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Guidance Note on Revenue Expenditure



Version Control

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ELIGIBILITY OF EXPENDITURE FOR REVENUE 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.

Salaries

The full actual pay cost including employer's national insurance and superannuation costs for those engaged exclusively on the delivery of the project or a proportion of it reflecting the time actually expended on the qualifying project. To apportion these costs annual pay (actuals) should be converted to hourly rates and time sheets must be completed.

Taxable benefits which form part of the contractual terms and conditions of staff engaged in the delivery of ERDF projects. Examples include - bonus payments . These should be set out clearly in the initial application for grant, they should be proportionate to the role and responsibilities by an individual in the delivery of the project and should figure in the costings approved in the project approval process.

Overheads

These are broken down into Consultancy, recruitment/training, specialist support and Travel.

All costs must relate solely to the ERDF project and clearly identifiable.

Costs of staff training necessary to the delivery of the ERDF project. Although note that it is expected that all organisations who submit an application for ERDF grant are in a position to deliver the approved activities. Staff training costs can only therefore be included where it is identified that an individual has specific training needs necessary to the delivery of the ERDF project that could not be identified before the project began.

Premises

This should include rent, rates, heat, light and service charges associated with the premises where it can be clearly demonstrated that these are incurred by the organisation solely for the ERDF project. Where premises are shared (indirect) the amount charged to the ERDF project should be apportioned accordingly. The apportionment methodology should be set out clearly in the initial application for grant. See below for further clarity on indirect costs.



Other Revenue

Any eligible revenue expenditure not covered in the categories above provided it can be clearly demonstrated that these are directly related to the delivery of the project. This could include marketing and publicity or general costs associated with the direct delivery of the project such as office equipment, software and other expendable supplies. These should be categorised under the appropriate headings in Annex 1.

All indirect costs will need to be apportioned using a “real cost” methodology where it can be demonstrated that these costs are clearly attributable to the project. These costs will need to be supported by the necessary evidence (invoices, timesheets etc) throughout the project.

Where the “real cost” methodology is used, all project costs should be actual and evidenced. Where actual cost is shared with organisational non-project costs (indirect), then apportionment is permissible providing:

- a) The source cost is eligible for ERDF support and fully auditable (receipts, bills etc)
- b) The cost is clearly relevant - additionally incurred or shared by the project (heating, lighting, rent, rates administration and other central services etc)
- c) The cost can be realistically apportioned to arrive at a figure that reflects the true cost incurred by the project applicant in carrying out the ERDF project.
- d) Costs already met through public or private funding of institutions should be excluded.
- e) The costs must relate to actual cost and not be a standard internal recharge.

Apportionment will require a method relevant to each cost, so that, the major costs such as heating bills lighting etc, are calculated against real bills and are apportioned by reference to the actual room space used for the project, and administrative staff costs are based on the hours devoted to the project by the staff concerned and fully evidenced through timesheets.

Another example, Telephone bills & rental charges etc. will require a methodology based on actual telephone use by the project.

Any costs where actual cost and relevance is not evidenced should be removed from any claim calculation.

Apportionment methodologies should be set out clearly in the initial application for grant to be approved by EEDAs ERDF team.



2. General Information on the eligibility of individual costs

Staff Costs

Only those staff related costs detailed below can be included in the eligible costs of a project;

- Sick leave and/or maternity payments if they are written into an employment contract. The costs of employing a temporary replacement for an employee away on maternity leave are also eligible for ERDF. [However, as this may result in an overall increase in staff costs for the project, the applicant would need approval to amend the budget].
- Redundancy payments where the employees' employment contract includes them.
- By way of clarity on benefits that can be included as eligible costs, non-taxable bonus payments or other non-taxable benefits are not eligible, nor are exceptional or extraordinary provision for pension rights.

Depreciation Of Assets

The cost of depreciation of assets used in ERDF projects is eligible expenditure provided that;

- The asset was not purchased or improved using ERDF.
- The cost of depreciation is not already being met from other sources.
- Depreciation is calculated in accordance with the accounting rules that apply to the sector.

Hire and lease of premises and equipment

The cost of hire or leasing (including non recoverable VAT) is eligible expenditure but only in respect of the useage that relates directly to the delivery of the ERDF project. Interest or service charges arising on debt incurred including finance leases, hire purchase and credit arrangements cannot however be included in the costs, which are therefore restricted to payments based on the alternative cost of purchasing the asset outright.

Financial Charges and Guarantee Costs

The following charges and costs are eligible for ERDF:-

- bank charges for opening and administering a bank account or accounts, where the implementation of an operation requires a separate account to be opened;



- legal consultancy fees, notary 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 (MA) or an Independent Body on behalf of the MA; 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 is eligible but precise rules are complex and if there is any doubt advice should be sought from HMRC.

Revenue costs ineligible for ERDF support

The following individual revenue 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 that were purchased with ERDF and public sector expenditure
- provisions – ie money set aside to pay for future events eg sink funds
- contingencies and contingent liabilities
- dividends
- interest or service charges arising on debt incurred including 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 apart from food and non alcoholic drink provided as part of a meeting
- statutory fines and penalties
- criminal fines and damages
- Recoverable VAT
- 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.



This list is not exclusive and any queries about the eligibility of costs not included in the list above should be addressed to the ERDF team at EEDA.

3. Match Funding

Contributions in kind are ineligible for ERDF, except for the donation of a building or land, where a clear valuation can be made.

The **freehold or leasehold of land or real estate** is eligible as an in kind contribution to the project as long as:-

- the value of the freehold or leasehold has been independently valued and supported by a certificate from an independent qualified valuer or duly authorised official body
- the certificate states the current market value at the time the contribution is claimed
- the value given to in kind match funding provided in the form of land is restricted to a maximum of 10% of the total value of the project, ie its eligible value is capped by the same rule which applies to the purchase of land. Note – the 10% cap does not apply in the case of building valuations as contributions in kind, but the value of the building must be the present value, not the value after completion of the project



Annex 1

Expenditure Category Breakdown

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

Key Categories	Sub Categories
Salaries	Salaries
Overheads	Consultancy
	Recruitment/Training
	Specialist Support
	Travel
Premises	Premises
	Rent
Other revenue	Audit
	Equipment
	Evaluation and monitoring
	Events
	Fees
	Grants
	Insurance
	Maintenance
	Marketing and Publicity
	Office costs
	Other
	Postage
	Software
	Website