Appendix D
ECONOMIC APPRAISAL PRO-FORMA

The aim of the pro-forma is to provide an adequate record of the economic and financial factors that are considered in deciding whether or not an investment is worthwhile. For this reason, the questions should be answered as comprehensively as possible. Where the answer to a specific question is already held on file, an abbreviated response referring to the location of the information is adequate. However, the additional information must accompany those pro-formae. All pro-formae and relevant additional information must be retained for Auditing purposes. A checklist is included as Appendix C to ensure that the pro-forma has been completed to a satisfactory standard and supports the case to award public funding to the activity.

If a comprehensive economic appraisal and business plan has already been prepared by another funding agency, then the economic and financial details should be inserted on the spreadsheets provided with this pro-forma. If the project is to be funded from several sources, it is preferable that one overall appraisal is carried out which reconciles the outputs of the project with the strategic needs of all promoters.

The pro-forma follows the Treasury's "Green Book". It is not, however, a substitute for it. The person completing the form should, at the very least, have read and be familiar with the Green Book.

General Information

i) Name of Fund	
ii) EDDC Department	
iii) Other Office:	
iv) Contact email:	
v) Telephone/extension:	
vi) Name of project promoter:	
vii) Funding Programme:	
viii) Application Reference Number	
ix) Details of other appraisals of this project by:	
- Banks:	
- Government Departments:	
- Others:	

x) Economic Appraisal prepared by: ______________________
Date:_________

Definition of needs and objectives

1. Describe the current type and level of activity. Explain the need for the project and how this need was established *(e.g. market research; specific investment identified in an agreed strategic investment plan).*

   Also, please note that social need has to be addressed in this section of the proforma as well as in the non-monetary analysis, e.g. include the appropriate measure of deprivation for the target area and identify which of the 7 domains are being targeted by the project, eg income, employment, education & skills etc.

2. What are the objectives of the project? (e.g. to create x full time jobs)
   *These should be **S**pecific, **M**easurable, **A**greed, **R**ealistic and **T**ime dependent.*

3. How will the project contribute to achieving the objectives of the funding programme?

4. Which measure / theme of the funding programme will the project be funded through?

5. For all projects the environmental impacts of the project should be described, (both positive and negative). This issue will be more important for some types of project

6. Describe how the proposal you are making will contribute to the themes in the Climate Change Action Plan where the Council can make meaningful climate change interventions and include:

- Energy supply and consumption
- Permitting and encouraging low carbon development
- Improving the carbon footprint of existing buildings (public and private sector)
- Protecting and enhancing the natural environment
- Water supply and flood protection
- Transport and travel
- Purchasing and consumption
- Community resilience
- Education, communication and influencing behaviour

Applications that are assessed using this framework, if successful, will have to, where possible (at this early stage), evidence how they will contribute to achieving these targets either by mitigation or adaptation measures* which should be taken forward to the project plan as part of its KPI's. If the information is not available at the point of application (ie the framework assessment), then undertakings should be included in the project's detailed design and operation as a horizontal principle and reported on.

(*Mitigation is concerned with interventions designed to reduce emission sources and any carbon offsetting activity, whereas the adaptation section is concerned with an adjustment we make in response to climate change i.e. raising sea defences and supporting community resilience).

Note: As the Council doesn't currently have a carbon impact assessment tool you should liaise with our colleagues in Exeter University (South West Energy and Environment Group) to assist you in assessing the carbon impact of your proposal (please see the link below). Centre for Energy and the Environment | Centre for Energy and the Environment | University of Exeter

Options

The single largest source of confusion in appraisal is the baseline from which costs and benefits are measured. For a commercial appraisal the baseline or 'Do nothing' option is what the business is currently doing and is projected to do without financial support.

For a non-commercial project, ie one justified by the social benefits it brings, financial support levels are often high, hence the appraisal should include more than one "do something" option. In these cases the do nothing option is the current level of activity. If this cannot be costed then it is especially important that the baseline activity or service is described in detail.

6 Describe <u>in detail</u> the Baseline and main options which have been identified as the alternative ways of meeting the objectives of the project:

6(a) Baseline option (describe what is currently happening).

6(b) Option 1

6(c) Option 2

6(d) If only one ‘Do Something’ option is identified please indicate which of the following reasons is relevant:
Please tick:

i. [ ] Commercial investment
ii. [ ] No realistic variations in scale exist
iii. [ ] No components of the project could be carried out separately
iv. [ ] No phasing options are available
v. [ ] Legal constraints (e.g. health and safety legislation)
vi. [ ] Financial constraints
vii. [ ] Other

6 (e) Please elaborate on the reasons for ticking boxes i to vii in question 5(d):

7. Provide a summary of the economic costs and benefits of each option excluding loan and interest costs.

	Baseline	Option 1	Option 2
(a) What are the total monetary costs for each of the options (Total costs in years 1-5, unless the life of the project is less than 5 years - see row A of cash flows in Appendix A)			
(b) What are the monetary benefits of each option (receipts/income before loan and interest payments for years 1-5, unless the life of the project is less than 5 years – see row B of cash flows in Appendix A)			
(c) Net Benefit (ie Net cash flow before loan and interest payments - see row C of cash flows in Appendix A)			

8. For each option, provide details of non-monetary factors which should be taken into consideration, for example, the impact of the project on the local community, the environment, Equality etc. *(EG. The impact of the various options on the specific domains of deprivation targeted by the project should be considered.)*

Baseline

(b) Option 1

(c) Option 2

9. Other considerations:

(a) Displacement - Would any of the ‘Do Something’ options impact on any existing project or business in The District? If yes, please give details of expected impact.

Option 1

ii) Option 2

(b) Additionality - In the absence of financial support, would any of the ‘Do Something’ options go ahead? If yes, please give details regarding scale, timing and geographical area.

Option 1

ii) Option 2

10 Selection of preferred option

(a). Please state the preferred option, taking into consideration the information provided in the answers to questions 5 to 8 above.

Option:

10(b) Please give rationale for choice of preferred option:

11. What is the total project cost (ie provide the total cost of the capital items to be acquired for the project. In addition, give details of any other components of the project for which financial support is requested, eg marketing or training costs.)?

a) **Capital Expenditure**	
- Buildings	
- Refurbishment	
- Equipment/Machinery	
- Other……..	
b) **Other recurrent/revenue costs for which financial support is requested (These are likely to refer only to marketing/promotion and training costs).**	
-	
-	
-	
-	
c) **Contribution in kind*** - (only included for rural development type projects where this is an eligible expenditure for financial assistance purposes)	
Total	

12. Indicate the sources of funding for the project.

a) **Capital Funding**		Total
Capital finance requested from EDDC		
Capital loan requested from other funding organisations		
Own resources (to fund capital items eligible for financial assistance)		
Bank		
Other funds		
b) **Recurrent/Revenue cost funding (ie normally for marketing/promotion & training costs)**		
Recurrent/Revenue loan requested from EDDC		
Recurrent/Revenue loan requested from other funding organisations		
Own resources (to fund non-capital costs for which financial support is requested		
c) **Contribution in kind‡** (only included for rural development type projects where this is an eligible expenditure for financial assistance purposes)		

* Please note that the value of the contribution in kind as an eligible expenditure for finance purposes has to be independently assessed and audited and is only allowed for specific types of project. **It should normally be assumed that contributions in kind are not allowable.** Contributions in kind are not carried forward into the financial cashflows or profit and loss accounts.

Total

13a. Which of the ‘Other’ loan have already been approved? If appropriate, what does the ‘contribution in kind’ relate to?

13b. Management and Management Structure – describe the management structure and skills that are necessary to implement the preferred option. Does the promoter have these skills? If not, what budget has been allowed for training and when will it be completed?

13c Marketing – Describe the marketing steps required to implement the preferred option. Have the costs of these steps been included in the budget? If not, how are they to be funded?

14. What levels of profit or loss are generated in the first three years of the project’s life? (Rows C and E in Appendix B)

	Before loan requested (C)	After loan requested (E)
Year 1	______________________	______________________
Year 2	______________________	______________________
Year 3	______________________	______________________

Please provide full details of the profit and loss accounts in Appendix B

15. What are the net cash flows, for the preferred option, in the first 3 years of the project life, before and after loan? (Rows E and G in Appendix A cash flows)

	Before loan requested - Row (E)	After loan requested (& after other funds) - Row (G)
Year 1	______________________	______________________
Year 2	______________________	______________________
Year 3	______________________	______________________

15a. Why is financial assistance being considered for this project?

15b. When does the project become viable? ______________________

Assessment of Risk

16. For the preferred option only - What is the effect on profits (including finance) of:

	Year 1		Year 2		Year 3
a) 10% increase in costs					
b) 30% increase in costs					
a) 10% reduction in receipts/income*					
b) 30% reduction in receipts/income*					

*do not apply a reduction to existing or requested recurrent/revenue finance income

17. For the preferred option only - What is the effect on net cash flow (including finance) of:

	Year 1		Year 2		Year 3
a) 10% increase in costs					
b) 30% increase in costs					
a) 10% reduction in receipts/income*					
b) 30% reduction in receipts/income*					

*do not apply a reduction to existing or requested recurrent/revenue finance income

18. Please identify the main risks associated with the project, and actions proposed to
minimise these risks:

Monitoring

19a. Please give details of the proposed arrangements for the monitoring of the project, if it is approved.

(i) What information will be monitored?

(ii) Who will be responsible for providing the monitoring information?

(iii) When will monitoring take place?

Post Project Evaluation

19b. Please give details of the proposed arrangements for the Post Project Evaluation (PPE) of the project, if it is approved.

(i) What information will be evaluated?

(ii) Who will be responsible for providing the evaluation information?

(iii) When will the evaluation take place?

20. Please give any additional information which you feel is relevant to this appraisal and strengthens the case for providing finance assistance, e.g track record, equality, political factors.

21. Summary Information

a)	Project start date:	
b)	Location:	
c)	Total capital expenditure:	£

d)	Total loan requested: of which:- - capital loan from - recurrent/revenue cost loan from EDDC (usually marketing/promotion/training loan) - Loan requested from other Funding Bodies (give details)	£ £ £ £
E)	Number of direct jobs created:	
f)	Total cost per direct job created:	

22. Give details of all the assumptions used in the financial projections, i.e. the assumptions underlying receipts/income, costs and funding projections. For example, volume of sales, unit prices, numbers of tourists, occupancy levels, wages and salaries rate of inflation, levels of funding received from each organisation, projected income from fundraising etc.

Assumptions			
	Year 1	Year 2	Year 3

23. List the beneficiaries of this project, e.g. input suppliers, wholesalers, employees, owners of business.

24. For existing businesses, profit and loss accounts and balance sheets for the previous 2 years should be provided.

Appendix A: Cash Flows

For each option please provide a breakdown of the estimated costs and receipts/ income. (Please complete the attached cash flow for the first 5 years of the projects life). Also, show the net cash flow before and after loan and interest deductions.

a) Baseline option – Continuation of the current level of production/service provision for existing businesses.

	CASHFLOW: Project year					Totals years 1-5
Costs (excluding interest payments)	**1**	**2**	**3**	**4**	**5**	
Land						
Buildings						
Refurbishment						
Equipment/Machinery						
Rent/Rates						
Salaries/drawings						
Other Costs						
(A) Total costs						
(B) Total receipts/income (excluding loan) If appropriate, include income from fundraising, annual subscriptions etc						
(C) Net cash flow – before loan and interest payments						
Interest payments*						
(D) Net cash flow before loan, after deduction of interest payments						
Value of any existing ongoing revenue loan expected over the period (ie ongoing revenue finance approved prior to this application for funding)						
(E) Net cash flow after existing ongoing revenue loan and interest payments						
Total loan requested on this proforma (ie. from all sources of public money = **sum of i to iv below**): This section is not usually relevant for the baseline option.						
(i) capital finance requested to support buildings expenditure						
(ii) capital finance requested to support refurbishment expenditure						
(iii) capital finance requested to support equipment/machinery expenditure						
(iv) Recurrent/Revenue loan requested (ie non-capital loan – usually for marketing/ training)**						
(F) Net cash flow after loan and interest payments						
Other funds (eg promoter's contribution or bank loan to cover capital expenditure on buildings, refurbishment & equipment/machinery etc.)						
(G) Net cash flow after loan, interest payments and other funds						
(H) Cumulated net cash flow after loan, interest payments and other funds						
Repayment of loan						
(I) Cumulated net cash flow after loan repayment						

* Interest on loan and overdraft

** Recurrent/Revenue finance requested - normally refers to a finance for marketing/promotion and/or training costs.

*** Capital finances are finances requested to support building, refurbishment and equipment/machinery expenditure.

b) Option 1

	CASHFLOW: Project year					Totals years 1-5
Costs (excluding interest payments)	**1**	**2**	**3**	**4**	**5**	
Land						
Buildings						
Refurbishment						
Equipment/Machinery						
Rent/Rates						
Salaries/drawings						
Other Costs						
(A) Total costs						
(B) Total receipts/income (excluding loan) If appropriate, include income from fundraising, annual subscriptions etc						
(C) Net cash flow – before loan and interest payments						
Interest payments*						
(D) Net cash flow before loan, after deduction of interest payments						
Value of any existing ongoing revenue loan expected over the period (ie ongoing revenue finance approved prior to this application for funding)						
(E) Net cash flow after existing ongoing revenue loan and interest payments						
Total loan requested on this proforma (ie. from all sources of public money = **sum of i to iv below**):						
(i) capital finance requested to support buildings expenditure						
(ii) capital finance requested to support refurbishment expenditure						
(iii) capital finance requested to support equipment/machinery expenditure						
(iv) Recurrent/Revenue loan requested (ie non-capital loan–usually for marketing/ training)						
(F) Net cash flow after loan and interest payments						
Other funds (eg promoter's contribution or bank loan to cover capital expenditure on buildings, refurbishment & equipment/machinery etc.)						
(G) Net cash flow after loan, interest payments and other funds						
(H) Cumulated net cash flow after loan, interest payments and other funds						
Repayment of loan						
(I) Cumulated net cash flow after loan repayment						

* Interest on loan and overdraft

** Recurrent/Revenue finance requested - normally refers to a finance for marketing/promotion and/or training costs.

*** Capital finances are finances requested to support building, refurbishment and equipment/machinery expenditure.

c) Option 2

	CASHFLOW: Project year					Totals years 1-5
Costs (excluding interest payments)	**1**	**2**	**3**	**4**	**5**	
Land						
Buildings						
Refurbishment						
Equipment/Machinery						
Rent/rates						
Salaries/drawings						
Other Costs						
(A) Total costs						
(B) Total receipts/income (excluding loan) If appropriate, include income from fundraising, annual subscriptions etc						
(C) Net cash flow – before loan and interest payments						
Interest payments*						
(D) Net cash flow before loan, after deduction of interest payments						
Value of any existing ongoing revenue loan expected over the period (ie ongoing revenue finance approved prior to this application for funding)						
(E) Net cash flow after existing ongoing revenue loan and interest payments						
Total loan requested on this proforma (ie. from all sources of public money = **sum of i to iv below**):						
(i) capital finance requested to support buildings expenditure						
(ii) capital finance requested to support refurbishment expenditure						
(iii) capital finance requested to support equipment/machinery expenditure						
(iv) Recurrent/Revenue loan requested (ie non-capital loan–usually for marketing/ training)**						
(F) Net cash flow after loan and interest payments						
Other funds (eg promoter's contribution or bank loan to cover capital expenditure on buildings, refurbishment & equipment/machinery etc.)						
(G) Net cash flow after loan, interest payments and other funds						
(H) Cumulated net cash flow after loan, interest payments and other funds						
Repayment of loan						
(I) Cumulated net cash flow after loan repayment						

* Interest on loan and overdraft

** Recurrent/Revenue finance requested - normally refers to a finance for marketing/promotion and/or training costs.

*** Capital finances are finances requested to support building, refurbishment and equipment/machinery expenditure.

Appendix B: Profit and Loss Estimate for the Preferred Option

For the proposed project please provide a profit and loss account for the first three years of the projects life.

			Default
Which option is the preferred option?			Lifespans
Insert average lifespan of buildings to be financially supported		years	25
Insert average lifespan of refurbishment to be financially supported		years	10
Insert average lifespan of equipment/machinery to be financially supported		years	7

Profit and Loss Account

	Project Year		
	1	**2**	**3**
Receipts/Income (excluding funding for capital)			
Sales income			
Other trading income			
- Projected annual fundraising income			
-			
-			
- Value of any existing ongoing revenue loan expected over the period (ie ongoing revenue approved prior to this application for funding)			
(A) Total Receipts/Income			
Costs (excluding capital expenditure)			
Wages / Salaries (not including drawings)			
Rent/ Rates			
Purchases (ie. direct costs- materials/stock)			
Marketing/Promotion			
Training Costs			
Stationery			
Telephone/Fax			
Heat, Light & Electricity/ Water			
Motor expenses			
Accountancy			
Repairs/Maintenance Costs			
Insurance			
Sundries			
Haulage & Packaging			
Interest payments*			
Other costs – give details…….			
Depreciation of existing capital items (applies to existing businesses)			
Depreciation of new capital items (before capital finance**)			
(B) Total Costs			
(C) Net Profit / Loss - Before Loan	0	0	0
Depreciation of new capital items (after capital finance**)	0	0	0

* Interest on loan and overdraft

** Capital finance is defined as the level of finance requested to support building, refurbishment and equipment/machinery expenditure.

*** Recurrent/Revenue finance requested - normally refers to a finance for marketing/promotion and/or training costs.

(D) Net Profit / Loss - After capital finance	0	0	0
Recurrent/Revenue finance(s) requested***	0	0	0
(E) Net Profit/Loss - After Recurrent/Revenue Finance(s)	**0**	**0**	**0**

* Interest on loan and overdraft

** Capital finance is defined as the level of finance requested to support building, refurbishment and equipment/machinery expenditure.

*** Recurrent/Revenue finance requested - normally refers to a finance for marketing/promotion and/or training costs.

Appendix C: Checklist For Projects

This checklist is provided to ensure that the proforma has been completed to a satisfactory standard and supports the case to award assistance to the project.

(i) Is the need for the project clearly demonstrated? (Q1)

(ii) Are the current (baseline) and proposed options described in sufficient detail? (Q1, Q5)

(iii) Does the preferred option generate the highest net monetary benefit or for projects with a single option is a net benefit generated? (Q6)

(iv) Do the non-monetary benefits help to justify the need for the proposed project? (Q7)

(v) If displacement occurs, is it at an acceptable level? (Q8a)

(vi) Will the provision of finance assistance

- speed up the progress of the project

  or

- improve the scale of the project

  or

- affect the location of the project? (Q8b)

(vii) Is the rate of finance to be provided at the standard rate for this type of project? (If not, why not?) (Q11,12)

(viii) Can an award of finance assistance be justified for this project? (Q3, 15a, 20)

(ix) Is the project viable? (ie profitable) (Q13)

(x) Does the cashflow improve over the first 3 years of the project's life? (Q14)

(xi) Will the project remain viable if there is a 10% increase in costs or a 10% decrease in receipts/income? (If not, the project parameters may need to be reassessed) (Q16)

(xii) Will the project remain viable if costs are increased by 30% and/or receipts/income decreased by 30%? (Is such a scenario likely? If yes, should the project parameters be reassessed or is close monitoring adequate?) (Q16)

(xiii) Are the actions proposed to minimise risk acceptable? (Q18)

(xiv) Are the monitoring and post-project evaluation arrangements satisfactory? (Q19)

(xv) Are the projected cashflows and profit and loss accounts based on sound information? (Q22)

As a general rule, financial assistance should only be provided to projects which provide the best value for money (best option), satisfy the additionality criterion and are viable. If the answer "Yes" or "Not appropriate" is given to each of the 15 questions above then the award of assistance can be justified.