



Ministry of Housing,
Communities &
Local Government



European Union
European Regional
Development Fund

About our ERDF Grant Funding Agreement

Individuals working on your ERDF Project must understand the Grant Funding Agreement and how we will work with your organisation to manage delivery of the Project.

The information provided in this [Grant Funding Agreement](#) summary is key information you should read. It is a quick guide for Grant Recipients to follow detailing key clauses, important rules, obligations and where to find them.

Where to find key project details

Features of the agreement	Where to find them
Definitions	
The Definitions section provides details on the words and phrases and their meanings within the Grant Funding Agreement.	
Project Specific Conditions	SCHEDULE 1
The maximum amount of Grant payable	Section 1A
Eligible Capital Expenditure/Eligible Revenue Expenditure	Section 1A (a) (b)
Contribution Rate by Category of Region	Section 1C
Contact – principal MHCLG contact / GDT	Section 2
Instalment Periods- frequency	Section 3
Milestones – Start date / End date / Completion date	Section 4 – Milestone Table
Match Funding – Organisations providing funding	Section 5
Assets – approved use and ‘useful economic life’	Section 6
Delivery Partners associated with the Projects	Section 7
Eligible Expenditure methodology – indirect costs	Section 8
Income Generation	Section 9
Additional Provisions – e.g. planned disposals, security	Section 10
Expenditure Profiles	SCHEDULE 2
Details the agreed financial profile	
Targets	SCHEDULE 3
Details the agreed outputs profile	
Underperformance Methodology	SCHEDULE 4
Penalty calculation for underperformance	

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Application	SCHEDULE 5
Project is operated as set out in the application	

Monitoring project progress

It is important that your Project is operated as set out in the Full Application and in accordance with the Grant Funding Agreement.

Clause 5 – ‘Grant Claims’ sets out how much grant will be paid, match funding, and conditions which must be met before any claim is paid. It’s important that claims are submitted on time (Schedule 1 sets out the frequency), supported by verified evidence, a progress report and transaction list.

Clause 14.1 – ‘Submission of progress reports’. We use this process to assess how well your Project is performing.

Over time, changes to your Project may be required as new opportunities or challenges emerge. **Clause 9 – ‘Changes to the Project’** sets out our process for considering any change requests.

Keeping to the agreed expenditure profile is important and **Clause 6 – ‘The Expenditure Profile’** and **Clause 7 – ‘Decommitment’** set out the potential financial consequences that result from a departure from the expenditure profile in any Financial Year.

What we will do if something goes wrong

If something does go wrong, **Clause 12 – ‘Events of Default, Material Breach and Rights Reserved for Breach of the Funding Agreement’** sets out what we will do, and your opportunities to remedy an Event of Default or Material Breach.

If your Project underperforms against its agreed outputs, we will consider reducing your ERDF grant. We will work with you on this, as set out at **Clause 12.8 – ‘Reduction in grant for underperformance’**.

Your project will be subject to on the spot visits and audits during its lifetime. If these visits or audits identify any irregular expenditure, we may



impose a Correction. **Clause 12.9 – ‘Corrections’** sets out what this means.

Important rules and obligations

The intended State Aid cover for the Project is set out in **Schedule 1** of the Grant Funding Agreement. This records the independent assessment of State Aid compliance you submitted with your Full Application. State Aid law is strictly enforced - any failure to comply with State Aid Law is an Event of Default. You must ensure you comply with State Aid reporting and document retention requirements. **Clause 10.2 – ‘State Aid Law’ and Clause 14 – ‘Monitoring progress, reporting and notifications’** should be read carefully. Guidance is available [here](#).

Procurement errors are a major source of irregularities. You must comply with applicable EU Procurement Law and/or National Rules and [Guidance](#) for all Project costs. **Clause 10.3 – ‘ESIF Procurement Requirements’** and **Clause 10.4 – ‘National Rules’** should be read carefully.

Clause 11 – ‘Publicity’ sets out the ERDF publicity requirements. Guidance is available [here](#).

Grant Recipients are ultimately responsible for Project delivery, even where Delivery Partners are in place. **Schedule 1, Clause 7 – ‘Delivery Partners’** sets out our requirements, including binding agreements between you and each Delivery Partner.

When your Project involves the purchase or creation of an Asset, each Asset must be used for its approved purpose for the “Useful Economic Life” period set out at **Schedule 1 – Clause 6 – Useful Economic Life. Clause 8 – ‘Provisions relating to any assets’** should also be read carefully.

Your Project must also undertake a summative Project Assessment. **Clause 14.2 – ‘Project Assessment’** sets out what this means.



Capital projects

Clause 5.3 identifies a number of pre-claim conditions. This includes the provision of a **Certificate of Title**, the registration of a **Deed of Covenant** and if applicable completion of a **Legal Charge** and **Deed of Guarantee**.

Clause 5.5 confirms the level of ERDF grant which will be retained pending completion of a number of events. It is important that this is factored into any project cash-flow as it will affect the reimbursement of grant.

Clause 8 provides information on **Assets**, particularly the need to maintain a **Register**, provisions around **Change of Use** and **Disposals**.

Clauses 8.4 and **8.5** clarify the requirements about the **Deed of Covenant**, the **Restriction on Title** and **Legal Charge**.

The project's Sustainable Development requirements are included at **Clause 8.6 (g) and (h)**.

Projects subject to **Excess Profit** obligations should note **Clause 8.7**.

All ERDF Projects need to **comply in full with [Regulations](#), [Eligibility Rules](#) and all obligations set out in the Grant Funding Agreement**. This document is not exhaustive. It does not contain the full terms and conditions, which are set out in the ERDF Grant Funding Agreement.

Applicants should take appropriate advice, if required, and in advance of submitting a Full Application, to confirm that their organisation can enter into the Grant Funding Agreement immediately after approval of their Project.

Applicants and Grant Recipients must also carefully review the



[Programme Guidance](#) to ensure each Project is designed and delivered in line with ERDF requirements.