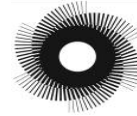




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Guidance Note On Capital Expenditure

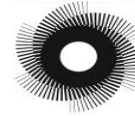


Version Control

Version	Date	Author(s)	Comments
1	13 July 2009	Martin Haindl	
2	10 th February 2010	Simon Hannah	Clarification of the rules governing preliminary expenditure and simplification of the expenditure category list

Authorisation

Approved by	Approval Date
Andy Luff	13 July 2009
Andy Luff	February 2010



ELIGIBILITY OF EXPENDITURE FOR CAPITAL PROJECTS

1. The Key Eligible Expenditure Categories

Projects must define all costs under one of the following expenditure categories for the purposes of grant claims. For a detailed breakdown of sub headings please refer to annex 1.

Land acquisition

The cost of purchasing land which is not built upon may not exceed the limit of 10% of the total eligible project costs. A higher percentage may be permitted by the managing authority for operations concerning environmental conservation.

Building acquisition

The cost of acquiring a building if there is a direct link between the purchase and the objectives of the project.

Site investigation

This should take account of specialist investigations required to identify contamination and recommended particular treatments.

Site preparation

This should include demolition works and the general preparation of sites.

Building & construction

This should include external/internal refurbishment and conversion of existing buildings, new build premises, provision of services, and landscaping.

Plant & machinery

This should include tangible fixed assets used for the purpose of providing a service for the project. If plant and machinery is subject to hire/lease purchase agreements, the capitalised value of leasing and hire purchase can be included. The purchase costs of second-hand equipment are eligible provided they meet the needs of the projects and have not been purchased with the aid of national or community grants.

If there are any mobile or portable items then an apportionment of costs should be provided separately. All purchased items should be listed on an asset register.

Fees

This should include fees and salaries for design and supervision but professional fees should not normally exceed 12.5% of the total eligible works costs. Fees include legal consultancy fees, notarial fees, and the cost of



technical and financial experts if they are directly linked to the ERDF operation and are necessary for its preparation or implementation.

Other Capital

Any eligible capital expenditure not covered by the categories above provided it can be clearly demonstrated that these are directly related to the delivery of the project.

2. General Information On The Eligibility Of Individual Costs

Preliminary expenditure for capital projects

Preliminary expenditure, incurred prior to approval of grant funding, to cover the costs of site investigation works, site surveys, environmental appraisals and/or feasibility studies are potentially eligible. These will need to be assessed and agreed on a case by case basis during project development and before inclusion in any application for grant.

These costs will need to adhere to additional regulatory requirements and must be identified in the final full application and form part of the original grant offer.

Capital costs ineligible for ERDF support

The following individual revenue costs are not eligible for ERDF support:-

- Mobile infrastructure such as buses and boats that may be removed from the programme area
- Contingencies (an allowance of cash or resources to cover unforeseen circumstances)
- Recoverable VAT
- Notional Costs ie costs not based on actual expenditure
- Costs incurred by organisations relocating personnel displaced by the refurbishment or conversion of a building for ERDF use
- Interest or service charges arising from debt incurred, including finance leases, hire purchases and credit arrangements (mortgages)
- legal expenses in respect of litigation
- The proportion of land acquisition (also relates to buildings) not directly linked to productive investment or investment in infrastructure

Please note this list is not exhaustive, if you have any queries please contact the ERDF Monitoring Team (01223) 484 523



Annex 1

Expenditure Category Breakdown

Total project expenditure stated in ERDF offer letters is classified under the relevant key categories and sub categories listed below.

Key Categories	Sub Categories
Land Acquisition	Land Acquisition
Building Acquisition	Building Acquisition
Site Investigation	Site Investigation
Site Preparation	Site Preparation
Building and Construction	Building and Construction
	Building Demolition
	External Works
	Refurbishment (Cap)
Plant and Machinery	Plant and Machinery
Fees (Cap)	Fees (Cap)
Other Capital	Equipment (Cap)
	Fitting Out
	ICT Equipment
	Interpretation and Signage
	Mains Electricity
	Marketing (Cap)
	Operational Costs
	Other (Cap)
	Project Management
	Venture Support