



Rural Payments
Agency

one agency

LEADER Programme Full Application Appraisal Guidance

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1. Abbreviations used in this Guidance Note

Defra	Department of Environment Food & Rural Affairs
DM	Decision Maker
DORA	Database of RDP Applications (further details on DORA; refer to the DORA Guidance Note found on the RD area of the guidance hub).
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EU	European Union
FA	LEADER Full Application
GFA	Grant Funding Agreement
LAG	Local Action Group
LEADER	LEADER Programme
EOI	Expression of Interest
QC	Quality Check
RD	Rural Development directorate
RDP	Rural Development Programme
ROD	RDPE Online Database (predecessor to DORA)
RPA	Rural Payments Agency
SEI	Socio Economic Inspections

2. Glossary

Definition of the key terms used in this Guidance Note, and specific to this context, are set out below.

Term	Description
Accountable Body	The administrative and financial lead with the ability to administer public funds and who is responsible for the satisfactory operation of the Local Action Group.
Applicant	An individual submitting a LEADER Programme application.
Applicant Handbook	A public document designed to help an applicant in the development of a LEADER Expression of Interest and Full Application.
Appraiser	An individual responsible to the Accountable Body for undertaking an independent appraisal of due diligence on a LEADER Full Application.
Auditor	A RPA officer or statutorily empowered third party (RPA, Certifying Body, European Commission or European Court of Auditors) responsible for performing compliance and fairness checks on contracted projects under the LEADER scheme.
Call for Applications/Bidding Round	A written invitation for applicants to submit proposals against a published specification.
Decision Maker	A member of the Accountable Body with sufficient authority to make fundamental decisions, not including project approval
DORA (Database of RDPE Applications)	A RD management and reporting tool used by RDP Managing Authority, RPA and LAG Accountable Bodies
Grant Funding Agreement	Legally binding contract between the Accountable Body and the applicant setting out involvement, conditions and other implied and applied terms in the delivery of a project under the LEADER scheme.
LAG	Local Action Group. The Local Action Group who have delegated authority to approve or reject LEADER Applications for funding.
LAG Decision Making Group	An agreed group of LAG members who make funding decisions on Full Applications and if applicable make decisions on Expressions of Interest. This could be a sub-set of the full LAG, or the full LAG itself, depending on each LEADER group's set up.
LAG Manager	A member of the Accountable Body (but can be another person) who is responsible for managing the delivery of the LEADER programme on behalf of the LAG.
LAG Officer	A member of the LEADER project team employed by the Accountable Body responsible for LEADER delivery on behalf of the LAG.
Operation	The term used by the European Commission to refer to each of the discrete activities that is covered by a funding agreement. 'Operation' is usually synonymous with 'project' but in some cases an operation may include a number of projects within it.
RD Quality Check	A check undertaken by a person within RD to ensure that the processes have been completed as detailed in this Operational Manual.
Regional LEADER Lead	Member of the Rural Development directorate who is the LAG's point of contact in the RPA.

3. Table of Guidance Documents, Forms and Templates

Guidance

Guidance / Factsheet name	ID
LEADER Applicant Handbook	LEADER G19
LEADER How to Complete a FA Guidance	LEADER G20
LEADER FA Process (Ops Manual)	LEADER G21
LEADER ECR Assessment Guidance	LEADER G22
LEADER FA Appraisal Guidance	LEADER G23
LEADER Transition Arrangements Guidance	LEADER G24
National Guidance	
DORA User Manual	DORA User Manual
RDP State Aid Guidance	RDP Form 002

Forms

Form name	ID
LEADER Division of Duty Matrix	LEADER Form 011
LEADER FA Form	LEADER Form 031
LEADER FA Form – Supplementary Information Form	LEADER Form 031a
LEADER FA Appendix Spreadsheet	LEADER Form 032
LEADER RD Applicant Checks Form	LEADER Form 033
LEADER ECR Assessment Form	LEADER Form 034
LEADER FA Appraisal Form	LEADER Form 035
LEADER FA Quotes Check Spreadsheet	LEADER Form 036
LEADER FA Appraisal Quality Check (RD) Form	LEADER Form 037
LEADER FA Appraisal QC (AB) and EC (RD) Form	LEADER Form 038

Templates

Template name	ID
LEADER Division of Duty Matrix	LEADER Form 011
LEADER FA Form	LEADER Form 031
LEADER FA Form – Supplementary Information Form	LEADER Form 031a
LEADER FA Appendix Spreadsheet	LEADER Form 032
LEADER RD Applicant Checks Form	LEADER Form 033
LEADER ECR Assessment Form	LEADER Form 034
LEADER FA Appraisal Form	LEADER Form 035
LEADER FA Quotes Check Spreadsheet	LEADER Form 036
LEADER FA Appraisal Quality Check (RD) Form	LEADER Form 037
LEADER FA Appraisal QC (AB) and EC (RD) Form	LEADER Form 038

4. General Guidance for Appraisers

The appraisal process enables you to analyse the full application (FA) and supporting information and assess how well it meets the scoring criteria. Your appraisal scores and comments on each section will inform your final recommendation on whether the project should be grant funded or not.

You should provide sufficient detail in the appraisal form to support your recommendation and show how you have reached it. Do not copy and paste text from the application form; assess the information provided by the applicant against the scoring criteria and explain your findings.

Don't forget that the appraisal documents can be released under a Freedom of Information (FOI) request. If, during your appraisal, you contact colleagues or members of RD for advice or guidance, use their job title in the appraisal form and not their name.

Completed Eligibility and Completeness Review (ECR)

The ECR is completed to ensure that all of the information required to complete a full appraisal assessment has been submitted by the applicant and that all eligibility checks have been undertaken. If you did not complete the ECR for this application, you should review it before you begin your appraisal and complete the ECR Review Section at the bottom of the ECR form.

Along with the ECR, the partially completed 'Appraisal Funding & Claims' tab of the FA appendix spreadsheet and the quotes check spreadsheet will have identified whether any of the checks carried out on the quotes and suppliers at that stage resulted in any items or costs being deemed ineligible.

Following your review if you have any concerns or questions about the checks undertaken at that stage, raise them directly with the ECR assessor. If the form is fundamentally incomplete and/or a significant amount of information is missing from the project folder (and this has not been clearly noted with an appropriate explanation) the file should be returned to the ECR assessor for completion. However, you should first try and resolve any issues directly with them to avoid any unnecessary transfer of files.

Once you are content that the ECR has been completed as fully as possible and the FA is eligible you can proceed with your appraisal.

To undertake the appraisal you will need to complete the FA appraisal tabs within the FA appendix spreadsheet completed by the applicant to assess accounts, outputs and financial projections and the FA appraisal form which consists of 3 sections:

Section A: Appraisal Summary

You should complete sections A1 to A3 first, then move on to section C. Section A4 should be completed after you have assessed and scored the application.

This is intended to aid the decision making process of the Local Action Group (LAG) by providing an overview of the applicant and proposed project, including costs, timescales and project outputs. It also contains a summary of the appraisal scores, your appraisal conclusion and any project specific conditions or advice to the applicant that you feel are required.

The information in section A4 should be as clear and concise as possible, highlighting key information which LAG members may wish to consider in greater detail by examining the more in-depth analysis in the scoring and assessment section.

Section B: Appraisal, Quality Control and Decision: Recommendation and Signatures

This section shows your recommendation, the quality control and eligibility checks and the final decision of the LAG decision making group.

Section C: Scoring and Assessment

This section should be completed after sections A1 to A3, as your detailed assessment in this section will feed into the appraisal summary at A4.

Appraisal text should be provided to assess, analyse and draw conclusions on how well the project meets the scoring guidance and criteria. In terms of the value of scores:

- RR = Recommend Rejection
- 0 = inadequate
- 1 = weak
- 2 = acceptable
- 3 = good
- 4 = excellent

The FA appraisal tabs should be completed as you go through each scoring section, e.g. the outputs tab should be completed as you score section C2 of the appraisal relating to value for money.

You will need to open the FA appendix spreadsheet saved to the file and unhide the appraisal tabs (right click on any tab, click unhide, select the tab to unhide). The 'Appraisal Funding & Claims' tab will already have been partially completed at ECR stage and will be unhidden. To undertake your appraisal, you will also need to unhide the following tabs:

- Tab 2 – 'Appraisal Accounts';
- Tab 3 – 'Appraisal LEADER Outputs';
- Tab 4 – 'Appraisal Milestones'; and
- Tab 5 – 'Appraisal & GFA tables'.

You do not need to unhide the 'Names' tab as this is not used. A copy of the completed FA appendix appraisal tabs should be printed out and retained on the file with the appraisal form.

5. The Appraisal Form

5.1. Section A: Appraisal Summary

As stated above - complete section A4 of the form last, after you have assessed and scored the application, to summarise the main points from the proposal and draw your conclusions from the full appraisal.

Before you complete the following details, click into the 'header' in the appraisal form and insert the DORA reference number for this application.

A1 LAG Details

Confirm the LAG name, the name or reference number of the call for applications (if applicable) and the LEADER Priority.

A2 Applicant Details

Provide the name of the applicant, the business name, address, agent details (if used) and the applicant's SBI number. You must ensure that the details match those on the application form, the ECR and those entered on DORA.

A3 Project Details

Insert the name of the project and the address where the project will take place, if different to the applicant's address.

Project description

Provide a clear, concise project description which can be used in the Grant Funding Agreement (GFA), any publicity information and on DORA. The description should briefly state what the project is and what the applicant is going to use the grant funding to do.

Project summary and background

Expand on the information provided in the project description; explain the background of the applicant business and why they wish to undertake the project. The summary should be a narrative that provides the 'story' of the applicant and project. Include a brief explanation of:

- what the business does;
- the structure of the business and how long it has been trading;
- the size of the business and number of employees;
- how and why the proposed project has come about and who is involved in its development and proposed delivery;
- the main reasons why the business wants to undertake the proposed project;
- the total project size and grant request;
- what exactly the grant funding will be spent on;
- who will benefit from the project taking place;
- the final project timescales;
- what the project will deliver in terms of outputs and outcomes.

Timescales

You will have reviewed the project milestones and timescales put forward by the applicant as part of your assessment and scoring of 'Delivery Approach and Sustainability'. Explain any changes proposed in the comments box and insert the 'Timescales' tables into the form as follows:

Open the FA Appendix and click (Ctrl G) on the range “**Appraisal_Timescales**” in Tab 5 ‘Appraisal & GFA Tables’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet.

Proposed eligible costs, ineligible costs and claims

The eligibility of the costs will have been assessed at ECR stage. Following your full appraisal, make any necessary changes to the eligibility of the items or costs and update the ‘Appraisal Funding & Claims’ tab to reflect this.

Once you are content that all eligible and ineligible costs are correct, complete the claims part of the tab with amounts and dates and make sure there is no expenditure remaining to allocate to claims in Column N. Each claim must be for a grant amount of at least £2,500.

Insert the expenditure tables into the appraisal form as follows:

Open the FA Appendix and click (Ctrl G) on the range “**Appraisal_Expenditure**” in Tab 1 ‘Appraisal Funding & Claims’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet.

Once this table has been pasted into the appraisal form delete any unused rows and ensure any ineligible items have been deleted from the Eligible Expenditure table. Delete the guidance note itself. Please ensure that these tables are correct as they are copied into the GFA for any approved projects.

Open the FA Appendix and click (Ctrl G) on the range “**GFA_Claim_submission**” in Tab 1 ‘Appraisal Funding & Claims’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet.

Comment on whether the proposed claim dates are acceptable and realistic and whether any amendments have been made to those proposed by the applicant. Also comment on the amount of grant requested and state your reasons if you are recommending a reduced amount.

When reviewing the claim dates, please ensure that wherever possible no claims are profiled to be received during December as we are already overcommitted to pay claims during that month. It is a regulatory requirement to meet a minimum Socio-Economic Inspection (SEI) target of 5% of expenditure during the calendar year. Any claims profiled to arrive later in the year present a risk that the required value of claims inspected during the course of the year will not be met or that we over select unnecessarily and waste resource. Re-profile any claims due in December to January of the following year.

You will need to advise the applicant of any changes to their suggested claims profile in the GFA covering letter. Suggested standard wording (you will need to adapt) is:

“You proposed to submit your claims for grant funding in XXX, XXX and XXX. We have moved these to XXX, XXX and XXXX because XXXX. You will need consider how this might impact on your cash flow and contact us if you wish to amend these dates”.

We are not able to increase the grant request at appraisal. However, if ineligible costs are removed from the funding package, it is acceptable to adjust the intervention rate on the remainder (as long as this does not exceed the maximum available) to retain the original grant request. The resulting grant rate may well need to be less than a whole number, in which case the intervention rate can be calculated to 2 decimal places as a maximum, e.g. 25.16% although this should be avoided where at all possible. Grant rates to several decimal places are not possible as this would cause issues with calculations in DORA.

Where there are multiple claims, it is a requirement that the final claim is a minimum of 15% of the total offer amount and you should ensure that the proposed claim schedule allows for this.

De minimis: To calculate the eligible grant amount where de minimis applies use the European Commission budget website for the current exchange rate:

http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

Project Funding

The maximum amount of public money in a project is set by the maximum intervention rate. For example, if the maximum intervention rate is 40%, this can either be requested in full from RDPE, or 20% from RDPE and 20% from other public funds such as Big Lottery, local authority, levy board funds, other Government or European Grants. The applicant must fund the remaining 60% of the project costs with private money, such as business savings or a bank loan.

As grant is paid in arrears, the applicant must show that they will be able to bankroll the project using private funds. They will need to cover all project costs (both eligible costs and any ineligible or wider non-grant funded project costs) before submitting claims for grant.

The evidence of project funding will have been assessed at ECR stage to make sure it is genuine, acceptable and is/will be in place to cover the full project costs. Confirm here what the project funding package consists of.

If you are recommending a reduced grant from that requested or recommended at ECR stage, confirm whether the funding package will be able to absorb the increase in required private match.

Consider whether you need to provide advice to the applicant in the GFA covering letter to consider how they will cover the potential shortfall in grant. This may increase the risk to successful project delivery and you should have taken this into account when assessing 'Delivery Approach and Sustainability'. Suggested standard wording is:

"You should consider how you will ensure that additional funding is in place to cover a shortfall in grant resulting from the removal of costs from the proposed project. This is because the costs are ineligible due to XXXX".

Proposed Outputs and Milestones

You will have reviewed the proposed outputs when assessing and scoring 'Value for Money'. Explain any changes proposed to those put forward by the applicant in the comments box and double check the dates match in both tables. Please ensure that this table is correct as it is copied into the GFA for any approved projects.

Insert the completed outputs and milestones tables from the 'Appraisal Milestones' and 'Appraisal LEADER Outputs' tabs from the FA Appendix as follows:

*Open the FA Appendix and click (Ctrl G) on the range “**GFA_Milestones**” in Tab 4 ‘Appraisal Milestones’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet. Delete any empty rows in the table.*

*Open the FA Appendix and click (Ctrl G) on the range “**GFA_LEADER_Outputs**” in Tab 3 ‘Appraisal LEADER Outputs’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet. Delete any empty rows in the table.*

A4 Appraisal Details

Appraisal Score Summary

Following your scoring and assessment of the application insert the scores for each section into the table and calculate the total score. The scores for fit with local LEADER group priorities and fit with jobs and growth agenda both attract a double weighting, which needs to be reflected in the total score. There is guidance at the bottom of the table to guide the recommendation based on the total score. Double check your entries to make sure the scores inserted here match each section score.

Appraisal Conclusion

Draw your conclusions to the appraisal in a narrative format and in 1 or 2 paragraphs, explain:

- whether the project could go ahead on its proposed scale, quality, timing without LEADER Programme funding and what additionality the funding will deliver;
- whether the project represents good/best value for money;
- the deliverability of the project;
- the soundness of the proposed project funding package;
- the recommended grant/costs in comparison to the grant/costs set out in the application;
- the timescales for the project and any differences between application and appraisal; and
- the main strengths and weaknesses of the project.

Check the figures in the 'Project Funding Summary' table in the 'Appraisal Tables' tab of the FA Appendix are correct and insert it into the appraisal form as follows:

*Open the FA Appendix and click (Ctrl G) the range “**Appraisal_project_funding**” in Tab 5 ‘Appraisal & GFA tables’ and copy (Ctrl C) and paste (Ctrl V) into the appraisal form. Guidance on how to search for the required range of cells is in the spreadsheet.*

A5 Project Specific Conditions or Advice

You should only include 'project specific conditions' in the GFA where there is legal substance to the evidence required that means if we did not obtain it we would withdraw our offer of grant.

If you identify any other information that would help the applicant deliver the project, you should include this as advice in the GFA covering letter and not as a project specific condition.

The ECR assessor may also have identified where they consider advice or project specific conditions are required and you must make sure these are taken into account here.

In the form, separately list any proposed project specific conditions and any proposed points of advice.

Any recommended project specific conditions must:

- be enforceable and legal;
- be reasonable;
- be verifiable; and
- build / enforce value for money or reinforce eligibility requirements.

All project specific conditions should be presented in a standard format, starting 'The Beneficiary shall...'

Each condition must identify the action, the evidence required, and the date by which activity should be completed. It is essential that the evidence we ask the applicant to provide to support the condition can be verified, for example by an auditor.

5.2. Section B: Appraisal, Quality Control and Decision: Recommendation and Signatures

This section is used to document the outcome of the appraisal, quality control and eligibility checks and the final decision of the LAG Decision Making Group.

B1 Appraisal

Complete the appraiser details and select your recommendation selecting from the options below:

- Approve
- Approve with conditions
- Reject – eligible
- Reject – ineligible

Complete the 'Appraiser recommended grant (£)' amount, print the form, sign and date it.

B2 AB/RD Quality Check (QC)

This section captures the outcome of the QC that is carried out by RD or, once a sufficient number of QCs have been of acceptable quality, the Accountable Body.

The quality control section should be completed by the checker or by you if completed remotely, ensuring that the completed and signed QC and EC form (LEADER form 038) is on file (electronic and hard copy).

B3 RD Eligibility Check (EC)

This section captures the outcome of the EC that is carried out by RD.

You should have a scanned copy of the completed QC and EC form (LEADER form 038) that was returned to you electronically. Attach this to the project file and complete the EC section of the form.

B4 LAG Decision Making Group

The final section captures the decision of the LAG Decision Making Group.

Detailed minutes of each meeting should still be recorded, including declarations of conflicts of interest, and must be signed. They should then be added to the file of each project considered by the group.

Where the LAG Decision Making Group has suggested additional conditions or advice for the applicant, the comments box should include details. Any conditions must meet the requirements set out at A5 above.

5.3. Section C: Scoring and Assessment

Each category should be appraised and scored individually. You must explain here why you have allocated the score and make sure your answer takes account of the bullet points in the guidance. The application must be recommended for rejection if an 'RR' outcome is recorded in any of these sections:

- C1.1 Strategic fit – fit with local LEADER group priorities;
- C2.2 Value for money – direct outputs and other outcomes;
- C3.1 Need for the project – rationale for grant request and deadweight;
- C3.4 Need for the project – competition and displacement; and
- C4.1 Financial assessment – financial health and projections.

All sections of the assessment and scoring part of the appraisal must be completed, regardless of whether a RR outcome is identified as set out above.

An application could be weak in a number of areas and if it is rejected, providing the applicant with full and detailed reasons for this could reduce the number of appeals received.

C1 Strategic Fit

Before you begin your appraisal you should also review the EOI assessment to note any advice that was given to the applicant to consider when submitting their FA in relation to strategic fit. Where applicable, comment on whether this has been taken into account.

Section C1 of the scoring looks at how the project meets the strategic aims of the LEADER programme in two ways:

- **fit with local LEADER group priorities:** how well the project delivers against one or more of the LEADER group’s priorities identified in the Local Development Strategy or applicant handbook; and
- **fit with jobs and growth agenda:** the extent to which the project will contribute to jobs and/or growth within the LEADER area.

C1.1 Fit with Local LEADER Group Priorities

Review the response to Q8.1 in the FA form and use the scoring guidance below. The score for this section attracts a double weighting to reflect the significance of this category for LEADER.

At C1.1 of the appraisal form consider:

- whether the proposal fits the criteria set out in the applicant handbook and current call for applications criteria (if applicable);
- which local priorities are addressed and whether fit with the local priorities has been fully explained and evidenced; and
- whether the project complements or duplicates other activities already taking place in the LAG area.

Scoring Criteria	Score
The project does not meet any of the priorities identified in the applicant handbook and/or call for applications criteria.	0 Inadequate RR
The project may meet at least one of the priorities identified in the applicant handbook and/or call for applications criteria, but the information provided is unclear and/or does not fully evidence the fit.	2 Weak
The project meets at least one of the priorities identified in the applicant handbook and/or call for applications criteria.	4 Acceptable
The project meets more than one of the priorities identified in the applicant handbook and/or call for applications criteria and the information provided supports the fit.	6 Good
The project clearly meets the majority/all of the priorities identified in the applicant handbook and/or call for applications criteria and the fit has been fully explained and confirmed in the detailed information provided.	8 Excellent

C1.2 Fit with Jobs and Growth Agenda

The increased focus on jobs and growth requires all LEADER projects to contribute to the local rural economy. When assessing the contribution the project makes towards the achievement of jobs and growth, use the scoring guidance below. The score for this section attracts a double weighting to reflect the significance of this category for LEADER.

At C1.2 of the appraisal form consider:

- whether the proposed activities contribute directly to the achievement of jobs/growth (E.g. through the creation and development of a micro or small sized rural business); and
- whether the proposed activities make an indirect contribution (E.g. by contributing to improving the local rural economy increasing visitors to a particular area or providing an essential rural service).

Scoring Criteria	Score
The proposed activities will not achieve jobs and growth either directly or indirectly.	0 Inadequate
The applicant makes a poor/tenuous case for the proposed activities direct achievement of jobs and growth and there is no evidence of indirect job or growth creation.	2 Weak
It is not overly clear how the proposed activities will deliver direct job creation and growth of the applicant business; however some attempt has been made to describe this. The project does support some indirect jobs and growth.	4 Acceptable
It is clear how the proposed activities will deliver either direct job creation or growth of the applicant business.	6 Good
The project will create both direct jobs and growth in the applicant business.	8 Excellent

C2 Value for Money

Section C2 of the appraisal form considers whether the project represents value for money in terms of the jobs and outputs achieved per £ of grant.

Whilst appraising this section, you will need to complete the 'Appraisal LEADER Outputs' tab of the FA appendix. This lists the specific RDPE outputs that are defined by the Programme as appropriate for each measure and will be prepopulated with the application data. The table has a baseline figure for the project for each output, plus annual targets for a three year period. (These are not cumulative, but scheduled on a year by year basis).

The tab calculates the grant cost per job (CPJ) and the average wage per job as indicators of value for money and quality of jobs. Where the applicant is proposing to create jobs, they **must** also provide an estimated increase in their wage bill.

Note: If the applicant expects to create apprentice posts as a result of the project, you must deduct these from the total number of jobs to be created. Whilst apprenticeships cannot be included in your appraisal of jobs under C2.1, they can be included as a 'wider benefit' and assessed under C.2.2.

Each output must be measureable and the applicant must be able to evidence that it has been achieved by a certain date. If you consider that any of the information in the appendix is incorrect or inconsistent with the evidence provided elsewhere in the application then you should adjust the outputs table accordingly. This table will form part of the GFA and the outputs must be accurate, achievable and realistic. A common area of inconsistency has been found to relate to the increase in wage bill not corresponding with the number of jobs being created; either the wage is overinflated in comparison to the number of jobs created and project type or the increase in wage bill appears to be below minimum wage.

You may identify wider benefits or indirect outputs (not directly delivered by the applicant business or benefits that are not measurable) that will be achieved as a result of the project. These **must not** be included as an output in the table.

When assessing value for money, you must also consider any displacement impact on other jobs and outputs resulting from the project.

You should consider the net effect of the jobs and outputs that will be created by the project and how many jobs or outputs that will actually cause displacement. For example, if the proposal is to create 20 jobs as a result of the project, but 10 of them are likely to cause displacement elsewhere in England, the assessment and scoring should only be undertaken on the 10 new jobs that will be created.

If all of the jobs created by the project simply displace those already existing elsewhere, or if the project is simply about relocation of activity, displacing activity and outputs from one place to another, then the project should score 0 and be recommended for rejection.

C2.1 Jobs (and associated skill levels)

At C2.1 of the appraisal form, consider:

- whether the proposed project creates new jobs;
- how the grant cost per job created compares to the national benchmark of £30,000 of grant per FTE;
- whether any proposed new jobs are clearly defined, appropriate and achievable for the project in relation to the scale and activity proposed;
- the quality (or skill level) of the jobs being created by the project;
- whether the proposed increased wage bill corresponds with the number of jobs and type of job to be created;
- whether the dates for the creation of the jobs appear realistic and achievable; and
- whether the jobs are similar to or exceed those proposed for other comparable projects. To assess this point use your knowledge of similar projects you have previously appraised and/or ask colleagues to share any knowledge they have. You could also search the internet for similar job roles to compare market salaries.

Below is a guide to the jobs and skills grading based on the National Qualifications Framework	
Level 1	GCSE grade D and below
Level 2	GCSE grade A*-C
Level 3	A Level / AS Level / NVQ Level 3 / Advanced Diploma (England)
Level 4	Certificate of Higher Education / HNC
Level 5	HND / Diploma of Higher Education
Level 6	Graduate Degree
Level 7	Master's Degree

Level 8	PhD
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Scoring Criteria	Score
The project will not create any new jobs or any new jobs created by the project are not clearly defined and there is no indication of the quality of these jobs. The project will not offer value for money.	0 Inadequate
Although the number of jobs to be created is defined, the project appears to create a lower number of jobs than for similar projects. The project will be poor value for money.	1 Weak
The number and skill level of the jobs is similar to those for other projects in this priority and / or the grant cost per job created appears high compared to other projects and against the national benchmark. The project will be acceptable value for money.	2 Acceptable
The number and skill level of the jobs is slightly higher than for other projects in this priority and / or the grant per FTE job created is similar to that of other projects and around the national benchmark. The project will be good value for money.	3 Good
The number and skill level of the jobs is significantly higher than those for other projects in this theme and / or the grant cost per FTE job created is below that for similar projects and less than the national benchmark. The project will be excellent value for money.	4 Excellent

C2.2 Direct outputs and other outcomes

Projects should clearly demonstrate outputs and outcomes. You will need to assess the number, quality and value of the direct outputs from the project and where available refer to the value of these compared to similar projects. Examples of other direct outputs might be the rural population benefitting, an increase in day visitors, overnight stays, etc. **Do not include any jobs created as a result of the project or the wage bill increase as a direct output under this section as these have already been scored at section C2.1 above.**

If the outputs are completely unrealistic this should be reflected in the score and they should not be entered into the outputs or milestones tables. You should either clarify the outputs figures with the applicant (for minor discrepancies in the figures) and update the table or amend them as appropriate based on your assessment.

General scheme outputs are listed in Tab E 'LEADER Outputs' in the FA appendix. The applicant is asked to identify any additional project specific outputs not included in this list on Tab D 'Project Milestones'. You will need to consider the outputs shown at both tabs as part of your assessment of this section. Whilst you are not considering the increase in wage bill here, you must ensure that the figures shown in Tab E for this output reflect the **increase** in wage bill and not the **total** wage bill for the business.

Many projects will have wider outcomes/ multiplier effects, delivering indirect outputs and benefits to the rural/local economy. Whilst these cannot be measured directly and monitored as part of the project outputs, you should assess the level of wider outcomes and multiplier effects created by the project as part of the scoring of this section.

For example, **wider outcomes** to consider include informal collaboration (formal collaboration should be a direct output) and innovation.

Multiplier effects to consider include further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer-term development effects as a result of increased investment. E.g. Job creation within a business that will benefit from increased demand by the applicant business. In this situation they may have provided written support that this project will benefit their business and lead to xxx new jobs, however, we are not contracting with this business and should not therefore consider this job creation as a direct output.

At C2.2 of the appraisal form, consider:

- whether the outputs are specific, measurable, achievable, realistic and time-specific (SMART);
- whether accurate baseline figures have been given for the outputs proposed which illustrate the growth intended;
- whether the outputs appear appropriate and achievable for the project in relation to the scale and activity proposed;
- whether the number and types of outputs are relevant and significant for the proposed project;
- whether wider outcomes and/or multiplier effects have been clearly defined and appear appropriate; and
- whether the outputs are similar to or exceed those proposed for other comparable projects. Use the tools identified at C.2.1 above to consider this point.

Scoring Criteria	Score
The project will not result in any outputs or the outputs are not clearly defined and appear completely unrealistic for the type of project. The project will not offer value for money.	0 Inadequate RR
Although some outputs have been defined, the project appears to result in a lower quality, number or value of outputs than for similar projects. The outputs demonstrate the project will be poor value for money.	1 Weak
The quality, number or value of the outputs is similar to other projects and / or the grant cost per output appears high compared to other projects. The outputs demonstrate the project will be acceptable value for money.	2 Acceptable
The quality, number or value of the outputs is slightly higher than for other similar projects and / or the grant cost per output is similar to that of other projects. The outputs demonstrate the project will be good value for money.	3 Good
The quality, number or value of the outputs is significantly higher than those for other similar projects and / or the grant cost per output is below that for similar projects. The outputs demonstrate the project will be excellent value for money.	4 Excellent

C3. Need for the project

Section C3 of the scoring looks at need for the project and considers the applicant's rationale for requesting grant support, the market need and demand and the ability of the applicant to meet this. It also considers potential displacement effects on other businesses.

Before you begin your appraisal you should also review the EOI assessment to note any advice that was given to the applicant to consider when submitting their FA in relation to need for the project. Where applicable, comment on whether this has been taken into account.

C3.1 Rationale for grant request and deadweight

At C3.1 of the appraisal form assess:

- whether the project would go ahead on its proposed scale, quality, timing etc. without grant intervention;
- how the project will enhance economic outputs; and
- what market failure(s) the project addresses, to justify why LEADER needs to intervene.

This area is notoriously weak in most applications. There should be a strong argument made which convinces you that the need for LEADER funding is justified and that other options have been considered but ruled out.

It is important to consider the reasonableness of the applicant's explanation of why funding is required. This may not simply be in relation to a funding gap (where there is insufficient funding available to deliver the project), but could also take into account other considerations such as reducing the risk to the business, or enhancing the outputs and outcomes which will be achieved. For example, will grant enable the project to happen faster, be bigger and achieve greater outputs meaning that the additionality the grant will provide is clear?

Whilst the applicant's need for grant is an appropriate question to consider we can only look at this against the information made available to us – monies could be held under different names and accounts that are not connected to the project and that we are unaware of (notwithstanding information made available on linked businesses).

Therefore the following 4 main questions that should feed into the appraisal of this section relate to the **rationale** for grant investment and what would be delivered regardless of grant (deadweight). Explain:

1. **why the applicant has stated they need the grant funding** – explain whether a funding gap exists to justify the request for grant funding or whether other acceptable rationale has been provided.

Examples of funding rationale you might come across:

- *The proposal uses all private sector funds available to the applicant.* In this situation has the applicant satisfactorily explained why they cannot get funding from their bank or other private funder? Is there written confirmation from the bank that they are unwilling to loan further funds or that funds are subject to grant approval? Are there loan rejection letters?
- *The applicant has access to further private sector funds but identifies that there is too much risk with the project to merit private funding of 100%.* Has the applicant satisfactorily explained this rationale? Is this supported by advice from their accountant that the business should not be exposed to additional risk by further financial commercial borrowing for the project?
- *Further private sector funds are available to the business but are allocated to other projects/wider project costs that are ineligible for grant.* Have details of the other projects or costs been provided that confirm this rationale? Has information been provided to evidence

that these funds are already committed / needed? Will these other projects or investments also add value to the rural economy?

2. **whether alternative options available to the business have been considered and identified within the application** – for example, alternative project designs, funding packages, premises and location, timescales or the scaling back of other planned projects. Assess whether these are appropriate and proportionate for the project.
3. **how the project would progress differently without grant funding** – review whether the applicant has explained what will happen if grant funding was not offered for the project. Assess:
 - whether the project would happen at all;
 - whether it would happen but on a slower timescale;
 - whether it would happen but on a reduced specification;
 - whether it would remain the same; and
 - whether it is clear that additional activity/outputs/results/benefits will be delivered with the grant funding.
4. **how the proposed direct outputs be affected without grant funding** – assess the level of ‘deadweight’ for the project.

‘Deadweight’ refers to outcomes which would have occurred without intervention. The scale of deadweight can be estimated by assessing what would have happened to the project with varying levels of intervention.

The application should provide clear evidence as to how the outputs would change without grant funding. The scale of the differences should be assessed against the scale of the grant request and level of projected outputs with grant funding.

Example scenarios would be:

- none of the projected outputs/benefits would be delivered;
- some of the projected outputs/benefits would be delivered over a longer timescale;
- some of the projected outputs/benefits would be delivered over the same/similar timescale;
- all of the projected outputs/benefits would be delivered but over a longer timescale; and
- all of the projected outputs/benefits would be delivered over a similar timescale but commitments to business investment proposals outside of the proposal would be scaled back or shelved.

Use the assessment of these questions to write up the narrative to insert into C3.1 of the appraisal form and then determine which is the most appropriate score using the scoring guidance below:

Scoring Criteria	Score
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No acceptable rationale has been provided to explain what difference the grant funding would make. The project would progress as proposed with or without grant funding (total deadweight). If the application scores 0 in this section and your analysis is leading you to recommend rejection, you should escalate internally to discuss whether you need to request additional information from the applicant before proceeding with the appraisal.	0 Inadequate RR
Weak rationale provided to explain what difference the grant funding would make. The application suggests that more than half the outputs would be delivered without grant funding (high deadweight).	1 Weak
Acceptable rationale provided to explain what difference the grant funding would make. The application suggests around half the outputs would be delivered without grant funding (medium deadweight).	2 Acceptable
Good rationale provided to explain what difference the grant funding would make. The application suggests that less than half of the outputs would be delivered without the funding (low deadweight).	3 Good
Strong rationale provided to explain what difference the grant funding would make that is clearly and fully supported by information within the application. None or very few of the outputs would be delivered without the funding (no deadweight).	4 Excellent

C3.2 Market need and demand

Consider the applicant's understanding of the market and customers they propose to sell their product or service to and the level of need and demand identified within their target markets.

Please note that applications for grant for projects which do not have a product or service to sell (e.g. Farm Productivity priorities 1a, 1b and 1d) should be awarded a score of 2.5 as this criterion is not relevant to that type of project.

At C3.2 of the appraisal form explain:

- whether the applicant has clearly identified a need for their project or service within their target market;
- whether the applicant has demonstrated or evidenced relevant customer demand for their product or service;
- whether their current and target market is identified;
- whether the business has a customer base, evidenced through forward orders / letters of intent / existing agreements;
- if there is support from relevant organisations such as Tourism Partnerships for a tourism project;
- how the projected level of uptake has been identified. For example, has a farm shop looked at other shops serving a similar demographic in terms of average footfall and spend per customer? and
- whether demand projections correlate with financial projections.

Scoring Criteria	Score
No clear evidence of market need and/or customer demand for the proposed product or service is presented.	0 Inadequate

Some evidence of market need and/or level of customer demand for the proposed product or service is presented but the size of the impact and the probability of achieving this impact is not considered or quantified.	1 Weak
The market need and/or level of customer demand for the proposed product or service is identified but has not been fully evidenced in the application.	2 Acceptable
The applicant has clearly defined the market need and/or level of customer demand and has evidenced how the proposed product or service fits within this market to some degree.	3 Good
The applicant has given a clear qualitative and quantitative assessment of the market need and/or level of customer demand and has fully evidenced how their product or service fits with this need.	4 Excellent

C3.3 Ability to supply

At C3.3 of the appraisal form explain:

- whether the applicant has demonstrated they have the ability to meet the need and/or demand for their product or service as identified above;
- whether the business has agreements with input suppliers in place / suitable negotiations underway. For example, a food processor proposing a new locally branded meat product – do they have a sufficient number of farmers within the relevant ‘local’ geography producing to the right quality? For a service type project such as a café or workspace development, the applicant would need to demonstrate they have considered how they will achieve the proposed number of customers or tenants;
- whether the applicant has explained how target markets will be reached. Have they explained how their product or service will be promoted and marketed? Do they have any events planned? Are they going to have deals on offer?
- Whether they have provided details of a marketing plan or publicity plan. (The requirement for publicity and marketing within the project will vary depending on the type and scale of project).

Please note: for projects under Farm Productivity priorities 1a, 1b and 1d, assign a notional score of 2.5 as the applicant is not asked to complete these questions on the full application form.

Scoring Criteria	Score
No evidence of the applicant’s ability to meet and supply the market need and/or level of demand for the proposed product or service is presented.	0 Inadequate
The applicant has considered their ability to meet and supply the market need and/or level of demand for the proposed product or service to a limited degree but has not clearly or fully explained how this will be achieved.	1 Weak
There is some evidence of the applicant’s ability to meet and supply the market need and/or level of demand for the proposed product or service, but routes to market are not clear and/or marketing and publicity has not been fully explained.	2 Acceptable
Clear evidence of the applicant’s ability to meet and supply the market need and/or level of demand for the proposed product or service is presented with some attempt made to explain routes to market and/or marketing and publicity.	3 Good
The applicant has clearly and fully evidenced their ability to supply the market need and/or level of demand for the proposed product or service. Routes to market are	4 Excellent

clear with marketing and publicity fully considered.	
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C3.4 Competition and displacement

You must assess the risk of displacement, regardless of the size or type of project.

Displacement is the degree to which grant aid is offset by reductions in activity elsewhere. A modest degree of displacement may be acceptable, but more substantial displacement may mean an application needs to be rejected where for example; a proposal appears likely to succeed largely by diverting business from other firms or service providers locally.

It is crucial that the potential for displacement and the degree of impact that could result from grant intervention is fully assessed as providing assistance may result in a legal challenge by competitors whose businesses are threatened. The assessment should focus on displacement within the source area – initially the local area where the project is based, followed by consideration at the regional level. If there are likely to be important displacement effects elsewhere in the UK at a national level, these should also be identified and appraised.

Displacement may occur in the product, service or markets in which the applicant operates. For example, in a product or service market, assisting a firm to develop its business may cause a reduction in the business of other companies in the same sector; or development of community facilities may lead to a reduction in the use of other similar facilities in the surrounding area. This is unlikely to occur in sectors where demand outstrips supply such as increasing the offer around food products, but it may do for products such as wood-fuel when supply locally is close to capacity.

Also displacement could be at input (raw material) supply level where the applicant business could take such large amounts of input that it impacts on other businesses by reducing ready availability of supply; potentially increasing the cost of that material to other businesses. Therefore the impact of increased demand created by the new project on price of raw materials is an important consideration.

Displacement in the Labour Market

A single RDP investment may not have the potential to create displacement in the labour market, however where the investment is in a sector that is dependent on a specific skill set, grant intervention could lead to displacement in other parts of the sector.

Substitution is a particular form of displacement in the labour market which may need to be considered in exceptional cases. It is the extent to which those who gain from a policy do so at the expense of an equivalent loss to others in the labour market. This may occur when a firm substitutes one activity for another similar activity to take advantage of government assistance.

For example, if an incentive is given to employ long term unemployed workers, then a firm may substitute an applicant who is in long term unemployment for another applicant who is not, leading to no overall increase in employment. Some substitution may be acceptable when the full proposal is taken into account. In some cases it may even be desirable. Taking the previous example, redistribution of jobs may contribute to a specific policy aim, such as getting more of the long-term unemployed to work.

Appraisal assessment

Using the information received from the applicant, in the appraisal form **answer each question (1-7)** in the table below to assess the potential displacement impact the project will have on other local businesses in the sector and whether there is a need to consider the national level impact or the impact of supplies to the sector. There is guidance under each question to help you answer it and your assessment of Market Need and Demand carried out at Section C3.2 of the appraisal form will also help you with this section.

<p>1. Who are the applicant's competitors within the local area, the region and nationally?</p>
<ul style="list-style-type: none"> • Check to see if there are other firms producing similar products, or other voluntary groups or community service providers offering similar facilities/services. • Carry out an internet search to identify similar activities. In some situations it will be possible to use an online directory professional register or industry body to identify competitors. • Even if you are unable to find any current suppliers you should refer back to the need and demand section to see whether the applicant has demonstrated the same level of competition as you have identified. How have you validated the information or tested any assumptions? • If the applicant has identified some competitors and not others, consider why some may have been excluded, in some cases an application may fail to include those providing something very similar or an alternative product and you should decide if this is an appropriate approach. • Has the applicant contacted any identified competitors regarding the project? • Remember to make use of own/team's knowledge of the area and associated businesses to act as a quick check on whether the most obvious facts have been identified in the application.
<p>2. Is the market growing, shrinking or stable; and what share of the market is the applicant likely to take?</p>
<ul style="list-style-type: none"> • Consider whether the investment will lead to a net reduction in activity for those others described above. • Try to find an independent source to verify what is in the application. This can be found on websites relating to industry bodies, published research papers and information from a levy body, industry association or similar. • Is this a small or large scale project and how does this relate to the size of the existing market? • Consider whether the evidence provided to support market need and demand, e.g. market analysis, surveys, studies, evidence of demand, supports or contradicts the case for displacement.
<p>3. Is the applicant's proposal likely to have a significant impact on the business of competitors? E.g., could it have the potential to damage the competitors' viability or threaten closure?</p>
<ul style="list-style-type: none"> • As above, the impact of the investment may be that competitors operating in the same market lose business as a result and subsequently impact on their ability to continue in business at their current level. The information you have gathered for the previous

<p>questions will help to make an assessment of the impact.</p> <ul style="list-style-type: none"> • Is this a new product? If so, will it replace another existing product? • Consider whether or not the applicant has given an indication of available market share and is whether this is reasonable.
<p>4. Are there likely to be any important displacement effects elsewhere in the UK?</p>
<ul style="list-style-type: none"> • There may be no local impact with only one or two similar businesses of this scale in the UK however the impact on demand for raw materials or specialist labour could lead to additional costs for competitors or impede their ability to maintain their market nationally. • A consideration of the likely national impact is important particularly where there are limitations on materials and other specialist inputs to the business. • Consider the impact of online elements of the business and also bear in mind that the even if it is a locally based businesses it may supply a national retailer. • Consider the availability of raw materials and the inputs for the product. If there is a limited supply how will this impact on other businesses?
<p>5. What is the position with capacity in the market currently?</p>
<ul style="list-style-type: none"> • Is there room for another provider or product to enter the market and is this likely to be a long term requirement rather than a temporary peak? How has the applicant demonstrated this and how have you validated the information or tested any assumptions? • Review any market research provided and ensure that any letters of support are independent.
<p>6. Will the investment lead to an increase in market output that is significant?</p>
<ul style="list-style-type: none"> • This question is aimed at establishing if the new project will create dominance in a particular sector. If you feel this is the case then the application must be escalated to RD for advice, via the leaderqueries@rpa.gsi.gov.uk mailbox. • If the project will increase supply of a product or service by over 40% does the application demonstrate that demand will also increase? • Is the share of the market to be served by the project greater than would otherwise have been served by other existing suppliers combined?
<p>7. If you have established that there will be some displacement identify if this will impact on long standing procedures or processes – could it have a significant wider impact by providing innovation?</p>
<ul style="list-style-type: none"> • Is this project piloting an innovative approach or is it tried and tested technology similar to that already operational? • If the applicant suggests that their proposal is innovative or the latest technology, check recent developments to ensure this is the case. Useful sources are the Defra research projects website and industry best practice and future development information.

You should test the information provided by the applicant, using the tools identified above to draw a conclusion as to whether the information given in the application satisfactorily supports the applicant's statement on displacement.

Any research undertaken should be referenced in the appraisal, e.g. a website link, and where appropriate also printed and saved to the project file. You must explain the checks undertaken

to verify the information provided by the applicant and explain the conclusion that has been drawn on the risk of displacement from the project.

Expressing the Displacement Impact

Once the questions above have been fully answered, assess the impact of displacement using the scoring matrix at the bottom of this section.

Consider displacement impact at each geographic area level as set out in the matrix depending on the type of the project:

- **Local:** the area in which the project is based;
- **Regional:** and
- **National:** England or where relevant, wider UK with careful consideration of the impact of investment in close proximity to Scotland and Wales.

The table beneath indicates where the application should be recommended for rejection if the risk of displacement is too great. At section C3.4 of the appraisal form consider all of the points above and allocate a score using the matrix below:

Description of Displacement Impact	Finding of the Appraiser	At the Local Level	At the Regional Level	At the National Level
'None'	There are no other businesses or demand in the market that will be affected by the grant that would represent a displacement impact.	<i>Low Impact / High Scoring</i>	<i>Low Impact / High Scoring</i>	<i>Low Impact / High Scoring</i>
Score		4	4	4
'Low'	There are expected to be some displacement effects on activity in the market as a result of the grant, although only to a limited extent.	<i>Low Impact / High Scoring</i>	<i>Medium Impact / Medium Scoring</i>	<i>Medium Impact / Medium Scoring</i>
Score		3	2	2
'Medium'	The project is likely to displace approximately half of the activity in the market as a result of the grant.	<i>Medium Impact / Medium Scoring</i>	<i>High Impact / Low Scoring</i>	<i>High Impact / Low Scoring</i>
Score		2	1	1
'High'	The project is likely to displace a high percentage of activity in the market as a result of the grant.	<i>High Impact / Low Scoring Consider Rejection</i>	<i>High Impact / Low Scoring Consider Rejection</i>	<i>Very High Impact / Low Scoring Recommend Rejection</i>
Score		0	0	RR
'Complete Displacement'	The project is likely to have a complete or near complete	<i>High Impact / Low</i>	<i>Very High Impact / Low</i>	<i>Very High Impact / Low</i>

	displacement as a result of the intervention, or all activity in the market will be displaced as a result of the grant.	<i>Scoring Consider Rejection</i>	<i>Scoring Recommend Rejection</i>	<i>Scoring Recommend Rejection</i>
	Score	0	RR	RR

C4. Financial assessment

Section C4 of the scoring considers both the financial health of the applicant business and the quarterly financial projections (cash flow) they have provided.

You are NOT assessing the need for public funding in this section but the applicant's financial capacity to deliver the project. Any queries identified in this section relating to the applicant's finances and their grant request should be accounted for and assessed in the rationale for grant request and deadweight section.

C4.1 Financial health and projections

Established business

An established business is one which has been trading for at least 2 years and has at least 1 set of accounts covering a period of trading of 12 months.

The business accounts for the applicant should be assessed alongside the full accounts of any linked businesses. If the applicant business is part of a group of companies (where the applicant business may be a parent or a subsidiary) the consolidated group accounts should also be assessed. Accounts should also have been provided for any linked business (that meets the definition set out in the applicant handbook) and you should review these to see if there are any obvious issues that might put the applicant business at risk. For example, is the linked business in financial distress?

Financial health

To assess the financial health of an established business, you will first need to complete the 'Appraisal Accounts' tab of the FA appendix using information from the applicant's business accounts. Review the accounts submitted, including the notes where applicable (usually at the back) and where provided, the report from the auditor or accountant given within the accounts (usually at the front).

Remember that some small businesses (including sole traders) are not required to produce accounts in the same way as a limited company or a larger business. You may find that their accounts do not include cover, title and notes pages and may just have basic profit and loss and/or balance sheet details.

On the 'Appraisal Accounts' tab, update the Financial Year (FY) in row 4 to reflect the FYs covered by the business accounts provided by the applicant. Input the figures from the accounts in each row in the column for that particular FY – note that the Gross Profit, Net Profit, Liquid Assets, Net Worth, Total Assets and Total Liabilities will automatically calculate using the figures you input. Make sure that these main totals match the corresponding totals in the accounts for that financial year. For example, if the Net Profit for the business in FY 14/15 is

£60,000 in the accounts – this should be the figure that is shown for Net Profit on the spreadsheet. Once complete, print the tab and put on a copy on the file with the final appraisal.

Once completed, assess the trading track record shown in the completed 'Appraisal Accounts' tab to consider the financial health of the business. A business that has healthy finances will be in a stronger position to commit to and deliver a project. If the business is under financial pressure and this is the main driver for the project or the accounts indicate a large unaccounted for cash surplus, or there are issues identified with linked businesses, these should be identified in your assessment.

If you only have 1 set of accounts covering a period of trading of 12 months, you will not be able to fully assess the track record and should only assess the bullet points below that apply. Use your completed analysis above to explain:

- whether turnover is increasing or decreasing and whether any significant increase or decrease has been explained;
- whether the business is making a profit or a loss;
- whether profits are increasing or decreasing and if there are any obvious reasons for this;
- any other relevant financial information that has formed part of your assessment e.g. the applicant may have identified some financial issues relating to the business or the accounts that needs to be explained.

Financial projections

To assess the financial projections, you will need to review the applicant's cash flow forecast which is at Tab A of the application appendix and the financial impact of undertaking the project at Tab A1.

The cash flow forecast should show quarterly projections for the duration of the project whilst the financial impact will show how the project will affect overall future business costs and income. As part of your assessment explain:

- whether it is likely that the proposed project would potentially turn around a business that has made continual losses over the last few years;
- whether the financial projections indicate that the business has sufficient capacity to cash flow the project;
- whether it appears that the applicant can manage the grant being paid in arrears;
- whether the assumptions used in preparing the financial projections in both the cash flow and financial impact tabs are appropriate and detailed and relate to the identified market demand;
- whether the cash flow and financial impact projections appear to be realistic and achievable; and
- whether undertaking the project will increase/improve the productivity of the applicant business.

If the cash flow projections appear to be completely unrealistic, unachievable or lack the required detail to enable you to assess them fully, you should contact the applicant and ask them to resubmit this tab of the FA appendix. If revised cash flows are not provided or are still

considered to be unacceptable, you should score this section based on the information available to you.

Assessment of these points will enable you to draw a conclusion on the overall financial performance of the established business and its capacity to bank roll the project during its delivery. For example, if the business is making a loss, how will this impact on the delivery of the project? Does it appear to be financially sound? Does the financial risk of undertaking the project appear acceptable?

New business

A new (or start-up) business is one which has been trading for less than 2 years and does not have a set of accounts reporting at least 12 months trading performance.

New businesses are asked to provide latest tax returns (where available) or an opening statement from the applicant's accountant that includes planned financing (loans or equity invested into the business), expected income and operating expenses. They may also have provided Management Accounts showing financial performance during the early period of trading.

Consider the capacity of the start-up business to deliver the project, particularly using the information provided in the financial projections. It is generally accepted that there is a higher risk to supporting a new start business without a financial track record. For example, the financial projections (cash flow forecast) might show that the business will not generate much turnover in the first couple of years. You will need to carefully review their forward cash flow projections and assess their realism based on information provided elsewhere in the application.

From the information provided for new start businesses it will not be possible to enter the data into the 'Appraisal Accounts' tab.

When you have reviewed the financial information provided and assessed the applicant's financial projections, explain:

- whether the financial projections indicate that the business has sufficient capacity to cash flow the project;
- whether the applicant can manage the grant being paid in arrears;
- whether the assumptions used in preparing the financial projections are appropriate and detailed and relate to the identified market demand;
- whether the final cash flow projections are realistic and achievable – both in light of the overall economic climate and the likely prospects for the market in which the project is positioned; and
- whether the financial projections (and therefore undertaking the project) would improve the financial health of the business.

Applicant business in financial distress

Financial distress may be illustrated in the Financial Statements (business accounts) of a business if the balance sheet shows that liabilities are greater than assets (negative net assets) but nevertheless the business may still have enough cash to pay its creditors and so be able to

carry on operating. In comparison, insolvency happens when a business is unable to pay its creditors when the amounts are due. A business becomes insolvent when creditors have successfully taken legal action to recover their debts through the appointment of a liquidator, receiver or administrator who will take over the operations of the business with the aim of realising sufficient cash from the assets of the business to achieve the best chance of repayment or partial repayment for the creditors.

Where the balance sheet shows that the net worth ('net worth' is also referred to as Balance Sheet Total, Net Assets or Shareholders' Funds) of the business is negative (net liabilities), you **must** contact the applicant for an explanation and ask them for independent confirmation of this explanation from a professionally qualified accountant*. It could be that they have assets (such as land or buildings) that should be revalued upwards.

*A professionally qualified accountant is defined as: a member of CIMA or the CCAB constituent bodies (Chartered Institute of Management Accountants); or Institute of Chartered Accountants in England and Wales ICAEW, Association of Chartered Certified Accountants ACCA, Chartered Institute of Public Finance and Accountancy CIPFA, Institute of Chartered Accountants of Scotland ICAS, and Chartered Accountants Ireland).

You must assess the response and be completely satisfied that supporting the business to undertake the proposed investment would not put it at greater risk of failure. If the applicant cannot satisfactorily explain how they will continue to trade, the financial health of the business should be considered 'inadequate' and the application **must** be rejected.

For all other applications, allocate a score based on your assessment of both the financial health of the business and the financial projections at C4.1 of the appraisal form using the matrix below:

Financial Projections	Financial health of the business			
	Weak (1) There is a high degree of financial risk (to the business) in to undertaking the project	Acceptable (2) Only just sufficient to enable the project to be delivered - there is a medium degree of financial risk to undertaking the project	Good (3) More than sufficient to enable the project to be delivered - there is a low degree of financial risk to undertaking the project	Excellent (4) Strong - there is no financial risk to undertaking the project
Inadequate (0) Indicate the project could put the business at substantial risk of failure	RR	RR	RR	RR
Weak (1) Might be achievable but indicate the project would be unlikely to alter financial health of business	RR	1	1.5	2

Acceptable (2) Appear somewhat achievable & indicate the project might improve the financial health of the business	1	1.5	2	2.5
Good (3) Appear achievable & indicate that the project would improve the health of the business	1.5	2	2.5	3
Excellent (4) Appear both realistic and achievable & indicate the project would significantly improve the health of the business	2	2.5	3	4

C5. Cross cutting themes

It is a requirement of the LEADER Programme for all projects to consider and address the cross cutting themes of environmental sustainability and equality and diversity.

C5.1 Environmental, equality and diversity impacts

At C5.1 of the appraisal form consider:

Environmental impacts

- whether any environmental impacts associated with the project are clearly defined;
- whether they have been considered and reflected in the design and delivery of the project;
- if there is a clear explanation as to how any negative environmental impacts will be avoided or minimised and whether this is realistic; and
- where the project intends to deliver and achieve any environmental benefits, whether these are clearly defined, viable and measurable.

Equality and diversity impacts

- whether all relevant equality requirements been considered and reflected in the design and delivery of the project;
- whether an equality policy (where applicable to the business) has been supplied and whether the likely impact of the project on particular groups has been identified; and
- whether appropriate steps have been taken to address any likely adverse impact or to encourage positive promotion.

Scoring Criteria	Score
No consideration has been given to environmental, equality and diversity issues and no explanation provided why they are not applicable to the project.	0 Inadequate
Limited consideration has been given to environmental, equality and diversity requirements and impacts are not clearly defined or explained.	1 Weak
Some consideration has been given to environmental, equality and diversity requirements which appears relevant to the project but with few/limited points considered regarding impacts.	2 Acceptable
Environmental, equality and diversity requirements and impacts have been addressed and there is discussion around how they have been identified, managed/mitigated.	3 Good
Environmental, equality and diversity requirements and impacts have been fully and clearly considered with clear and realistic explanation of how any issues have/will be managed and mitigated. Future targets/objectives for delivery may have been proposed.	4 Excellent

C6. Delivery approach and sustainability

C6.1 Risks to project delivery

Section C6 of the appraisal form assesses the risks to successful delivery and implementation of the proposed project. Throughout the appraisal you may have identified risks to project delivery. These could include:

- unrealistic or unachievable timescales for project implementation, delivery and submission of grant claims;
- an inexperienced or unskilled project management and delivery team. For example, the applicant may have limited experience of project delivery and has not considered bringing in outside expertise or may not have clearly explained who will be involved in the delivery of the project or how it will be delivered;
- a reduction in grant from that requested due to the removal of items or quotes meaning that the applicant will have to increase the match funding for the project;
- concerns around the market for the proposed project goods or services;
- concerns around the applicant's ability to finance the project costs; and
- issues with the reliability of the applicant identified at ECR stage. For example, one or more of the business principals has a history of disqualification as a Director or insolvency or the ECR assessor found previous funding that had not been declared by the applicant.

At C6.1 of the appraisal form, assess whether any of the above risk factors apply to the project and the degree of the possible impact of them on project delivery. You should also consider whether the ECR assessor has identified numerous issues around applicant reliability that when considered all together raise concerns. In this case, you should discuss your concerns with RPA RD via the leaderqueries@rpa.gsi.gov.uk mailbox to make sure we are consistent in our approach.

In addition, assess how well the applicant has considered and identified appropriate risks and issues associated with the project and how they propose to manage or mitigate them.

Review the ‘Appraisal Milestones’ tab in the FA appendix. Consider whether the project start date is realistic and either confirm this in the ‘appraisal recommended project start date’ box or propose a revised start date that you consider is more achievable. The milestone dates will move on automatically if you amend the project start date. Check that the milestones are realistic and readjust if necessary. At this point, it is worthwhile doing a final double check to make sure there is nothing you have come across in the application or supporting documentation that would suggest that the project has already started.

Review the ‘Timescales Table’ in the ‘Appraisal Tables’ tab of the FA appendix. Enter the ‘proposed financial completion date’ in the ‘Appraisal Recommendation’ column based on your assessment of the milestones above.

Identify and explain any concerns to project delivery and allocate a score based on your assessment:

Scoring Criteria	Score
There are critical concerns about the applicant’s ability to successfully deliver the project.	0 Inadequate
There are major concerns about the applicant’s ability to deliver the project.	1 Weak
There are some concerns about the ability of the applicant to deliver the project.	2 Acceptable
There are some limited minor concerns about the applicant ability to deliver the project.	3 Good
There are no concerns about the applicant’s ability to deliver the project.	4 Excellent

C6.2 Exit strategy and future sustainability

This section applies only to projects that contain revenue costs, whether grant funded or not. If the application you are appraising does not have any revenue costs, insert “N/A as this project does not have revenue costs” into the comments box for this section and proceed to completing the Appraisal Summary at Section A.

For applications with revenue costs, whilst this section is not scored the applicant should have clearly set out how they will sustain and continue to deliver the project activity or outcomes after the grant funding ends.

At C6.2 of the appraisal form, consider:

- whether the applicant has explained how the business will continue to deliver and improve its service/provision after the grant funding ends;
- whether an exit plan been identified; and
- whether the applicant has demonstrated how the project will continue the project objectives after the end of grant funding.

If you are in any doubt that the applicant will be able to sustain their business after the project has been completed and claimed for, flag this for the decision maker to consider whether any further action or project specific conditions might be required.