

'APPLICATIONS GUIDE (Last Updated February 2007) - Rules and Regulations'

- [ESF rules responsibilities and claims procedure \(Last updated April 2006\)](#)
 - [The legal framework](#)
 - [Who can apply?](#)
 - [How much can you claim?](#)
 - [Revenue](#)
 - [Added value \(Last updated April 2006\)](#)
 - [Match funding \(Last updated July 2006\)](#)
 - [What you can claim? \(Last updated July 2006\)](#)
 - [Sharing costs \(Last updated April 2006\)](#)
 - [Costs of caring for children and dependants](#)
 - [Subcontracting \(Last updated April 2006\)](#)
 - [Interdepartmental trading and Intercompany trading](#)
 - [Trading within groups](#)
 - [Verification and record keeping](#)
 - [Keeping documents \(Last updated October 2006\)](#)
 - [Data - protection requirements \(Last updated April 2006\)](#)
 - [Beneficiaries for ESF purposes](#)
 - [Small and medium - sized enterprises \(SMEs\) \(Last updated April 2006\)](#)
 - [ESF and Large Companies \(Last updated April 2006 - New page\)](#)
 - [Unemployment \(Last updated April 2006\)](#)
 - [ESF for people in prison](#)
 - [Changes to approved projects](#)
 - [Funds from government programmes as match funding \(Last updated April 2006\)](#)
 - [Publicity \(Last updated April 2006\)](#)
 - [Wage subsidy \(Last updated July 2006\)](#)
 - [Work Experience \(Last updated April 2006\)](#)
 - [People from other countries including refugees and asylum seekers \(Last updated February 2007\)](#)
 - [Training for the public sector \(Last updated October 2006\)](#)
 - [Statutory training](#)
 - [State aids \(Last updated July 2006\)](#)
 - [You, the law and ESF \(Last updated October 2006\)](#)
 - [Using consultants](#)
 - [The role of the European Social Fund \(ESF\) Division and Government Offices](#)
 - [National projects \(Last updated April 2006\)](#)
 - [Payment arrangements \(Last updated July 2006\)](#)
 - [Audit certificates and payments \(Last updated April 2006\)](#)
 - [Appendix A - Deleted \(Last updated April 2006\)](#)
 - [Appendix B - Deleted \(Last updated April 2006\)](#)
 - [Appendix C - Deleted \(Last updated April 2006\)](#)
 - [Appendix D - Deleted \(Last updated April 2006\)](#)
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ESF rules responsibilities and claims procedure (Last updated April 2006)



[Document showing all changes to this page](#)

This part of the ESF guidance deals with the rules of ESF. It will provide you with enough information for you to apply for funding. It includes certain topics that you will need to consider not only when making your application, but when your project is running.

The 2000 to 2006 Programmes

The current ESF programmes run from 1 January 2000 to 31 December 2006 although in some circumstances activity may continue into 2008. This means that there are strict time limits for making ESF applications, claiming payments, declaring expenditure and submitting Project Closure Reports. Your Government Office will advise you of the deadline for all activities.

The legal framework

In 1990 the Member States took over the responsibility for administering and managing ESF spending.

In 1993 this responsibility was expanded to include regular checking that projects have been carried out properly, preventing and taking action against irregularities (procedures not being followed) and recovering money lost as a result of irregularity or negligence. These checks take place regularly.

In 1997 a regulation set out the minimum level of financial control acceptable for Structural Funds. To help reach this minimum level the European Commission (EC) (or more commonly the European Union (EU)) introduced a series of rules, aimed at coordinating what could be claimed. We have drawn up the rules in this booklet using a combination of:

- EU rules and regulations;
- normal accounting practices;
- standard government accounting practices; and
- general good practices.

Who can apply?

Any organisation either public or private which is legally formed, except sole traders, can apply for ESF. Individuals cannot apply for ESF. The majority of ESF is delivered through co-financing organisations. Organisations may only apply using the alternative bidding process in exceptional circumstances. For further information please see the foreword to this guidance.

How much can you claim?

ESF will pay a proportion of your project costs. This proportion is known as the intervention rate. The maximum intervention rate you can receive varies between Objective 1 and Objective 2 Programmes. You should refer to the Government Office guidance to find out the maximum intervention rate for the Measure you are applying under. In the England Objective 3 Programme, the maximum intervention rate in all Measures is 45%.

The balance (for example at least 55% in Objective 3) must be provided by match funding. Match funding can be either public funding or a combination of public and private funding. At least 10% of the costs must come from public sources as match funding.

ESF can only provide the minimum amount to enable the project to be delivered. For example, if the project will cost £80,000 and you identify £60,000 you can provide (match funding), ESF can only provide £20,000.

You cannot receive £60,000 match funding and then claim the maximum 45% that the match funding can attract (£36,000).

'Concentration' is a principle of ESF. This requires the ESF element of a project to be 'significant'. The amount of ESF must not be less than 25% of the total of ESF and public match funding added together.

You must maintain the intervention rate approved when you applied for your project as it forms part of the contract. If it looks like the intervention rate may change during the life of the project, you must tell the Government Office.

You must tell your Government Office of any other major changes.

Please note that under ESF eligibility rules, the amount of ESF support cannot be more than the total eligible project expenditure excluding 'in kind' contributions.

Revenue

You must include any revenue which is likely to be generated by a project in your calculations. Your intervention rate will be calculated from the total project costs. If you allocate some of your overhead costs remember that your organisation will also generate revenue for certain activities and again you must take these into account. Activities which often generate revenue include:

- selling services;
- renting facilities; and
- money raised from various sources such as canteens, phones, photocopying and printing and crèche charges.

If you have to allocate some of your overhead costs to the project, it may be appropriate to allocate some of the revenue as well, even though it is not earned directly by the ESF project.

Calculating revenue

Rule 2 of the EC regulations defines receipts (revenue) as 'sales, rentals, services, fees

but excluding private sector contributions (which are treated separately in the financial tables). '

The interactive application form includes any anticipated revenue when calculating the ESF intervention rate (for example maximum 45% for Objective 3 projects). When a claim for payment is made, any revenue declared is deducted from the claim and the intervention rate (as calculated above) is applied to the net claim to calculate the ESF that is due.

The contract is quite clear.

'We will pay the lower of:

- the maximum ESF shown; or
- the total eligible expenditure multiplied by the intervention rate shown above as a percentage. '

And:

- 'You will receive the ESF contributions towards the money which you have actually spent (the total eligible costs for the period, net of revenue, multiplied by the intervention rate). '

At project closure stage, the interactive form will calculate the final ESF payment reconciling all previous payments. If the project has been delivered as outlined in the original financial profile (including any revenue), the applicant will receive the full ESF amount they ask for.

Added value (Last updated April 2006)



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As the managing authority for ESF the DWP is required to make sure that ESF support is used to obtain added value in a cost effective way. This is done by supporting projects that would otherwise not have taken place or would have taken place in a different, less effective way.

You are required to demonstrate that your proposal meets the added-value criteria, on the following lines:

- Does the project increase the number of people receiving training?
- If the number of training hours on an existing training course increase, will there be other results such as additional or higher qualifications or more jobs?
- Will ESF support lead to additional, positive outcomes which can be measured and will there be clear links between these and the additional funding?
- Will ESF support help to create new permanent jobs or self-employment, or will it provide other activities eligible for ESF funding that would not have been made available without it?
- Will ESF support allow you to maintain existing activity which would otherwise be cut back or allow you to bring forward activities or not postpone them?
- Do you intend to invest entirely in new or creative activity that you could not develop using existing resources?

You are responsible for making sure that ESF is providing funding over and above that provided by other sources of funding or contracts. You should clearly define project boundaries between ESF supported activity so that ESF added value is clearly demonstrated. You are responsible for repaying overpayments if it is proved that you have received funding you are not entitled to. You should make sure that ESF project costs relate only to activity you have not received funding for. Where you involve anyone else in delivering a project, you are strongly advised to make it clear who 'owns' the outputs of the project to cut down the risk of double funding or double counting them.

Match funding (Last updated July 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)



[Document showing all changes to this page \(Updated July 2006\)](#)

Match funding is the amount organisations (other than ESF) give towards the eligible costs of a project. This section explains:

- the roles and responsibilities of a match funder;
- the difference between public and private match funding;
- 'in kind' contributions; and
- how you can use volunteer time as match funding.

The amount of ESF payable will not be more than the total eligible expenditure excluding contributions in kind.

Public match funding and contributions from the private sector

Match funding is an essential part of how ESF works. ESF can only meet a part of eligible costs and the balance has to be found from other sources.

This balance is known as **match funding**. The largest amount that ESF can provide (intervention rate) forms part of the agreement between the UK Government and the European Commission.

Match funding may come from the public sector - **public match funding** - or the private sector - **private match funding**. You must have public match funding for at least 10% of the total cost of the project.

For those projects starting on or after 13 June 2006 you will have to provide a Public Match Funding Certificate and if private match funding is being used a Private Match Funding Certificate that shows you will be getting the funding. Details of how to fill in each certificate is issued separately with the certificates. If you are both the organisation that is applying **and** you are going to provide all your own match funding, you will also need to fill in a Match Funding Certificate.

Those projects starting before 13 June 2006 need only provide Public Match Funding Certificates.

The responsibilities of the match funders

The match funder **must**:

- contribute to the actual eligible costs of the project;

- inform the applicant and the Government Office if they make any changes to the match funding they are providing or to the agreement;
- make sure the funds are in line with the criteria for match funding;
- make sure the funds used to attract ESF are eligible;
- carry out regular and formal monitoring of the project to make sure that effective management and financial controls are in place; and
- make sure that ESF rules are being kept to.

In cases where there is more than one public match funder, the responsibility will normally lie with the match funder providing the highest level of funds - **the lead match funder** - unless they make another agreement.

The match funding agreement

The match funder must sign a Match Funding Certificate to confirm the amount of match funding they expect to provide. This certificate should not be considered a legal agreement. However, to reduce the risks of match funders not providing expected amounts, you may want to make a formal agreement with the match funder to make sure that they will:

- provide an agreed percentage of the approved project costs;
- fulfil their responsibilities set out in the Match Funding Certificate;
- allow representatives from the EC, DWP, other government bodies, and any other relevant monitoring bodies access to ESF records; and
- maintain clear records as required by EC and ESF regulations and guidance.

The agreement should refer to the ESF-approved project activity as described in the project specification.

Definition of public match funds

A public match funder is an organisation which directly or indirectly receives over 50% of its main funding from central or local government. (This does not include payment for work carried out by private enterprises for the public sector.)

To decide if your organisation can supply public match funding, work out your previous financial year's receipts, excluding any EU monies, and the income forecast for the following year, again excluding any EU monies. If over 50% of the net amount (after deductions) comes from central or local government sources, you are able to provide public match funding for ESF supported projects.

Non-profit making organisations, whether incorporated or unincorporated, registered with the Charity Commission can supply public match funding. The registration must be maintained throughout the period of the claim for ESF support. For fuller information contact the Charities Commission or visit their website. If you are an unincorporated organisation, you may be personally liable if you need to repay ESF. If you are in any doubt about this, you should ask the GO or ESF Division.

Definition of private match funds

For ESF purposes, private match funds are defined as any money originating from private enterprise, including:

- public limited companies;
- private limited companies;
- partnerships which have no shareholders;

- co-operatives;
- self-employed people; and
- individual investors.

Volunteer time is also treated as private match funding.

What funds can you use for match funding?

Whether private or public match funding there are two types of match funding **actual** and **in kind**.

Actual match funding

Other than depreciation charges, actual match funding within the meaning of the EU and ESF regulations is in the form of cash payments.

Match funding in kind

Match funding can come in two forms, cash or 'in kind' contributions. In kind match funding is where an organisation or individual provides a service or product, but the actual cost of the service does not appear in your accounts if you are the applicant. Examples include:

- time spent by the match funder's staff while they are working on the project;
- rent for premises payable by the match funder;
- administration costs undertaken by a third party; and
- volunteers' time.

There are a number of points you should consider before you estimate your in kind match funding at the applications stage:

- the expenditure must be eligible for ESF;
- the organisation (or individual) providing the service or product must agree to you using it as match funding for the specific project;
- the organisation (or individual) providing the service or product must be able to provide clear records which clearly show its actual cost;
- if staff costs are to be used as in kind match funding, the costs must be supported by time sheets showing the amount of time individual staff members have spent on the project;
- only the actual staff salary costs can be used to calculate the match funding;
- non-staff materials or services must be supported by invoices;
- the use of notional rent, discount charges, lost opportunity costs or other ineligible items **will not be considered as in kind match funding**; and
- match funding should not be kept at an artificial low level if it goes over the level required for the project.

We must stress that in kind contributions must be the **actual eligible costs** incurred by the match funder. For example, you cannot use costs for buying capital equipment over £1,000 or for lost opportunities. As with all match funding, it must not contain anything that has already received EU support.

Please note for ESF purposes, volunteers' time is treated as an actual cost.

Notional rent or rates

If a local authority, for example, has provided accommodation for the project at a cost

lower than the normal commercial cost, only the actual rent you paid is eligible for ESF. You should not use the value of the property in the open market, this is not eligible for ESF support.

Rate or rent rebates are not eligible as match funding.

Lost opportunity costs

Many organisations rent or hire out rooms on a commercial basis. You cannot use the notional rent or hire of the room as the basis of your costs, unless there are clear records showing that you actually paid the rent. The costs of the room overheads such as electricity or rent are eligible for ESF, providing you can show that you have claimed only the costs of the overheads while you were actually using the room.

Discounts

When an organisation provides a service for the project and discounts the price, only the net amount actually paid is eligible for ESF support.

Using wage costs as in kind match funding you can use the wages or salary costs of employed beneficiaries as match funding in kind. Or you may use the actual cost of employing a replacement to allow the member of staff to be released. You can claim for either the employed beneficiary or the replacement, you may not claim for both. Like any other match funding, there must be a clear audit record to support the amounts. Many applicants have difficulties in demonstrating what costs have been incurred because it has not been made clear to the employer from the beginning of the project what the ESF requirements are. For match funding to be eligible it must:

- accurately reflect the actual wage or salary cost of the individual beneficiary;
- only be used for that time spent on eligible project activity; and
- be supported by written confirmation from the match funders.

You may be asked to show that time spent on ESF-supported activity has been allocated in a fair and equitable manner. So you will need to account for all staff time spent by an individual to justify the amount you allocated to the ESF project.

Where you use estimated or notional costs, or where you cannot confirm written evidence, the match funding will not be eligible.

Because of the risks involved in not being able to confirm match funding amounts, we strongly recommend that you enter into an agreement with the match funders before the project starts. Match funders often do not welcome requests for information at a later date. An agreement could include the following information:

- clear details of what help you or individual beneficiaries will receive from the project;
- who is responsible for maintaining up-to-date, accurate records of what the beneficiary is doing;
- how you will monitor this information; and
- who will hold this information and how it will be safely maintained and made available if required.

Information that will be needed to support annual reports or final reports when the project ends will include:

- the actual wage or salary costs of individual beneficiaries;

- time sheets showing accurate records of how the beneficiaries are involved in the project; and
- clear records showing the beneficiaries' activities.

When you work out the in kind costs you must remember:

- you can use only 'actual' staff costs, not lost-opportunity costs;
- you can claim time spent travelling to a project activity if you can provide proof of the journey and the time you are claiming for is paid by the employer;
- an employer's pension and national insurance contributions are eligible, but commissions, bonuses and benefits in kind are not; and
- you cannot include the employer's overheads.

Extra travel or living expenses are eligible if they:

- are reasonable;
- represent the actual amount paid; and
- form the normal terms and conditions of employment in the organisation.

You should:

- make sure that normal call-out rates used in many companies are not used as these will often include elements that are not eligible; and
- identify any development in the workplace on work records, for example on activity logs.

It is important to tell individuals or companies taking part that if they are asked, they should be able to provide this information for further examination by auditors.

It is not possible to cover everything in this part of the guidance. If in doubt contact your Government Office.

Volunteer time

Unpaid voluntary work is eligible as private match funding in kind. In addition to the normal rules for match funding, the following conditions apply:

- You cannot treat beneficiaries as volunteers during their time on the project.
- You must cost all volunteer-time contributions using the method and guidance set out.
- You must make it clear to the volunteers from the beginning that they are helping the project in their own private time and they are not employed on the project.
- You will need to show final claim entries for volunteer time. The project management should hold complete, accurate and up-to-date records which show not only the time sheets of volunteers but also a description of their activities. You should be able to match the information held to annual reports or final reports when the project ends. If you cannot do this, then the relevant report entries will not be classed as eligible.
- If any paid employee performs additional duties on a voluntary basis, the costs are not eligible.
- The tasks performed by the volunteer should match the job titles and the notional rates given in the guidance.
- If a volunteer performs a task which is outside the range of the job titles provided, you must ask your Government Office for approval. The Government Office will need written evidence to justify technical or specialist rates.

- If a volunteer does the same or similar duties as paid staff, the rate allowed for the volunteer will be either the notional rate or the salary rate of the paid employee, whichever is lower.

Methods for valuing unpaid volunteer time

You will need to decide what project tasks the volunteer is doing and which of the following roles best describes their job. You should use the notional salary rates below to work out their cost. This is an exception to the general ESF rule that only actual costs should be used.

Role	Notional full-time	Theoretical hourly salary rate
Project manager	£29,000	£16.76
Project co-ordinator	£23,000	£13.13
Project researcher	£23,000	£13.13
Project administrator	£16,300	£9.38

You will need to show that the jobs carried out by volunteers are in line with the job title. For example, if you are claiming volunteer time for a project manager, you will need to keep records to show that the job they did and the time spent on that job is appropriate to that role. The project co-ordinator and project researcher rate is appropriate for a volunteer trainer.

If the volunteer changes their role at any time, make sure you use the appropriate rate.

A different rate for more technical or specialist roles will be paid if a realistic price for the services can be reached. Examples could include signing for the deaf or providing qualified mentors for people with learning difficulties.

However, the Government Office will need to approve the proposed rate at the start of the project. You must provide clear evidence that the proposed rate is the normal 'going rate' for the job. Evidence could include job adverts for similar work or the existing pay of a volunteer who is already working on similar tasks.

It is important to remember that the value of volunteer time is based on the theoretical value of the tasks performed by the volunteer for the project **and** not the current earnings of an individual in their usual paid employment.

Special arrangements for sole traders and partnerships

Because of the difficulties involved in getting actual salary or wage costs from sole traders and people in partnerships, there are special rules which you can use.

Where sole traders or people in partnerships are beneficiaries and their wage or salary costs are used as private match funding you can either:

- continue to verify their actual wage or salary costs by using their previous year's earnings; or
- use a notional hourly rate of £10 to calculate wage or salary costs.

A sole trader is an individual who has sole responsibility for their business management, works alone and is self-employed. Partners are defined as an association of from two to

twenty people carrying on business in common with a view to a profit.

If you intend to use the £10 an hour rate, you must make sure the beneficiaries can prove their eligibility and status as:

- sole traders or partners; and
- people currently registered as self-employed for tax purposes with the Inland Revenue.

You can **only** use the fixed hourly rate of £10 for sole traders or partners. In line with ESF requirements, you will also need to record the number of project hours carried out by beneficiaries.

What you can claim? (Last updated July 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)

[Document showing all changes to this page \(Updated July 2006\)](#)

ESF and the match funding can support all costs relating to project activity as long as they are eligible and you include them in the project specification. All costs, including any start up and project evaluation costs, must be incurred during the lifetime of the project. Your project start and end dates should take account of this type of activity.

There are some costs which are not eligible. The list is not exhaustive. These are:

- loan and current account interest;
- other financial charges;
- consultancy fees for activities such as filling in applications, or management fees or commissions;
- staff time spent filling in applications;
- buying equipment or buildings (threshold currently £1,000);
- costs of finance leases (see leasing section);
- charging again for equipment or buildings which have previously attracted EU funding;
- any expenditure that does not clearly relate to the project; and
- any expenditure which is not supported by written sources

The following gives some examples of eligible expenditure and highlights areas which you need to consider.

Staff costs

- Staff costs can include employer's national insurance and superannuation costs.
- In the application you must include any expected increases in grade or pay scales for the
- Where staff are involved with non-ESF work, you must not include the non-ESF elements. Decide how you are going to recognise and record these costs before the project starts as you can only include your actual expenditure in the claim.
- The application must clearly show the number of staff involved in carrying out the project and their individual pay rates where these vary.
- Travel and living expenses must relate only to ESF work.

- You must claim sick or maternity pay if it is in line with your organisation's staff policy or on the individual's contract of employment.
- To work out how much a member of staff earns in an hour:
 - work out how many hours they work in a year. This is 52 weeks multiplied by 5 days, less the number of days of annual and public holidays they are entitled to, multiplied by the number of hours they work each day.
 - Divide their annual salary by the answer to (a) above and this is their hourly rate.

If they work part-time, or leave during the year, work out their reduced number of hours.

External training

- You can claim the costs of training in connection with ESF activity.
- It is expected that all organisations who submit an application are in a position to deliver that project. You can only claim staff training costs where you identify that an individual has specific needs for training that could not have been identified before the project began. This needs to relate to the acquiring of specialist knowledge.

Beneficiary costs

- For employed beneficiaries, wages and allowances can include employers' National Insurance and superannuation costs.
- Applications should give numbers of beneficiaries and pay rates as accurately as possible. **Remember you can only use actual information for the annual reports or final reports when the project ends.**
- Daily travel costs for beneficiaries should show the cost for each beneficiary for each day.
- When you are applying for external courses you should show the length of the courses, and the cost of travel, board and lodging. You should show the cost of the courses under '**other costs**'.
- Costs for caring for children or other dependants should show the weekly or hourly costs likely to be involved. **Remember** you should treat any contributions from beneficiaries as project revenue.

Beneficiary allowances

You can claim beneficiary allowances. Although there is no upper limit for the allowances you pay beneficiaries, it is important that you consider the following.

- Government Offices will decide if allowances conform to levels within their region and if the allowance represents value for money.
- Allowances may affect the level of benefits beneficiaries are entitled to. You should discuss this with your local Jobcentre Plus office.

You should be aware that the Inland Revenue may regard some allowances as taxable benefits. You are strongly advised to check with them before setting the allowance levels.

Other costs

Rent and leasing of buildings

- If you use only part of a building for ESF purposes, you should work out the amount you charge to the ESF accordingly.

Depreciation of buildings

Any asset, including a building, must have a fixed useful life. The length of a building's life varies according to its type and purpose. Your accounting policies must set out the period of time and also show the way you calculated the amount of depreciation you are claiming. You should remove costs that are not eligible, including any EU help. It is not possible to say exactly how you should work out building depreciation as this is up to each individual organisation. However, the DWP would expect you to follow the principles set out in Statements of Standard Accounting Practice number 12.

Generally, DWP expect that a permanent building used for training purposes, such as a college or school, would depreciate in the range of 2% to 5% each year on a straight line basis (the same amount each year), reflecting a uniform life of between 20 and 50 years.

Calculating the length of time a building is used for ESF activity depends on whether you calculate the project costs on an actual cost basis or by using the organisation or college cost method. If you use the building for 13 weeks in the year for ESF, then DWP expect you to set 25% of the depreciation charge against the project. If you use an organisation or college method, you should include the college's total eligible depreciation charge in the 'Other costs' heading. You should then work out the project costs on the basis of training hours delivered in the college on the ESF projects.

You should provide a list of the premises where you are claiming for depreciation.

Bonus costs

Bonuses, or similar payments to staff which are taxable, are eligible costs.

However you must include them in the initial application. These may include:

- bonus payments;
- childcare or crèche payments; and
- company cars.

Below are examples of costs which are not eligible:

- bonus payments or any other allowances you give your staff, free of tax;
- golden handshakes; and
- exceptional or extraordinary provision for pension rights

Hire and lease of equipment

Where equipment is not used only by ESF beneficiaries, you should show how you have identified your costs.

You should show the actual costs of leasing equipment, including VAT where this applies (see notes on VAT), as well as the period of time covered.

Finance leases

These are similar to hire-purchase agreements. The lessee (the person who leases the equipment from someone else) is responsible not just for maintaining the equipment but also for insurance, repairs and so on. At the end of the lease the equipment becomes the property of the lessee.

The costs of leasing equipment under a finance lease are **not eligible**. You should treat the item you leased as a fixed asset and depreciate it (work out its loss in value) in line

with your accounting policy. You should work out the depreciation against market value on the same basis as you would for equipment you own.

Operating leases

Under this type of lease, the equipment remains the property of the lessor (the person who leases the equipment to you).

You can claim the costs of operating leases if you can show that the costs of the lease are competitive and are similar to the rates charged in the market place. However, if a leasing charge for equipment (in any one year) went over, or closely matched, the full cost of buying the item it would be seen as an attempt to introduce capital expenditure as an eligible item under a different heading, and capital expenditure (over £1,000) is not eligible.

Leasing properties

Only the depreciation on the actual cost of the lease can be considered as eligible. Where 'peppercorn' rent is paid, you only include the depreciation on the actual amount you paid for leasing the property in the calculation for the annual reports or final reports when the project ends. If your accounting policy does not include depreciation of leased properties, use the accounting standards which apply in Great Britain.

Depreciation of equipment you own

The way you calculate depreciation must be in line with your organisation's accounting policy. You should base claims on the actual costs of equipment you own. You can claim depreciation on second-hand equipment unless it has previously been claimed. You can calculate depreciation in many different ways, the most common being straight line and reducing balance methods (you work out the depreciation each year on the value of the assets in the books at the start of the year). It is normally expected that the smallest number of years over which you can depreciate an item is **three years**.

If you receive capital grants towards the costs of fixed assets, you should take these grants from the costs of the fixed asset before you work out depreciation costs for ESF. Where you use deferred credits to offset depreciation costs, you must take the amount of the deferred credit from the depreciation costs for ESF purposes. Your accountant will be able to tell you if you use deferred credits.

You must keep working papers showing how you have worked out depreciation costs for your ESF project. These include the costs and descriptions of the items you bought, when you bought them, how you worked out the depreciation, how long you spent using the items, where they are, and an estimate of their value now.

On the application form it is not enough for you to enter 'depreciation costs' and an amount, unless you are using the organisation or college costing methodology. You should provide a list of items to be depreciated and send details of how you worked out the depreciation costs together with an explanation of how you identified specific project costs.

VAT

VAT is an eligible item of expenditure **only if your organisation cannot reclaim it**. The treatment of VAT will vary depending on your status so it is very important for you to decide your VAT status with your local Revenue and Customs Office. You should also be able to provide evidence of your status if you want to reclaim VAT as an item of ESF expenditure.

Buying consumables

You should give a list of consumables you need to buy with the estimated expenditure, on the application form. Treat IT software in line with your usual accounting policy.

Buying small items of equipment

You must give a list of small items you need to buy, with the estimated expenditure, on the application form. No single item can cost £1,000 or more.

There is no limit to the number of small items of equipment under £1,000 which you can claim for.

The total expenditure on small items of equipment will be taken into account when assessing your project's value for money.

It is important to remember that when you buy IT equipment you cannot claim separately for each component part, such as the monitor, keyboard, printer and so on. ESF consider a computer to be a complete set-up.

You can claim for the depreciation of equipment you own.

You should not claim for equipment costing under £1,000 unless you can identify the items in your accounts.

Second-hand equipment

You can claim for the purchase costs of second-hand equipment providing:

- the equipment has not been originally purchased using state or Community grants; and
- the price doesn't exceed its market value.

You will need to provide evidence that the second-hand equipment you have bought is at the normal 'going rate'. It is unlikely that commercially available second-hand equipment has been bought using public money. However, if you buy equipment from another organisation, you must get a declaration from them that they did not use grants to purchase the equipment in the first place. If a grant was used to purchase the equipment, you cannot claim any of the costs in the claim.

No single item can cost £1,000 or more. There is no limit to the number of small items under £1,000 which you can claim for. The total expenditure on small items of equipment will be taken into account when assessing your project's value for money.

Bank charges

If you decide that you need to open a **separate** bank account for ESF, you can claim for costs of opening and administering the account. You cannot claim for debit interest charges or other purely financial expenses.

Adapting premises and minor repairs and maintenance

The costs are eligible providing the adaptations and repairs or maintenance are minor. As a rough guide, any work costing over £750 cannot be considered as 'minor'. For example if you want to adapt your premises for easier access for people with disabilities, the work will not be eligible unless it is classed as minor.

Sharing costs (Last updated April 2006)



[Document showing all changes to this page](#)

Many organisations will run ESF projects along with a variety of other activities. The costs of the ESF project should be split on a clearly justified fair and equitable basis. The most common way of doing this is to split the total overheads according to the proportion of the total ESF beneficiary training or ESF staff hours compared with the total training or staff hours.

You should remember that the calculations for sharing out costs that you supply for an application will rarely be the same as the calculations you supply for the interim claims or Project Closure Reports. At these report stages only actual costs are acceptable. Common errors at these report stages include:

- allocating budget overheads instead of the actual costs you have met;
- basing hourly overhead costs on timetabled hours rather than actual training hours;
- using theoretical charges for certain overheads (for example 15% central administration charges);
- including items in the overhead which are not eligible; and
- using theoretical rent or rates instead of actual payment.

Project costs

To work out the cost of a project you must identify all your eligible expenditure, both direct and indirect and record it under the three cost categories - staff, beneficiary and other. Direct expenditure can be defined as those actual, eligible costs of the project that can be identified separately, (project staff salaries, beneficiary allowances and project consumables).

Indirect expenditure can be defined as actual, eligible costs that are incurred by the organisation to deliver a range of activities including the ESF project (such as electricity, gas and insurance).

You must agree your methodology for apportioning indirect and shared cost with your programme secretariat when you submit your application. You should show the apportionment calculation against each item of indirect or shared costs that you are claiming for. For example:

Electricity

Cost for period = £2,700

Total staff time for period = 900 hours

Total project staff time for period = 160 hours

£2,700

x 160 = £480

900

Methods of costing

There are two methods of costing that can be used to work out the cost of a project:

- direct project costing methodology, to be used for all alternative bid applications; and
- higher education institutions (HEI) methodology.

The HEI methodology can only be used by higher education institutions. You must obtain a full copy of the guidance for higher education institutions from your Government Office before making an application. This provides comprehensive guidance and working examples of how projects may be costed under these arrangements.

Please note that ESF provisions run by colleges of further education are now largely delivered through co-financing with Learning and Skills Councils.

There may be circumstances when colleges of further education can bid for ESF directly to Government Offices, but these projects must be funded through the direct cost methodology.

Further points on HEI methodology

Where the HEIs work in partnership with other organisations to deliver a project, and this does not take place at the HEI, do not include these hours in college costing methodology either at total hours stage or in the ESF hours you use to calculate the cost. You should show the costs of third parties involved in delivering the project separately as direct costs.

HEI methodology applies to higher education institutions only it must not be used by further education institutions.

Costs of caring for children and dependants

Across all Policy Fields and Objectives, projects are encouraged to provide for the care of children and dependants. Costs, such as the provision of a crèche, are items of eligible expenditure.

You are also asked to consider equal opportunities when you design your project. Although Policy Field 5 specifically tackles gender-based barriers to employment, equal opportunities is a theme that runs across all ESF. If you provide care for dependants, for example, you are demonstrating your commitment to this.

Subcontracting (Last updated April 2006)



[Document showing all changes to this page](#)

You can subcontract your ESF activity to training providers or other organisations. You are not allowed more than two levels of subcontracting without permission from your Government Office. If you subcontract any ESF activity you must still meet your responsibilities. These include the following.

Accountability

You are still wholly responsible for all aspects of the project and you must make sure that there are clear records and audit records within the subcontracting organisation. You are responsible for making sure that subcontractors show accurate levels of eligible costs. You are required to name any subcontractors in the project application.

You must be aware that if the subcontractor provides information which then leads to an over claim, you must make the repayment and not the subcontractor. So, it is in your best interests to enter into a formal agreement with all your subcontractors. Because of the

variety of organisations and subcontractors, the ESF Division cannot provide you with a pro-forma contract, but the agreement could include the following:

- clauses which state the subcontractors must keep to all the rules, conditions and guidelines as contained in the ESF Applications Guidance;
- the ESF project specification;
- the specific training objectives and outcomes for each beneficiary;
- the ESF eligibility criteria which relate to beneficiaries and expenditure should be clearly explained within the agreement;
- the right of access to ESF records by your representatives, the public match funder, the ESF Division, DWP and its audit staff, Government Offices and the EC;
- the obligation to declare any income generated by the ESF project and its outputs;
- the need to maintain clear audit records and to use only actual eligible expenditure for information for annual reports or final reports when the project ends; and
- details of a comprehensive management information system to make sure complete, accurate and up-to-date information can be used for monitoring the project and making the final claim, backed up by written records.

You **must** keep your original documents about implementing and financing the project until three years after the European Commission makes the final payment for the programme to the UK. The programme is due to end on 31 December 2008. So it is feasible that you will need to keep all documents until at least the end of 2014. You should keep all documents until your Government Office advises you that you may destroy them.

You may also want to include a clause which will protect you from the financial risks if the subcontractor does not keep to the rules.

Your responsibilities

You are responsible for making sure the EC Regulations and ESF Division guidelines are kept to, not the subcontractor.

Control

If you use a third party you may not be able to prove that they have kept to all the rules. For example, it is not enough just to accept invoices from a subcontractor. You must be able to satisfy yourselves that invoices relate to actual, eligible expenditure made by the subcontractor. You should be clear about the subcontractor's method of working out fees and expenditure.

Remember that most commercial subcontractors include items which are not eligible for ESF funding as part of their fees. It is in your own interests that subcontractors know what is eligible for funding, and what is not, before costs are run up.

If you subcontract minor parts of a project, such as using an external trainer, you may use a daily charge-out rate if this clearly provides value for money.

The best way to demonstrate value for money has been achieved is to enter a formal tendering process.

It is important to remember that you can only claim contract costs where you can demonstrate that the contract was awarded through an open and competitive tendering process. Organisations operating under co-financing rules, or operating certain Central

Government contracts are able to do so. If you have any doubts, contact your Government Office.

If you do use subcontractors, you will need to show the actual costs they have incurred in delivering the contract. Many commercial subcontractors are not willing to provide the level of detail required to support ESF claims.

Selecting subcontractors

It is your responsibility to make sure that you choose a suitable subcontractor. You are advised to carry out a risk assessment to determine:

- if the subcontractor can deliver the project (as described in the project specification);
- the subcontractor's resources (that is training resources, staffing levels and other relevant activities are adequate in all respects;
- how well the subcontractor's financial and management accounting systems are developed;
- the subcontractor's previous knowledge or experience of delivering ESF projects; and
- the financial strength of the subcontractor - you should make sure that the subcontractor knows that ESF does not make a profit and sometimes will not be able to pay immediately. If the subcontractor's financial statements show that the income earned by the subcontractor from the project will be a high proportion of the subcontractor's total income or liquid assets, then you should consider whether the subcontractor has enough financial strength for the project.

Agreements which are not eligible ESF does not allow the following:

- more than two levels of subcontracting unless you have been given specific approval;
- subcontracting operations which you cannot justify and which do not have any added value; and
- contracts with intermediaries or consultants who charge a fee which is a percentage of the ESF project cost.

Auditors may want to see the agreement made between you and the subcontractor as well as the subcontractor's method of working out the expenditure included in the annual reports or final reports when the project ends.

Interdepartmental trading and Intercompany trading

Interdepartmental trading

Interdepartmental trading is where one department or activity within an organisation passes on part or all of its costs for the services it provides to another department or activity, such as charging the ESF project for services provided by the Finance or IT department. The main problem with this lies with identifying the true **actual cost**. The expenditure is theoretical as no cash actually changes hands, although there are costs.

Interdepartmental trading or recharging is only eligible if the invoicing department or cost centre charge can be identified exactly with **actual expenditure**. If there is a difference between the cost centre charge and the actual charge it must be tiny and the expenditure must be reasonable.

Intercompany trading

You should be aware of the complications and potential problems you may make by subcontracting with groups and organisations using interdepartmental trading (or transfer pricing). Generally speaking, all transactions should be an actual cost.

Trading within groups

Similar principles that apply to interdepartmental trading also apply to intercompany trading. Increasingly groups will try to separate different types of work to distinct companies within the group. While there may be legitimate reasons for doing so, the practice has led to some organisations getting round or taking advantage of existing EC regulations.

You will be expected to show that any intercompany charges you include in the claim are genuine and fair. Ideally to show that the charges are fair, you should make sure that the costs compare well with similar transactions in the open market place.

Identifying a group can be very difficult as it is not always immediately apparent. For ESF purposes, the definition of a group is the one that is provided under the Companies Act 1989. A holding (parent) company can be identified as one that:

- holds or controls a majority of voting rights in a subsidiary company;
- is a member of the subsidiary company and has a right to appoint or remove a majority of its directors;
- has the right to direct the operating and financial policies of a subsidiary company by terms of memorandum or articles of association or by a control contract authorised by the memorandum and articles of the subsidiary company;
- plays a large part in running a subsidiary company and has a powerful influence over that company (that is, has the right to give directions on operating and financial policy). It may also jointly manage its own affairs and those of the subsidiary company; and
- is a parent company of a subsidiary company which under the above criteria is itself the parent of another subsidiary company.

Related party transactions

This is where:

- one party has direct or indirect control over the other party;
- the parties are all controlled by the same source; or
- one party has influence over financial and operating policies of the other party;
- or the parties are covered by other definitions provided under Financial Reporting Standard 8 (FRS 8), Related Party Disclosure.

Similar principles apply to transactions with related parties as to group transactions. The ESF charge must reflect **actual** cost and should compare well with similar open-market transactions

Verification and record keeping

You must make sure that you keep all information on your projects and claims. You must make this information available for the Department for Work and Pensions (DWP), Government Office (GO) auditors, the European Commission and the European Court of Auditors to inspect if they ask to.

For ESF beneficiaries, you must keep the following records:

- all beneficiaries personal details;
- project attendance details and support measures received;
- qualifications held at the start of the project;
- qualifications obtained; and
- pre- and post-project employment status, including type of employment (that is, within an SME or a large firm). The Guidance for Applicants gives a definition of an SME.

You must keep the following financial records:

- receipts and invoices;
- bank statements;
- working papers to show how you put together the interim claims and the PCR and how you apportioned costs;
- written evidence of match funding (both actual and in kind) and copies of the organisation's audited accounts, as required by UK legislation; and
- ESF audit certificates.

Keeping documents (Last updated October 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)

[Document showing all changes to this page \(Updated July 2006\)](#)

[Document showing all changes to this page \(Updated October 2006\)](#)

You must keep your original documents about implementing and financing the project until three years after the European Commission makes the final payment for the programme to the UK. The programme is due to end on 31 December 2008, and the earliest date for the Department for Work and Pensions to receive final payment from the European Commission is 2011. This means that you must retain documentation until at least 31 December 2014. You should keep all documents until your Government Office advises you that you may destroy them.

You can keep documents as either the original paper copies or as an electronic copy of the originals. If you are keeping copies of original documents electronically, they must meet with Commission Regulation (EC) 2355/2002. Documents must be:

- held on a recognised data carrier;
- certified as copies of the original; and
- able to be audited.

Commonly-accepted data carriers include:

- photocopies of original documents;
- microfiches of original documents; and
- electronic versions of original documents on optical data carriers (such as CD-Rom, hard disk or magnetic disk).

You should use the following declaration to certify that the copies you hold on the commonly-accepted data carrier are true copies of the original document.

I certify that this is a true copy of the original document/s.

Signed.....

Date.....

Position in organisation.....

You can include the certification on the electronic copy of the documents or keep it as a paper copy. If you certify the documents using a paper copy, it is extremely important that you store it with the electronic copy.

You can certify a single document or a group of documents as being copies of the original. For example, you can certify that all of the documents stored on a CD-ROM are true copies of original documents.

The signature must be original rather than electronic signature.

You must make sure that the electronic copies are reliable for audit purposes.

You must make sure that you can retrieve the electronic copy.

These are the minimum requirements. You can add to the certification declaration and take more steps to protect your documents if you want.

Experience of managing the 1994-1999 ESF programmes has shown it is very important to keep documents to support audit trails. If you do not keep documents about implementation and financing you may have to repay funds to the European Commission. You should keep copies of all documents required for ESF purposes, including original application, scoring, monitoring, paying and related documents as well as related internal documents such as committee minutes.

As a minimum you should retain the following documents

- The original ESF application form
- The letter of approval / contract
- Support certificates from public authorities
- Advance and interim claim forms
- External auditor's reports

- Project Closure Report forms
- General Statements of Expenditure
- Evidence to confirm in kind match funding
- Letters from DWP, GO and other responsible authorities
- Subcontract Arrangements

Project records

- Project timetable and programme, including modules
- Application and eligibility assessment forms
- List of beneficiaries on the project
- Project register and attendance records
- Project start and finish dates
- Ongoing and year-end monitoring
- Records of achievement
- Follow-up information

Individual beneficiary records

- Application form, including a signed declarations
- Terms and conditions of training, including individual project and training programmes
- Individual attendance records including start and end dates
- Suitability and assessment records
- Monitoring to show beneficiary's progress
- Work experience records if relevant
- Copies of certificates gained
- Course evaluation forms by beneficiary
- The beneficiary follow-up form.

Financial records

- Source documentation to support all items on the interim and project closure reports
- Working papers to show how you compiled the claim
- Staff costs including detailed salary records
- Beneficiary costs
- Other costs
- Match funding
- Invoices and receipts for payments
- Accounts and bank statements
- Organisation based and college based unit cost calculation (HEIs only); and
- Methodology for apportioning costs

You must also be able to show a clear audit trail for your project when required. Audit trails should enable inspections to confirm the following

- There is evidence to support the claim and you have incurred expenditure correctly
- Your financial management was and continues to be reliable
- You are meeting EC regulations and the requirements of your contract
- You can support entries on your interim claim and project closure report
- The project represented value for money

Data - protection requirements (Last updated April 2006)



[Document showing all changes to this page](#)

If you are storing data on a computer database, please make sure that any registration under the Data Protection Act allows for data to be disclosed to the DWP and to an independent research organisation. Please make it clear that the information to be disclosed is non-sensitive (that is names and addresses only). You can find out about the Act from the internet.

Beneficiaries for ESF purposes

A beneficiary is someone taking part in an ESF-funded project who is legally resident in Britain (or Gibraltar for those covered by applications submitted by the Government of Gibraltar) and satisfies the criteria appropriate to the Measure for the particular Objective. Employers, employees and companies may also be beneficiaries where the project is funded under a Measure aimed at helping companies.

Small and medium - sized enterprises (SMEs) (Last updated April 2006)



[Document showing all changes to this page](#)

Both in the UK and Europe research indicates that the need for ESF-type activities is greater in smaller organisations. So ESF will be targeted at SMEs. That is not to say that larger companies do not have a very positive role to play in helping the smaller ones. For further guidance on what type of activity is eligible, see under the individual measures.

For ESF purposes an SME is defined as an enterprise which has:

- fewer than 250 employees; and **either**
- an annual turnover of 50 million euros or less; **or**
- an annual balance-sheet total of 43 million euros or less.

Where it is necessary to distinguish between small and medium enterprises, the 'small enterprise' is defined as an enterprise which has:

- fewer than 50 employees; and **either**
- an annual turnover of 10 million euros or less; **or**
- an annual balance-sheet total of 10 million euros or less.

Where it is necessary to distinguish between small and micro enterprises, the 'micro enterprise' is defined as an enterprise which has:

- fewer than 10 employees; and **either**
- an annual turnover of 2 million euros or less; **or**
- an annual balance-sheet total of 2 million euros or less.

The European Commission's definition of micro, small and medium-sized enterprises was revised on 1 January 2005 in Commission Recommendation 2003/361/EC (6 May 2003), and are as described above. The new definition also sets out the types of enterprises, such as 'autonomous' (or independent) or 'partner', to be taken into consideration when calculating staff numbers and financial amounts.

Commission Recommendation 2003/361/EC can be found in the "Regulations" section of the "Library".

ESF and large companies

ESF funding can, among other things, be used for training employed people. Employed people benefiting from ESF funding will almost always be employees of SMEs. Large companies may exceptionally apply for funding if they are working in partnership with SMEs and the majority of beneficiaries are from SMEs. In special circumstances larger companies may receive ESF funding if, for instance, there is an immediate danger of large-scale redundancies which will impact upon SMEs within the local community.

ESF and Large Companies (Last updated April 2006 - New page)

ESF funding can, among other things, be used for training employed people. Employed people benefiting from ESF funding will almost always be employees of SMEs. Large companies may exceptionally apply for funding if they are working in partnership with SMEs and the majority of beneficiaries are from SMEs. In special circumstances larger companies may receive ESF funding if, for instance, there is an immediate danger of large-scale redundancies which will impact upon SMEs within the local community.

Unemployment (Last updated April 2006)



[Document showing all changes to this page](#)

Within certain measures, ESF can only be used to support either unemployed or long-term unemployed beneficiaries. If you apply under these measures, you must make sure that the beneficiaries meet these criteria and you should be able to show that they meet them.

For ESF purposes unemployment is a period where a person is not in paid employment (subject to certain exceptions). Registration with Jobcentre Plus is not needed as evidence of unemployment. However, it is your responsibility to make sure that you accurately record the length of time all the beneficiaries were unemployed before they started on an ESF project.

The following are considered as periods of unemployment. Time spent:

- on Jobseeker's Allowance;
- on Income Support;
- on Incapacity Benefit;
- on Invalid Care Allowance;
- in custody; or
- on a New Deal Option or Gateway (except the employment option).

The following conditions **do not affect** qualifying periods of unemployment for beneficiaries:

- periods of unpaid work;
- casual or temporary work of not more than four weeks;
- part-time work of less than 16 hours a week in total, provided that the skills needed for the work will not lead to greater involvement in the labour market;
- time spent on government -funded programmes under four weeks long such as New Deal or work-based learning where people are **not** considered part of the workforce; or
- time spent on an earlier ESF project where the current project will develop the previous one. Where you cannot clearly show this, the beneficiaries will need to serve the qualifying period again. Beneficiaries may only continue to work on the current project if you agree.

The following do **not count** as periods of unemployment:

- time spent on work-related government programmes such as New Deal where people are considered to form part of the workforce;
 - days for which Statutory Sick Pay or Statutory Maternity Pay have been claimed;
 - time spent in compulsory education; and
 - time spent on training or education courses that last longer than four weeks.
-

ESF for people in prison

We recognise the value that vocational and other training can have on people while they are in custody. But ESF is primarily aimed at people who are available to work in the job market.

The following eligibility criteria apply to people in custody: People sentenced to less than two years can access ESF at any point during their sentence.

People sentenced to more than two years can only access ESF during the last two years of their sentence.

Changes to approved projects

You will be given full details of how and when to notify changes to approved applications in the project contract. It is your responsibility to make sure that you fully comply with these conditions.

Funds from government programmes as match funding (Last updated April 2006)



[Document showing all changes to this page](#)

ESF can be used to enhance government programme contracts. However, there are some government programmes that have ESF allocated to them centrally. Also some

government funding schemes will include ESF. You can never use these programmes as match funding for ESF without approval from your Government Office, as they may already contain ESF.

Funding from other European Programmes such as ERDF cannot be used as match funding.

The following programmes will be co-funded using ESF allocated to them centrally so you cannot use them as match funding. You must be able to confirm the status of any government programme used as match funding with the appropriate Department. Again, fuller information will be available from the ESF websites as soon as they become known.

Connexions

Adult Learners Week

Student support

Opportunity bursaries cannot be used as match funding.

Other government programmes

Where other government programmes and initiatives are to be used as ESF match funding, further guidance is being produced on how projects should work and the requirements of the major programmes for annual reports and final reports. Once this becomes available it will be transmitted through Government Offices and on the ESF website.

Because of the wide range of programme funds that you could use as match funding, it is not possible to identify every possible source of funding or how you can use it to match fund. When you apply for ESF, you will be asked to demonstrate that your project fulfils the added-value criteria (see separate section). Generally you should make sure that:

- your project has outcomes which you can identify and measure separately from those paid for by the programme; and
- your project aims are consistent with programme aims.

For example you could:

- use Modern Apprenticeship (MA) funding to provide match funding for a project for people under 19 to access MA; or
- increase the numbers of people on MA who are over 19; but
- not use MA to fund a project aimed at long-term unemployed people over the age of 25.

Publicity (Last updated April 2006)



[Document showing all changes to this page](#)

All successful project promoters are required to acknowledge financial help from the ESF for their projects. You are responsible for making sure that enough publicity is given to all ESF - supported activity so that beneficiaries and the general public get to know about the ESF and what it does.

For example, project-related literature and materials produced for and used by beneficiaries must include an acknowledgement of ESF support. Any publicity material, for example, advertisements, press releases and information leaflets about ESF projects, must include their impact, must acknowledge ESF support and should display the ESF logo.

To help you meet the ESF requirements you can get the ESF logo in a variety of formats on the ESF Division and Government Office websites.

The European Commission have issued a regulation about publicity that confirms the requirements as above but also states that projects that receive over 3 million euros in aid must:

- erect a site billboard (technical data is available if you ask); and
- erect a permanent plaque.

Publicity plaques should be displayed at sites which can be seen by both beneficiaries and the general public. The [Publicity section](#) gives further information on how to get plaques at no cost to your organisation.

The European Commission have made it clear that if you do not comply with publicity requirements, you might suffer financial penalties.

It is strongly recommended that you write a formal publicity policy which clearly sets out the publicity requirements for your projects and makes sure that if third parties are involved in the delivery they also keep to the requirements.

If you are successful, you will be able to get fuller guidance and logos from the ESF website.

Wage subsidy (Last updated July 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)

[Document showing all changes to this page \(Updated July 2006\)](#)

Wage subsidies may support either temporary or permanent jobs, but must lead to improved chances of employment or stable employment (you cannot use ESF to support or act as a substitute for permanent jobs in the public sector).

From July 2006 the maximum ESF contribution towards such a subsidy is 45% or the appropriate intervention rate of an hourly rate of £6 multiplied by 40 hours. This rate will be used until the end of the current ESF programme.

For example, for an Objective 3 project where the intervention rate is 45% the calculation is:

The calculation is: £6.00 x 40 hours x
45
= £108.00
100

The maximum period for which a wage subsidy is payable is 52 weeks.

Work Experience (Last updated April 2006)



[Document showing all changes to this page](#)

- **must** include structured help to prepare beneficiaries to move into a stable job or take up vocational training opportunities;
- **must not** substitute for paid employment; and
- **must not** last longer than 12 months.

People from other countries including refugees and asylum seekers (Last updated February 2007)



[Document showing all changes to this page \(Updated April 2006\)](#)



[Document showing all changes to this page \(Updated February 2007\)](#)

To be eligible for support from the European Social Fund an individual must be:

- legally resident in Britain (or Gibraltar for those projects submitted by the Government of Gibraltar);
- able to take paid employment in a European Union member state; and
- satisfy the criteria appropriate for the Measure of the particular objective

Refugees and asylum seekers

Asylum seekers are people who want to stay in the United Kingdom. Refugees are people who have already been given permission to stay. Asylum seekers are not usually eligible for ESF support, but refugees are.

Until May 2003, if an application from an asylum seeker was not dealt with within six months, they were granted special status. This status enabled them to take paid employment while their application was being assessed and meant they could be supported by ESF.

Decisions on asylum applications are now being made more quickly, so from June 2003 there has been no need for asylum seekers to be granted special status. Those asylum seekers who already have permission to work are not affected as these arrangements are not retrospective (cannot be applied to past cases).

New asylum seekers cannot be ESF beneficiaries unless they were granted permission to work before this policy change. There are two exceptions to this:

- The Equal programme where orientation provision is available to asylum seekers. This helps asylum seekers to become familiar with the institutions and social structures of the United Kingdom and includes the provision of ESOL.
- Objective 1, 2, and 3 pre-vocational projects (excluding vocational guidance). Objective 1,2, and 3 allowable activities include:
 - initial English for speakers of other languages, other basic skills (literacy, numeracy and IT) where they are not part of provision that leads to employment;

- orientation provisions to raise awareness of the rights and responsibilities of asylum seekers and labour market needs;
- provision of information about further education and voluntary work they can take part in;
- general advice about life in Britain for those given leave to remain (information about law, culture, housing, welfare, health, educating and employment); and
- involvement in voluntary activity within the asylum community.

Eligibility for ESF programmes for those states that joined the EU on 1 May 2004.

Ten countries became EU members on 1 May 2004. Nationals from these accession countries are eligible to benefit from ESF programmes in England from 1 May 2004 if they are legally resident in the UK, and fulfil the normal ESF eligibility requirements for the Measure concerned.

From 1 May 2004, nationals from Cyprus and Malta have the same access to ESF programmes as nationals from the existing 15 EU Member States.

Nationals from the eight central and eastern European accession countries (Czech Republic; Estonia; Hungary; Latvia; Lithuania; Poland; Slovakia and Slovenia) are legally resident in the UK and so eligible for ESF if they are:

- in work and registered under the Home Office Worker's Registration Scheme; or
- seeking work and self-sufficient; or
- not required to register.

If a national from the eight central and eastern European countries is an employee benefiting from ESF, they must have a worker's registration certificate from the Worker's Registration Scheme or be able to prove that they are exempt from the requirement to register. For further information on the Worker's Registration Scheme contact:

Home Office Worker Registration Team
 Moorfoot,
 Sheffield
 S1 4PQ.
 Phone: 0114 259 6262.
 E-mail: wpcustomers@ind.homeoffice.gov.uk
 Website: <http://www.workingintheuk.gov.uk/>

This does not apply to nationals from Malta and Cyprus or nationals from the eight accession countries who are already working legally in the UK and have been in the labour market for twelve months or longer without a break on 1 May 2004.

Nationals from the eight central and eastern European accession countries who are not registered, but who are seeking work and who are self-sufficient also have the right to live in the UK and so are eligible for ESF. By self-sufficient, we mean that individuals are not a burden on public funds by receiving benefits. ESF cannot be used to provide Income Support to nationals from the eight central and eastern European accession countries who would not otherwise be self-sufficient.

Romanian and Bulgarian citizens

Romania and Bulgaria became EU members on 1 January 2007. Since then the UK labour market is gradually being opened to citizens of these two countries. Initially this

access will mainly be restricted to low-skilled workers to fill vacancies in the agriculture and food-processing sectors, and highly-skilled workers. Generally Romanian and Bulgarian citizens will not have the automatic right to work in the UK.

Bulgarian and Romanian citizens will need either an accession worker card or a Seasonal Agricultural Workers' Scheme work card to be legally employed in the United Kingdom.

Only the following groups are exempt from having to hold these work-authorisation documents.

- People who hold a work permit or who have leave to remain in the UK which gives them permission to work in the UK.
- Husbands and wives of British citizens or citizens of a European Economic Area (EEA) country.
- People who have completed 12 months' continuous legal employment in the UK on or after 31 December 2006.
- People who have leave to remain in the UK which does not restrict their employment.
- Highly-skilled people who hold a registration certificate confirming that they have unrestricted access to the labour market.
- Students who intend to work less than 20 hours a week and who hold a registration certificate confirming that they have permission to take restricted employment.

To be eligible for ESF support for employees, Bulgarian and Romanian citizens must hold:

- an accession workers card; or
- a Seasonal Agricultural Workers' Scheme work card; or
- proof that they are exempt from needing an accession worker card or a Seasonal Agricultural Workers Scheme work card.

Self-employed people who want to access ESF must be able to show that they are genuinely self-employed and that their business activities are registered with HM Revenue and Customs.

Like all ESF beneficiaries, Bulgarian and Romanian citizens must also meet:

- the general ESF eligibility conditions;
- the eligibility conditions for the relevant ESF Measure; and
- any regional conditions.

These arrangements do not apply to citizens of those member states that joined the European Union on 1 May 2004. For these citizens, the arrangements described in the ESF Applicant Guidance 'Eligibility for ESF programmes for states that joined the EU on 1 May 2004' applies

The Worker Registration Scheme does not apply to Bulgarian and Romanian nationals. It will however continue to apply to citizens of those countries that joined the European Union on 1 May 2004, except for citizens of Malta and Cyprus.

You can find more information on the Home Office website www.homeoffice.gov.uk.

Training for the public sector (Last updated October 2006)



[Document showing all changes to this page \(Updated October 2006\)](#)

ESF is not usually available for training individuals who have permanent jobs in the public sector, as the Commission believe that direct training of public employees should be supported by the Member State.

However there are some exceptions. These include:

- training people to allow them to enter the public sector;
- if the public sector contracts out work to private companies, the contracted company is not considered part of the public sector so training activity will be eligible;
- support for public sector workers who have either been given or are threatened with redundancy which requires them to carry out vocational training to fit them for a new post;
- lifelong learning for public sector workers employed in traditionally low skilled work who need career development in their current post;
- training Jobcentre Plus staff working on modernising or providing activity which is additional to normal Jobcentre Plus activity; and
- funding teachers for activity beyond the standard support available to help the teachers meet the needs of stated ESF client groups.

The following are considered to be part of the public sector:

- Central Government;
- local authorities;
- the armed forces;
- NHS Trusts; and
- grant-maintained schools.

We cannot cover every situation where training in the public sector is considered eligible activity. If you have any doubts about either the activity or what is considered to be part of the public sector, please contact the Government Office for further advice.

Statutory training

ESF can only support activity over and above that necessary to meet statutory requirements. There may be local exceptions to this; you should consult your Government Office before developing your application. You must show how the activity is additional to statutory requirements.

State aids (Last updated July 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)



[Document showing all changes to this page \(Updated July 2006\)](#)

This section applies to Objective 3 projects. For advice on state aid issues for Objectives 1 and 2 please contact your Government Office. The current arrangements for handling state aid issues in the ESF Objective 3 programme are through de minimis (not regarded as significant) aid (Commission regulation 69/2001). There are concerns however that the current arrangements are restrictive.

There is no precise definition to explain what a state aid is. However there is a very clear statement of principle that any form of aid to a commercial organisation - whether provided directly by the state or provided indirectly through 'state resources' - does not meet single market principles if it distorts, or threatens to distort competition within the community. Aid to individuals and most grants to public and not-for-profit organisations, such as voluntary, charitable and cultural bodies, are not affected by state aid rules unless they are involved in commercial activities or compete with commercial organisations. You can find further guidance on state aid in the DTI document European Community State Aids - Guidance for all Departments and Agencies (www.dti.gov.uk/Europe/stateaid).

For significant parts of the Objective 3 programme, the ESF and public match funding provided to projects does not constitute state aid. Where ESF activity is supporting individuals to improve their employability and help them move closer to the labour market, the aid is being provided to the individual and there are no direct benefits for enterprises. However, there are elements of the programme which provide support to individuals in employment and in these cases there may be state aid implications because their employers are receiving support towards the costs of training. There will be cases where aid provided is available to all enterprises, for example through New Deal and Modern Apprenticeships. In these circumstances the aid does not favour certain enterprises and so does not constitute a state aid.

De minimis

Currently state aid issues in ESF Objective 3 are dealt with largely through providing de minimis aid. This enables an enterprise to receive up to 100,000 euros in aid (any public resources including ESF) over a three-year rolling period. Providing this aid is given within the de minimis rules there is no requirement to notify it to the Commission. Where aid cannot be met within the de minimis criteria, it must comply with state aid rules either by meeting the conditions of the other block exemption regulations or through being notified to the Commission.

To make sure that the requirements of the de minimis regulation are met, scheme administrators must make sure that any award of ESF and other public match funding given under the terms of the de minimis block exemption does not go over the 100,000 euros ceiling (approximately £62,000 at current exchange rates) over a three-year rolling period. Member States are required to keep detailed records of any de minimis aid paid for Applicants who want to use the de minimis rules must put in place a monitoring system to make sure the limit is not exceeded. Typically, such a monitoring system will involve:

- asking enterprises receiving support under their scheme to identify all other sources of support (either in cash or in kind) that they have received in the last three years; and
- checking if previous de minimis aid is involved, to make sure that the combined assistance does not exceed 100,000 euros over any three year rolling period. The enterprise receiving support will need to calculate the cash equivalent of any aid in kind (the organisation which provided the aid may be able to help them in this). If the limit is exceeded, the aid may have to be reduced or refused to keep it within the 100,000 euros limit.

The DTI State Aid Branch advise writing the following to each recipient:

"The assistance for [...] constitutes State Aid as defined under Articles 87 and 88 of the Treaty of Rome and is being granted as 'de minimis' aid under Commission Regulation EC/69/2001. European Commission rules prohibit any undertaking from receiving more than 100,000 euros (approximately £60,000) 'de minimis' aid over a rolling three-year period. Any 'de minimis' aid granted over the 100,000 euro limit may be subject to repayment with interest. If you have received any 'de minimis' aid over the last three years (from any source) you should inform us immediately with details of the dates and amounts of aid received. Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on 'de minimis' aid for the next three years."

The de minimis exemption cannot be used in the following four areas:

- the transport sector;
- activities linked to the production, processing and marketing of agricultural goods;
- aid to export-related industries; and
- aid which depends on using domestic rather than imported goods.

Although de minimis rules are straightforward in principle, they are difficult to operate in practice because they are not project related. They rely on individual enterprises being able to identify how much aid they have received and under which schemes over a rolling three-year period. Money received from notified and approved schemes such as New Deal does not have to be included with de minimis aid. When enterprises have received the aid they are allowed under de minimis, they can receive no more through ESF. Because of these difficulties, the DTI State Aid Branch does not normally recommend the use of de minimis aid if other alternatives are available.

Training aid

Because of the issues raised above about de minimis aid, ESF Division has covered relevant parts of the Objective 3 programme in England and Gibraltar under the Training Aid block exemption regulation. This will not replace de minimis, but will provide an additional option within certain Policy Fields and Measures in Objective 3.

We believe that training aid provides a better option than de minimis for dealing with aid to enterprises in Objective 3. The Training Aid block exemption regulation covers all sectors and there is no need to monitor levels of de minimus aid provided to individual enterprises. However, dealing with aid through this regulation will result in a number of administrative issues for final beneficiaries and scheme administrators. This is because permitted aid levels vary depending on:

- the size of an enterprise;
- whether support is provided in assisted or non-assisted areas;
- whether the training supported is general or specific; and

- whether aid is provided to disadvantaged workers.

Individual notification by the Government Office to the EU will also be required where aid to one enterprise exceeds 1,000,000 euros.

Because the Commission has been notified, there will be no need to pre-notify the European Commission separately of any aid that complies with all the terms of the regulation.

The Objective 3 programme measures in England and Gibraltar that are eligible for training aid are those measures that can support employed people and so are likely to provide aid to enterprises. These following measures are eligible.

Policy Field 3, Measure 1

- This Measure promotes wider access to lifelong learning (especially for those groups least likely to take part in lifelong learning activities and lacking basic and key skills). It supports the key policy developments in lifelong learning to improve the numbers taking part.

Policy Field 3, Measure 2

- This Measure improves the employability of those in work by providing the opportunity for lifelong learning. It develops their skills and helps them meet the changing needs of employers, such as in the fields of IT, management and the environment.

Policy Field 4, Measure 1

- This Measure supports companies, especially SMEs, to update and upgrade their employees' vocational skills, including basic and key skills.

Policy Field 4, Measure 3

- This Measure encourages people to become entrepreneurs and businesses to compete with each other, particularly SMEs.

Policy Field 5, Measure 1

- This Measure improves access to learning and removes barriers to employment.

The training aid exemption applies to all sectors.

There are different levels of aid allowed under this exemption depending on three factors:

- the size of the enterprise;
- the location of the enterprise; and
- whether the training offered is general or specific.

For Objective 3 areas, permitted aid levels are as follows.

Large enterprises	Specific training	General training
Outside an assisted area	25%	50%
In an assisted area (Art 87(3)(c))	30%	55%
Small and medium-sized	Specific training	General training
Outside an assisted area	35%	70%
In an assisted area (Art 87(3)(c))	40%	75%

Where aid is provided to a 'disadvantaged worker' the level can be increased by 10%.

When working out the permitted levels of aid, you should remember that levels include both ESF and public match funding. And it is a requirement of ESF that:

- at least 10% of eligible expenditure must be public match funding; and
- total ESF awarded must be a minimum of 25% of the total public cost (ESF and public match funding).

The following examples illustrate how aid can be awarded under the regulations:

- Where it is proposed to provide training aid for general training to an SME outside an assisted area, the maximum ESF and public match funding would be 70%. The SMEs should provide the remaining 30% themselves as private match funding.
- Specific training for a large enterprise outside an assisted area would attract a maximum public intervention of 25%. This is made up of at least 10% public match funding and the remaining 15% from ESF. The remaining 75% would be provided by the large enterprise as private match funding.

Employment aid

As outlined in Action Note 32, ESF Division introduced the employment aid block exemption regulation to cover the Objective 3 programme in England and Gibraltar. This does not replace de minimis, but will provide an additional option for dealing with state aid issues in Objective 3, especially in programmes that support employment, for example wage subsidy schemes.

The employment aid block exemption regulation covers all sectors except coal and shipbuilding. It does not apply to aid for creating employment in the transport sector. Aid to export-related activity is also excluded. However, as with the training aid block exemption, dealing with aid through this regulation will result in a number of administrative issues for final beneficiaries and scheme administrators. This is because permitted aid levels vary depending on the size of an enterprise, whether support is provided in assisted or non-assisted areas, and where support is provided to disabled or disadvantaged workers.

As ESF Objective 3 in England and Gibraltar is an employment and training programme and most of the Policy Fields and Measures are able to offer employment support in some form, we intend to notify the whole programme and

not just certain Measures.

The employment aid block exemption covers two types of support - creating employment and recruiting disabled and disadvantaged workers.

Creating employment

The employment created must represent a net increase in the number of employees in the enterprise concerned. The employment created must be maintained for two years. The new workers employed as a result of the employment created must have never had a job or have lost or be losing their previous job.

For the purposes of this exemption, creation of employment does not include aid:

- to retain workers who would otherwise have been laid off;
- to convert temporary or fixed-term contracts into permanent jobs; and
- for job sharing, working parents and similar employment measures.

Levels of how much aid is allowed under this exemption for creating employment depend on two factors - size of the enterprise and location of the enterprise.

For Objective 3 areas, permitted gross aid intensity levels are as follows.

Outside assisted areas:

- 15% for small enterprises;
- 7.5% for medium-sized enterprises.

Inside assisted areas:

- 10% above the permitted aid ceiling in article 87(3)(c) areas provided the level of net aid does not exceed 30%.

Note:

- Under this regulation no single enterprise may receive more than 15m euros in aid over a three-year period.
- Article 87(3)(c) areas are not co-terminous (do not share a boundary) with Objective 2 areas in England.
- Large companies are not eligible for aid to create employment aid. The distinction between small and medium sized enterprises is:
 - Medium sized enterprises:
 - have fewer than 249 employees; and
 - have an annual turnover of not more than 50m euros; or
 - an annual balance-sheet total not exceeding 43m euros.
 - Small enterprises:
 - have fewer than 50 employees; and
 - have an annual turnover not exceeding 10m euros or an annual balance-sheet total not exceeding 10m euros.

(The full definition of an SME is given in Annex 1 to Commission Regulation (EC) No 361/2003 (SME block exemption regulation).)

We think it is unlikely that Objective 3 ESF will provide significant support for creating employment directly. There may be occasions where, for example, ESF wage subsidies are used to support recruiting workers into job-creating sectors. In such circumstances you must keep to the above rules, which will be complex to administer.

Recruiting disabled and disadvantaged workers

Objective 3 is far more likely to support recruiting disabled and disadvantaged workers. This will impact on ESF projects that are providing, for example, wage subsidy schemes, projects delivered by specialist training providers, job trials and supported job placements.

The employment aid block exemption allows for the following levels of support:

- up to 50% of wage costs over one year for **disadvantaged workers**; and
- up to 60% of wage costs over one year for **disabled workers**.

A full definition of a disadvantaged worker is given in article 2 of regulation 2204/2002 paragraph (f). The regulation enables a wide range of disadvantaged workers to be supported who have difficulty entering the labour market without assistance. These categories are:

- people under 25 or within two years of leaving full-time education who have not had any regular paid employment;
- migrant workers;
- any member of an ethnic minority who needs to develop their linguistic skills, vocational training or work-experience profile to improve their prospects of gaining access to permanent employment;
- returners to work who have been absent from work or education for at least two years;
- lone parents;
- unemployed people without educational qualifications or those about to lose their jobs;
- any person over 50 who does not have or is losing a job;
- long-term unemployed people;
- people with addiction problems;
- ex-offenders; and
- women from areas of high unemployment where women are more likely to be unemployed than men.

A disabled worker is defined in article 2 of regulation 2204/2002 paragraph (g) as a person:

- recognised as disabled under national law; or
- having a recognised, serious, physical, mental or psychological impairment.

You can claim additional costs of employing disabled workers including:

- costs of staff time spent solely on assisting disabled workers; and
- costs of adapting or acquiring equipment for their use.

Additionally, in sheltered employment the administration and transport costs which result in the employment of disabled workers can be supported.

Note: These additional support costs for employing disabled people are allowed under this exemption but must be within the ESF eligibility rules.

As an example, a company recruits a disadvantaged worker under a wage subsidy programme with an annual salary of £12,000 (full employment costs).

For an Objective 3 project a maximum of £108 a week can be paid (45% of £6.00 hourly wage) as a wage subsidy for a maximum of 52 weeks. This equals £5,616 a year. Under the employment aid block exemption for recruiting disadvantaged workers the maximum aid (including ESF) that could be provided is 50% of wage costs for up to one year, that is £6,000 (of which a maximum of £5,616 could be ESF).

The permitted levels of aid take account of both ESF and public match funding. In addition it is a requirement of ESF that at least 10% of eligible expenditure must be public match funding and that total ESF awarded must be at least 25% of the total public cost (ESF and public match funding). Please note that the wage subsidy rate took effect in October 2003.

Reporting and monitoring

ESF Division has to report annually to the European Commission on the amount of aid granted under both the employment aid block exemption and the training aid block exemption, which was introduced in October 2002 through Action Note 17.

You, the law and ESF (Last updated October 2006)



[Document showing all changes to this page \(April 2006\)](#)

[Document showing all changes to this page \(Updated October 2006\)](#)

You are responsible for making sure that your project does not break the law. We recommend that you read the following acts before sending your application. These are:

- The Race Relations Act 1976 (www.homeoffice.gov.uk)
- The Sex Discrimination Act 1975 - Single Sex training (www.hmso.gov.uk)
- The Disability Discrimination Act 1995 (www.hmso.gov.uk)
- The Data Protection Act (www.dataprotection.gov.uk)
- Employment Equality (sexual orientation) Regulation 2003 (www.dti.gov.uk/er/equality/eeregs)
- Employment Equality (religion and belief) Regulation 2003 (www.dti.gov.uk/er/equality/eeregs)
- Employment Equality (Age) Regulation 2006 (www.dti.gov.uk/emplyment/discrimination/agediscrimination)

If you are in any doubt that your project is legal, contact your legal adviser.

Getting rid of discrimination

Removing discrimination:

- gives everyone an equal opportunity to work and develop their skills;
- provides a diverse workforce made up of people of all abilities and from all age groups, ethnic and religious backgrounds;
- contributes to high levels of employment; and
- allows people to access all available services.

The Employment Equality (Age) Regulation 2006

As a general principle the Employment Equality Age regulation means that you will not be allowed to set age limits or age-related conditions for vocational training, guidance and employment-support schemes.

However, the regulation does recognise that certain age restrictions could be justified if they are a way of achieving a legitimate aim. You would have to support such restrictions with relevant evidence.

You may find that you want to target certain age groups to meet a specific ESF aim. For example, a project funded under Objective 3 Measure 2.2 may be specifically aimed at improving the chances of young people entering the labour market. Although you may be justified in refusing an older person a place on that project, if challenged, you would have to be able to provide clear evidence of how disadvantaged the young people are.

Using consultants

Some applicants choose to use consultants to apply for ESF funding. If you do this, as the applicant it is your responsibility to make sure that the information entered on any ESF form is accurate. It is also your responsibility to deliver the project in line with the information stated on the applicant form. If you decide to use a consultant, you are advised to choose carefully when deciding who to contract the work to. You may want to consider a formal tendering exercise and to draw up a legal contract if the costs are likely to be substantial.

You can only claim consultancy fees for evaluating the effectiveness of the project. You cannot claim consultancy fees for activities such as filling in applications or other ESF forms, management fees or commissions.

The role of the European Social Fund (ESF) Division and Government Offices

The ESF Division within the Department for Work and Pensions (DWP) is responsible for ESF in the United Kingdom and for the Objective 3 programme in England and Gibraltar. This mainly involves:

- making sure that the ESF supports the UK Employment Action Plan which includes government strategies and initiatives to tackle unemployment and promote people's work skills;
- supplying the European Commission (EC) with reports and statistical information in line with the ESF regulations;
- working with Government Offices to carry out checks to make sure that claims are genuine, the expenditure is eligible for ESF and the programmes are in line with EC and national regulations;
- making sure sound financial management systems are in place; and
- making sure that programmes are evaluated in line with ESF regulations.

The Government Offices

The Government Offices are responsible for managing and authorising payments for the fund in England. This involves:

- preparing Regional Development Plans (RDPs are based on Regional Development Agencies' regional strategies);
 - writing regional guidance;
 - handling requests for applications;
 - receiving and processing applications;
 - selecting projects;
 - handling appeals; and
 - processing claims.
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National projects (Last updated April 2006)



[Document showing all changes to this page](#)

There will be no more national project bidding rounds within this programme.

Payment arrangements (Last updated July 2006)



[Document showing all changes to this page \(Updated April 2006\)](#)



[Document showing all changes to this page \(Updated July 2006\)](#)

Summary

When your project starts, you should claim an advance payment. This will be 30% of the first 12 months' ESF costs. After that, you should make regular claims for money, which you have actually spent. The Government Office will retain 20% of the ESF costs for the last 12 months of the project until you have sent them all the information they need to check the final project costs.

Advance payment

You will be entitled to claim an advance payment once you have:

- signed and returned the contract;
- let the Government Office have your project profile and advance claim form;
- sent the Government Office a Match Funding Certificate ; and
- your project has actually started.

You should fill in the project profile and advance payment form and send it to the Government Office. Providing you have filled it in correctly and you have sent in all the information above, and your project has actually started, you will receive the advance payment. This will be 30% of the first 12 months' ESF costs.

The Government Office will work out the first 12 months' ESF costs by applying the rate of ESF support for the project (the intervention rate) to the expected project costs for the first 12 months. You will receive 30% of this amount.

You must send your profile and advance payment form to the Government Office within

20 working days of the deadline stated in your contract. If the Government Office does not receive it within another five working days from this date, they reserve the right to withdraw your project. Your profiled expenditure and activity should be the same as in the approved application.

Example of a completed project profile and advance payment form

(Sample figures have been used - you must not copy these on to your own form.)

Profile dates	Dec 2005	Mar 2006	Jun 2006	Sep 2006	
Expenditure profiles (cumulative)	-	-	-	-	
Staff costs (cumulative)	32,350	80,880	129,400	161,762	
Beneficiary costs (cumulative)	28,500	71,250	114,000	142,500	Each cumulative entry must be equal to or greater than the previous entry.
Other costs (cumulative)	8,500	17,000	25,500	34,000	
Total costs - gross (cumulative)	69,350	169,130	268,900	338,262	
Revenue (cumulative)	-	-	-	-	
Total costs - net (cumulative)	69,350	169,130	268,900	338,262	
Activity Profiles					
Number of starters (cumulative)	90	190	320	400	Completers + beneficiaries + early leavers, must add up to starters, for all entries. A beneficiary is someone still on the project. The final entry for beneficiaries will
Number of completers (cumulative)	0	20	150	350	
Number of beneficiaries	90	170	170	0	

Number of early leavers (cumulative)	0	0	0	50	beneficiaries will always be zero. (There will be no-one left on the project.)
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The information on this form should be the same as your application.

Example of advance payment calculation

If:

- your total project cost over 2 years was £444,444; and
- the ESF approved amount was £200,000; we would work out your advance payment with the following calculation:
 1. ESF approval amount £200,000 divided by the total project costs £444,444 multiplied by 100 = 45%.
 2. If the first 12 months' expenditure (taken from profiles (estimates) was £222,222 we would work out the ESF costs for the first 12 months by multiplying £222,222 by 45% = £100,000.
 3. Your project's advance payment is £100,000 x 30% = £30,000.

The advance is intended to be used as a 'float', and counts towards the maximum amount you are entitled to before you complete your project closure report.

Interim claims

The interim claims will take the form of project progress reports. As part of this report, you must tell the Government Office how much you have actually spent, in total, on the project to date and give details of the project activity. You have a legal obligation to provide accurate output and expenditure information. Supplying incorrect information will cause you additional administrative work and considerably delay any future payments to you.

You may submit your project progress and advance payment form at monthly, three-monthly or six-monthly intervals. However, the timing of your claims should match the intervals at which you identified your costs on the project profile and advance claim form. For example, if you identified your costs at three-monthly intervals, then you should submit interim claims at the end of each three months. You must send the form to your Government Office on time even if you are not making an interim claim or if no payment is due.

The Government Office will work out the interim payment by applying the project intervention rate to the amount you have spent to date. From this they will deduct any interim payments you have already received and retain the 20% payment which is payable at the end of the project. The balance will be the amount you are due.

The project progress and interim claim form is available as either a paper copy or an Excel version. You are strongly recommended to complete the Excel version. This is

because it contains validation and will not allow you to make entries that do not add up. This will reduce the likelihood of errors occurring and the need for the form to be returned for revision.

Interim claims and the Expenditure and Revenue Work Sheet

You must complete and return an Expenditure and Revenue Work Sheet (ERWS) with all interim claim forms.

Examples of interim payment calculations

First Claim

Project started 1 January
Profile at 31 March
£ 55,555

Total spend at 31 March
£ 50,000
Revenue
nil
Payment due is:

The total spend (£50,000) x the intervention rate (45%) = £22,500

Second claim

Estimate at 30 June
£111,110

Total spend by 30 June
£111,110

The payment due is:

£111,110 x 45%
£ 50,000
Less payments already made
£ 22,500
Balance now due
£ 27,500

The Government Office will keep 20% of your last 12 months' ESF costs until they have received and checked your project closure report. For a two-year project, this means that the maximum you will receive up to that point will be 100% of the first years' ESF costs and 80% of the second years' ESF costs. These amounts include the advance payment.

Example of the most that can be paid before your project closure report has been approved

Total project costs for months 1 to 12
£222,222

Total project costs for months 13 to 24
£222,222

Total costs for 2 years
£444,444

ESF amount (£444,444 x 45%)
£200,000

The most ESF which can be paid is:

For year 1: £222,222 x 45% = £100,000

For year 2: £222,222 x 45% x 80% = £ 80,000
£180,000
(including the advance payment)

The Government Office will not be able to make interim payments unless you have satisfied the conditions relating to Match Funding Certificates and General Statements of Expenditure. These conditions are explained later in this text.

Final payments

The Government Office/ESFD will only make the final payment due on your project when they have received and checked your Project Closure Report and General Statement of Expenditure.

The final payment will be the total ESF you claimed for the project less payments you have already received (including the advance payment). The total ESF you claim for the project will be worked out by multiplying your total eligible project costs by the intervention rate. The total ESF you claim can never be more than the approval amount net of revenue for your project. Neither can it be more than the total eligible net expenditure, excluding contributions in kind.

You must send this report to the Government Office within 60 days of the finish of the project. If they have not heard from you within this time, we reserve the right to withdraw your project and ask you to pay back any funding that you may have already received.

You should make sure that you maintain records of the project as set out in your application form. This will include information on all the beneficiaries who have been helped by your project and who completed or left before the end of the project. It should reflect the beneficiary analysis and outcomes shown in the application form.

You will also need to show in your project closure report how your project was delivered and what outcomes were achieved.

If the information you give us is incomplete or inaccurate, it may delay any payments due **to you**.

We shall also ask you to provide a detailed breakdown of actual expenditure incurred, which can be supported by documentation. You should use only actual information to calculate project closure entries. **You cannot use notional or estimated information for calculating ESF expenditure.**

The Government Office will not accept any items of expenditure in your project closure report which you did not include in your application, unless you notified a change and agreed it with the Government Office three months before the end of the project.

Example of final payment calculation

Total eligible project costs (from project closure report)	
£422,222	
Revenue	
nil	
Total ESF costs for 2 years (422,222 x 45%)	
£190,000	
	Less: advance payment made £ 30,000
	interim payments made
	<u>£150,000</u>
<u>£180,000</u>	
Final payment due	
£ 10,000	

Declaring unused ESF promptly

It is everyone's interest to make the best possible use of ESF funding. The current ESF programme is coming to an end, this means that there is a very limited time to fund new projects. If you have been allocated ESF that you no longer need it is important that you tell your Government Office immediately. If you delay, there is a danger that monies will have to be returned to the Commission rather than being used to fund new projects.

Refunds

If you receive more money than you are entitled to, the Government Office will ask you to refund the overpayment. You must do this within 30 days of the request. The Government Office will suspend all further payments to your organisation until the money is refunded.

If you do not refund the money within 30 days, the Government Office will take the overpayment from any other payments due to you.

It is very important that you make any repayments quickly as the money will be needed to pay other organisations. If you fail to repay the money, you may be referred to a debt recovery agency.

Underspends and re-profiling

You must write to your Government Office as early as possible about any changes to the project or profiles (including changes of more than 15% in outputs or costs and alteration to its proposed use, project financing or ownership). You must respond to any requests for information about the progress of the project within a reasonable period. The Secretary of State, the European Commission and the European Court of Auditors or

their representatives have the right to inspect the project and to ask for further information at any time. You must provide them with copies of any documents or items they require.

You must notify your Government Office about all changes no later than three months before the project ends. If you do not notify any changes promptly it may affect your ability to secure funding for applications in future years. Once approved, the total ESF amount sought for an application cannot be increased.

You must inform your Government Office as soon **as you identify any money allocated to a project that you will not be using**. This will result in a revised contract being issued which will allow funds to be re-allocated for other applicants to use and cut down the total amount underspent at Programme level. As the 2000-2006 Programmes are coming to an end it is especially important that you declare any under spend of funds as quickly as possible. This is because there is a very limited time in which to reallocate funds. If you fail to do this, funds will have to be returned to the Commission. It also may mean that your future applications may be penalised.

Withdrawn projects

You must write to your Government Office as early as possible if you intend to withdraw from an approved project. This will allow funds to be re-allocated for other applicants to use and cut down the total underspend at Programme level. This is especially important as the 2000-2006 Programmes are coming to an end and there is a limited amount of time to re-allocate funds. If you do not notify the Government Office that you are withdrawing your project, your future applications may be penalised.

You should refund all of the money received including the advance payment.

Match Funding Certificates and payments

The Government Office will not be able to make any payment until you have sent them a Public Match Funding Certificate. You should send Match Funding Certificates to cover all of the public and for those projects starting on or after 13 June 2006 all of the private match funding being provided to the project. If you are able to supply a Match Funding Certificate for only part of the match funding, please contact your Government Office for further advice.

General Statements of Expenditure (GSEs) and payments

If your project lasts for a year or less, the general statement of expenditure (GSE) should cover the entire project and you should send it to the Government Office with your project closure report. For those projects starting on or after 13 June 2006 every match funder must complete a GSE. Private match funders must complete the GSE for private match funders and public match funders must complete the GSE for public match funders.

If your project started before 13 June 2006 you only need provide a GSEs showing all of your public match funding.

If your project lasts for longer than a year, then a GSE will be required at 12-monthly intervals. The first GSE may cover any period from 1 month to 12 months of your project. The next should cover the following 12 months. If, by the 15th month of a project, the Government Office has not received the first GSE, they will suspend all payments to the project. You will have three months from the last date covered by each GSE to submit it to the Government Office before they suspend payments.

Audit certificates and payments (Last updated April 2006)



[Document showing all changes to this page](#)

Audit certification

Since 21 November 2005 there has been no need to provide external audit certificates.

External audit certificates have been replaced by a more rigorous framework of project monitoring visits by Government Office staff. This is to make sure that the projects are being delivered as required by Departmental and EU regulations.

Those applicants who are already running approved projects will receive a 'Variation to Contract' letter which explains the new audit requirements.

Appendix A - Deleted (Last updated April 2006)

- [Rules regs - Appendix A.doc \(showing all changes\).](#)
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Appendix B - Deleted (Last updated April 2006)

- [Rules regs - Appendix B.doc \(showing all changes\).](#)
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Appendix C - Deleted (Last updated April 2006)

- [Rules regs - Appendix C.doc \(showing all changes\).](#)
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Appendix D - Deleted (Last updated April 2006)

- [Rules regs - Appendix D.doc \(showing all changes\).](#)
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