 'face-to-face', telephone or web-based dialogue at conferences, seminars, workshops or through networks.</p> <p>Activities should support the project objectives and be directed to improving the performance of the business. These may include support for:</p> <ul style="list-style-type: none"> <li>• management/leadership;</li> <li>• corporate and social responsibility e.g. awareness raising on</li> </ul>

<sup>6</sup> Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Number of businesses assisted to improve performance	
	statutory and legal responsibilities; <ul style="list-style-type: none"> <li>• participation in new supply chains;</li> <li>• marketing;</li> <li>• use of R&amp;D;</li> <li>• process and resource efficiency e.g. in use of ICT, waste management;</li> <li>• environment management; and</li> <li>• quality assurance.</li> </ul>
<b>Counted</b>	It is counted when a business has received a <u>minimum</u> of 2 days active consultancy advice or other non-financial assistance, or a <u>minimum</u> £1,000 grant or equivalent. Within a <u>project</u> a business can only be counted once irrespective of the number of times or forms of assistance it receives. Within a <u>programme</u> a business may be counted each time it receives assistance through a different project or intervention strand.
<b>Verification Evidence</b>	<b>Business</b> - Name, Address inc post code, Tel no. Contact details. Ownership. Type of business.  <b>Assistance</b> – Standard form (signed by Finance Director) confirming consultancy support provided and hours. Date(s) assistance received. Copy of grant letter to business/receipt.
<b>Exclusions</b>	Distribution of mail-shots and brochures (electronic or hard copy).
<b>Notes</b>	Business is the term commonly used in the UK; the EU equivalent term is enterprise. The outcome or result measure is <b>number of businesses improving performance</b> . In counting the output there is no need to demonstrate performance improvement; this is the result measure which will be assessed during the project evaluation.

Public and private sector investment leveraged (£)	
Terms	Definitions
<b>Unit of Measurement</b>	£million
<b>Public Sector</b>	Public sector organisations other than the funding RDA e.g. GO, English Partnerships, Learning Skills Council (LSC), Lottery funders, local authorities etc.
<b>Private Sector</b>	Includes businesses, registered charities, 'not for profit' organisations, private individuals and FE/HE institutions (where the funding cannot be traced to a public source).
<b>Investment</b>	The gross funding provided to cover the project costs, including

Public and private sector investment leveraged (£)	
Terms	Definitions
	<p>investment in fixed assets, working capital and in-kind contributions, from the funding bodies.</p> <p><i>In-kind contributions</i>: non-monetary contributions made by individuals or organisations that add value to a project and can be given a monetary value e.g. cash equivalent of peoples time (committees, mentoring, volunteering), equipment, materials, accommodation etc donated to the project. To be eligible for inclusion the contributions in kind must be auditable i.e. factual evidence must be provided. For example, where an employee of a firm or a private person gives up part of their paid working time to assist with a project, their salary costs for the time spent on the project can be counted as private sector leverage.</p> <p>Note that ERDF In-kind contributions <b>must</b> be in line with ERDF eligibility rules.</p>
<b>Leverage</b>	For ERDF these are funds which are not part of the eligible expenditure as contained in the funding agreement.
<b>Counted</b>	<p>The levered investment is counted when it is defrayed or spent by the project.</p> <p>Reporting on this output will be calculated by:</p> <p><b>ERDF investment (£m) in the project = ERDF</b></p> <p><b>Public Sector Leverage (£m)</b>: sum of the other public sector investment <u>excluding</u> ERDF and match funding in the project = <b>B</b></p> <p><b>Private Sector Leverage (£m)</b>: sum of the all the private sector investment (£m) in the project, including monetarised in-kind contributions = <b>C</b></p> <p><b>Total value of levered investment (£m): ERDF = B+C</b></p>
<b>Verification Evidence</b>	<p><b>Public and private sector organisations</b> – For each funder their name, address, contact details, status of organisation or individual &amp; organisation/business they represent.</p> <p><b>Gross Funds Received:</b>  Public – copy of grant letter from contributor  Private – copy of receipts for each contributor’s financial contribution.</p> <p><b>Gross Funds Spent</b>  Recipient statement (signed by Finance Director) when spent and on what.  Validate through the recipient accounts and primary records e.g. invoices/receipts.</p> <p><b>In-kind contributions</b> – Recipient statement (signed by Finance Director) on what was provided (people, premises, plant/equipment/materials), its financial value (receipts/ invoices) and how it was used.</p> <ul style="list-style-type: none"> <li>• <b>People</b> – signed record of person time spent on the project, pay rate (hours x pay);</li> <li>• <b>Premises provided</b> – details and address of accommodation. Standard form or letter signed by Finance Director from business providing it on value of accommodation and overheads; and</li> </ul> <p><b>Plant/Equipment/materials donated</b> – evidence of market value e.g. invoice/copy of receipts.</p>
<b>Exclusions</b>	Any expenditure on the project by any public or private sector funder prior to the project being approved and contracted by the RDA.

Public and private sector investment leveraged (£)	
Terms	Definitions
	Investment subsequent to the project by other public sector and/or the private sector.
<b>Notes</b>	For first bidding or commissioning round, any expenditure on the project by any public or private sector funder since 1 January 2007 may be included. Thereafter, any expenditure prior to issue of the ERDF offer letter is excluded.

Sq metres of new or upgraded floorspace	
Terms	Definitions
<b>Unit of Measurement</b>	Area m <sup>2</sup>
<b>Internal Floorspace</b>	The entire area inside the external walls of a building including corridors, lifts, plant rooms, service accommodation.
<b>New or upgraded</b>	New buildings constructed as part of the project. Upgraded buildings refurbished, improved or adapted for productive use as part of the project.
<b>Counted</b>	The result must be linked to <b><i>brownfield land reclaimed or developed</i></b> . On the practical completion of the works.
<b>Exclusions</b>	Excludes internal walls. It cannot be counted when the only activity is the purchase of an existing building.
<b>Verification Evidence</b>	As built drawings showing floorspace.
<b>Notes</b>	This measures the new floorspace available for use in the region.

Number of people assisted to start a business	
Terms	Definitions
<b>Unit of Measurement</b>	No. of pre-starts
<b>People assisted</b>	A person must not be trading yet but enquiring about or trying to start up for trading. It can include; <ul style="list-style-type: none"> <li>• individuals and groups (community, not for profit, other) who are seeking support to start a business;</li> <li>• HEIs and others seeking to start spin out companies and</li> <li>• An SME that is less than 12 months old and not trading.</li> </ul>
<b>Assistance</b>	Support activities may include advice and guidance e.g. to develop business plans, marketing strategies; support for trade fairs; support to develop business skills. This can be provided through a minimum of: <ul style="list-style-type: none"> <li>• 2 days counselling, mentoring, information provision, training or other</li> </ul>

	<p>non-financial assistance, or</p> <ul style="list-style-type: none"> <li>grant (or equivalent) of at least £1,000.</li> </ul>
<b>Counted</b>	<p>It is counted when the pre-start has received a <u>minimum</u> of 2 days active support, or a <u>minimum</u> £1,000 grant or equivalent.</p> <p>The pre-starts can only be counted once within a project irrespective of the number of times or forms of assistance received.</p>
<b>Exclusions</b>	<p>Travelling time to clients is excluded.</p>
<b>Verification Evidence</b>	<p>Details of the provider of any support (name, address etc). Details of the assistance provided to the person assisted to include a record of hours of assistance; names and addresses of people assisted, the activities undertaken.</p> <p>Copy of receipts for grant or equivalent signed and dated by recipient.</p> <p>Evidence of business proposal documents, a business plan, marketing strategy, training undertaken, attendance at trade fairs etc.</p>

<b>Brownfield land reclaimed and/or redeveloped (Ha)</b>	
<b>Terms</b>	<b>Definitions</b>
<b>Unit of Measurement</b>	Area in hectares (Ha)
<b>Brownfield land</b>	<p>Includes contaminated, derelict or previously developed land (PDL) which is or was occupied by a permanent structure (excluding agricultural or forestry buildings), and associated fixed surface infrastructure within the curtilage of the development. In all cases the ERDF funded activity must comply with the 'polluter pays' principle. Categories covered may include:</p> <ul style="list-style-type: none"> <li>previously developed vacant land;</li> <li>vacant buildings unoccupied for a year or more;</li> <li>derelict land and buildings;</li> <li>land or buildings, currently in use, allocated for development in the adopted plan or having planning permission;</li> <li>land or buildings currently in use where it is known there is potential for redevelopment but sites do not have any plan allocation or planning permission;</li> <li>defence buildings; and</li> <li>land used for mineral extraction and waste disposal.</li> </ul>
<b>Reclaimed and redeveloped</b>	<p>Total number of hectares of brownfield land reclaimed to an acceptable condition and/or redeveloped into effective use. The project activities are limited to:</p> <p>1. <i>Reclaimed</i>: making the land fit for use by:</p> <ul style="list-style-type: none"> <li>removing physical constraints to development or improving the land for soft<sup>7</sup> or hard end use;</li> <li>providing services to open it up for development e.g. provision of utilities and service roads<sup>8</sup>.</li> </ul>

<sup>7</sup> Soft end use means that the site is left substantially undeveloped for amenity, leisure, agricultural, forestry or other environmental use.

Brownfield land reclaimed and/or redeveloped (Ha)	
Terms	Definitions
	<p>Reclamation activities may include:</p> <ul style="list-style-type: none"> <li>• dealing with contamination, existing surface and buried structures;</li> <li>• stabilisation;</li> <li>• levelling;</li> <li>• provision of flood defences;</li> <li>• provision of utilities and other services; and</li> <li>• environmental improvements or enhancements.</li> </ul> <p>2. <i>Redeveloped</i>: developing a site and putting up a new building or refurbishing an existing building e.g. construction of premises (commercial, housing, industrial, retail), new plant and equipment, fitting out of premises etc.</p>
<b>Counted</b>	<u>Count</u> outputs at practical completion of the works. Where a site is reclaimed in phases count the hectares when each phase is completed.
<b>Exclusions</b>	<p>Land and buildings currently used for agricultural or forestry purposes; Land in built-up areas not previously developed e.g. parks, recreation grounds, allotments, cemeteries;</p> <p>Land previously developed but where the remains of any structure or activity has blended into the landscape in the process of time e.g. amenity use, contribution to nature conservation.</p> <p>It can not be counted when the only activity is the purchase of the land, building or site.</p>
<b>Verification Evidence</b>	<p><b>Type of Assistance - Reclaimed and/or Redeveloped</b></p> <p><b>Site area</b> – full postal address inc postcode, Land registry record /deeds; Local Authority/NLUD register details (for previous use to ensure not excluded category).</p> <p><b>Contaminated land</b> - completed <b>Land Condition Record</b> and Remediation Complete Certificate.</p> <p><b>Works</b> - Certificate of Practical Completion of the Works. QS certification of works carried out e.g.:</p> <ul style="list-style-type: none"> <li>• site services/utilities and infrastructure</li> <li>• foundations laid</li> <li>• walls and roof built</li> <li>• landscaping completed.</li> </ul>

<sup>8</sup> Note that these are not eligible costs under the State aid Land Remediation scheme.

## Results

Number of jobs created	
Terms	Definitions
<b>Unit of Measurement</b>	No. of jobs
<b>Jobs created</b>	<p>It must be a new, permanent, paid, full time equivalent (FTE) and must not be covered under the exclusions.</p> <p><b>New</b> = should not have existed in the region or with that employer in the UK before the intervention and should be a direct result of the intervention</p> <p><b>Permanent</b> = should have a life expectancy of at least 1 year from the point at which it is created.</p> <p><b>FTE</b> = paid work of 30 hours or more per week. Convert part time jobs to FTE either:</p> <ul style="list-style-type: none"> <li>• on a <i>pro rata</i> basis based on hours worked; or</li> <li>• 2 part time jobs = 1 FTE, where no other information available (i.e. EC approach).</li> </ul>
<b>Counted</b>	Jobs created are an outcome/result when the jobs follow after the project intervention has ended e.g. when a speculative development to build a new factory is sold on the market and a firm purchases it the subsequent jobs are the outcome.
<b>Verification Evidence</b>	<p><b>Business</b> - Name, Address inc post code, Tel no, Contact details. Ownership. No. of employees.</p> <p><b>Job</b> –title of the new/attracted job, contract of employment with expected start date of employment &amp; duration (must be 1 year or longer or for seasonal jobs 4 weeks per annum), hours of work (for FTE calculation). On completion a letter or standard form (signed by employer) from employer confirming new jobs are a result of the project. If job location is different from business address obtain details.</p>

Number of businesses improving performance	
Terms	Definitions
<b>Unit of Measurement</b>	No. of businesses/enterprises
<b>Improved Performance</b>	Measured through increase in GVA.
<b>GVA</b>	Total wage costs + net profit before tax and interest + depreciation.
<b>Counted</b>	Those businesses counted under <b>number of businesses assisted to improve performance</b> which have had an increase in their GVA against the baseline before the project intervention(s) and following it. Data required to calculate GVA can be obtained from the business/enterprise Annual Report. There is likely to be delay between

Number of businesses improving performance	
	the project activities and the realisation of improvements in GVA. Where business performance was expected to have reduced in the absence of the intervention, an improvement may be recorded if the intervention has resulted in a lesser fall.
<b>Verification Evidence</b>	Company accounts to provide data to calculate GVA.
<b>Exclusions</b>	Any business not included in the project that delivered business support outputs ( <b><i>number of businesses assisted to improve performance</i></b> ).
<b>Notes</b>	<p>Applying the project logic chain approach it may be expected that a successful project intervention should either lead to an increase in the business turnover or reduce cost of sales (materials/ bought in services). Both of these outcomes support sustainable job growth or safeguard an existing job. The difference between the two represents gross value added that finances sustainable wages or profits. Labour productivity is the gross value added divided by the actual employment.</p> <p>GVA is a useful measure of productivity. It shows the economic impact and taxpayer return, it is easy to calculate and unambiguous. It fits with RES and it can be benchmarked against ONS data.</p> <p>It is recognised that while the GVA result may not be a direct result of the project intervention and that other factors external to the project may have also contributed to the improved GVA or indeed have had a negative effect on it.</p>

GVA resulting from businesses improving performance	
Terms	Definitions
<b>Unit of Measurement</b>	£
<b>GVA</b>	Total wage costs + net profit before tax and interest + depreciation.
<b>Counted</b>	Aggregate of GVA counted under <b><i>number of businesses improving performance</i></b> (where a business has shown an increase in GVA against the baseline before the project intervention(s) and following it).
<b>Verification Evidence</b>	As <b><i>number of businesses improving performance</i></b> .
<b>Exclusions</b>	Any business not included in the project that delivered business support outputs ( <b><i>number of businesses assisted to improve performance</i></b> ).

Number of new businesses created and new businesses attracted to the region	
Terms	Definitions
<b>Unit of Measurement</b>	No. of businesses/enterprises
<b>Business/Enterprise</b>	The 3 main types of business are sole proprietorships, partnerships and companies (see above).
<b>Business Created</b>	When a new business starts trading in the region and is sustained for at least 12 months as a direct result of the project intervention. <b>Starts trading</b> - is the date when the business registers for VAT or registers for National Insurance (Class 2) contributions. Alternatively use the Business Link approach and use the date of the first transaction.
<b>Business Attracted</b>	These are: <ul style="list-style-type: none"> <li>• new to the region branches of businesses which remain established elsewhere in the UK (i.e. expansions);</li> <li>• foreign direct investment bringing new enterprises to the region, both first time investment and subsequent expansions from outside the UK.</li> </ul>
<b>Counted</b>	<b>New business</b> - when it is still in operation 12 months after it started trading in the region. <b>Attracted business</b> – when it opens its premises in the region.
<b>Exclusions</b>	Businesses relocating within the region or from another English region or UK devolved administration The same business cannot be counted at different phases of its growth as this would be double counting.
<b>Verification Evidence</b>	<b>Business</b> - Name, Address inc post code, Tel no. Contact details. Ownership. No. of employees. Type of business <b>New/attracted</b> – the company incorporation statement or letter or standard form to collect the data signed by a senior officer of the business e.g. the <b>Owner/Chief Executive or Finance Director</b> to confirm it is either: <ul style="list-style-type: none"> <li>• a new company and <b>still trading</b>; or</li> <li>• new branch operation of UK company; or</li> <li>• new overseas company or expansion of an overseas company.</li> </ul> For new branches evidence that it is still trading in its original location(s). For attracted business date of opening. The statement/letter/form should include information on the nature of support provided by the project, how that led to it opening in the region, and the usefulness of support received. <b>Start of trading</b> - Company Registration No./VAT No. and date of registration or NI Class 2 date of registration or the date of the first transaction where evidence can be produced to evidence it. <b>Business Attracted</b> – date opened premises in the region. <b>Evaluation</b> – contact business site visit/telephone/survey to confirm still trading.
<b>Notes</b>	Business is the term commonly used in the UK, the EU equivalent term is enterprise.