

6 Stage Project Process



Full Application Guidance Notes

Contents

Who is this Guidance For?	1
Guide to Preparing a Full Project Application	2
How to Test your Project for Appraisal Readiness.....	3
The Appraisal Process	6
Completing the Full Application Part 1.....	8
Completing the Full Application Part 2 Options Appraisal.....	18
Completing the Full Applications Parts 3 & 4.....	23
Providing Other Information	24

Who is this Guidance For?

This guidance note is for anyone making a Full Application for funds managed by us. To be ready to start the full application process, you need to have done the following:

1. Read our “Guide to Applying for AWM Funding”; (Available as part of our Project Development Pack)

And:

2. Either

Had an Outline Proposal endorsed if you are asking for a grant of more than £250,000 (proceed to page 2).

Or

Made contact with a Sponsor if your project needs funding of less than £250,000. (see notes below on Small Value Projects).

Small Value Projects

If you are making an application for a Small Value Project you should have:

1. Made reasonably certain that you will be asking for a grant of less than £250,000. If your application is for close to £250,000 and you are unsure about project costs, you may be advised to start at the Outline stage. This may appear to hold up your project in the short term but could save you delay and effort later.

2. Either

Identified the most appropriate Delivery Vehicle for your project, confirmed that they can fund it, that they will help you develop it and that the single stage “Small Value Process” is appropriate.

Or

Agreed with one of our Partnership teams that they will help you develop your project if you could not find a Delivery Vehicle to support your project.

If you are working with one of our Business Clusters, the Rural Regeneration Zone or directly with our Partnerships teams, we will assign you an AWM Project Sponsor to help you develop your project.

If you are working with any other Delivery Vehicle, they will assign one of their staff to help you develop your project and handle any internal approvals needed. They will also appoint a Project Sponsor to receive your completed application and manage our appraisal and approval processes.

Guide to Preparing a Full Project Application

The Full Application is split into 4 mandatory sections:

Section 1 - The Application Form

Section 2 - Options

Section 3 - Project Management

Section 4 - Evaluation

There are also 6 additional annexes for completion in certain circumstances, such as if your project includes a significant land and property element, or if a website is central to your project, or if you are also applying for European funding. Your Delivery Vehicle or Project Sponsor will advise you where these forms are needed.

You should work methodically through the documentation. There are guidance notes on completing each section of the Full Application and you should keep in mind the

advice on the next page on how we appraise your application. Your Delivery Vehicle/Project Sponsor will also help you assess how far you have progressed towards producing an appraisable and approvable Full Application and provide you with advice on the steps you need to take.

We publish a development pack designed to support any organisation developing a project. The pack can be downloaded from our web site at <http://www.advantagem.co.uk>

Terms and Conditions

We will ask you to confirm that you and your partners will work with us under the terms of our Standard Grant Funding Agreement and any appropriate supplementary conditions. We'll also ask you to agree to deliver Outputs meeting the requirements of our Tasking Outputs Definitions and develop any web site or building on your project in line with our standards.

State Aid Rules

Any project activity we fund must meet public sector financial rules and comply with the rules governing State Aid. Grants found to be in contravention of State Aid rules must be repaid with interest so it is in your interest to ensure that any project you bring forward for consideration complies with these regulations.

How to Test your Project for Appraisal Readiness

To help you decide if your Full Application is complete and well enough defined, the following notes illustrate the methods we use to appraise a project. We look for the proposal to give the information to prove a number of clear cases that are central to our aims and requirements. Under each 'Case' there are a number of core questions that should be answered to prove that case. You should ensure that the information you provide in the mandatory sections and any additional documents answers these questions and proves each case.

i) The Strategic Case

- What is the perceived problem(s) to be addressed by the project? Is need supported by baseline and / or other evidence?
- Is there enough demand for the services to be provided by the project to justify its inception?
- What solutions are available to address the problem and its root causes?

- If you are seeking funds to continue an existing project, is this justified by independent evaluation of the activity to date and how has your new project been shaped by the lessons learnt?
- Does the project have clear objectives stated in line with SMART principles, i.e. specific, measurable, achievable, realistic and timebound?
- What is the preferred solution and briefly why?
- What is the case for AWM / EU Funding? In what way will the project and the benefits secured be different in its absence? What market failures justify public sector intervention?
- How does the project and the problem it addresses fit with the strategy of the Organisation, the West Midlands Economic Strategy, Delivery Vehicles and Advantage West Midlands Corporate Plan?
- How does the project deliver our policies and standards and how does it meet legal constraints on public funding?
- What is the scope of the Project?
- What are the success criteria for the project are, particularly in terms of delivering outputs and outcomes consistent with the rationale?
- What outside constraints & dependencies does the project have (inc State aid and Procurement)?
- How will business risks and our risks be managed?

ii) Value for Money (The Economic Case)

How well does the chosen option:

1. Maximise return on investment in terms of:-
 - a. Economy – Demonstrating value for money against cost benchmarks - Do the costs of your project activities compare favourably against public sector and industry benchmarks or is there scope for savings?
 - b. Efficiency – Converting resources deployed into outputs - Is your project efficient at creating assets or activities that support the project goals from the public and private resources applied to it or could more be had for less?

-
- c. Effectiveness – Achievement of measurable change in the target baseline data – Will delivering this project and its outputs make a difference to the economic well being of the region?

2. Respond to changes in costs, time and outputs and minimise associated risks?

iii) The Financial Case

How well does the chosen option:

- Match the sources and pattern of available funding (ie is it affordable)?
- Demonstrate systematic and realistic costing?
- Include only eligible costs?
- Demonstrate robust financial controls?
- Rely on financially sound partners?
- Match other financial constraints – capital receipts etc?
- Demonstrate a viable business plan which:-
 - Will support the project delivery?
 - Will support the proposed succession strategy?

iv) The Commercial Case

How well is the chosen option:

- Procured effectively and legally?

and

- Where the project is to be delivered by procurement or calling for bids, how well does the chosen option:
 - Match the ability of the Applicant/Partners/Suppliers to deliver the project?
 - Appeal to Partners and Suppliers?
 - Transfer risk effectively and fairly?

v) The Project Management Case

How well is the chosen option likely to be delivered in terms of:

- Sufficiently clear definition to be contracted?
- The feasibility and realism of the project's schedule and resource plans?
- The Project's structure?
- The organisation's ability to manage projects?
- The delivery risks and risk management?

How will we monitor the effective delivery of the project?

How will we evaluate the success of the project in delivering the outputs and outcomes?

If you are applying for European Regional Development Fund (ERDF) you will also have to show within this form how your project will deliver relevant European Objectives and Outputs.

The Appraisal Process

Once your Delivery Vehicle or Project Sponsor is confident that your Full Application is ready you must get it endorsed by a senior person in your organisation who has the authority to make binding legal agreements on its behalf.

Once complete, your Project Sponsor will pass your Full Project Application to one of our Project and Contract teams for appraisal.

The Appraisal and Approval process will take around 8 weeks but may take longer if the project application is incomplete, large or complex.

This appraisal process starts with an Appraisal Readiness check. This takes 3 working days and provides a high level check that your Application is complete and without basic errors. If this is the case it will be assigned to one of our Project and Contract Managers for appraisal. If we find your Application is incomplete or contains basic errors we will be return it to you to address the issues identified.

We will appraise your project against the "Five Case Model" explained on the previous pages. If we identify serious weaknesses, issues or inconsistencies in the case for your project which must be resolved before any recommendation can be made, we

may “stop the clock” whilst the Project Sponsor contacts you for clarification or to address the issues identified.

This may appear to slow the Appraisal process down but in practice provides you with the opportunity to strengthen the case for your project without the delay of having to rework the Application and resubmit it.

Once complete, your Full Application and the Appraisal will be taken to the our Investment Decision Group (IDG) for a decision on the Case for funding. The IDG meets weekly throughout most of the year and your Full Application is likely to reach the IDG 10-15 working days after completion of the Appraisal. This allows time for internal approvals and time for our IDG members to fully understand your project and clarify issues before arriving at a decision.

The IDG will reach one of the following decisions:

- Your Full Application is approved for funding;
- Your Full Application is approved with conditions;
- Your Full Application is returned for Rework;
- Your Full Application is rejected.

If your project is returned for rework we will tell you why and how you can address the issues identified. If your project is rejected we will tell you why.

Where your project is approved with conditions these may be “pre contract” or “post contract”.

“Pre contract” conditions relate to fundamental issues or risks with your project that must be addressed prior to us starting to draft the legally binding Funding Agreement. “Post contract” conditions will be addressed by additional terms and conditions within the Funding Agreement or the incorporated Project Management Plan.

If you are requesting a grant of more than £10m or your project is radically new in its approach, likely to cause public controversy or set precedents for public policy we will also have to get approval from the Department for Business Enterprise and Regulatory Reform (formerly the DTi) and this will add to the approval timescales.

Please note, our legal obligation to fund your project comes into action when the funding agreement has been signed by both parties. Expenditure committed prior to the signing of the funding agreement will be ineligible for grant.

Completing the Full Application Part 1

Section 1: Application Form Contents

The core Full Application is in Four Parts, and will be supplemented and supported by more detailed information. Parts 1 and 2 are in the Full Application, Part 3 is ADV-33 the Project Management Plan and Part 4 is ADV-123 the Evaluation Plan.

1. Project Title

Project Name: The name used to describe the project. Where the project has been through the Outline Proposal enter the name given at Outline. For Small Value Projects try and find a simple name that describes your project. (please exercise care with this as project names cannot be altered once registered)

Project Sound Bite: In one sentence, tell us what your project will do and what it will achieve. For example:

This project will revitalise the Barsetshire widget industry by introducing lean manufacturing techniques.

This project will build modern office space in Bursley, catalysing the regeneration of the town centre by attracting professional services businesses.

This project will reduce material costs for SMEs by reducing manufacturing waste.

This project will address skills shortages and long term worklessness by providing training for unemployed miners.

Project Start Date: The estimated delivery start date assuming funding of the Full Application is approved. NB. This date should be sufficiently in advance to allow for the appraisal, approval and legal processes. Your Delivery Vehicle or Project Sponsor will advise you on this.

Project End Date: The estimated completion date, based on the start date given. These dates should match the dates in the Project Management Plan.

Required AWM Funding: Provide a total for capital and revenue funding required from us.

2. Project Applicant

Delivery Organisation:	The name of the organisation requesting financial assistance and which will be the “accountable body” for your project funding.
Contact Name:	The person nominated to liaise with us and who is able to discuss project details and day-to-day management of your project.
Organisational Type:	<p>Tell us what sort of organisation you are i.e. Private Sector, Public Sector or Third Sector?</p> <p>Third Sector Organisations (TSOs) are organisations established on a not-for-profit basis that are not directly controlled by the state (not part of the public sector).</p>
Changes Since Outline	<p>Summarise changes made to the project since your Outline Application here.</p> <p><i>(If this is a Small Value Project ignore this box.)</i></p>
Endorsement Conditions	<p>List any endorsement conditions imposed with your Outline Proposal and Assessment. Tell us briefly how you have met these conditions.</p> <p><i>(If this is a Small Value Project ignore this box.)</i></p>

Contents Checklist

Work through the Table under the heading “To be completed as appropriate to the Project” on the Application Form and identify which Annexes and Other Supporting Information you need to submit with the Full Application marking the information you will provide with a tick. If you are unclear how much information you should provide discuss this with your Delivery vehicle support or Agency Project Sponsor.

3. Project Definition

If you completed an Outline Proposal for this project (Post September 2007) you can omit this section if there has been no significant change and we will work with what you told us at Outline.

If you are making:

-
- a Small Value Application; or
 - you have made significant changes since Outline: or
 - you completed an Outline Application prior to September 07; or
 - your project was endorsed as part of an Outline Proposal for a programme of projects, please complete this section and Section 4.

We would regard a significant change as any one of the following:

- The grant sought has increased by more than 30% over that endorsed at Outline;
- The outputs proposed have reduced by more than 30% over those proposed at Outline
- The project is now addressing a different problem than that endorsed at Outline;
- The project is offering a radically different solution to the problem to that endorsed at Outline.

Where you made a previous submission at Outline you can use your Outline submission as a base, highlighting any changes in **bold type**.

The Project Definition must tell us the following (in approximately three pages):

3.1. Project Need

To decide if your project meets our own goals we must understand what problem, or need the project intends to address, or what the opportunity to make a positive impact is. Highlight any additional information you have acquired since your Outline Proposal and attach any baseline data, reports, using Other Supporting Information to list them.

3.2. Project Demand

You should include information relating to the interest in the project from partners/local communities and any involvement they have had in developing it. Include details of consultations with partners and beneficiaries you have carried out since Outline and attach any reports, using Other Supporting Information to list them.

3.3. Root Causes

Tell us what you believe are the root causes of the problems you have described earlier.

3.4. Solving the Problem

Tell us how your project addresses the root causes of the problems.

3.5. Project Objectives and Outcomes

You need to clearly state the objectives of the project. The objectives should encapsulate what the project seeks to achieve and should be stated in SMART terms:

Specific – clearly stating what the project will address and by what means.

Measurable – containing a basis for measurement and a quantified target.

Achievable – technically attainable given the scope of action proposed.

Realistic – attainable given the resources provided, the time allowed, size of target group, etc.

Timebound – incorporating the date by which the targets should be achieved.

An example of an objective conforming to these criteria, from a business development context might be:

By 2013, to enhance the competitiveness of SMEs in the West Midlands by supporting the assimilation of design and innovation principles leading to the creation of 500 net additional jobs and £20m in net additional value added.

We also want to know the outcomes you aim to achieve from this project. You should express these in terms of the evidence used to justify the project in 3.1.

3.6. Options

You are asking us for funding because you do not have enough resources to solve this problem on your own. Our resources are limited too and we expect you to have explored more than one option (solution to the root causes of the problem) when developing your project and picked the one that makes best use of the resources deployed.

Tell us briefly about the other options (solutions) to the root causes you considered. Why the option you have chosen is the best one. Again highlight any changes from

Outline in Bold Type. (Note: Options will be explored in detail in Section 2 of the Application).

3.7. Project Description

Please give us a pen picture of your project – make sure that you answer the following:

- What you are going to do
- Where you are going to do it

You must show where the project is to be delivered geographically and why it is limited to / focussed on this area.

- When you are going to do it

You should explain why this project is needed at this particular time. Show how it may complement and existing, past or planned projects.

- Who will do it

Tell us if you are going to deliver the project or whether you plan to involve other organisations. We ask you to list any other organisations in the Proposal Form Section 8.

- How you are going to do it

Explain the methods you propose to use to deliver the proposed project.

- What you plan to spend the money on

Identify briefly what you will spend the overall project funding on and how our funding will be spent.

- Who will benefit

Specify which social and geographical groups the project will target and outline specific benefits.

3.8. The need for AWM Funding

Tell us why you think that this project should be funded by the public sector in general and by our funds and/or European funds in particular:

Explain what the market failure is and what would happen if this funding was not received.

Identify what the funding means to the project – i.e. our funding will enable the project to happen at all, be bigger, happen sooner etc.

3.9. The need for ERDF Funding

Where ERDF is sought you must identify:

specifically the additionality provided by ERDF funding here;

that the project's activities are eligible for ERDF Funding – See Guidance for ERDF Applicants.

Remember that funding from us in general and Europe in particular is 'Funding of Last Resort'. This means it is not meant to be used instead of existing budgets or other sources of support for the project.

3.10. Recognising Success

Give us an idea of what success will look like and how you will measure it. Tell us what impact your project will have on regional and sub regional baselines.

3.11. Sustaining the Project

You should make clear what you plan to do with the project once our funding is complete and how any continued operation will be funded. We see our role as pump-priming projects that will continue by become self-sustaining or funded by other bodies once the concept is proved.

4. Strategic Fit

The Strategic Fit section should tell us (in approximately 375 words or 2 Pages) how your project will add value and contribute to strategic objectives at a Regional, Sub-regional and Local level. The majority of projects funded by us will come through an approved Delivery Vehicle (as specified below). If necessary, your Project Sponsor will assist you in working with the appropriate body.

You will need to demonstrate that your project is within our remit to fund and will not achieve its objectives without the requested funding. You must explain the ways in which your project's outputs and outcomes are desirable in strategic terms and must detail how this particular project will support the existing approved strategies namely;

Complete this section only if the Strategic Fit has significantly changed since Outline

4.1. West Midlands Economic Strategy

The region's view on its priorities is set out in the West Midlands Economic Strategy (WMES). This was developed and agreed by public and private bodies in the region, including Advantage West Midlands. It presents a holistic approach to improving the economic health of the region and covers the activities of many public and private bodies.

You need to show how project fits within the regional priorities.

4.2. (a) Advantage West Midlands Corporate Plan

We have a corporate plan which sets out which of the regional priorities we will support. You need to show that your project delivers the priorities we said we would address.

(b) European funding

If you are seeking either ERDF during the period 2007-13 Funding you must identify how your Project delivers the funding priorities set out in the relevant Funding Stream. For projects seeking ERDF funding you must identify the difference to the project that European funding will make. Please note these programmes are still in the process of agreement and we will be unable to formally accept applications for these funding streams until at least December 07

4.3. Delivery Vehicles

At a local and regional level, we work with local partners in developing a number of Delivery Vehicles in order to ensure that projects meet local needs and will be supported by local communities. The Delivery Vehicles are local partnerships of councils, the public sector, higher education, business and the community as appropriate. Each Delivery Vehicle develops its own local strategy and annual plan in order to deliver its objectives and is allocated a portion of AWM's funds to allow them to sponsor and initiate projects.

The Delivery Vehicles currently in place are:

- **Regeneration Zone(s)**

Regeneration Zones are geographically based around areas of deprivation and are tasked with securing the regeneration and development of the areas.

- **High Technology Corridor(s)**

Again geographically based, our corridors are tasked with securing sustainable development of high technology high added value businesses in the corridors.

- **Business Clusters**

The Business Clusters are focused on supporting industry and commerce and are segmented by business sector.

4.4. Local Strategies/Initiatives

Within the Full Application form it is important to identify where there are links with other projects or initiatives supported by Advantage West Midlands, European Structural Funds, Government Departments or other public sector bodies in the area.

4.5./ 6 AWM Policy Delivery

Tell us which policy you consider is the main focus of this project and any subsidiary policies that it may help to deliver. Tell us how your project supports the delivery of these policies.

5. Standards

5.1. Equality & Diversity

Tell us how equality and diversity issues have been taken into account in the design of this project. How have you identified the needs and interests of different equality groups and communities? How has the option chosen been developed to address those needs and interests and to take advantage of any opportunities offered by the region's diversity? How will you measure this as so provide evidence of the Equality Impact Assessment of your project to us?

If are seeking ERDF tell us how the proposal meets the requirements of the ERDF Programme Document Aims and Actions Paragraphs 5.2.3 and 5.2.4.

5.2. Environmental Sustainability

Tell us how you have taken into account the environmental impact of your project and any design steps you have taken to minimise the project's negative impact on the environment.

If you are seeking ERDF tell us how the proposal meets the requirements of the ERDF Programme Document Aims and Actions Paragraphs 5.1.3 and 5.1.4.

5.3. Carbon Footprint

Indicate if your project falls into one the categories listed in the Application Form. If it does, our funding will depend on you providing metrics on your project to help us measure its impact on the regional carbon footprint.

5.4. State Aid

Projects we fund must comply with European Law on State aid.

Whilst we make every effort to ensure that the schemes we approve comply with the legal framework governing State aid we cannot be held liable if a scheme is subsequently found to be illegal by the commission. As the operator of this scheme you will be responsible for ensuring that the scheme complies with the law.

State aid is a complex area and you may find the Fact Sheet in our Development pack a useful introduction. If you are still not clear that your project is compliant with State aid regulations you should seek independent legal advice.

Answer either question 5.3.1 or 5.3.2 and either question 5.3.3 or 5.3.4 on the Application.

5.5. Procurement

Complete this section if you have selected the organisation that will be responsible for the practical delivery of this project since the Outline endorsement. Explain how you carried out this exercise and how it meets the legal requirements for public procurement or AWM's requirements for commissioning projects as appropriate.

6. Small Value Projects

Complete this section if your project is for less than £250,000 and/or you did not complete and submit an Outline Proposal to us for this project.

6.1. Project Funding

Previous Applications: Please confirm this is your first request for Advantage West Midlands or European funding for this project. If it is not your first request please tell us when you applied previously.

Previous European Funding: Please tell us if your project has previously received European funds or uses assets created with previous European Grants. If you have received European Funds please tell us about the most recent offer letter.

Confirming Other Funding: Please identify who else will be providing finance for this project. Place copies of written confirmation of other funding and grants in Other Supporting Information.

If you have funding that is not yet confirmed, tell us when you expect to have the funding confirmed.

We use the remainder of this section to find out more about you as a delivery organisation and your track record in delivery projects of a similar nature to that for which funding is requested. It also captures information which will help us assess the impact this project will have on the resources of your organisation.

6.2. Your Financial Capacity

These questions are designed to establish that your organisation and the success of this project will not be put at risk by you being contractually accountable for this project.

If you have provided this information in your Outline Proposal or have already received grant funding from us please ignore these questions.

If you are a private company, a company limited by guarantee, a charity or community group, please provide us with your last set of audited accounts and your latest management accounts with Other Supporting Information.

6.3. Your Capability

We consider past performance a valuable indicator of future performance.

Tell us whether you have worked with us before.

If you haven't worked with us before tell us about similar projects you may have done for other Public Bodies.

We will obtain references from our delivery team on projects you have done for us and from your clients in other funding organisations if you haven't worked with us previously.

If you plan to procure or commission the project rather than deliver it yourselves tell us about your track record of managing procured or commissioned projects.

6.4. Your Capacity

We want to feel comfortable that taking on this project will not destabilise your organisation and risk the successful delivery of the project so we assess the impact that delivering this project will have on your organisation.

We do this by comparing the proposed project with your current organisation in people and financial terms.

If you already have existing projects funded by us you do not need to complete this section.

7. Application declaration & certification

You must get the Full Application signed by a senior person in your organisation who has the authority to make binding legal agreements on its behalf. Ensure that the applicant's name is printed and their position within the organisation is clearly stated e.g. Chief Executive, Financial Director.

In addition to confirming the truth of statements made in the Full Application we want you make a number of confirmed statements about your organisation. Please read each statement carefully and take whatever professional advice you think you need before signing the declaration.

8. You and your development partners

Complete this section with the rest of your contact details and those of your partners.

Please record your address here. Ensure that other contact details such as main telephone, fax and e-mail are included.

List the names of partner organisations with an interest (financial or other) in your project and describe their role in your project. Indicate the legal status of partner organisations.

If you completed an Outline Proposal please identify any changes in Bold Type

Completing the Full Application Part 2 Options Appraisal

Section 2: Options (Economic) Appraisal

Resources are always constrained and you should aim to ensure that your project makes the best use of the resources available. In building your business case, you

should objectively explore alternative solutions to your problem before deciding which option is best and offers best value for money.

If you have made an Outline Proposal, you will have told us about your initial judgement about which option you prefer and why. In developing your Full Business Case you will have developed more precise estimates of costs and benefits and you should have continued to test out your initial preferred solution against the others available to ensure it demonstrably makes the best use of your own and our money and other resources.

We expect you to show that your preferred option demonstrated the best return for the money invested in it based on the net additional Outputs, Results and Outcomes it will generate.

The net additional benefits will be those Outputs, Results and Outcome that the project will generate less:

“Deadweight” (The benefits that would have arisen without the project – see the “Reference Case” below);

“Substitution” (Where businesses or individuals substitute subsidised project activities for activities they would have funded in full themselves);

“Leakage” (Where the projects outputs and outcomes benefit businesses or individuals outside the target area);

“Displacement” (Where supported businesses take market share from other local firms producing the same goods);

plus

Multiplier effects (further economic activity associated with the additional local income provided by the project).

Should you require further clarification of these terms or how to apply them you should consult your project sponsor.

If, while you are fully developing your project, you find another option has a stronger case than the initial one proposed, you should change to the better option and explain your reasons for doing so in Section 2 of the Full Application.

There will also be more than one way of delivering your preferred solution and we expect you to have explored different ways of delivering and financing your project. Again we expect you to show that your preferred delivery route offers best value.

Finally, you should illustrate that the effort you put into ensuring you have found the best solution matches the value and risk of your project. This principle is embodied in the guidance below

“What” options

If your project is requesting a grant of £0.5m or less complete the clear boxes only.

If your project is requesting a grant of more than £0.5m complete all the boxes.

Please either:

- confirm your original option is still the ‘best’ option of those considered

or

- that an alternate option is now preferred

and

- how you made your appraisal of the solutions.

Complete one of the “What Option Appraisals” in Part 2 for each of your options you described in Section 3 of this form or your Outline Proposal. If you have completed your own options appraisal that meets the requirements below, attach this here instead.

These options must always include a Reference Case where the minimum intervention is made. By “minimum intervention” we mean doing what is needed to meet current statutory requirements.

If your project is requesting a grant of more than £7m from us, will last for more than two years and includes the acquisition, creation or disposal of capital assets and other benefits that are quantifiable in monetary terms, this appraisal should include comparison of the net present values of the options considered. Append this appraisal in Section 2.

If your project requires a grant of more than £9.5m from us, we may require a formal “Green Book” Economic Appraisal of the options. You should discuss this with your project sponsor

“How” options

Tell us about the different “How” options you considered for delivering and financing the preferred project solution and why your proposed delivery and finance solution is best.

Again the depth of your analysis should match the value and risk of the project.

“What” and “How” options and the “Reference Case”.

If you are not clear about the difference between “what” and “how” options and the role of the Reference Case the following example may help:-

You work for a local council and the community you serve is divided by a river. There is a small foot passenger ferry that can carry people and bicycles across the river. The economic development of the community is being held back by the poor transport infrastructure.

This problem could be solved by building bridges of various designs, digging a tunnel or providing a bigger ferry. These are “What” Options.

The “Reference Case” would be maintenance of the existing foot passenger ferry, upgrading it to meet current legislative requirements like Health & Safety and Disability Access and to ensure it has a similar economic life to the other options. The Reference case helps us identify the “Deadweight” - what would have happened anyway without our project.

Having selected, for example, a suspension bridge, the “How” options might compare direct construction of the bridge by the Council or sub contracting the work. The bridge might be financed by the council, leased to the council under a pfi scheme or owned by a contractor operator and financed out of tolls to users. These are “How” Options.

NB. This case is illustrative only – AWM would not usually fund infrastructure projects unless there was a strong economic development or regeneration rationale.

Options analysis techniques

Your options appraisals should take into account the following analyses:

- How the options will be affected by possible variations to out-turn costs, deliverables or timescales (Sensitivity Analysis – see notes below)
- How the various options affect the projects various beneficiary groups (Distributional Effects – see notes below);

-
- Benefits outside the direct focus of the project such as health or education; (Non Market Effects – see notes below); and
 - How they have been designed to compensate for the natural optimism of the project developer with respect to costs, timescales and benefits: (Optimism Bias – see notes below)

Sensitivity Analysis

Whilst we all try hard to make our estimates of project costs, durations and benefits realistic and based on sensible assumptions they are just estimates and may not reflect what happens in the real world.

The options we are comparing may have different levels of risk and confidence in the estimates of cost time and benefits.

We expect you to show that your preferred option is the best when compared against likely possible variations in cost, outputs and timescales.

Distributional Effects

Your options appraisal should consider any differences in the distribution of project benefits between the short listed options.

For example if your project is designed to benefit a particular beneficiary group you should consider how the various options will benefit the target group.

For projects with a more general focus your options appraisal should consider whether individual options may exclude particular beneficiary groups.

Non Market Effects

Where your project has effects outside its direct material focus in areas like health, education or social cohesion you should include this in your comparison of options.

Optimism Bias

History shows there is systematic bias towards optimism when developing projects in many examples of public and private sector projects. This optimism affects estimates of costs, time and benefits. For example when making the case for the Millennium Dome there were optimistic expectations of the numbers of people who would pay to visit the attraction. The costs of constructing the Channel Tunnel were under estimated.

You should consider how confident you are of project costs and durations. Are they based on firm tendered prices against agreed detailed specifications or are they budgetary prices for a building of so many thousand square metres? We will expect to see an objective link between the level of any contingency built into your options appraisal and your level of confidence in your costs and outputs.

When comparing options and appraising projects you should consider the realism of what is being proposed by testing your option estimates against similar projects that have already been completed.

Applications for ERDF

If you are seeking ERDF Funding you should include an option based on your preferred option net of ERDF Funding in order demonstrate the “additionality” brought by the inclusion of ERDF Funding.

Completing the Full Applications Parts 3 & 4

Section 3 - Project Management Plan

The Project Management Plan tells us about how your project will work in detail; how it will be delivered and how it will be managed and controlled. Please either complete our plan or produce your own, making sure it answers all the points in our plan.

There is a separate guidance document ADV-GN-33 on completing the plan within the Full Application Pack.

If we approve funding for your project, this Project Management Plan will be used as the definition of your project in any resultant funding agreement.

Section 4 - Evaluation Plan

Along with all public bodies we have to demonstrate to the government that we are making best use of the public funds we are responsible for spending. Part of this is building an evidence base of the projects that we fund so that we know which types of projects are successful in delivering their outputs and outcomes and making permanent improvements to the region and capturing lessons learnt.

Tell us about how you plan to evaluate this project and measure its success in achieving its stated objectives including the data you need to make the evaluation and how you will capture it. Use the template ADV-123 Evaluation Plan or your equivalent to set out how you will evaluate this project. Guidance on completing Annex 4 is set out in ADV-GN-123 Planning Project Evaluation included in the Full Application Pack.

Providing Other Information

Annex 1 - Business Plan

If the operation of your project or maintaining its benefits after our funding is dependent on unconfirmed funding provided by users or beneficiaries you must provide us with a Business Plan.

We expect you to have a robust Business Plan that will tell us how you are going to generate the revenue needed to operate the project. The standard of business plan should reflect the scale and risk of the project and be what you would expect to supply to other funding sources.

Your business plan should include the assumptions on which it was based and show that the operation will be viable in the face of realistic changes to costs and outputs and income.

For a basic community project this might include simple projections of costs, income and cashflow to the level that you would provide to your bank.

If your project is intended to establish a trading operation and seek a loan or venture capital investment we expect your business plan to include projections of profit and loss accounts, balance sheets and cash flow for at least the period of Output and Outcome delivery.

Guidance on preparation of Business Plans is available from the Business Link Web site at

<http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1073869162&site=131&r.s=s>

Please attach your business plan at Annex 1 if required.

Annex 2 – Built Environment Sustainability and Design

If your project requires a significant land and property element a grant of more than £250k and planning permission please complete attach Annex 2 here.

Annex 3 – Land and Property Capital

If your project includes a significant land and property element complete Annex 3 and append here together with any associated planning permissions or other consents required, maps, site plans and artist's impressions of the development here.

Annex 4 – Web site

If your project is going to operate a Web Site please append a copy of Annex 4. This will need to have been appraised and agreed with our communications team.

Other Supporting Information

Attach any other required supporting information here. The guidance in the Full Application Form will tell you when and what information is required.

Completing and submitting your Full Application

When you have completed your Full Application Form Parts 1 to 4 you should check that you attach any of the Annexes and Supplementary information required for your project and review them for completeness with your Project Sponsor. When you are both satisfied that the Application is complete you must get Parts 1 and 3 signed by a person in your organisation authorised to enter into legal agreements on its behalf and formally submit it to the Agency via your Project Sponsor.

You must provide us with:-

- One paper copy of the signed Full Application Form parts 1-4 and any required annexes and other supporting information;
- Protected electronic copies of the Full Application Form parts 1-4 and any required annexes and other supporting information. Ideally this information should be provided in pdf format with a read only copy of any spreadsheets in excel. If this is not possible then please provide it in read only word or excel formats.
- Please provide two additional paper copies on any photographs or of any maps, plans and diagrams printed on A3 or larger paper included in the annexes or supplementary information above.

Please ensure that the content of your paper and electronic versions are identical as any discrepancies discovered may cause your application to be returned for rework.