

## 'CO-FINANCING GUIDE (Last Updated February 2007) - Guidance for applicants - Part 2'

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## Co-financing consolidated guidance

### Purpose

1.1 The purpose of this guidance is to:

- provide an overview of how co-financing of the European Social Fund operates;
- give detailed guidance to Co-financing Organisations, Government Offices and Regional Partners on the day-to-day operation and oversight of co-financing;
- give providers an overview of the tendering arrangements for ESF and co-financed funding.

### Background

1.2 Co-financing means bringing together both ESF funds and the required match funding in a single pot for providers to access as a single funding stream. Organisations that do this are called Co-financing Organisations (CFOs). It applies only in England.

**1.3** The origins of co-financing stem from the White Paper Learning to Succeed (June 1999) and two technical funding consultation papers published in early and mid 2000. The idea of combining ESF funding with the required domestic match funding was then presented in a consultation document The European Social Fund: Co-financing in England (October 2000). The many points raised during the consultation, both in formal written responses and at the regional consultation events, have been taken into account in this detailed operational guidance for co-financing.

**1.4** Ministers agreed that co-financing should be introduced in England on a gradual and managed basis. It started in September 2001 for those organisations that wanted and were able to do so. From 2003, the great majority of ESF funds in Objective 3 areas will be channelled through CFOs. For Objective 3 this means that 70% to 100% of the regional budget from 2003 onwards will be co-financed. If all potential CFOs come forward in a region, it is possible for the whole budget to be co-financed.

**1.5** There will still be a limited amount of ESF funding covered by the earlier arrangements for bidding direct to the Government Office. This is referred to as 'direct bidding' in this guidance. This will be limited to situations:

- where no CFO has priorities in the Regional Development Plan (RDP) or Single Programming Document (SPD); or
- where the CFO does not have sufficient match funding to cover all the priorities within its remit as specified in the application for CFO status. In these cases the CFO must identify which priorities it cannot cover.

**1.6** Decisions about adopting co-financing in Objective 1 and 2 Programmes are made by Programme Monitoring Committees. They must have a solid reasons for not co-financing ESF.

**1.7** The main reasons for introducing co-financing are as follows:

- Greater coherence - Co-financing Plans will provide a better match between the needs described in the Regional Development Plan (RDP) and activities and provision to support the RDP.
- ESF adds more value to the delivery of government programmes - this strengthens the link required in EU regulations between ESF, the European Employment Strategy and the priorities set out in the UK Employment Action Plan.
- Reduced bureaucracy for providers - it should become easier for providers, especially small organisations in the voluntary and community sectors, to access ESF, and administration should be simplified.
- Innovation and creativity - with the CFO able to take the risks, it should be possible to give more ready support to new and creative providers.
- Better monitoring - CFOs will be able to monitor the performance and quality of provision on a regular and systematic basis. The focus will move from the bidding process to what is achieved and Government Offices will be able to closely monitor CFO performance.
- More emphasis on quality - the Adult Learning Inspectorate (ALI) or OFSTED (or both) will use the Common Inspection Framework to inspect CFOs.

## **An overview of how co-financing operates**

**1.8** As noted above, co-financing has been introduced on a gradual basis. To become a CFO, an organisation must:

- have a remit for activities that are eligible for ESF funding;

- be a public body (that is, it receives its funding direct from central government);
- be an intermediary body (a CFO cannot deliver any co-financed provision itself); and
- already have sufficient cash match funding to cover the activities in its Co-financing Plan, and be likely to have sufficient match funding until the end of the programme period.

**1.9** The Learning and Skills Council and Jobcentre Plus are already CFOs. They cover the whole of England, through 47 local LSCs and nine Jobcentre Plus Regional Offices. In addition, some of the following types of organisation act as CFOs.

- Local authorities;
- Regional Development Agencies;
- Business Link operators;
- Connexions Partnerships.

**1.10** Bidding for ESF funds as a CFO is in two stages:

- The first stage involves presenting an application to your Government Office to be approved as a CFO and, if this is approved, to be able to bid for ESF at the Measure-level as a CFO. The application covers the following broad areas:
  - the Measures or activities that the organisation has a remit for;
  - the organisation's ability to act as a CFO;
  - a description of how managing ESF will become more effective and efficient and reduce bureaucracy for providers; and
  - how the organisation will work with local partners to develop bids for ESF funding.
- The second stage involves submitting a Co-financing Plan, which covers the following:
  - details of consultation with partners;
  - a description by Measure and activity, with numbers of beneficiaries and expected results;
  - a demonstration of need and how the RDP will benefit;
  - what added value ESF will bring and how it will be measured;
  - how providers will be selected and funded;
  - how horizontal issues (important issues that must be built into all aspects of the Plan), particularly equality of opportunity, will be embedded within the Plan;
  - the source and amount of match funding available;
  - how the Co-financing Plan will be put in place and managed, with emphasis on monitoring and quality.

**1.11** Before presenting its Co-financing Plan, the CFO will have had discussions with the Government Office about the potential funding available and in which Measures. This will be compared to the CFO's remit, as stated in its application for CFO status.

**1.12** After the Co-financing Plan has been considered, there can be negotiation about what the Plan should deliver to the RDP. The recommendation to the Regional Committee will be to:

- accept the Co-financing Plan as it stands; or
- increase the amount of ESF funding, with supporting reasons; or
- decrease the amount of ESF funding, with supporting reasons.

**1.13** After submitting the Co-financing Plan, CFOs can start tendering for the activity in the Plan. When tendering has been completed, the CFO submits formal Measure-level bids to their Government Office using the Interactive Application Form. These may differ from the volumes and funding in the Cofinancing Plan, since these final figures will depend on what has been contracted for with providers. With the agreement of the Government Office, Measure-level bids can be submitted before tendering has finished if that meets the CFO's needs better.

**1.14** A Co-financing Plan would only be recommended for rejection in exceptional circumstances, for example if it took no account of previous discussions with the Government Office or there was a clear intention to ignore the requirement to have open and competitive tendering.

**1.15** Government Office staff will have regular monitoring reviews with each CFO, and the annual review will confirm that the organisation can continue to act as a CFO. This confirmation might be conditional on the CFO carrying out remedial work in areas that have shortcomings. In extreme circumstances, a recommendation can be made to the Regional Committee to remove CFO status.

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## **Roles and responsibilities (Last updated October 2006)**



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

### **2.1 The roles and responsibilities for co-financing apply as follows.**

#### **2.2 ESF Division is responsible for:**

- developing the co-financing policy;
- clearing issues with the European Commission;
- producing guidance;
- monitoring the overall effectiveness of co-financing; and
- working with partners to make sure that particular client groups are not put at a disadvantage by introducing co-financing.

#### **2.3 Regional Committees are responsible for:**

- applications for CFO status and annual confirmation of CFO status;
- 'mapping' CFO and non-CFO priorities, and allocating budgets between CFO and non-CFO delivery (for priorities where no CFO has a remit);
- setting the criteria and methods used in appraising Co-financing Plans;
- monitoring what ESF is planned to achieve in the Region, and the match between the RDP and Co-financing plans; and
- CFO performance, with emphasis on delivering the objectives in the RDP;

#### **2.4 Government Offices are responsible for:**

- day-to-day relationships with CFOs;
- managing applications for CFO status, including confirming that CFOs meet the criteria;
- discussions with CFOs before they submit Co-financing Plans;
- appraising Co-financing Plans;
- putting recommendations about CFO status and Co-financing Plans to the Regional Committee;

- monitoring CFO performance; and
- clearing CFO claims and making payments.

## **2.5 Co-financing Organisations are responsible for:**

- preparing applications for CFO status and meeting the conditions required by the application;
- developing the Co-financing Plan with partners;
- appraising and selecting tenders from providers for co-financed funding in support of the Co-financing Plan, and contracting with providers;
- making co-financed payments to providers and monitoring their performance and quality of provision;
- submitting claims and collated management information returns to Government Offices;
- auditing providers;
- producing supporting evidence for audit of ESF (see Annex 5.4); and
- evaluating Co-financing Plans.

## **2.6 Providers (contractors) are responsible for:**

- delivering provision in line with the contract with the CFO;
- meeting ESF publicity requirements as set out in the contract with the CFO;
- identifying which individuals are eligible for ESF support;
- submitting claims and management information returns to the CFO; and
- maintaining records kept in line with CFO requirements.

## **2.7 Regional Development Agency**

- Membership of Regional Committee.
- Providing input to Regional Development Plan and key strategic documents.
- Making sure that Co-financing Plans are consistent with RDPs and other regional economic strategy.

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## **Applying for CFO status**

**3.1** No more applications for CFO status will be considered unless there are changes to existing institutions. This section will be re-instated if there is a need.

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## **Co-financing Plans (Last updated October 2006)**



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

## **Introduction**

**4.1** This section provides guidance on putting together a package of Measurelevel projects for ESF funding. It also gives guidance on the criteria to be used when appraising Co-financing Plans.

**4.2** To make sure the European Union rules on public procurement are met, a Competitive Contract Notice has been placed in the Official Journal of the European Communities (OJEC). See Annex 4.1 for a copy of the Notice. CFOs and Government

Offices do not need to take any more action about OJEC Notices.

**4.3** Before completing the Co-financing Plan, CFOs must have discussed the following with the Government Office European Secretariat:

- the timetable for submitting the Plan;
- the Measures that the Plan will cover;
- the amount of ESF funding that is likely to be available for each Measure;
- the period of ESF funding;
- the delivery timescale;
- the type and number of outputs from the Regional Development Plan (RDP) that are likely to be required against the available funding; and
- CFO administration costs.

**4.4** CFOs should also read the following documents before completing the plan:

- the Regional Development Plan (Objective 3);
- Objective 1 delivery plans (Objective 1);
- the Regional Economic Strategy;
- the Framework for Regional Employment and Skills Action and other Plans produced by the Regional Development Agency (RDA).

## **The Co-financing Plan**

**4.5** The purpose of the Co-financing Plan is to show what contribution the CFO will make towards delivering the priorities for ESF and associated targets in the Regional Development Plan.

**4.6** The function of the Co-financing Plan is to pull together all the information about Measure-level projects so that the Co-financing Plan can be understood and considered as a single entity. The Government Office will also use it as the basis for monitoring your performance.

**4.7** CFOs will decide with the Government Office how often the plan will be updated and so it should be seen as a 'rolling' plan.

**4.8** After the first Co-financing Plan has been agreed, CFOs should not repeat material in further and updated plans that has already been agreed and will not change. These sections are indicated in the detailed description of the Plan.

**4.9** As noted above, CFOs can only develop the Co-financing Plan following a series of discussions with the Government Office. So, the plan should be seen as the formal bid for ESF funding resulting from those discussions and negotiations.

**4.10** A revised Interactive Application Form for CFO applications has been introduced. The revised form avoids duplication as it no longer requires CFOs to provide information at applications stage that is already included in the CFO plans.

**4.11** As the final amount of funding and associated outcomes and beneficiary details will not be finalised until the CFO has completed the appraisal of provider tenders, there is no requirement to submit the Interactive Application Forms for each Measure-level project at the same time as the Co-financing Plan. The Offer Letters to the CFO for each Measure-level project will not be prepared until after the Interactive Application Forms have been received.

**4.12** The Co-financing Plan should be used as the basis of the prospectus for providers to submit tenders to the CFO for ESF funding.

**4.13** Annex 4.2 gives two outline format options for the Co-financing Plan, one of which must be followed. The Government Office can specify which option to follow.

**4.14** The length of the plan will vary depending on how complex the activities are that make up the plan.

**4.15** The numbers in the Co-financing Plan must cover **all** beneficiaries, **funded through both ESF and match funding**, to demonstrate what each Measurelevel Project is intended to deliver.

<b>Plan contents</b>	
<b>Plan overview</b>	<p>The overview of the plan should summarise:</p> <ul style="list-style-type: none"> <li>• the geographic coverage;</li> <li>• the objectives of the plan;</li> <li>• what activities under which Measures will be delivered;</li> <li>• the period that the plan covers; and</li> <li>• the total amount of ESF funding applied for by Measure.</li> </ul>
<b>Consultation</b>	<p>The Co-financing Plan must have been developed in consultation with partner organisations and individuals. The Co-financing Plan should name the other organisations and individuals that have been consulted (if there are large numbers they can be described by number and type of organisation) and how this consultation was done. Other CFOs must have been consulted.</p> <p>Other consultation will depend on the nature and scale of the activities against each Measure, but CFOs should have consulted interested organisations, and also representative bodies where the Plan is aimed at particular groups.</p> <p>Where the CFO remit overlaps with the remit of another CFO, there should be evidence of support from the other CFO. This should be in the form of a letter or note attached to the Co-financing plan</p>
<b>Description by Measure</b>	<p>Describe the priorities that will be funded, broken down by Measure.</p> <p>If it is intended to reserve some funds for innovative provision, give information here about the amount of funding that it is intended to reserve. in which</p>

	Measures, and how the reserve will be managed
<b>Demonstrating need</b>	<p>Describe how the Co-financing Plan supports the priorities in the RDP.</p> <p>Provide labour market and other information (with sources) that demonstrates the need for the priorities described in the plan.</p> <p>If some of the priorities are aimed at overcoming barriers faced by target groups, describe the barriers and how it is intended to overcome them</p>
<b>Beneficiaries</b>	<p>Explain which of the priority target groups identified in the RDP will be assisted.</p> <p>If any of the target groups differ from those identified in RDP, explain why.</p> <p>Provide the numbers of individual beneficiaries that will be supported.</p> <p>Describe the steps that will be taken to ensure that providers recruit individuals from the right target groups</p>
<b>Expected results</b>	<p>Provide the expected results. These should include, for results example:</p> <ul style="list-style-type: none"> <li>• people who achieve NVQ levels 1 to 5 or equivalent, or units towards these;</li> <li>• people who achieve other relevant qualifications;</li> <li>• the increase in levels of business and employment;</li> <li>• whether you will be using 'soft outcomes' and, if so, how you will be measuring them; and</li> <li>• the relationship between these outcomes and those described in the RDP.</li> </ul>
<b>Added value and match funding</b>	<p>Explain which priorities and outcomes the ESF funding will support over and above what domestic funding can provide, or which cannot be provided by domestic funding. Break these down by Measures. The plan must indicate what will be supported through match funding and the additional activity and results funded through ESF.</p> <p>For match funding, indicate which domestic budgets the funding will come from. It is suggested that you</p>

	<p>use a matrix or table showing the relationship between match funding and ESF, with associated priorities and targets to present this information.</p> <p>The Co-financing Plan needs to demonstrate that the proposals meet one or more of the added-value criteria:</p> <ul style="list-style-type: none"> <li>• the plan increases the number of people receiving training;</li> <li>• there are additional results such as higher-level qualifications or more jobs;</li> <li>• ESF support will lead to additional positive outcomes that can be measured and the clear links between these and the additional funding can be shown;</li> <li>• ESF will help to create new permanent jobs or self-employment, or will provide other activities eligible for ESF funding that would otherwise not have been provided; and</li> <li>• the plan proposes investment in new or creative activity that could not be developed using existing resources.</li> <li>• The plan increases the number of people moving into employment</li> </ul>
<p><b>Arrangements for selecting providers</b></p>	<p>These details will not be required in future plans if there are no changes.</p> <p>In line with the agreement reached with the European Commission about co-financing, providers must be selected through open and competitive tendering.</p> <p>CFOs must explain how providers will be selected in terms of:</p> <ul style="list-style-type: none"> <li>• what the objective appraisal criteria are;</li> <li>• what the arrangements are for publishing invitations to submit tenders;</li> <li>• what support and advice CFOs will give potential providers, including new providers, to submit tenders;</li> <li>• the timetable for submitting tenders, their appraisal and selection;</li> <li>• arrangements for having the appraisal and selection process open to scrutiny; the feedback arrangements; and</li> <li>• what the arrangements are for dealing with</li> </ul>

	<p>provider complaints about the selection process.</p> <p>See Annex 4.4 for what is meant by open and competitive bidding.</p> <p>While there is no strict requirement to involve external partners in selecting providers, it is considered good practice to do so, both to call on wider experience and to demonstrate the transparency of the process. However, partners need to be familiar with tendering procedures and not just the 'scoring' system used for direct bids. At the very least, you should invite a representative of the Regional Committee to be an observer. The observer should not be from an organisation that has submitted a tender to you.</p> <p>CFOs cannot use closed lists of 'preferred suppliers' to seek tenders from providers. However, before making a contract with a provider, CFOs can ask them to meet or plan to work towards their required standards for quality, financial control and so on. These arrangements are sometimes referred to as 'preferred supplier' arrangements. If CFOs require these arrangements, you must publish in the bidding guidance so that the full process is known at the outset.</p> <p>There are different arrangements for the LSC. If an activity closely supports Education Business Links(EBL), Adult Information, Advice and Guidance (IAG), and Investors in People activities, the LSC can use a negotiated tendering procedure to existing EBL Consortia, IAG Partnerships and Business Link Operators respectively. In these cases, the activity is still regarded as co-financing and the resulting claim for ESF must be based on actual expenditure by providers. The LSC does not have to use a negotiated tendering procedure but can use the open tendering procedure</p>
<p><b>Funding</b></p>	<p>Show against each Measure how the totals have been derived.</p> <p>If it is proposed to keep back some funding (to a maximum of 5%) for innovative provision or for activity not foreseen in the plan, explain here that this is the case, how much will be held back, and how it will eventually be spent. Remember that the rules on</p>

	open and competitive tendering still apply
<b>Provider funding</b>	<p><b>These details will not be required in future plans if there are no changes.</b></p> <p>Describe the funding arrangements that will be used for providers in terms of:</p> <ul style="list-style-type: none"> <li>• formula and non-formula funding;</li> <li>• advance and profile funding;</li> <li>• individual beneficiary support.</li> </ul> <p>Funding of providers must be done so that they are no worse off than under direct bidding arrangements. The Co-financing Plan needs to show how providers that require advance funding will be funded so that there are no problems with cash flow. The arrangements must show how the CFO will decide the specific needs of providers. There is however no requirement for CFOs to automatically pass on the ESF advance funding it receives to all providers.</p> <p>CFOs should not hold back 20% of the providers' final year's claims</p>
<b>Administrative and management costs</b>	<p>Show how the total funding for administrative and management costs have been arrived at by breaking down the role and costs of staff. This should be at the total Co-financing Plan level rather than at Measure-level, since there is no way to accurately assess the administrative overheads at a Measure level.</p> <p>The breakdown of administrative and management costs should support the size and scope of the activities covered in the Co-financing Plan. There is an expectation that Co-financing Plans will probably gradually widen in scope, so initially staff costs may be proportionately higher. If this is the case, and the administrative and management costs are more than 5% of the total funding, the Co-financing Plan must demonstrate how this percentage will be reduced to 5% or below.</p> <p>To capture administrative and management costs on ESF systems, CFOs will need to enter an apportioned amount each Measure-level project. These amounts should add up to the total used in the Co-financing Plan. It should be agreed how to apportion costs beforehand with the Government</p>

	<p>Office. No Measure should have more than 9% allocated to administration costs.</p> <p>See Annex 4.4 for what activities can be claimed under this heading</p>
<p><b>Managing the plan</b></p>	<p><b>These details will not be required in future plans if there are no changes.</b></p> <p>Explain what steps will be taken to monitor and actively manage the performance of providers in delivering the Co-financing Plan.</p> <p>Describe how providers will be supported.</p> <p>Give the arrangements that will be made to publicise the use of ESF in the execution of the Co-financing Plan in general terms and for individual beneficiaries in particular.</p> <p>Describe the arrangements for evaluation of what has been achieved against the objectives of the Co-financing Plan</p>
<p><b>Cross-cutting themes</b></p>	
<p><b>Equal opportunities</b></p>	<p><b>These details will not be required in future plans if there are no changes.</b></p> <p>Describe how the Co-financing Plan will support and promote equal opportunities across the following groups:</p> <ul style="list-style-type: none"> <li>• men and women;</li> <li>• older people;</li> <li>• ethnic minorities;</li> <li>• disabled people;</li> <li>• other excluded groups.</li> </ul> <p>Explain how you will build equal opportunities into the selection procedures for providers and in the activities that they develop.</p> <p>For LSC and Jobcentre Plus, CFO plans must explain that their provider application forms between 2004 and 2007 will be using the standard equal-opportunities gateway question to find out information about the provider's equal opportunities. They will not be using the gateway mechanism but will instead use post tender negotiations and ongoing</p>

	<p>monitoring to pick-upon any shortfalls.</p> <p>It is recommended that other CFOs use the same gateway questions or, at the very least, similar questions. Duncan Carnie in ESF Division can offer help on individual cases if required.</p> <p><b>Note:</b> Equal Opportunities Standard Frameworks has been agreed with Jobcentre Plus and the LSC</p>
<p><b>Sustainable development</b></p>	<p><b>These details will not be required in future plans if there are no changes.</b></p> <p>Explain how the Co-financing Plan supports the regional approaches to sustainable development as outlined in RDP, with reference to:</p> <ul style="list-style-type: none"> <li>• protecting the environment;</li> <li>• careful use of natural resources;</li> <li>• progress which recognises the needs of everyone;</li> <li>• maintaining high and steady levels of economic growth and employment.</li> </ul> <p>Describe how sustainable development will be embedded in the selection procedures for providers and in the activities that they develop.</p> <p><b>Note:</b> Additional guidance on Sustainable Development and ESF is now available on the ESF web page</p>
<p><b>Information and Communications Technology (ICT)</b></p>	<p><b>These details will not be required in future plans if there are no changes.</b></p> <p>Describe how the Co-financing Plan will make use of ICT, as described in the RDP, in terms of:</p> <ul style="list-style-type: none"> <li>• what ICT will be used;</li> <li>• how ICT will be used;</li> <li>• what are the expected benefits of using ICT.</li> </ul> <p>Explain how the use of ICT will be embedded in the selection procedures for providers and in the activities that they develop</p>
<p><b>Implementation plan</b></p>	
<p>Some CFOs will eventually be channelling very large sums of ESF grant to providers. so the Government Office and Regional Committee will need to be</p>	

reassured that the Co-financing Plan is being fulfilled. The Final Claim will be too late to put right any problems in fulfilling the Co-financing Plan, and so there will be monitoring every three months against the Co-financing Plan. To help with the process, you need to cover the items below in the Co-financing Plan.	
<b>Targets</b>	These include the financial details and numbers of starters, leavers and outcomes in three-monthly and cumulative profiles against each Measure
<b>Milestones</b>	These are major achievements in a three-month period (for example, contracting with providers and activities started and completed)
<b>Processes</b>	<b>These details will not be required in future plans if there are no changes.</b> How the implementation of the Co-financing Plan will be project managed and monitored
<b>Quality standards</b>	<b>These details will not be required in future plans if there are no changes.</b> How the quality in individual sub-contracted provision will be measured, monitored and managed.

## Appraising Co-financing Plans

**4.16** This section of the guidance explains the outline criteria and procedures that should be followed when appraising Co-financing Plans. As described earlier, the Co-financing Plan will be the result of earlier discussions and negotiations between the CFO and Government Office. The appraisal process should be developed by the Government Office on behalf of the Regional Committee.

**4.17** The scoring procedure used for direct bids is not appropriate for CFO bidding packages.

**4.18** A CFO is eligible to receive ESF funds, so there is no requirement to consider eligibility. A Co-financing Plan should not be rejected except in exceptional circumstances (for example, the plan takes no account of previous discussions with the Government Office or there is a clear intention to ignore the guidance on open and competitive tendering).

**4.19** When appraising the Co-financing Plan, the following points should be considered (see aide memoire at Annex 4.5). Items that are not required in future plans are in brackets.

- Supporting the RDP - the explanation of need should have clear links to the RDP or SPD (Single Programming Document). These links should be expressed in terms of priorities, target groups and outcomes. The Co-financing Plan must be clearly seen as helping to deliver the RDP rather than separate priorities:
  - Links with other CFO Plans - the plans should complement the CFO's other plans, in terms of Measure and priority groups, and geographical area.

- Planning basis - the data used to support the bid should be positive, come from reliable and relevant sources, and support the proposed priorities.
- Consultation - consultation should have been wide ranging, with appropriate organisations, inclusive and proactive, and it should support the proposed priorities. Where there is an overlap of remit, there should be evidence of support from a partner CFO.
- Arrangements for selecting providers should meet the criteria at Annex 4.3.
- Added value and match funding - added value and the relationship with domestic match funding should be clearly expressed.
- Funding - the make-up of funding should be clearly explained.
- Provider funding - there should be well-planned arrangements to fund providers, particularly those that need up-front funding. Programme costs should provide value for money.
- Admin and management costs - these should be supported by a clear explanation of the staff roles and costs. If these costs are over 5% of the total (meaning the total of ESF and match funding) cost, there should be details of when and how these will reduce to 5% or below.
- Cross-cutting issues - there should be processes in place to build the cross-cutting themes into all projects and activities.
- Management - the implementation plan should support the Co-financing Plan and allow the Government Office to monitor progress and performance.

**Note:** It should be assumed that where formula funding will apply, there will be value for money; there should be no attempt to query national rates, as these are for the LSC and Jobcentre Plus set by a National Rates Advisory Group on the basis of average actual costs. The European Commission has reserved the right to audit the process by which standard national rates are derived from average actual costs.

**4.20** To keep an audit trail, comments arising from appraisal should be recorded (an example proforma is at Annex 4.6).

**4.21** If the appraisal concludes that the total amount of ESF should be increased or reduced, this should be supported by clear reasons.

**4.22** Finally, the recommendation to the Regional Committee (or other group as appropriate in the particular region and programme) should be to:

- accept the Co-financing Plan as it stands; or
- increase the indicative amount of ESF funding, with supporting reasons; or
- decrease the indicative amount of ESF funding, with supporting reasons.

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## Annex 4.1

### Copy of OJEC Notice re co-financing

Title: ESF Co-financed activities in England

#### 1. Awarding Authority

Department for Work and Pensions

Room N2  
Moorfoot  
Sheffield  
S1 4PQ

## **2. CPA reference number**

(to insert)

## **3. Additional description**

From September 2001, a system of co-financing ESF projects is being introduced gradually to Objective 1 and 3 programmes in England. This means that the ESF funding and domestic match funding will be channelled to providers as a single funding stream by Co-financing Organisations (CFOs). Where activities are covered by the remit of a CFO, prospective providers should apply for co-financed funding to a CFO rather than submit a bid for ESF funding to the Government Office for the regions. It is expected that most, though not all, of ESF funding will be channelled through Co-financing Organisations in this way in the future. Co-financing will cover activity across all Policy Fields and Measures in the Objective 1 and 3 programmes.

The first CFOs are developing their plans for co-financing during the summer of 2001 and will thereafter submit Measure-level bids for ESF funding to their Government Office for consideration. The agreed co-financing plans will indicate which activities will be co-financed and how much funding will be available. Calls for proposals from providers to contract with the CFO to carry out the activities within the co-financing plan will be publicised locally by CFOs. The timing will vary between regions and CFOs, but can start from September 2001.

**4 (a) Deadline for expression of interest** Co-financed funding will be available throughout the programming period for Objective 1 and Objective 3 programmes. Funding, subject to the availability of resources, will be available until programming periods end in December 2006. Any organisation that wants to express an interest in applying for co-financed funding should apply to the address at 4b below. Expressions of interest should provide details of the activities to be supported through co-financed funding, the name, address and contact details of the organisation seeking the funding, and the level of co-financed resource sought.

## **4 (b) Address to which they must be sent**

(as at 1 above)

Note: We do not want to receive tenders for co-financed funding through this notice and therefore sections 4 (c) and (d) should not be completed.

## **5. Other information**

Any expressions of interest received will be forwarded to the appropriate Government Office who in turn will pass details to the relevant Co-financing Organisation for consideration.

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## **Annex 4.2**

### **Outline format - Co-financing Plan**

<b>Plan overview Consultation</b>	
<b>Option 1</b> <ul style="list-style-type: none"> <li>• Description by Measure</li> <li>• Demonstration of need</li> <li>• Beneficiaries by Measure</li> <li>• Expected results by Measure</li> <li>• Added value and match funding by Measure</li> </ul>	<b>Option 2</b> <p>For each Measure show:</p> <ul style="list-style-type: none"> <li>• Description of priorities</li> <li>• Demonstration of need</li> <li>• Beneficiaries</li> <li>• Expected results</li> <li>• Added value and match funding</li> </ul>
Provider selection arrangements (Not required after the initial plan if there are no changes)	
Funding	
Provider funding (Not required after the initial plan if there are no changes)	
Administrative and management costs	
Management of the plan (Not required after the initial plan if there are no changes)	
Cross-cutting themes (Not required after the initial plan if there are no changes)	
Equal Opportunities	
Sustainable development	
Information and Communications Technology (ICT)	
Implementation plan	
Targets	
Milestones	
Processes (Not required after the initial plan if there are no changes)	
Quality standards (Not required after the initial plan if there are no changes)	

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## Annex 4.3 (Last updated April 2006)



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

### Open and competitive tendering

The European Commission has confirmed that contracting arrangements between CFOs and providers for ESF co-financed activities are covered by the Public Service Directive (Directive 92/50/EC, as amended by Directive 97/52/EC - implemented in the UK by SI 1993/3228).

ESF Division has placed a Competitive Contract Notice (see Annex 4.1) in the Official Journal for the European Communities, which fulfils the requirements for OJEC advertising.

To meet the conditions for open and competitive tendering, you will need to meet the following requirements.

<b>Advertising</b>	<p>When advertising for providers, CFOs should use a wide range of media to make sure you reach the target audience. CFOs should consider using:</p> <ul style="list-style-type: none"><li>• CFO and Government Office websites;</li><li>• local press;</li><li>• mailing lists;</li><li>• contact with representative groups; and</li><li>• public meetings.</li></ul> <p>For activities in Policy Field 2, which might be carried out by small grass roots bodies, efforts should be made at the outset to identify through regional partners which local groups exist; the Government Office will be also able to provide a list of the organisations that have previously bid for funding in this Policy Field.</p> <p>It must be made clear if the final range of activities and the amount of ESF funding available is to be confirmed by the Regional Committee.</p> <p>[You should not confuse the requirement to advertise the call for tenders with the ESF publicity regulations. This is a separate issue. ]</p>
<b>Activities</b>	The activities for which provider proposals are being sought should be consistent with the Co-financing Plan.
<b>Appraisal and selection criteria</b>	The published criteria for selecting providers must be objective. Where national funding rates will apply for a particular activity, the document must say so. The document must also state what criteria for selection you will use. The criteria should not be set so that new providers will be excluded.

	<p>There should be a clear statement of what support and advice will be available to help potential providers to submit proposals.</p> <p>The published appraisal and selection criteria must be used in the selection process. It is not legitimate to introduce additional criteria after publication of the invitation for proposals.</p> <p>The appraisal and selection process must be open to independent scrutiny. CFOs must keep supporting records and documents and make them available to the Government Office if they ask for it.</p>
<b>Timetable</b>	There should be a clear timetable for receiving provider proposals and selecting providers. At least 20 days should be allowed between publishing the call for proposals and the deadline for their return.
<b>Publishing results</b>	CFO must publicise the providers they have selected and the activities they will carry out. At least details should be placed on the Government Office websites and also be made available to all organisations that submitted proposals. Under the ESF publicity regulations, details should be provided of all providers delivering a project, including those wholly funded through domestic funds.
<b>Feedback</b>	All organisations that apply should receive feedback on their proposals.
<b>Exception</b>	For activity that closely supports Education Business Links (EBL), Adult Information, Advice and Guidance (IAG) and Investors in People, CFOs can use a negotiated procedure with existing EBL Consortia, IAG Partnerships and Business Link Operators. However, if a negotiated procedure is used, any resulting claim for ESF by the CFO must be made on the basis of actual eligible provider expenditure. It is not mandatory to use a negotiated procedure for these activities; the open procedure can be used.

1. The agreement reached with the European Commission about CFOs being final beneficiaries and able to use contract costs as the basis for their ESF claims states:

'When the final beneficiary uses an invitation to tender for selecting and approving the operations, the proof of expenditure actually incurred rests with the final beneficiary, defined in Article 9(1) of Reg. 1260/1999 as 'the body responsible for commissioning operations'. The Commission cannot accordingly require supporting accounting documents downstream of the final beneficiary. However, the Commission services are always entitled to check that the service has been rendered and that it complies with the terms and conditions set out in the invitation to tender and in the award contract, in accordance with national and Community rules on public contracts. '

'When assistance is granted from the Funds without tendering (for example, by means of a grant), the application for payment is justified on the basis of expenditure actually incurred by the public or private bodies implementing the operation, that is to say the final recipients within the meaning of Article 7(2)(a) of Regulation 438/2001.'

2. As noted above, the UK legislation that covers tendering are the Public Services Contracts Regulations (Statutory Instrument 1993 No 3228). Public bodies will have their own tendering guidance that builds on the Regulations.

### **Tendering procedures**

3. The Public Services Contracts Regulations allow for three methods of tendering:

- The open procedure
- The restricted procedure
- The negotiated procedure

4. Under the **open procedure**, you must invite any supplier who responds to the advertisement to tender. This may result in a very large number of tenders being received, some of which may be from unsuitable organisations. So, this can be a costly and wasteful procedure for all parties, and it is not generally recommended except in cases where the likely level of interest among potential suppliers is known to be low.

5. Under the **restricted procedure**, you invite all interested suppliers to submit an 'expression of interest'. You must give every supplier who responds to the advertisement the opportunity to complete a pre-qualification questionnaire (PQQ). The advertisement must include a statement that you will assess all PQQs, and that you will invite a stated range of suppliers - not fewer than five and not more than 20 - to submit formal tenders. This two-stage approach is the normal method of procuring goods and services for the public sector. It is open and competitive - anyone can submit an expression of interest - while you can restrict the full procurement process to those suppliers who have a genuine chance of being awarded a contract.

6. You can use the **negotiated procedure** only in a strictly limited number of circumstances including:

- when you know that there is only one supplier in the market;
- you have discontinued a previous competitive tendering exercise because of irregular tenders;
- you cannot clearly specify the services you require; or
- there is extreme urgency which you could not reasonably have foreseen.

As the name implies, under this procedure you carry out direct negotiations with one or more suppliers. In some cases, you can do this without competition.

7. Under the agreement with the European Commission about co-financing, you must use the **open or restricted procedure** if contract costs are to apply (and one of the main reasons for implementing co-financing is to be able to use a single funding stream, which you cannot easily do without using contract costs). So, if you do not use the open or restricted procedure, you must justify the claims for ESF on the basis of expenditure incurred by providers.

### **Competitive tendering**

8. Competitive tendering means providers competing **against each other** to deliver a service specified by the CFO (a 'call for tenders'). This is distinct from bidding for a grant (as under the old direct bidding system), where providers make bids against general

criteria and are scored using objective criteria (a 'call for proposals').

**9.** For example, under direct bidding (for a grant) for a project under Measure 2.2, a project for basic skills for people from ethnic minorities and one for jobs for disabled people would be scored against the criteria for the Measure. Both might succeed, both might fail. The projects are not directly competing against each other.

**10.** However, if the call for tenders seeks projects that help disabled people into work, it will be possible to compare tenders from providers against each other, in terms of price, quality, track record, value for money and so on.

**11.** The call for tenders needs to clearly identify the:

- target groups that require support;
- outcomes being sought;
- numbers of beneficiaries and outcomes being sought (even if approximate); and
- geographical area in which the activity should be targeted (if appropriate).

**12.** should describe any specific activity you have identified. You should also take care not to be so prescriptive that innovation is squeezed out. So, following the above example of the project to help disabled people into work, there may be a number of different approaches and activities that would meet this end. You could use the approach put forward by the provider as one of the selection criteria.

**13.** You must present the tender document so that providers are able to specify which activity or activities they are tendering for, for example by using reference numbers. This will allow you to compare competing tenders.

**14.** Competition relies on tender documents being so precise that you can directly compare tenders against each other (transparency and equal treatment). The process can be seen as a scale. At one end are general details (Measures, eligible activities, target groups and so on) with a rating of one. At the other end of the scale are very specific details (an NVQ2 level course in bricklaying for women aged between 18 and 30 who live on the Manor estate in Sheffield) with a rating of 10. Based on this imaginary scale of 1 to 10 (1 being least specific), a tender document needs to score around 7.

**15.** The other factor to consider is that co-financing is intended to bring a more coordinated strategy by using ESF to support government programmes that support the National Action Plan on Employment (see Article 1 of Regulation 1784/1999). If a CFO operates in the same way as a Government Office by using a similar method of bids and scoring, then the programme will continue to be 'project driven' rather than 'strategy driven'.

**16.** If in doubt, it is better to be more specific about your needs rather than less. This will reduce the number of bids you receive that do not fit the strategy.

### **Specific guidance on calls for tender**

**17.** The objective of the call for tender is to inform all potential applicants of the availability of ESF funding and the specific nature of the tendering round. CFOs should publicise the launch of a tendering round widely to regional ESF partners and send tender documents to interested parties. Tender documents should include:

- an invitation to tender letter;
- tender specifications for the measures concerned; and
- a copy of a draft contract.

**18.** Once you have made your decision, you should publish a list of successful and unsuccessful applications and sent it to all bidders. The second evaluation of co-financing recommended that minimum standards of feedback should be set, particularly for unsuccessful applicants to help them in future bidding rounds. ESF Division is to launch a working group to develop minimum standards of feedback for all CFOs. Updated guidance will be issued in due course.

As public bodies, CFOs must meet their own corporate guidance on tendering. The following points in this section cover good practice procedures.

**19.** During a tendering round, you should limit contacts with potential tenderers. They should only occur at the request of the tenderer (for example to clarify specific aspects about the nature of the tender). You should record any contact with a potential applicant and keep it on file. Where you provide information which is additional to that already included in the tender specification, you must also make this information available to all parties who have expressed an interest in tendering.

**20.** To compensate for the necessary limitations on discussions with potential applicants during a formal tendering round, you are encouraged to run general guidance workshops **before** the tendering round is launched to provide generic information to potential applicants on the nature of the call for tender.

**21.** You should ask potential applicants to submit applications in a sealed envelope, clearly identifying which tender specification the application refers to. The application should be addressed to the CFO and marked 'Tender application'. You should keep the closed tenders (the sealed envelopes) securely until the opening date. You should keep the post-marked envelopes as evidence that the tender was submitted before the deadline.

**22.** Two people should open the tenders. When they open the tender documents they should check and record the criteria for applying (for example, deadline, number of copies, signatures and so on). When they have finished their task, they should record it and sign the record.

**23.** You must evaluate all tenders in an identical and non-discriminatory way in line with the published eligibility and selection criteria. To be awarded ESF funding, tenders must meet the minimum criteria set out in the tender specification. You cannot approve tenders which fail to meet the minimum criteria, even if they are the only tenders received. When you evaluate tenders, it is recommended that you involve a financial specialist to assess the financial aspects.

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## **Annex 4.4 (Last updated July 2006)**



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

### **ESF and CFO Administration costs**

#### **Introduction**

1. This Annex will clarify what the administration costs can cover and how staff time should be recorded as supporting evidence for the claim to the GO. These costs are referred to as "the 5% administration costs" for shorthand, but it should be noted that the administration costs must be based on actual activity and are expected to be no more than 5% of the total costs (ESF plus match). It is not an administration fee - such fees are not allowed under Structural Fund Regulations. Administration costs are at the level of the Co-financing Plan.

2. "5% of total costs" should not be taken as meaning 5% of ESF and 5% of the match. In principle, administration costs could be funded wholly from match funding or wholly from ESF, or at any proportion between the two.
3. Administration costs can relate to the additional ESF-related work on matching activity as well as ESF-funded activity within the Measure-level project.
4. This Annex does not cover what overheads can be included in the claim for administration costs.
5. Exceptionally administration costs can be more than 5% of the Co-financing Plan if you have agreed this with the GO.

### **What activities administration costs can cover**

6. CFOs cannot make a claim for ESF for preparing the Co-financing Plan, but all the activities below are eligible for support.
  - Contracting
    - consulting and publicity events for the Co-financing Plan and Prospectus and tendering document
    - preparing the Co-financing Prospectus and tendering document
    - handling tenders from providers
    - appraising and selecting providers
    - negotiations after tenders have been received
    - financial appraisal
    - appraising quality
    - completing contracts with providers.
  - Operations
    - managing contracts
    - information management
    - monitoring the performance of providers
    - monitoring the quality of providers
    - auditing providers
    - evaluating the project
    - preparing interim and final claims for ESF funding
    - preparing and submitting ESF monitoring returns
    - post contract publicity
    - attending monitoring meetings with GO staff and
    - financial management.

### **Timing**

7. As consideration of the Co-financing Plan by the GO and Regional partners can take place in parallel with many of the contracting activities noted above, claims for administration costs can be made retrospectively back to the date on which the Co-financing Plan was received by the GO. This date should be confirmed with the GO.

### **Evidence of activity**

8. You must support the claim for administration costs by evidence that the activity has taken place and that the amount claimed represents the staff time spent on the activity. You should base your claim on actual salary costs plus eligible overheads. You can support the claim in the following ways.
  - Staff employed wholly or for a specific part of their duty on ESF related activity need to have a letter of appointment and job description that clearly states starting and finishing dates (if appropriate) and makes clear that they will be wholly employed on ESF-related activity.
  - Staff who also cover work that is not related to ESF must record their time spent on a time sheet, diary, recording system and so on

9. Any records of staff time need only be kept at the Co-financing Plan level rather than the Measure-level. However, claims for payment cannot be made at the Plan level, and so you will need to apportion administration costs between Measures for claim purposes. The method of apportionment does not need to be complex (for example, the number of contracts for each Measure might be a good factor to use) but it needs to be agreed by the GO beforehand. No Measure should have more than 9% allocated to administration costs.

### Administration costs and Technical Assistance

10. There may be overlap between funding some activities from administration costs or from Technical Assistance (TA). The rules are:
- TA cannot be used to fund activity carried out as a Final Beneficiary.
  - Activity must not be double funded from TA and administration costs.
11. It is however legitimate for a CFO to apply for TA in line with the regional strategy to undertake activities which address wider programme development or support. An example would be an evaluation that covered the whole region or at least went wider than the activity managed by the CFO.

## Annex 4.5 (Last updated October 2006)



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

## Aide memoire - appraisal of Co-financing Plans

\* = Not required after the initial plan if there are no changes.

<b>Overview</b>	This need only be a summary to give a flavour of what the plan is about and how much ESF is being bid for.
<b>Consultation</b>	<b>Must</b> be evidence of consultation about the plan. <b>Must</b> have consulted other CFOs. Other relevant organisation/representatives should also have been consulted. <b>Must</b> have letter of support from other CFOs if there is an overlap of remit.
<b>Links with Government programmes</b>	Not relevant for local LSCs or Jobcentre Plus, as there will always be links.
<b>Description</b>	This should be detailed enough to explain what is intended and be useful for tendering. It should not read as a collection of unrelated projects, as the plan is supposed to bring a strategic overview.
<b>Demonstrating</b>	This is a key section. It <b>must</b> have strong links to <b>need, the RDP</b> and obvious links to the priorities being put forward, rather than vague generalisations. Any supporting data and so on must have a source and date.
<b>Results</b>	The numbers should seem reasonable given the client group. If soft outcomes are being used, the plan must

	show how these will be measured.
<b>Added value and match funding</b>	This <b>must</b> be expressed clearly, with numbers, and related to the provision before and after the project, extra numbers, different client groups and so on. Activity and outcomes funded <b>must</b> show the relationship between match funding and ESF. You must show what will be funded through ESF and what will be funded through match funding. Beware of vague statements such as 'would not have been done without ESF support'. *Selecting providers <b>Must</b> confirm that open and competitive tendering will apply and what the appraisal criteria are. See Appendix 4.4 of guidance for standards that must apply.
<b>Funding</b>	<b>Must</b> explain how <b>total</b> funding has been calculated and what assumptions have been made. Needs to show if any funding (max 5%) is being held back for innovative/future provision.
<b>*Funding providers</b>	Must show that there are plans to assess provider funding needs and that funding advances will be made where need is identified. Funding arrangements need not be too specific as they will to some extent depend on tenders from providers.
<b>Administration costs</b>	There must be a breakdown of costs against individual roles. A simple 5% of the total is not enough.
<b>*Managing the plan</b>	Important to know how providers will be supported and that there is not too much reliance on key individuals within the CFO.
<b>*Equal opportunities</b>	As public bodies, all CFOs are required to promote equality of opportunity and to do this through mainstreaming.
<b>*Sustainable development</b>	This needs to link to the RDP and to show how it will be built into the project.
<b>*ICT</b>	This needs to link to the RDP and show how it will be built into the project.
<b>Implementation plan</b>	<b>Must</b> show some key targets and milestones that support the plan. These will be later used for monitoring by the Government Office, so they need to be straightforward.
<b>*Quality standards</b>	LSC and Jobcentre Plus standards meet the requirements.

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## Annex 4.6

### Example of a Co-financing Plan appraisal proforma

Name of CFO	Appraised by	
Government Office	Reference Date	
Overview		
Consultation		
Description by Measure		
Demonstration of need and links to RDP		
Beneficiaries		
Expected results		
*Delivery arrangements		
Added value and match funding		

*Managing the plan		
<b>Funding</b>		
Explanation of ESF funding applied for		
*Funding providers		
<b>Cross-cutting themes</b>		
*Equal opportunities		
*Sustainable development		
*Information and Communications Technology (ICT)		
<b>Implementation plan</b>		
Targets		
Milestones		
*Processes		
*Quality standards		

Signature

Date

\* = Not required after the initial plan if there are no changes.

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## Financial and operational considerations (Last updated October 2006)



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

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

### Introduction

**5.1** This section covers a number of important financial and operational issues that are not covered elsewhere in the guidance. It must be stressed that co-financing is a new means of channeling ESF funds. Unless specifically stated in this section, the European Regulations covering European Structural Funds apply to co-financing.

### Using contract costs

**5.2** Under the terms of the Implementing Rule covering the use of real costs (see extract at Annex 5.1), the CFO can make claims for ESF from the Government Office on the basis of payments that the CFO makes to providers under the terms of the CFO/provider contract. These are referred to as 'contract costs'.

**5.3** As noted in the Implementing Rule, this is only permissible if the CFO uses an invitation to tender for appraising and selecting providers. See Annex 4.3 for guidance on open and competitive tendering.

**5.4** The CFO is the final beneficiary, meaning under Regulation 1260/1999 'the body responsible for commissioning operations'. The CFO is responsible for making sure payments to providers are correct. European Commission Services will want to confirm that providers have carried out the activity in line with the terms of their contract with you, and that the contract relates directly to the provider tender.

**5.5** If funding by CFOs is not made on the basis of national funding rates (see below), then provider costs set out in their tender for funding **must be eligible for ESF funding**, and should therefore be broken down into the categories set out in Annex 5.2. Once provider proposals have been appraised and selected for funding, then providers can be paid on the basis stipulated in their contract with the CFO (for example on the basis of training weeks, outcomes, milestones etc). There is no requirement for providers to claim from CFOs on the basis of their actual expenditure, except where open and competitive tendering has not been used. If the negotiated tendering procedure has been used for EBP, IAG or Investors in People related activity (see Annex 4.3), then actual provider expenditure **must** be used as the basis of the claim for ESF by the CFO.

**5.6** In practice, many providers may be funded using a mixture of 'formula funding' and other cost-related funding, the latter being used to provide activity and support that is not included within the scope of the standard rate.

### Using national funding rates (or 'formula funding')

**5.7** The Implementing Rule (see the extract at Annex 5.1) allows for funding to be made on the basis of standard national rates, usually referred to by the LSC and Jobcentre

Plus as 'formula funding'. The rules on open and competitive tendering still apply, but as cost will not be a factor for selecting providers, you must use other objective criteria to appraise and select them. Measure-level projects and using match funding

**5.8** In its Co-financing Plan, the CFO has to describe separately each Measure it wishes to co-finance. Each Measure level bid is defined as a **single project**, which will be delivered by a number of providers through a contract with the CFO, using both match funding and ESF. The Measure-level bid should specify which budgets will be used for match funding.

**5.9** Within the single Measure-level project, there can be different 'mixes' of ESF and domestic funds, provided that at the project level (that is, the Measurelevel) the correct ESF intervention rate is met. (See the diagrams of Measure-level projects at Annex 5.3)

**5.10** So, for example, some providers using a 45/55 split of ESF and domestic funds respectively. A provider within the overall Measure-level project can be funded using 100% domestic funding, matching a different provider who is funded 100% through ESF. In the latter example, the ESF Regulations still apply to the provider funded wholly by domestic funds, so that:

- individual beneficiaries must be eligible for ESF funding within the Measure and be separately identified;
- ESF publicity regulations still apply; and
- the activities and outcomes support those in the agreed Measure-level bid.

**5.11** However, you do not need to match ESF activity with domestic-funded activity that is exactly the same - it is the Measure-level, rather than provider level, where activities must match.

**5.12** If Modern Apprenticeships are used as match funding, it is legitimate to include beneficiaries whose training started before the start of the ESF project contract. In this case, individual beneficiaries already in training must be identified as match at the start of the ESF contract as a one off exercise.

**5.13** Having Measure-level projects means that it should be straightforward to demonstrate the required ESF added value described in the agreed Co-financing Plan.

**5.14** Note that for provision that is 100% domestic funded, the requirement to have open and competitive tendering does still apply except in certain circumstances agreed with the European Commission, such as FE College funding through the Learning and Skills Council.

## **Publicity**

**5.15** ESF regulations on publicity apply to the whole activity covered by the Co-financing Plan and Measure-level projects. So, even if some matching activity is wholly funded through domestic funding, the ESF publicity regulations still apply.

**5.16** This means that the details of providers that must be published (see Annex 4.3) cover **all** the providers funded under a Measure-level project, including those wholly funded through domestic funds. These can be separately identified if desired.

**5.17** The Government Office still retains the lead role for general marketing of ESF so that providers can still have a single source for finding out about ESF in general and how they should apply. Government Offices can ask for information in a form that best suits their needs (for example, on the Government Office ESF website).

## Large projects

**5.18** Any ESF project where the total cost, **including the ESF contribution**, is more than Euro 50 million (£31m at an exchange rate of 62p/Euro) must be notified to the European Commission in line with Article 26 of Regulation 1260/1999. The total cost includes all public and private match funding. As Measure-level bids are regarded as a single project, even though they might be delivered through many providers, they are covered by this regulation.

## Technical Assistance (TA) and administration costs

**5.19** CFOs can apply for TA within the scope of activities agreed by the Regional Committee. National bodies acting as CFOs, the LSC and Jobcentre Plus, can also apply for TA nationally for national activity. There cannot be any overlap between activity funded through TA and activity funded through ESF programme funding as administration costs. Technical Assistance cannot be used to fund activity carried out as a Final Beneficiary. See Annex 4.4 for which activities can be funded as administration costs.

## Record keeping and audit requirements

**5.20** It is the CFOs responsibility to make sure that providers carry out activities and deliver outputs in line with their contracts. This should be done according to normal practice for domestic funded activity, but there will be a small number of additional aspects that apply only to contracts that include ESF funding. These include the few additional items of management information relating to individual beneficiaries, and ESF publicity requirements. CFOs do not need to develop separate domestic and ESF audit regimes for providers. To simplify record keeping and administration for providers, the process should as far as possible be seen as a single one.

**5.21** Project-level evaluation information needed for the Project Closure Report can be based on aggregated returns from providers (returns that have been grouped together). This does not necessarily mean that the records have to be physically on the CFO premises if central IT systems are used. However, the CFO must have access to records that support their claims for ESF funding from Government Offices.

**5.22** Annex 5.4 outlines what will be covered and the records CFOs need if ESF carry out an audit visit. The Annex contains general information, so CFOs should develop guidance and checklists that relate to their own projects.

## Moving funds between providers

**5.23** A CFO is allowed to move funding from one provider to another for activity within the same Measure, for example if one provider is performing poorly and another could take up the slack. Indeed, CFOs are encouraged to do this so that underspends are kept to a minimum.

**5.24** Under the public procurement Regulations, such a movement of funds would not need to be subject to a further open and competitive bidding round provided that the amount in question was less than 200,000 Euro.

**5.25** CFOs cannot move money between Measures without the prior approval of their Government Office. The same rules on open and competitive tendering apply.

**5.26** In both cases, if the intention was to switch more than 200,000 Euro between providers, even though it might be divided into several smaller sums, then open and competitive tendering would apply.

## **External audit certification**

**5.27** There is no longer a need to produce annual or final audit certificates. Those CFOs using annual costs who were formerly required to provide external audit certification will have received a 'Variation to Contract' letter which explains the new arrangements.

## **State Aids**

**5.28** CFOs will be responsible for monitoring State Aids for their co-financed provision. Information on State Aid is contained in Part One of this Guidance. Guidance on State Aid is also available from Government Offices.

## **Sharing information about providers**

**5.29** To prevent duplicate bids from providers to different CFOs, or to the same CFO, CFOs are required to share information about provider tenders with each other and the Government Office. After each tendering round has finished, CFOs must provide their Government Office with a list of both successful and unsuccessful applicants, along with a short description of approved project activity. Government Offices should maintain a complete list of all approved projects for alternative bids and CFO providers and short descriptions of approved project activity to help prevent duplication. These lists should be published on Government Office websites so they are available for scrutiny by CFOs and partners in their region.

## **Reserve for innovative provision**

**5.30** CFOs can build a small reserve into their Co-financing Plan to cater for future innovative provision that was not envisaged when the plan was drawn up. It is not expected that such a reserve will be more than 5% of the total bid in the Co-financing Plan.

## **Profile funding of providers**

**5.31** Some CFOs, notably the LSC and Jobcentre Plus, will use profile funding for providers, although this is not an ESF requirement. Under this method of funding, payment is made regularly (monthly or every five weeks) and then, at regular intervals, what has been paid is reconciled against the evidence of activity, output or milestone supplied by the provider in line with the contract. If there is a shortfall, future profile payments can be adjusted, or in some extreme cases repayment might be required if there is little evidence that the provider will be able to fulfil the contract. So, over time, the total payment made by the CFO directly equates with the evidence of activity, output or milestone from the provider.

**5.32** It is legitimate for CFOs to make claims for ESF funding on the basis of payments made to providers, even if those payments are profile payments and await confirmation from providers. Performance of providers against their contracts is an item for regular discussion with CFOs as part of the quarterly monitoring process (see Section 6).

**5.33** In domestic funding, some providers are guaranteed a certain level of funding however many individual beneficiaries there are. But, it is not legitimate to claim ESF or match funding on the basis of this guaranteed funding. Funding must relate to the number of individual beneficiaries there actually are.

## Subcontracting

**5.34** It is not anticipated that there would normally be more than one level of subcontracting beyond the CFO, other than to cater for proposals from partnerships, which might not strictly be regarded as subcontracting, although there will need to be an accountable partner. Any proposals to use managing agent arrangements must be included in the Co-financing Plan and must be cleared by the Government Office, since they are unlikely to meet the requirements for open and competitive tendering.

## Using a provider's own match funding

**5.35** Although Co-financing Plans must be covered in full by the CFO's own cash match funding, there will be circumstances when it is necessary or appropriate to use a provider's own match funding. In some Objective 1 Measures and also to comply with State Aid Regulations, there must often be a contribution of private funding from an employer who is directly benefiting from ESF funding. Unless there is a regulatory requirement to obtain private match funding, match funding other than that provided by the CFO should not be used.

**5.36** As reducing the burden of bureaucracy on providers is one of the main objectives of introducing co-financing, it is important that bringing their own match funding into co-financing does not result in more administrative effort for the provider, or indeed the CFO. It is likely that you will have to verify a provider's own match funding as actual expenditure, requiring detailed records as supporting evidence.

**5.37** It is also important under the open and competitive tendering required for co-financing, that wishing to contribute match funding must have no bearing on the appraisal and selection process. Having own match funding cannot be a selection criterion except in circumstances where employers will be required to contribute their own funding.

**5.38** There are various ways in which a provider's own match funding can be used alongside the cash match funding that a CFO contributes, bearing in mind that a CFO will always have sufficient public funds to match all the ESF in a Measure-level bid. It will be up to the CFO and provider to agree between them how to make use of the provider's own match funding, taking into account the need to keep bureaucracy for both to a minimum. The models that should be considered are:

- Leverage (the match funding is used outside the co-financed project) - based on the provider tender, the CFO wishes to contract for £X for the service and outputs in the tender. The provider wants to make its own contribution, so that the same service and outputs will be provided, but the CFO will pay £X minus the amount the provider wants to contribute. The contribution can be cash or in kind.
- Match funding within the project - the provider's match funding is used alongside your CFO match funding, and is recorded as expenditure in line with the existing rules on match funding for projects that use direct bidding (for example, record keeping of staff time used and at what hourly rate). The CFO will need to verify the amount of match funding as part of its provider assurance checks.
- Use of unit prices - this may be appropriate when national funding rates are used, or if a contract price is derived from the provider tender. For example, the CFO might agree to contract for 100 outcomes (or whatever) at a unit price of £Y. The provider may wish to make a contribution and agrees that the CFO will pay for 80 outcomes and the provider will fund 20 outcomes. As long as the outcomes are supported by the evidence required in the contract, then the provider will be deemed as having made the agreed contribution, which can be cash or in kind, and actual expenditure is not required.

## **Tenders between CFOs**

**5.39** Provided that the rules on open and competitive tendering are followed, one CFO can submit a tender to a different CFO operating in a different Measure; for example, local authority bidding to an LSC.

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## **Annex 5.1**

### **Extracts from the Implementing Rule**

#### **Contract costs**

'As regards supporting evidence for real costs, a distinction is made between situations where the final beneficiary uses an invitation to tender for project selection and approval purposes and situations where a grant is awarded without any prior tendering:

- where tendering is used, the proof of expenditure actually incurred rests with the final beneficiary, defined in Article 9(1) as 'the body responsible for commissioning operations'. The Commission cannot accordingly require supporting accounting documents downstream of the final beneficiary. However, the Commission departments always have to check at all the levels concerned that the service has been rendered and that it complies with the contract terms and conditions set out in the invitation to tender and in the award contract. Tendering must abide by open and transparent procedures in line with national and Community rules on public contracts, thus providing for a real choice between the different bodies which can render the service requested;
- in contrast, where assistance is granted from the Funds without tendering (for example, by means of a grant), the application for payment is justified on the basis of expenditure actually incurred by the public or private bodies involved in implementation of the operation, that is the promoters or 'ultimate beneficiaries' of the operation. In that case, the applications for payment must be based on all the expenditure actually incurred by the ultimate beneficiaries of the operation downstream of the final beneficiary who is normally defined at a higher level. The Commission can check whether the service has been rendered and also require accounting documents to support the statements of expenditure at ultimate beneficiary level'.

#### **National funding rates**

'In such cases the ESF's operating principles (real costs) are adapted to tally with the national rules on the award of public contracts in full compliance with the relevant Community rules. The offers for the provision of training services are selected on the basis of an invitation to tender published in line with the rules of Directive 92/50 on public service contracts. Nevertheless, the price of each type of training requested is established centrally in advance each year by the Ministry responsible on the basis of established costs, and the criteria for selecting the offers refer, therefore, only to the qualitative aspects of the offer. An independent external body will check on attainment of the quality standards.

To be accepted, the expenditure must meet the following conditions:

- the authority responsible must compare regularly the references used for the invitations to tender and market costs. A system of reimbursement is established in the event of obvious divergence between the costs applied as defined in the invitation to tender and the real market rates;
- this method is used only for standard training courses, not for tailor-made training which complies with the general rules on real costs;
- the auditors of the Commission and the Member State may at all times check on the conditions laid down in the invitation to tender and the award contract and also on the criteria used to calculate and determine each year national flat-rate costs. '

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## **Annex 5.2**

### **Expenditure categories eligible for ESF**

Proposals for funding from providers to CFOs that do not rely on national funding rates should use the appropriate categories of expenditure from the list below.

Staff costs - by number of hours by hourly rate:

- Administrative staff;
- Book keeping;
- Business counselling;
- Counselling and guidance;
- Project manager;
- Project officer;
- Office manager;
- Outreach staff;
- Project co-ordinator;
- Staff recruitment;
- Staff training;
- Staff travel and subsistence;
- Trainer;
- Tutor;
- Work experience co-ordinator.

Beneficiary costs:

- Childcare;
- Subsistence;
- Training allowances;
- Travel costs.

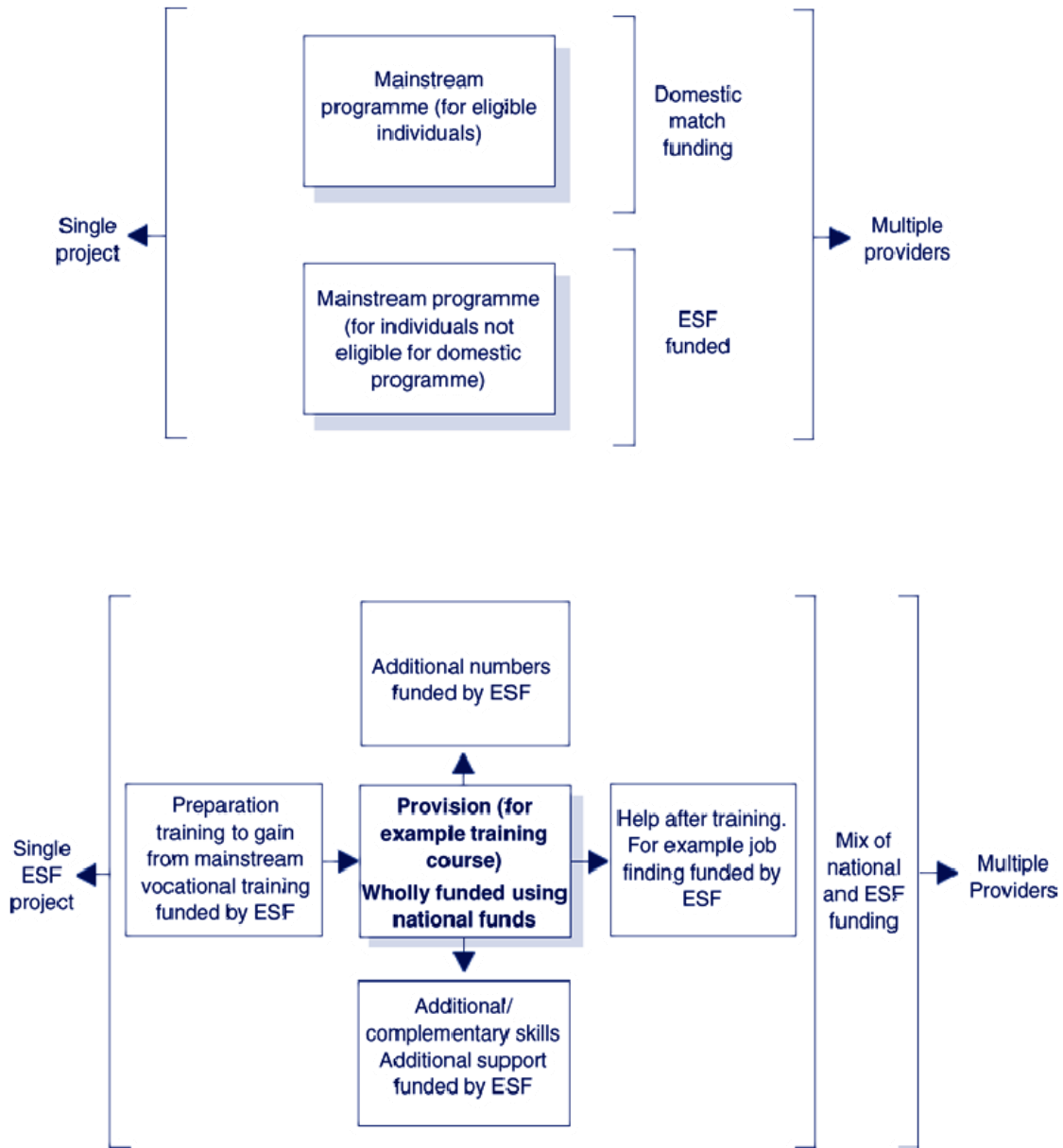
Other costs:

- Advertising and promotion;
- Beneficiary equipment and clothing;
- Cleaning;
- Consultancy;

- Copier rental;
  - Depreciation of owned buildings;
  - Depreciation of owned equipment;
  - Equipment (small items up to £1,000);
  - Exam fees;
  - Fax;
  - Insurance;
  - Operating equipment lease;
  - Postage;
  - Professional fees and costs;
  - Rent;
  - Room hire;
  - Service charges;
  - Stationery and office supplies;
  - Telephones;
  - Utilities.
-

## Annex 5.3

### Measure-level projects - examples



## Annex 5.4

### Record keeping and audit requirements for CFOs

Records should be maintained so that there is no reason for ESF auditors to visit providers to obtain further evidence, other than proof of existence. Records do not have to be all held physically at the CFO, for example many individual beneficiary records will be held on a central database, but accessible from the CFO. The reason for keeping these records is described below:

Item	Purpose for Inspection
<b>Tender document and prospectus</b>	Do these describe the activities with enough detail to allow tenders from different providers to be compared <b>against each other</b> - not against some general criteria?
<b>Tenders from providers</b>	Do these refer to one or more of the activities in the tender document and contain details of price (where non-formula funding applies) using ESF-eligible costs?
<b>Selection procedures</b>	Are these documented so that the rationale for selecting one provider rather than another can be identified on the basis of price and other criteria set out in the tender document?
<b>Post-tender negotiations</b>	Is there clear documentation that provides a trail from the provider tender to the contract, with explanations for changes in price, outcomes, numbers, specification of activity and so on?
<b>Contract</b>	Does the contract specify: <ul style="list-style-type: none"><li>• what will be delivered?</li><li>• what the basis for payment will be, in terms of</li><li>• outcomes, milestones, travel costs and so on?</li><li>• what the evidence requirements are for each type of payment?</li><li>• what information the provider must supply about each individual beneficiary?</li><li>• what project level information the provider must supply?</li><li>• publicity arrangements?</li></ul>
<b>Payments to providers</b>	Are payments made in line with the contract, and does the evidence supplied by the

	<p>provider meet with the requirements in the contract?</p> <p>There is no requirement for ESF auditors to inspect the records of the provider. They might consider a 'proof of existence' visit, though a Provider Assurance report from you on the provider should be sufficient.</p>
<p><b>Eligible provider expenditure in exceptional cases where contract costs are not the basis for the CFO to claim ESF</b></p>	<p>Does the CFO have a solid process for determining actual eligible expenditure?</p> <p>Sample checks at providers may be required to substantiate the claims.</p>
<p><b>Match funding</b></p>	<p>Does the match-funded activity fall within the scope of, and contribute towards, the Measure-level project?</p> <p>Are individual beneficiaries funded through match funding eligible and in the categories for support described in the Measure-level project?</p> <p>Where the Training Aid exemption applies, is there evidence of the right level of employer contribution?</p>
<p><b>Beneficiary records</b></p>	<p>Can individual beneficiaries be tracked against a specific provider contract?</p> <p>Are individuals eligible for the activity in the Measure level project?</p>
<p><b>Project-level records</b></p>	<p>Are steps in place to collect and collate project-level information, such as the types of activity carried out and the disadvantages suffered by beneficiaries?</p>
<p><b>Publicity</b></p>	<p>Are steps in place to make sure that providers (funded through ESF or match funding, or both) follow the publicity requirements?</p>
<p><b>CFO administration costs</b></p>	<p>Is there supporting evidence for the CFO to claim for admin costs?</p> <ul style="list-style-type: none"> <li>• Do staff employed full-time on ESF have a letter of appointment or job description detailing hours and salary?</li> <li>• Do other staff record their time spent</li> </ul>

	<p>on ESF activity at least at the Co-financing Plan level?</p> <ul style="list-style-type: none"><li>• Is the use of overheads in the claim in line with the guidance issued by ESF Division?</li></ul>
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## Monitoring CFOs

### Background and purpose

**6.1** Some Co-financing Organisations (CFOs) will be responsible for large amounts of ESF funding, over £50 million each year in some cases. Regional Committees will need to be satisfied that CFOs are delivering their Co-financing Plans, both in terms of good management of ESF funds and in terms of helping to deliver the Regional Development Plan. Under the former system, this overview was difficult due to the large number of projects running at any one time. Co-financing brings the opportunity to have much greater control over what is being **delivered**, rather than a focus on what is being **planned**.

Monitoring CFOs, as described in this section, fulfils the requirements of Article 4 of Regulation 438/2001 to verify:

- the delivery of co-financed products and services; and
- the reality of expenditure claimed.

### Frequency and nature

**6.2** There should be four reviews of individual CFO performance each year, one of which should be an annual strategic review (see 6.19). During one of the remaining three reviews there should be checks on an individual interim claim (for further guidance see Annex 6.2).

**6.3** Monitoring should include a small number of visits to CFO providers each year to establish that providers are carrying out, in broad terms, the work described in the contract. There is no requirement to look at evidence of provider costs since the basis of the CFO claim for ESF are the contractual payments made to providers. The visits should be joint CFO/Government Office visits. They should also be a good opportunity to find case studies of good practice and of interesting and novel approaches.

**6.4** Monitoring reviews should be carried out every three months. The timing will depend on regional circumstances (when co-financing started, when Regional Committee meetings are held and so on), and will need to take into account the timing for submitting interim claims.

**6.5** Where Government Offices have confidence about the performance of individual CFOs, the number of face-to-face reviews can be reduced as long as at least two visits are carried out to the CFO. Paper-based monitoring using CFO financial and management information returns and the quarterly narrative report can be used in place of face-to-face monitoring visits for the other two reviews where there is confidence in CFO arrangements.

## Purpose

**6.6** The purpose of regular monitoring of CFOs by Government Offices is to:

- be satisfied that the CFO continues to follow guidance;
- be satisfied that the Co-financing Plan is being delivered;
- be aware of any existing or potential problems;
- take a forward look at prospects for the next period;
- gain an understanding of likely future bids for ESF funding;
- develop an action plan for remedial work if the Co-financing Plan is not being delivered;
- gain an understanding of what is being delivered through case studies for example; and
- verify the reality of expenditure (see Annex 6.2).

**6.7** From monitoring dialogues and from regular CFO monitoring returns, Government Offices will be able to produce summary reports for the Regional Committee on the progress (or otherwise) of Co-financing Plans.

**6.8** In very exceptional circumstances, the CFO might not be able to deliver its Co-financing Plan, and not be able to agree a programme of remedial work with the Government Office. In such cases, a recommendation will need to be put to the Regional Committee to remove CFO status from the organisation. Such a recommendation would only be made after consultation with ESF Division.

## Participants

**6.9** Regional circumstances will dictate the composition of the Government Office review team. The CFO should provide a team that is best placed to provide the answers. So it is likely to consist of individual managers from external funding, contract management, management information, finance and audit.

Regional Committee members may accompany Government Office staff on monitoring visits, although experience has shown that there can be conflicts of interests. A preferred alternative could be that CFOs are asked to give a presentation on progress to the Regional Committee.

## What should be covered?

**6.10** The basis of the review is the Co-financing Plan, supported if necessary by the latest detailed information from the Measure-level projects. The documentation needed to support the review consists of some or all of:

- the Co-financing Plan;
- contracts;
- Measure-level projects;
- recent project progress and interim claim reports;
- the CFO three-monthly narrative report (see Annex 6.1);
- project closure reports.

**6.11** The monitoring review should cover the following:

- Progress since the last review;
- Progress against targets and milestones in the Co-financing Plan;
- Progress of spend against financial profile;

- The proportion of ESF spent on administration and management specifically that there is evidence of additional costs to justify the level of administration costs being claimed;
- Continuity of CFO staff and capacity to deliver;
- What problems have there been (for example with individual providers) and how have these been resolved;
- What measures are being taken to integrate the horizontal themes;
- Lessons learned;
- What successes and achievements there have been;
- Individual case studies worthy of note.

## Forward look

- Key forthcoming milestones and the likelihood of meeting them.
- Potential problems.
- Prospective changes to the Co-financing Plan.
- Are further bids being prepared, and if so for what, for how much and what is the timescale.
- Conforming with guidance.

## Issues

**6.12** The CFO can raise issues about the co-financing policy or operations in the light of their experience as a CFO. These should be raised initially with the Government Office and may need to be cleared with the ESF Division.

**6.13** If any guidance has been issued by ESF Division or Government Office (or both) since the last review, the guidance should be discussed to make sure everyone involved understands it in the same way.

## Remedial action

**6.14** If the review of progress suggests that the CFO is falling behind on delivering the Co-financing Plan, the Government Office should ask what remedial action is being taken or is proposed to put delivery back on track. If delivery is seriously adrift, then the CFO must prepare an Action Plan and report monthly against this Action Plan.

**6.15** Such action would also be appropriate if the proportion of ESF claimed for administration and managing the project was much higher than the percentage agreed in the Co-financing Plan. It is important that administration and management costs are considered at the Co-financing Plan level rather than individual Measure-level.

## CFO returns

**6.16** The required statistical information has now been combined with the CFO Interim Claim Form, to form the new Project Progress and Interim Claim Form so there is no separate statistical return. You should complete the narrative report (see Annex 6.1) to the same timescale each three months. This will help form the basis for the monitoring dialogues.

**6.17** The timetable for quarterly Interim Claim forms/statistical returns and the narrative report should be agreed with the Government Office.

**6.18** Completion of the **narrative return** for each Measure is self explanatory. At the request of the Regional Committee, Government Offices can include additional items for completion on the narrative return. These should be used sparingly so as not to burden

the CFO, and should add genuine value to the monitoring process. It is anticipated that if a Regional Committee has asked for particular information, then that information will be considered by the Regional Committee on a regular basis.

**6.19** An up-to-date organisation chart must accompany the narrative returns so that Government Office staff become aware of any changes in personnel. This is both for contact purposes but also because loss of key individuals might have an impact of CFO performance.

## Annual strategic review

**6.20** The annual strategic review meeting has been introduced to replace the annual review meeting. As co-financing has been fully embedded within ESF, there is no need for Government Offices and Regional Committees to confirm CFO status every year. However this does not mean that in exceptional circumstances CFO status could be withdrawn.

**6.21** The purpose of the annual strategic review meeting is to: consider the CFO's performance against the CFO plan throughout the year; take a forward look at strategic issues affecting the region; and raise the profile of ESF within CFOs and Government Offices.

**6.22** Given the more strategic nature of this review, it will be a formal meeting between senior people from both the CFO and the Government Office, providing an opportunity to relay key messages to senior stakeholders. Recording quarterly monitoring

**6.23** Government Offices should always make a note of what has been discussed and what action points agreed, or what has been reviewed in cases of paper reviews. The signed and dated note should be kept on file as a formal record for audit purposes. The note should be copied to the CFO. It might be convenient to use a format that reflects the CFO quarterly monitoring report (see Annex 6.1).

## Annex 6.1

### Three-monthly narrative report

CFO name:			
Quarter ended:		Measure	
Item	Report		
Progress against milestones and targets not reported in the Project. Progress and Interim Claim Form			
Problems encountered and lessons learned			

What measures have been taken to integrate the horizontal issues	
Forward look to the next quarter	
Proposed changes to the current Co-financing Plan	
Proposals to submit future plans and bids for ESF funding	
Signed:	
Name in capitals:	
Position:	
Date:	

Attach to this report details of success stories and case studies, which can include press cuttings, letters etc - these will be used if appropriate in publicity material for ESF.

Please attach with the Measure-level reports the latest organisation chart for all staff engaged on ESF co-financing work.

## **Annex 6.2**

### **Expenditure checks**

1. As with overall monitoring of CFOs, expenditure checks are the responsibility of the European Secretariat. The checks must not be carried out by staff involved in Article 10 inspection work.
2. Expenditure checks should be undertaken each year for all CFOs. To do this, Government Offices should verify expenditure from at least one Project Progress and Interim Claim (PPIC) submitted by the CFO for payment. Government Offices should select a PPIC where total declared expenditure accounts for at least 15% of the total eligible expenditure agreed in the Measure-level bid. If during the course of checking issues or irregularities are identified which may be systemic in nature, the sample should be extended to other PPICs from different measures where the CFO is operating. A different measure should be selected each year.

## **ESF expenditure checklist - CFOs**

**CFO name**

**Measure-level project details:**

**ESF reference:**

**Dossier number:**

**Date and time of visit:**

**CFO personnel present for visit**

**Name:**

**Government Office Monitoring Officers**

**Names:**

### **Measure-level project details**

**Start date:**

**End date:**

**Eligible expenditure approved:**

**% rate ESF grant approved:**

#### **Purpose of check**

Explain to the CFO that in addition to monitoring the progress of Measurelevel projects and the Co-financing Plan, which happens as part of the regular monitoring dialogue process, EU regulations require sample checks to be made on the reality of expenditure included in a claim.

Explain that this visit is not a guarantee that issues will be not raised at future audits, and that the CFO could be subject to an audit by:

- the Government Office FAM Team (as part of the inspection programme);
- other auditors, such as the European Commission and the European Court of Auditors.

### **Eligibility of expenditure**

**1. Select the most recently paid claim and ask the CFO the following questions.**

## Evidence

Does the CFO have evidence to support all costs (administration and payments to providers) claimed? How is this maintained and what systems are in place to ensure this is kept separate or easily separated from the organisation's other costs?

## Costs

Are milestones, outputs and outcomes on which payments are made clearly defined in provider contracts and based on project delivery. Note: if a profile and regular reconciliation payment system is used, evidence of delivery might not yet be available, depending on the reconciliation cycle. Are administration costs based on actual costs and within the 5% threshold allowed in the CFO guidance?

## Match funding

Does the CFO hold evidence to support the amount of match funding claimed? Is this in line with that forecast in the application?

Satisfied?

Yes

No

Comments

**2. Using the latest claim submitted and paid by the Government Office, complete the following table.**

**Claim date:**

Costs (cumulative claimed to date)

Total eligible expenditure (ESF and to date) match funding) claimed to date (£)

Admin costs

Payments to providers

**Total**

**3.**

- **a) Can the CFO supply source documents that make up the claim?**
- **b) Does this breakdown correspond with the amounts claimed?**

Satisfied?

Yes

No

Comments

**4.**

- a) Select five items at random from each cost heading and ask to see the supporting evidence (the source documents).
- b) Does the evidence confirm that the cost claimed is:
  - relevant to the project?
  - based on contract costs? (If not, is the CFO using actual cost arrangements, for example, e.g. for administration costs?)
  - eligible for ESF?

Source documents that could be produced include:

- evidence from subcontractors for services delivered in line with the contract;

- o staff costs - job descriptions (for full-time staff on ESF) and time sheets for staff partly employed on ESF activities, linked to payroll records.

Note: If the source documents do not immediately confirm the above, ask the CFO to clarify. If this is still not clear, seek guidance from the Government Office FAM Team or from Secretariat colleagues.

Satisfied?

Yes

No

Comments

### **Other requirements**

#### **5. What arrangements are in place to publicise ESF in accordance with EU requirements?**

Satisfied?

Yes

No

Comments

#### **6. Does this project include State Aids and, if yes, what are the systems in place to meet the requirements?**

Satisfied?

Yes

No

Comments

### **Findings and recommendations**

Signed:.....

(Monitoring Officer)

Dated:

Countersigned:.....

Position:

Dated:

### **CFO's comments**

I will complete the actions required in this report by ..... (Date)

Signed:

Position:

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## **Project Closure (Last updated April 2006 - New page)**

The current ESF Programme runs from 1 January 2000 to 31 December 2006. You may continue project activity in some circumstances up to and including July 2008. Your Government Office will advise you of the final date for activity and the final date for submitting your project closure report.

### **General**

We, the European Social Fund (ESF) Division, have to claim from the European Commission (EC) for each Programme within six months of the end of the funding period. We also have to submit annual reports to the EC. We need to check and clear every Project Closure Report (PCR) to do this. We also use the PCR to collect data for

evaluating projects, which is why it asks a range of questions about the outputs of the project. The PCR also asks for details of the project expenditure and asks you to certify that the information is correct.

You must keep to the deadlines for returning your project closure report and any additional information set by your Government Office Secretariat and the ESF Division. If you do not:

- we may withdraw ESF support and ask you to repay all money you have already received;
- any future applications your organisation makes may be penalised; and
- you may stop unspent funding being re-allocated to other applicants.

If you have difficulty in meeting your deadline, you should discuss this with your Secretariat as early as possible.

You should use this guidance when you fill in the interactive Project Closure Report form for ESF projects under Objectives 1, 2 and 3

You should complete a PCR for all your projects which ran. This applies even if you owe us money (that is, the amount we have already paid you is greater than your total claim). If you do not supply us with the appropriate information, we will withdraw your project and ask you to repay all the money you have already received.

If your project did not run or was withdrawn for any other reason, you do not need to submit a PCR. However, you must tell your Secretariat in writing that you are withdrawing your claim for ESF support.

You must submit your PCR to your Secretariat on an interactive form. The form contains on line instructions and help.

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## **Relationship with other guidance**

The source documents are the regulations relating to European Structural funds and the European Social Fund in particular. The current regulations are as follows:

- Council Regulation (EC) No 1260/1999 - laying down general provisions on the Structural Funds.
- Regulation (EC) No 1784/1999 - on the European Social Fund.
- Commission Regulation (EC) No 1159/2000 - on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds.
- Commission Regulation (EC) No 1685/2000 - laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds.
- Commission Regulation (EC) No 68/2001 - on the application of Articles 87 and 88 of the EC Treaty to training aid.
- Commission regulation (EC) No 438/2001 - laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.
- Commission Regulation (EC) No 448/2001 - laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the

procedure for making financial corrections to assistance granted under the Structural Funds.

- Commission Regulation (EC) No 2204/2002 - on the application of Articles 87 and 88 of the EC Treaty to employment aid.

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## **Abbreviations**

**ALI** - Adult Learning Inspectorate

**CFO** - Co-financing Organisation

**CXS** - Connexions Partnership

**EC** - European Community

**ESF** - European Social Fund

**GO** - Government Office

**ICT** - Information and Communications Technology

**LA** - Local Authority

**LSC** - Learning and Skills Council

**MI** - Management Information

**NVQ** - National Vocational Qualification

**OFSTED** - Office for Standards in Education

**OJEC** - Official Journal of the European Communities

**RDA** - Regional Development Agency

**RDP** - Regional Development Plan

**SPD** - Single Programming Document

**TA** - Technical Assistance

**VAT** - Verification and Audit Team (part of ESF Division)

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