

GUIDANCE AND REQUIREMENTS FOR THE ESF 2007 – 2013 PROGRAMME IN ENGLAND AND GIBRALTAR

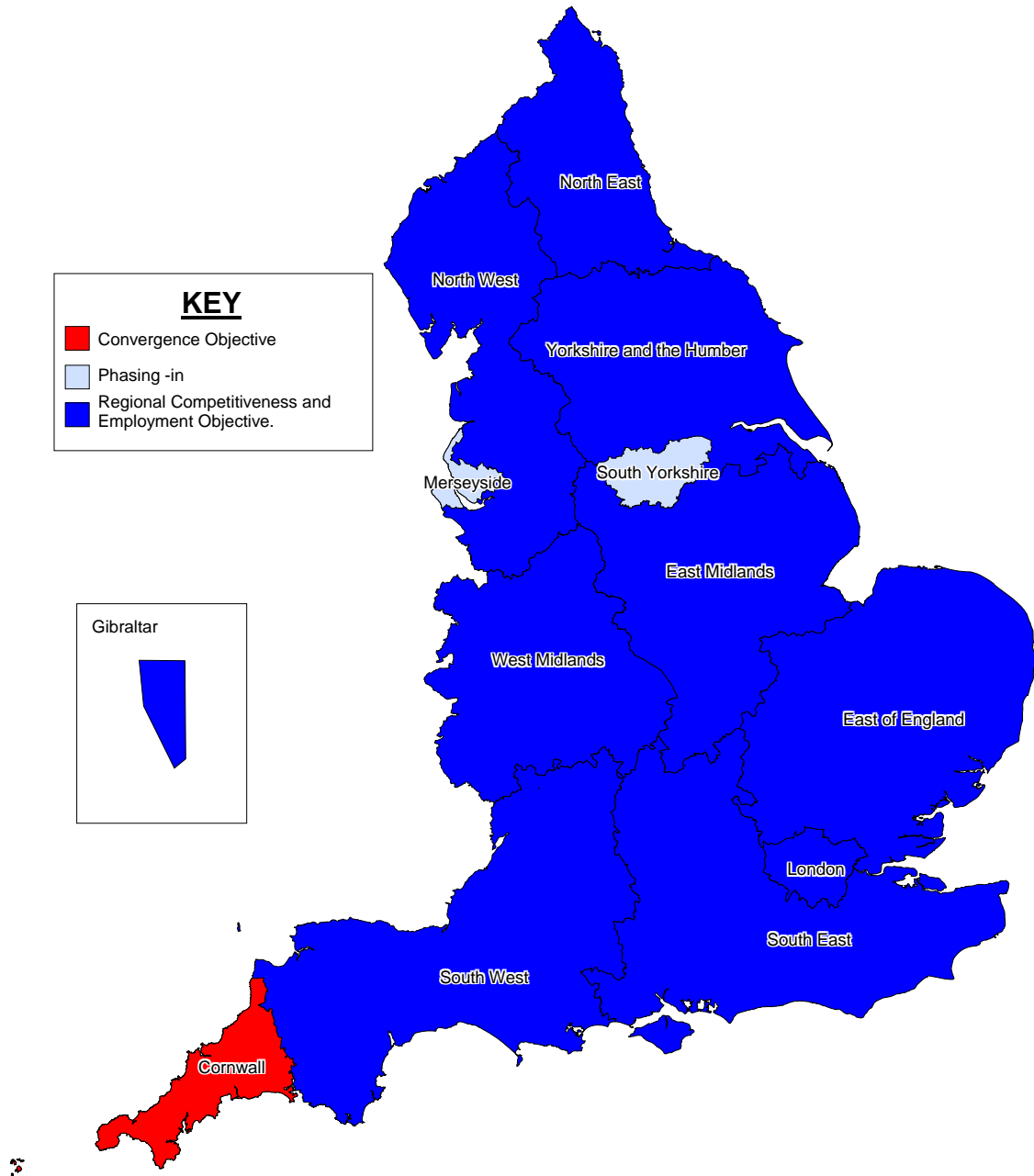
Manual 1

Overview of the 2007 - 2013 ESF programme; eligibility rules; innovation and transnationality; and information on how to apply for ESF funding.

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1.1 Overview of the 2007 – 2013 ESF programme



DWP Department for Work and Pensions

Labour Market Statistics Team 04/04/2007
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1.1.2 The England and Gibraltar 2007 – 2013 ESF programme will contribute to sustainable economic growth and social inclusion by extending employment opportunities and by developing a skilled and adaptable workforce.

1.1.3 The programme covers the whole of England and Gibraltar. It includes ring-fenced funding for the 'Convergence' area of Cornwall and Isles of Scilly and the 'Phasing-in' areas of Merseyside and South Yorkshire (see map). In these areas, the programme will build on the knowledge and experience developed within the 2000-2006 Objective 1 programmes.

1.1.4 The programme will support EU, national and regional strategies to tackle employment and skills challenges. It will add value to the Lisbon National Reform Programme and thereby contribute to the European Employment Strategy and to relevant EU objectives on education and training, social inclusion and equal opportunities.

1.1.5 The programme will promote integrated approaches to employment and skills, and the two sets of priorities will complement each other. Provision will be demand-led and meet the needs of individuals and employers.

1.1.6 Most of the delivery of the programme takes place at regional level where Regional Committees monitor the performance of the programme. Regional Skills Partnerships have developed regional ESF frameworks. These frameworks provide the context, along with the Operational Programme, for Co-financing Organisations to develop detailed ESF delivery plans. Co-financing Organisations have responsibility for bringing together ESF and the required domestic match funding, and for contracting with providers. Small grants for community groups are also delivered through Co-financing.

1.1.7 The Convergence area of Cornwall and the Isles of Scilly has its own framework and committee. The regional frameworks and committees in the North West and Yorkshire and the Humber take account of the specific needs of the phasing-in areas of Merseyside and South Yorkshire. The Government of Gibraltar is the Intermediate Body for Gibraltar.

1.1.8 Gender equality and equal opportunities, and sustainable development are the two cross-cutting themes, building on good practice developed in 2000-2006. There are dedicated innovative activities within Priorities 1, 2, 4 and 5.

1.2 Priorities and funding

1.2.1 The 2007 – 2013 ESF programme budget is €6,049 million, of which the contribution of the ESF is €3,090 million and the national contribution is €2,959 million.

1.2.2 Each region has its own ESF allocation to fund projects to address its regional jobs and skills needs. Of the ESF funding, €196 million is ring-fenced for the Convergence area of Cornwall and the Isles of Scilly and €386 million for the Regional and Competitiveness Objective 'phasing-in' areas of Merseyside, and South Yorkshire. The ESF intervention rate will be 50% in the Regional Competitiveness and Employment Objective, and 75% in the Convergence Objective.

1.2.3 The programme contains six priorities:

	Regional Competitiveness and Employment Objective <i>All of England and Gibraltar except Cornwall and the Isles of Scilly</i>	Convergence Objective <i>Cornwall and the Isles of Scilly</i>
Worklessness	Priority 1: Extending employment opportunities (€1,794 million ESF)	Priority 4: Tackling barriers to employment (€75 million ESF)
Workforce skills	Priority 2: Developing a skilled and adaptable workforce (€984 million ESF)	Priority 5: Improving the skills of the local workforce (€118 million ESF)
Technical assistance	Priority 3: Technical assistance (€116 million ESF)	Priority 6: Technical assistance (€4 million ESF)

1.2.4 Priorities 1 and 4 will improve the employability and skills of unemployed and inactive people, and tackle barriers to work faced by people with disabilities or health conditions, lone parents, people aged 50 and over, ethnic minorities, people with no or low qualifications, young people not in education, employment or training (NEET) or at risk of becoming NEET, and other disadvantaged groups, including people experiencing multiple disadvantage.

1.2.5 Priorities 2 and 5 will improve the qualifications and skills of workers without basic skills and with no or low qualifications. They will also develop managers and workers in small enterprises. Priority 5 will also support Cornwall's Higher Education and skills strategy.

1.2.6 Priorities 3 and 6 will fund technical assistance activities to support the delivery of the programme.

1.3 Community Grants

Small grants of up to £12,000 are available for voluntary and community organisations to help them reach disadvantaged people who are not working.

1.4 Changes from 2000 – 2006

The changes in the 2007 to 2013 ESF programme are summarised in the following table:

	2000 to 2006	2007 to 2013
ESF funding (England & Gibraltar)	£4 billion	£2 billion
Programmes	12 Programmes	1 Programme
Objectives	Objective 1: Cornwall and Isles of Scilly, Merseyside and South Yorkshire (75% intervention rate) Objective 2: areas in decline outside Objective 1 (45% intervention rate) Objective 3: all areas outside Objective 1 (45% intervention rate)	Convergence Objective: Cornwall and the Isles of Scilly (75% intervention rate) Regional Employment and Competitiveness: rest of England and Gibraltar. Merseyside and South Yorkshire have 'phasing-in' status. (50% intervention rate)
Community Initiative	Equal	No Community Initiative. Innovative and transnational activities within main programme.
Priorities	Multiple priorities across 12 programmes.	6 priorities (3 Convergence and 3 RCE).
Measures	Multiple measures (14 in Objective 3 alone)	No measures
Programme Complement	Yes	No
Delivery mechanism	Co-financing, alternative bidding,	All Co-financing (except in exceptional circumstances)

	national and central projects.	in Cornwall and the Isles of Scilly, Merseyside and South Yorkshire). No national or central projects.
Co-financing Organisations (CFOs)	75 CFOs	28 CFOs. Regional LSC instead of local LSC CFOs. DWP Delivery Directorate instead of Jobcentre Plus
Open and competitive tendering	Contract and actual costs	Contract costs except in exceptional circumstances
Match funding	Cash and in-kind	Cash only
Small grants	Global grants (max. £10,000) delivered through 'Intermediate Bodies' which had to find their own match funding.	ESF community grants (max. £12,000) delivered through Co-financed 'Grant Co-ordinating Bodies'.
Managing Authority (MA)	DWP-ESFD for Objective 3 CLG for Objectives 1 and 2 GOs are Intermediate Bodies	DWP-ESFD (with regional presence in GOs)
Paying/Certifying Authority (CA)	Paying Authority: DWP-ESFD	Certifying Authority: DWP-ESFD
Audit Authority (AA)	None	DWP - Risk Assurance Division
Regional plans	Regional Development Plans	Regional ESF frameworks (developed by Regional Skills Partnerships)
Cross-cutting themes	Equal opportunities Sustainable	Gender equality and equal opportunities

	development Local development Information Society	Sustainable development
Logos	Old logo	New logo

1.5 Roles and responsibilities

1.5.1 The UK Government has designated the Department for Work and Pensions as the managing authority, certifying authority and audit authority for ESF. Functional responsibilities for managing authority and certifying authority work are designated within the European Social Fund Division of DWP whilst audit authority work is designated within DWP's Risk Assurance Division. To ensure that there is effective separation of managing authority, certifying authority and audit authority work, there are distinct and separate management structures so that each body operate independently from each other.

Managing Authority

1.5.2 The United Kingdom Government designated the Department for Work and Pensions (DWP) as the managing authority for the European Social Fund in England and Gibraltar for 2007–2013. The managing authority is located within European Social Fund Division (ESFD) in DWP and is responsible for managing and implementing delivery of ESF in accordance with the Operational Programme for the 2007-2013 programme.

1.5.3 ESF in England operates through a single Operational Programme but there is a strong regional focus and regional ESF allocations. To ensure that the regional dimension is properly reflected, some managing authority functions for delivery of ESF will be carried out by teams located in the nine Government Offices for the English regions. Regional managing authority functions operate under formal delegations from ESFD.

- 1.5.4 Because of different institutional arrangements In London regional functions will be delegated to the Mayor of London. In Gibraltar, functions will be carried out by the Government of Gibraltar.
- 1.5.5 Further information about the role and responsibilities of the Managing Authority can be found in Manual 4: Managing Authority, guidance and requirements.

Certifying Authority

1.5.6 Designated by the UK Government, DWP is the certifying authority for ESF in England and Gibraltar. The certifying authority is located within the ESFD but operates under separate management structures and operates independently from the managing authority. It is responsible for certification of

the statements of expenditure and application for payment before the claim goes to the Commission. The certifying authority will operate in accordance with Article 61 Regulation 1083/2006.

- 1.5.7 Further information about the role and responsibilities of the certifying authority can be found in Manual 5: certifying authority guidance and requirements.

Audit Authority

1.5.8 Designated by the UK Government the audit authority is located in DWP's Risk Assurance Division (RAD). It operates under separate management control and is independent from the managing and certifying authorities. It is responsible for verifying the effectiveness of the management and control system. Further information about the role and responsibilities of the Audit Authority can be found in Manual 6, Audit Authority guidance and requirements.

Co-financing Organisations

1.5.9 At the regional level, ESF funds are distributed through public agencies such as the Learning and Skills Council and DWP. These agencies are known as 'Co-financing Organisations'. Their role is to bring together ESF and domestic funding for employment and skills so that ESF complements domestic programmes.

1.5.10 The Co-financing Organisations contract with the organisations or 'providers' that deliver ESF projects on the ground. Under the new ESF programme CFOs are known as 'beneficiaries' as will the small number of providers in convergence and phasing in areas that will hold direct contracts with the MA.

1.5.11 Further information about the role and responsibilities of Co-financing organisations can be found in Manual 2, Co-financing guidance and requirements.

1.6 Eligibility Rules- introduction

The rules on eligibility fall into four categories:-

- Activities
- Participants
- Expenditure
- Technical Assistance

These are considered in turn and cover both co-financed and non co-financed provision.

1.7 Eligibility Rules- activities

1.7.1 Eligible activities are set out in the Operational Programme. Regional ESF frameworks set out priorities for regional ESF spending drawing on, but not adding to the eligible activities in the Operational Programme. For co-financed provision, endorsement of co-financing plans by the regional ESF committee indicates that activities in the plans are eligible. For non CFO activity, the call for proposals will give a clear indication about the type of priorities that need to be met, the activities required with corresponding output and result targets. The call for proposals will therefore be consistent with the eligible activities in the Operational Programme and the regional ESF framework.

1.7.2 The following factors must be taken into account:-

- For activity funded from the convergence objective or the ring fenced phasing-in funding, the activities must take place within the appropriate convergence/phasing in area.
- Any statutory training, for example training that employers must provide under Health and Safety legislation, is not eligible.
- **Priority 2 can train volunteer staff in voluntary organisations (alongside their paid employees) where the training addresses individual skills needs or specific skills shortages. However, Priority 2 cannot support training that prepares volunteers for employment which would be a Priority 1 activity.**
- There are no restrictions in this programme on ESF support for public sector employees which fall within the scope of the Operational Programme. CFOs and non CFO providers should ensure that any activity supported fits in with the appropriate regional framework and the requirements of the operational programme.

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

- Central Government;
- local authorities;
- the armed forces;
- NHS Trusts; and
- public education sector.

1.8 Eligibility Rules- participants

Definition

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

- legally resident in the UK (or Gibraltar for those projects submitted by the Government of Gibraltar);
- able to take paid employment in a European Union member state;

Refugees and asylum seekers

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

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

1.8.4 From June 2003 these arrangements ceased. Those asylum seekers who already have permission to work are not affected as these arrangements are not retrospective (cannot be applied to past cases).

1.8.5 New asylum seekers cannot be ESF participants unless they were granted permission to work before June 2003. They may however be supported by pre-vocational projects (excluding vocational guidance), which might take the form of:-

- initial English for speakers of other languages, other basic skills (literacy, numeracy and IT) where they are not part of provision that is designed to lead to employment;
- orientation provision to raise awareness of UK labour market needs asylum seekers' rights and responsibilities;
- provision of information about further education and voluntary work they can take part in;
- general advice about life in Britain for those given leave to remain (information about law, culture, housing, welfare, health, educating and employment); and
- involvement in voluntary activity.

1.8.6 The above categories of pre-vocational support may also be applied to failed (or refused) asylum seekers who would also be eligible for mainstream ESF support. Failed asylum seekers may only be supported in the following circumstances:

- where they have signed up to return home as soon as they can and are taking all reasonable steps to leave the UK and that they meet one of the following criteria;
- where they are unable to leave due to physical impediment to travel or other medical reason;
- if in the opinion of the Secretary of State, there is no safe route of return for them;
- if permission has been granted for a Judicial Review; and,

- if support is necessary to avoid a breach of ECHR - examples include outstanding further submissions or out of time appeals.

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

1.8.7 Ten countries became EU members on 1 May 2004. Nationals from these accession countries are eligible to benefit from ESF programmes in England if they are legally resident in the UK, and fulfil the normal ESF eligibility requirements for the Priority concerned. From 1 May 2004, nationals from Cyprus and Malta have the same access to ESF programmes as nationals from the existing 15 EU Member States.

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

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

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

Border and Immigration Agency
Customer Contact Centre
Managed Migration Directorate
Home Office
PO BOX 3468
Sheffield
S3 8WA.

Phone: 0114 207 4074.

E-mail: wpcustomers@ind.homeoffice.gov.uk

Website: <http://www.workingintheuk.gov.uk/>

1. 8.10 This does not apply to nationals from Malta and Cyprus or nationals from the eight accession countries who are already working legally in the UK and have been in the labour market for twelve months or longer without a break on 1 May 2004.

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

who would not otherwise be self-sufficient.

Romanian and Bulgarian citizens

1.8.12 Romania and Bulgaria became EU members on 1 January 2007. Since then the UK labour market is gradually being opened to citizens of these two countries. Initially this access will mainly be restricted to low-skilled workers to fill vacancies in the agriculture and food-processing sectors, and highly-skilled workers. Generally Romanian and Bulgarian citizens will not have the automatic right to work in the UK.

1.8.13 Bulgarian and Romanian citizens will need either an accession worker card or a Seasonal Agricultural Workers' Scheme work card to be legally employed in the United Kingdom. Only the following groups are exempt from having to hold these work-authorisation documents.

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

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

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

Self employed people

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

People in prison

1.8.16 ESF is primarily aimed at people who are available to work in the job market. The following eligibility criteria apply to people in custody:-

- people sentenced to less than two years can access ESF at any point during their sentence, and;
- people sentenced to more than two years can only access ESF during

the last two years of their sentence.

Economically inactive

1.8.17 Economically inactive people refers to those people who are out of work, but who do not satisfy the International Labour Organisation criteria for unemployment. This is because they are either not seeking work or are unavailable to start work. This does not include 14-19 NEETS or young people at a risk of becoming NEET.

People at risk of redundancy

1.8.18 Priority 2 can support those at risk of redundancy **whether or not they have** received notice of redundancy.

Support for those at risk of redundancy must not of course involve wage subsidies, but may include eligible activities such as retraining, upskilling, careers advice etc.

1.9 Eligibility rules – expenditure (CFOS)

CFO Expenditure

1.9.1 Some CFOs use profile funding for providers, although this is not an ESF requirement. Under this method of funding, payment is made regularly and then, at set 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.

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.

CFO administration costs

1.9.2 This section explains what the administration costs can cover and how staff time should be recorded as supporting evidence for the claim to the managing authority. 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.

1.9.3 The term “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.

1.9.4 Administration costs can relate to the additional ESF-related work on matching activity as well as ESF-funded activity within the Priority level project.

1.9.5 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 claims for ESF funding
 - preparing and submitting ESF monitoring returns
 - attending monitoring meetings with Government Office staff
 - financial management.

1.9.6 As consideration of the Co-financing Plan by the managing authority and regional ESF committee 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 Government Office. This date should have been confirmed by the Government Office.

1.9.7 The claim for administration costs must be supported by evidence that the activity has taken place and that the amount claimed represents the staff time spent on the activity. The claim must be based on actual salary costs plus any eligible overheads. Note that if CFOs intend to include eligible overheads in their claims they must agree with the Managing Authority which overheads will be included and the basis on which they will be calculated before the first claim is made. The claim can be evidenced 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 do work that is not related to ESF must record their time spent on ESF on a time sheet, diary, recording system etc.

1.9.8 Any overhead expenditure included must be based on real costs, be related to the implementation of ESF and be allocated on a fair and equitable basis.

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

Flat rate costs calculated by application of standard scales of unit costs

Background

1.9.10 As a result of the economic downturn, the European Commission brought forward several proposals to simplify administration of ESF in order to help spend the funds. One of these is the ability to use flat rate costs calculated by application of standard scales of unit costs, more commonly referred to domestically as “formula funding”.

1.9.11 Regulation 396/2009 dated 6 May 2009 promulgated this simplification by introducing an amendment to the ESF regulation 1081/2006. This amendment is backdated to 1 August 2006, when the ESF regulation came into effect.

1.9.12 It should be stressed that the simplification applies to grants. Formula funding can already be used for tendered provision, where judged appropriate by the CFO. The applicable procedure for grants is a call for proposals and/or direct grants.

Benefits

1.9.13 By moving away from the general principle of actual costs, this simplification provides several advantages:-

- there is no audit of provider actual costs, hence there is a simplified audit trail;
- audit will look at calculation and correct application of the rate(s);
- rates will not be challenged unless the evidence shows serious discrepancies (e.g. the evidence suggests a rate of £20, but a rate of £100 is set).

Principles for using flat rates

1.9.14 The regulation prescribes four principles, such that the rates must be:-

- established in advance
- fair
- equitable
- verifiable

1.9.15 **Established in advance** – the rates have to be defined beforehand and must be published in advance of any call for proposals or award of grant. The relevant rules and conditions should be set out and be readily accessible to providers, who must be made aware of any rule changes or amendments to the rates following a review. It also means that once the rates are established, they cannot be changed during or after the implementation of an operation to compensate for an increase in costs or underutilisation of the available budget. The rates can however be subject to annual review and uprating.

1.9.16 **Fair** - The calculation has to be reasonable, that is based on reality, not excessive or extreme. If a given standard scale of unit cost has in the past worked out at between £20 and £30 the Commission services would not expect to see a scale for £100. From this point of view the basis used for identifying the unit cost is of key importance. The CFO must be able to explain and to justify its choices. An "ideal" fair calculation method should adapt the rates to specific conditions or needs.

1.9.17 For example, the execution of a project may cost more in central London than elsewhere because of higher staff and premises costs; these elements should be taken into account when deciding on the rate to be paid for similar projects in different areas. The objective of any audit work will be to examine the basis used for establishing the rates and whether the rates finally set are indeed in line with this basis.

1.9.18 **Equitable** - The main notion underlying the term "equitable" is that it does not favour some providers over others. The calculation of the flat rates has to ensure an equal treatment of providers. Examples would be differences in rates or amounts that are not justified by objective features of the providers, or by express policy objectives. Auditors will not accept calculation methods which discriminate against particular providers or groups of providers

1.9.19 **Verifiable** - The determination of flat rates must be based on documentary evidence which can be verified. The CFO has to be able to demonstrate the basis on which it has been drawn up. It is a key issue to ensure a sound financial management. This verification will be part of the audit trail. It will not be accepted to define flat rates with no supporting evidence.

Proposals to use flat rates

1.9.20 The managing authority has agreed that the Learning and Skills Council can use existing well established flat rates for funding awarded in the context of a grant. The rates and the detailed rules for providers in the use of the rates are published on the provider funding pages of the LSC website.

<http://www.lsc.gov.uk/providers/funding-policy/>

1.9.21 The rates and methodology will be used by the LSC successor bodies, the Skills Funding Agency and Young People's Learning Agency.

1.9.22 Other proposals to use flat rates must come from a CFO and the proposals must demonstrate to the managing authority how the four principle are being or will be met. The managing authority will consider such proposals on a case by case basis, seeking advice where necessary from the audit authority. The managing authority may choose to invite the audit authority to audit the rates methodology and supporting documentation before agreeing to use of the rates.

1.10 Eligibility rules –expenditure (non CFOs)

Actual eligible expenditure

1.10.1 Non CFO and Technical Assistance expenditure must be declared on the basis of actual ESF expenditure (including match funding) because projects are not selected through open and competitive tendering. Expenditure declared must be justified by supporting paid invoices or other appropriate accounting documents.

1.10.2 Claims based on actual eligible expenditure can cover staff, participant and other costs. There is a distinction between direct and indirect costs:

- Direct costs are those costs which are directly related to activity supported by an ESF project e.g. salaries of staff directly engaged on ESF activity, participant costs such as allowances and childcare costs and other costs such as stationery and consumables;
- Indirect costs are shared organisational costs and so cannot be connected directly to project activity and which are difficult to attribute to the project e.g. telephone costs, gas, electricity and water.

Direct costs

Staff costs

1.10.3 Staff costs can include employer's national insurance and superannuation costs. The application for funding must include any expected increases in grade or pay scales for the staff involved. Staff costs may include those costs covered in a persons' contract of employment that are taxable incentives linked to pay and pension contributions. The claim must be based on actual salary costs relating to time spent on ESF activity. The claim can be evidenced 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 do work that is not related to ESF must record their time spent on a time sheet, diary, recording system etc.
- sick or maternity pay can be claimed if it is in line with the organisation's staff policy or on the individual's contract of

employment. Alternatively an organisation may claim for replacement staff costs but only if maternity or sick pay is not being claimed. If an organisation is entitled to claim statutory sick pay back from HMRC it should do so and offset any such payments received against its claim for ESF.

1.10.4 If a staff member is working full time on ESF activity the organisation should claim actual salary costs for the time they are employed on the project. If a staff member is working full-time but only working part of their time on

1.10.5 ESF the following calculations should be used:

- work out how many hours they work in a year. This is 52 weeks multiplied by 5 days, less the number of days of annual and public holidays they are entitled to, multiplied by the number of hours they work each day; and
- Divide their annual salary by the number of hours worked as above to establish their hourly rate.
- Claims for ESF should then be based on the number of hours worked on ESF multiplied by the hourly rate.

1.10.6 The costs of training in connection with ESF activity can be claimed, although it is expected that all organisations who submit an application are in a position to deliver the project. Staff training costs can be claimed only if an individual has specific needs for training that could not have been identified before the project began. This needs to relate to the acquiring of specialist knowledge.

Participant costs

1.10.7 For *employed* participants, wages and allowances paid by their employer for the time they spend on the ESF funded activity may be claimed; this can include employers' National Insurance and superannuation contributions. Alternatively, the cost of employing replacement staff to cover for a staff absence on ESF funded activity may be claimed but not both. All costs must have supporting evidence of actual salary and time sheets. *Daily travel costs* for participants must have evidence to show the actual cost for each participant for each day. For costs relating to *external courses*, the length of the course, and the cost of travel, board and lodging must be shown. Costs for external courses should be claimed under 'other costs'. *Costs for caring for children or other dependants* should show the net weekly or hourly costs involved, excluding any contributions from participants towards these costs

Participant allowances

1.10.8 If used as part of the project, participant allowances can be claimed. Although there is no upper limit for the allowances paid to participants, it is important to consider the following:-

- The managing authority will decide if allowances conform to levels within the region and if the allowance represents value for money.
- Allowances may affect the level of benefits participants are entitled to, so this issue should be discussed beforehand with the local Jobcentre

Plus office.

- HM Customs and Revenue may regard some allowances as taxable benefits, so it is imperative to check with them before setting the allowance levels.

Other costs

1.10.9 Paragraphs **DN- enter** cover eligibility issues in connection with specific direct other costs.

Rent and leasing of buildings

1.10.10 Where a building which is wholly used for ESF activity is rented or leased, the rental or lease costs can be claimed as eligible expenditure.

Depreciation of buildings

1.10.11 Any asset, including a building, must have a fixed useful life. The length of a building's life varies according to its type and purpose. An organisation's accounting policies must set out the period of time and the way in which the amount of depreciation claimed has been calculated. Any depreciation claimed must be in line with the organisation's policy on calculating depreciation. Depreciation costs are ineligible if the cost of the building has already received EU support.

1.10.12 Generally, DWP expect that a permanent building used for training purposes would depreciate in the range of 2% to 5% each year on a straight line basis (the same amount each year), reflecting a uniform life of between 20 and 50 years. A list of the premises for which depreciation will be claimed and the basis on which depreciation will be applied must be provided in the ESF application.

Hire and lease of equipment

1.10.13 Where equipment is used exclusively by ESF participants the actual costs of leasing such equipment, including VAT where this applies (see notes on VAT), is eligible for the period of time covered by ESF activity.

1.10.14 Finance leases: these are similar to hire-purchase agreements. The lessee (the person who leases the equipment from someone else) is responsible not just for maintaining the equipment but also for insurance, repairs and so on. At the end of the lease the equipment becomes the property of the lessee. The costs of leasing equipment under a finance lease are *not eligible*. Rather, the item leased should be treated as a fixed asset and depreciated (the loss in its value) in line with the organisation's accounting policy.

1.10.15 Operating leases: under this type of lease, the equipment remains the property of the lessor (the person who leases the equipment). The costs of operating leases can be claimed if it can be shown that the costs of the lease are competitive and are similar to the rates charged in the market place. However, if a leasing charge for equipment (in any one year) goes over, or closely matches, the full cost of buying the item it would be seen as an attempt to introduce capital expenditure as an eligible item under a different heading, and capital expenditure (over £1,000) is not eligible – see paragraphs 61-62.

Leasing property

1.10.16 This paragraph deleted

Depreciation of equipment

1.10.17 The calculation of depreciation must be in line with the organisation's accounting policy. Claims must be based on the actual costs of equipment owned. Depreciation can be claimed on second-hand equipment providing it has not been claimed for previously. Depreciation can be calculated in many different ways, the most common being straight line and reducing balance methods (depreciation is calculated each year on the value of the assets in the books at the start of the year). It is normally expected that the smallest number of years over which an item can be depreciated is three years.

1.10.18 If an organisation has received capital grants towards the costs of fixed assets, these grants should be deducted from the costs before calculating depreciation costs for ESF. Where deferred credits are used to offset depreciation costs, the amount of the deferred credit must be deducted from the depreciation costs for ESF purposes. An accountant will be able to advise if deferred credits have been used.

1.10.19 Working papers must be kept to show how depreciation costs have been calculated for the ESF project. These must include the costs and descriptions of the items purchased, when they were purchased, how the depreciation was calculated, how long the items were in use, where they are now, and an estimate of their current value. When applying for ESF it will be necessary to provide a list of items to be depreciated and details of how the depreciation costs together are to be calculated. VAT

VAT

1.10.20 VAT is an eligible item of expenditure only if it cannot be reclaimed by the organisation. The treatment of VAT will vary depending on the status of the organisation, so it is very important for VAT status to be agreed with the local Revenue and Customs. Evidence of VAT status will be required to reclaim VAT as an item of ESF expenditure.

Consumables

1.10.21 A list of required consumables, with the estimated expenditure, should be included in the application. Computer software should be treated in line with the usual accounting policy of the organisation.

Small items of equipment

1.10.22 The ESF Regulation precludes "purchase of furniture, equipment, vehicles, infrastructure, real estate and land". It is recognised that there might be a need to purchase small items of equipment in the form of non capital items. Accordingly, a list of required small items, with the estimated expenditure, should be included in the application form.

1.10.23 No single item can cost £1,000 or more. There is no set limit to the number of small items of equipment under £1,000 which can be claimed, but the total expenditure on small items of equipment will be taken into account when assessing the project's value for money, bearing in mind that ESF is not a capital programme.

Indirect costs

1.10.24 The scope to claim for indirect costs on a flat rate basis has been introduced to simplify ESF arrangements. Previously, apportioned costs for overheads/central services etc were submitted with each claim for the life of the project and based on actual costs supported by an audit trail. Experience from the 2000-2006 ESF programmes has shown that the justification of indirect costs has constituted a high level of risk and a disproportionate administrative burden for ESF projects. For the 2007-2013 programme indirect costs can only be claimed on a flat rate basis (as opposed to the quarterly actual apportioned costs being claimed). This *only* applies to direct bid projects. The number of projects using actual costs as a basis for expenditure claims in 2007-2013 will be relatively small.

1.10.25 **From 01 September 2009** Indirect costs as with direct costs must meet eligibility rules. Indirect costs are costs which cannot be connected directly to ESF and where it is difficult to attribute expenditure. Indirect costs **are defined as:**

- central/support staff and personnel costs - where the ESF element of their duties cannot be extracted from general duties and put on timesheets – e.g. reception, central finance
- equipment (no single item can cost £1,000 or more see para 1.10.23) and premises costs where these are not used wholly for ESF activity
- telephone and postage costs
- electricity, gas and water
- insurance

This is a complete list of items that can be treated as indirect costs.

1.10.26 Higher management salary costs should not be included in flat rate calculations – activities at this level are expected to be costed under direct costs and be supported by timesheets.

1.10.27 Where central/support staff costs form part of the indirect costs flat rate percentage - higher management salary costs must not form part of the costs. These higher management costs must be extracted before the flat rate percentage is calculated. These higher costs can be claimed as a direct cost when direct ESF activity has taken place provided that they are supported by a timesheet.

1.10.28 Items **must** be costed **either** in direct or indirect costs; the same item **must not** appear in both.

1.10.29 Where ESF has been awarded as a grant, EU regulations allow indirect costs to be claimed on a flat-rate basis provided that:

- they can be proven to be fair and equitable (a greater proportion of costs should not be charged to ESF as opposed to non ESF).

- the estimates used to calculate the flat rate percentage are based on actual costs and backed up by a full audit trail (for example if 2007 rent was £30kpa strong justification would have to be provided if the 2008 estimate was £40kpa)

- they account for no more than 20% of the direct costs of a project. 20% is the absolute maximum expected to be claimed – the majority of projects are expected to come in much lower than this.

1.10.30 This paragraph deleted.

1.10.31 The objective is to simplify administration and reduce risk for ESF providers, not to increase direct or indirect costs.

1.10.32 Applications for ESF support based on actual ESF expenditure will be required to provide a robust and realistic estimate of both the direct and indirect costs of the project. These estimates will be assessed as part of the overall project appraisal process. For projects that are approved the flat-rate percentage agreed will apply for the life of the project. For each claim, direct costs should continue to be itemised with an associated cost with the associated audit trail kept – indirect costs will be claimed by simply applying the agreed percentage to the sum of the direct costs for each claim. However, all documentation and calculations which support how original estimates were arrived at must be kept – they will be subject to Article 13 monitoring and Article 16 controls. The application form requires an explanation of how the costs have been arrived at.

1.10.33 The preferred methodology for estimating indirect costs is the ratio of ESF staff time against total available staff time. This satisfies the conditions set out in (1.10.25).

Example:

Note: You should refer to the ESF eligibility rules when completing the finance section of the application form.

Expected STAFF COSTS: show the expected cost for each calendar year.

Staff Costs	2008	2009	2010	Total
Promotions management: 3 posts 2008, 4 posts 2009 & 10	£45,000	£60,000	£60,000	£165,000
Admin: 3 posts 2008, 4 posts 2009 & 2010	£30,000	£40,000	£40,000	£110,000
Research: 1.5 posts 2008, 3 posts 2009,2010	£22,000	£45,000	£45,000	£112,000
Staff travel and expenses	£3,000	£7,000	£7,000	£17,000
Total	£100,000	£152,000	£152,000	£404,000

Expected OTHER COSTS: show any other expected cost for each calendar year of the project. This must be split between direct costs and indirect costs.

Other direct costs

Other Direct Costs	2008	2009	2010	Total
Publicity materials	£2,500	£4,000	£5,000	£11,500.00
Conference and events	£6,000	£9,000	£5,000	£20,000.00
Research and evaluation	£2,000	£4,500	£6,000	£12,500.00
Total	£10,500	£17,500	£16,000	£44,000.00

Expected indirect other costs: show any expected indirect costs for each calendar year of the project.

Indirect costs	2008	2009	2010	Total
Accommodation	£3,750	£7,332	£7,332	£18,414.00
Computing/information technology	£1,875	£3,666	£3,666	£9,207.00
Support staff costs	£3,000	£5,866	£5,866	£14,732.00
Utilities	£2,625	£5,132	£5,132	£12,889.00
Total	£11,250	£21,996	£21,996	£55,242.00

Total Costs Summary

Direct Costs	2008	2009	2010	Total
Staff Costs	£100,000	£152,000	£152,000	£404,000.00
Premises related	£0	£0	£0	£0.00
Depreciation	£0	£0	£0	£0.00
Other Direct Costs	£10,500	£17,500	£16,000	£44,000.00
Total	£110,500	£169,500	£168,000	£448,000.00

Total Indirect Costs	£11,250	£21,996	£21,996	£55,242.00
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Indirect costs as % of total direct costs	12.33%
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Total Project Costs	£121,750	£191,496	£189,996	£503,242.00
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Basis for estimate of indirect costs

Year	Indirect Cost	Basis of estimating yearly cost
2008	Accommodation £3,750	Annual expected cost £40k – 3 quarters = £30k ESF hours/Total organisation hours is 11,100/88800 12.5%
2008	Computing/IT £1,875	Annual expected cost £20k – 3 quarters = £15k ESF hours/Total organisation hours is 11,100/88800

		12.5%
2008	Support staff costs £3,000	Annual expected cost £32k – 3 quarters = 24k ESF hours/Total organisation hours is 11,100/88800 12.5%
2008	Utilities £2,625	Annual expected cost £28k – 3 quarters = 21k ESF hours/Total organisation hours is 11,100/88800 12.5%
2009	Accommodation £7,332	Annual expected cost £40k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2009	Computing/IT £3,666	Annual expected cost £20k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2009	Support staff costs £5,866	Annual expected cost £32k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2009	Utilities £5,132	Annual expected cost £28k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2010	Accommodation £7,332	Annual expected cost £40k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2010	Computing/IT £3,666	Annual expected cost £20k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2010	Support staff costs £3,666	Annual expected cost £32k - ESF hours/Total organisation hours is 16,280/88800 18.33%
2010	Utilities £5,132	Annual expected cost £28k - ESF hours/Total organisation hours is 16,280/88800 18.33%

The total of the indirect costs as a percentage of the direct costs will be the percentage flat rate for claims for the life of the project –in this case 12.33%- must be no more than 20% of the total of direct costs.

Direct costs plus total estimated indirect costs = total project cost.

If applicants are unclear please contact the Managing Authority.

Revenue

1.10.34 ESF is not expected to generate significant levels of revenue but there may be occasions where small amounts of revenue are generated. Where revenue is received documentation to support it must be retained and amounts received declared in claims for payment. The amount of any revenue declared will be deducted from declared expenditure when calculating the ESF payment due.

Ineligible expenditure

1.10.35 The following items of expenditure will be ineligible for ESF support:

- In-kind contributions which comprise the provision of land, real estate, equipment and unpaid voluntary work;
- Purchase of furniture, vehicles and equipment (other than small

- items of equipment – see paragraphs 61-62)
- Purchase of second hand equipment;
- Bank debit charges;
- Legal fees;
- Fines, financial penalties and expenses arising from litigation;
- Purchase of land
- Purchase of real estate (i.e. buildings after construction and the land on which they are built);
- Expenditure relating to venture capital, loan and guarantee funds.

1.11 Eligibility rules - Technical Assistance

1.11.1 Technical Assistance is eligible to support:

- preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme;
- activities to reinforce the administrative capacity for implementing the funds at national and regional levels;
- the Operational Programme's publicity and communication strategy;
- support for the cross-cutting themes of gender equality and equal opportunities and sustainable development;
- the development and implementation of programme monitoring and evaluation systems;
- support for the delivery of transnational and inter-regional activity;
- support to third sector networks to support participation by voluntary and community organisations in the programme;
- in the Convergence Objective only, technical assistance can be used to invest in administrative capacity to facilitate programme delivery and strengthen capacity in input analysis and evaluation, including supporting the implementation of the programme in such a way that it is aligned with the Local area Agreement for Cornwall where appropriate.

1.11.2 To avoid any overlap between funding of activities under CFO administration costs, Technical Assistance cannot be used to fund any activity that is a requirement for a CFO acting as a Beneficiary whether it is funded through CFO administration costs or not.

1.11.3 It is however legitimate for a CFO to apply for Technical Assistance in line with national or regional Technical Assistance strategies approved by the England Monitoring Committee or regional ESF committees to undertake activities which address wider programme development or support. An example would be an evaluation that covered whole regional activity and so went wider than the activity managed by the CFO.

1.12. Innovation and Transnationality

Aim

1.12.1 The principal aim of the ITM strand is to develop innovative, regional projects that focus on producing thematic, policy related learning outcomes worthy of dissemination and mainstreaming at regional, national and EU levels. In accordance with the Operational Programme (paragraphs 380-382), not only will innovation be supported as a feature of co-financed activity, but 2% of the programme will be dedicated to supporting a small range of projects delivering innovative, transnational and mainstreaming activities. Section 1.2 applies to these dedicated projects which are delivered outside of Co-financing Organisation (CFO) arrangements.

1.12.2 Priorities 1 and 4 will include support for developing and delivering innovative ways of helping unemployed and inactive people make the transition from unemployment and inactivity to sustainable employment. Priorities 2 and 5 will include support for developing and delivering innovative activities to raise skills levels.

Innovation

1.12.3 Innovation can be defined as the successful exploitation of new ideas ('Innovation Nation', DIUS, 2008). In the context of ESF, innovation can include new approaches, tools, methods and service provision to extend employment and raise skills. It can also mean adapting and applying existing approaches, tools, methods and services to new regions, sectors or target groups.

1.12.4 Based on experience from Equal there are a number of key questions which can be used to identify innovation:

Why? What is the purpose of the innovation? What is the identified need that the innovation is intended to address? For example, the innovation might be a response to a long-term problem, to a new element of a long-term problem, or to a new problem.

What? This relates to how the identified problem can be resolved. What is the activity which forms the innovation? For example, an activity might be to exploit the potential of ICT and new technologies in response to the identified problem, or to develop new materials, tools or new content.

Who? Who should be involved in developing and delivering the innovation – including decision makers?

Where? Where the activity is delivered can form the actual innovation. For example, if an existing good practice is transferred to a new setting (e.g. from one Member State or region), this is in itself an innovation.

How? How the activity is delivered can also form an innovation. For example, an existing training course might be delivered through e-learning in order to reach out to new target groups.

When? When the innovation is delivered is particularly important. This question should be addressed in line with the first question regarding why the innovation is needed. When the innovation is delivered should be in line with the identified need.

1.12.5 The integration of innovative good practices can bring added value for the following reasons:

- It can lead to improvements in existing policy and practice.
- It can help to fill gaps in existing policy and delivery frameworks by supporting the development of new approaches.
- It helps to avoid expensive policy development and the need to 're-invent the wheel' by building on innovative and validated good practices.

Transnationality

1.12.6 Learning from other countries is an important dimension of innovation within the ESF programme. Transnational working provides opportunities to add value to domestic activities, deepening understanding of labour market issues and providing opportunities to influence policy development and delivery.

1.12.7 All dedicated innovation activities must have a transnational or interregional dimension. Transnational activity refers to co-operation between organisations in two or more EU Member States. Interregional activity refers to co-operation between regions in different EU Member State (i.e. not co-operation between regions within the same Member State). This may involve joint development of new approaches, as well as sharing or transferring good practice.

1.12.8 Projects must include at least one partner from another EU Member State. Applications must provide evidence of a previous collaborative relationship or transnational co-operation with the partner(s). The other EU Member States are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

1.12.9 Organisations in Gibraltar, Scotland, Wales and Northern Ireland can be partners in projects, but cannot be treated as transnational partners.

Mainstreaming

1.12.10 All dedicated innovation and transnational activities must include an

element of mainstreaming and dissemination in order to support the transfer of new learning, products and good practice into future policy and provision.

1.12.11 Mainstreaming can be defined as: "the sharing and transferring of good practice, lessons learned and innovative areas of projects or programmes".

1.12.12 Mainstreaming, when carried out effectively, means that the results of a project live on after the (initial development) funding has ended. Without effective mechanisms to transfer good practice, the lessons and innovations arising from ESF projects can be lost. It can mean that the results and the learning from a project become integrated into policy and practice, thus ensuring that effective, innovative solutions are provided in line with identified need.

1.12.13 Mainstreaming goes further than dissemination, as it is more than just sharing results, it is about influencing others to take them up and use them. Dissemination should however form an important part of the mainstreaming process.

Themes

1.12.14 All innovative and transnational projects will be funded under one of the following themes:

- Active Inclusion
- Engaging with Employers
- ICT and the Digital Divide
- Meeting New Challenges – Demographic Change (Older Workers and Migration)
- Meeting New Challenges – Skills for Climate Change and Sustainable Development
- Social Enterprise.

1.12.15 Regional ESF committees have responsibility for selecting themes from this menu to focus resources. More detailed information, such as the theme templates and regional selection, is available at www.esf.gov.uk/innovation_transnationality

Eligible Applicants

1.12.16 Any public, private or third sector organisation may submit an application in response to a call for proposals. However, the programme will support only a small number of strategic, regional projects. Organisations or partnerships that submit applications will need to demonstrate the appropriate experience, track record and capacity to manage and deliver larger scale projects.

1.12.17 There will be three projects per region (four in London) and a collaborative approach to project development is preferred. On this basis key stakeholders are encouraged to work together towards developing inclusive regional strategic projects.

1.12.18 In terms of the spatial coverage, proposals should cover an appropriate geographical area, relevant to need clearly defined in regional ESF frameworks. They should therefore be of sufficient size and scope to achieve the expected level of impact to justify the sums available to projects.

Funding and Expenditure

1.12.19 Innovative and transnational projects will be delivered outside of the usual ESF Co-financing arrangements. ESF will fund projects for up to three years and will contribute up to 50% of the costs of each project (75% in Cornwall and the Isles of Scilly).

1.12.20 Applicants will therefore need to provide at least 50% match funding (25% in Cornwall and the Isles of Scilly). Match funding is explained at section 3.13 of ESF Manual 3. Match funding must come from the public sector. Detailed guidance on the eligibility of expenditure which applies to both ESF and match funding is available in ESF Manual 1. Match funding for the phasing-in regions of South Yorkshire and Merseyside must come **only** from within those regions as the allocations (both ESF and match funding) are ring fenced.

1.12.21 The budget for ITM projects should include between 5% and 15% for transnational activity. Eligible costs for transnational activities include:

- costs of participation by English and Gibraltar project partners (flights, other travel, accommodation and meals) in networking meetings, thematic events and information visits in other EU Member States;
- costs of communication and translation to facilitate exchange of information and experiences (including publicity, printing, and other dissemination and communication costs);
- costs of information visits and placements in other EU Member States by English and Gibraltar project participants (trainers, trainees, staff, key actors and others);
- joint partner activities and joint development of services and products (including study visits, joint research, piloting or testing new tools/methods/approaches, seminars, conferences, exhibitions etc.);
- the costs of organising meetings, events and information visits in England involving EU partners from other Member States, including meeting facilities, interpretation, receptions, and translation into the agreed working language(s);
- the costs of consultants and facilitators, experts, evaluation or any services undertaken by third parties from other EU Member States other than translation;*
- other costs will be considered if appropriate.

* Expenditure for 'experts' outside of the agreed transnational partnership cannot exceed 15% of the total transnational budget. Any expenditure in

excess of this figure will be deemed ineligible. Costs for experts are likely to be used in only exceptional circumstances and such costs should be duly justified to demonstrate a real added value to the transnational activity. Partners from other EU Member States and from Scotland, Wales and Northern Ireland should meet their own expenses (including travel and subsistence) for meetings, events and visits. Their expenses and fees may only be met by the project if they are providing their input as an 'expert', for example as a speaker at an event. Applicants should contact the ITM Unit regarding such costs before committing expenditure.

1.12.22 Ineligible transnational costs:

- Staff time is an ineligible transnational cost. All staffing costs, including those for the project's transnational managers or co-ordinators, should be funded under the core staff costs.
- Costs for 'experts' in excess of 15% of the total transnational budget as described above in 1.12.21 are ineligible.
- Costs of transnational partners for participation in transnational activities (including flights, accommodation and subsistence) are ineligible.

1.12.23 Hospitality for transnational partners is acceptable but costs must be reasonable. Partners should use their own organisational rules and guidelines to justify costs for hospitality items. If partners are in doubt regarding the costs and nature of proposed hospitality further guidance should be sought from the ITM Unit.

1.12.24 All EU and structural funding regulations regarding state aid, financial procedures, publicity, and document retention apply as set out in Manual 3.

Partnerships

1.12.25 ITM projects will include partnership working at three levels:

- within regions;
- across English regions (within the national thematic networks which will be created for each of the six innovative themes),
- transnational or interregional (with other EU Member States).

1.12.26 Projects should consider the resources needed to participate in each level of partnership working when preparing the project costs. A letter of intent from at least one transnational partner will be a minimum requirement for an application to be acceptable.

1.12.27 Post approval, it will be advised that formal transnational agreements are put in place. Further details on these are provided below. There will be the flexibility to support additional actions or agree new partners during the project lifetime where this clearly adds value and contributes to the ITM aims and objectives of the project and thematic area. Each request will be considered by the Managing Authority and the ITM Unit based on its individual merit.

Transnational Agreements

1.12.28 Most transnational and interregional activity is carried out using a principle of reciprocity; with reciprocal visiting arrangements and cost-sharing agreements. This is encouraged where possible.

1.12.29 A formal transnational partnership must have a transnational agreement for each identified partner which includes:

- description of transnational partners (including joint objectives, results, activities and tasks);
- financial arrangements;
- organisational arrangements;
- partner signatures

An example and template for transnational agreements will be made available by the ITM Unit and placed at www.esf.gov.uk/innovation_transnationality

1.12.30 Additional transnational activities agreed with the Managing Authority and ITM Unit, such as one-off visits, meetings, or attendance at conferences and events etc will not require a transnational agreement. Thus a minimum of one transnational agreement is a requirement for all projects.

Complementarity

1.12.31 ITM projects must complement regional ESF frameworks and add value to regional ESF employment and skills priorities. Applicants should identify linkages to these in their applications. Complementarity is also encouraged between ESF and ERDF. Such linkages are encouraged where these offer potential for alignment across the two programmes and clear complementarity can be put into practice. Further complementarity with other relevant EU funded initiatives is welcomed but evidence of the added value should be presented. There must not be duplication or double funding in such complementary activities. In all cases ESF will only meet the costs of the ESF innovative and transnational project.

Monitoring

1.12.32 General ESF monitoring requirements for non-CFO beneficiaries apply, general obligations and regulations are set out in [Manual 3](#). Monitoring visits, including Article 13 visits, will be carried out by the Managing Authority. In addition project support visits will be carried out by the ITM Unit. **For what will happen under Article 13 please see Manual 4.**

Evaluation

1.12.33 Projects will need to identify provisions for developing an ongoing evaluation plan to capture success, learning and good practice that informs regional, national and EU policies.

1.12.34 The ITM Unit will facilitate evaluation at the thematic level. Programme level evaluation will be commissioned by the Managing Authority.

1.12.35 One-to-one advice and guidance on monitoring and evaluation requirements will be available from the ITM Unit, contact details are available at the end of this section.

Claiming

1.12.36 The claims procedure will be that for non-CFO beneficiaries as set out in section 3.16 of Manual 3.

Calls for proposals

1.12.37 There will be a call for proposals in October 2008. Under this call for proposals projects may last for up to three years. The start date should be no earlier than 1 April 2009 and no later than 1 June 2009. The end date must be no later than 31 May 2012. Expenditure (ESF and match) will be eligible between the start and end dates. There may be a further call for proposals for 2011-2013. Details will be published at www.esf.gov.uk/innovation_transnationality

1.12.38 For advice, guidance and further support on innovative and transnational projects contact:

Innovation, Transnationality and Mainstreaming (ITM) Unit
Birmingham City Council
Council House Extension
Birmingham
B3 3BU
Telephone: 0121 303 3064
Email: esf.itm@birmingham.gov.uk

1.12.39 If a project is not selected for funding the Innovation, Transnationality and Mainstreaming Unit will confirm this in writing, giving the arrangements for feedback. The letter will also explain the appeals procedure. There are only two grounds for appeal. That the appraisers:

- demonstrated bias against the project proposal, or
- made a decision no reasonable person would make.

1.13 Applying for ESF

1.13.1 Any organisation public, private or third sector that is legally formed, except sole traders, can apply for ESF. Individuals cannot apply for ESF.

1.13.2 Applications for ESF are made through Co-financing Organisations in each region. CFOs make ESF available through a process of open and competitive tendering. A successful applicant receives a single stream of

funding from the Co-financing Organisation. Applicants do not have to find their own 'match funding' as Co-financing Organisations are responsible for both the ESF and match funding. Projects are usually supported for up to three years.

1.13.3 The Learning and Skills Council and DWP are Co-financing Organisations in every region of England. In some regions, Regional Development Agencies and some local authorities are also Co-financing Organisations.

1.13.4 Information on how to contact Co-financing Organisations in each region is available from the national ESF website at www.esf.gov.uk or from the regional Government Office. In London information is available from the London Development Agency.

1.13.5 In Cornwall and the Isles of Scilly, Merseyside and South Yorkshire, a small amount of funding may be distributed outside the Co-financing system. This will be the case if there are some additional activities in these areas which cannot be delivered by Co-financing Organisations. Further information is available from the regional Government Offices for the South West, North West and Yorkshire and the Humber respectively.

1.13.6 Organisations in Gibraltar should apply to the EU Programmes Secretariat of the Government of Gibraltar.

1.14 Further information about ESF

1.14.1 Further information about ESF is available on the national ESF website at www.esf.gov.uk. This includes the 'Operational Programme' which sets out in detail the priorities and target groups for ESF support.

- 1.14.2 Also, Regional Skills Partnerships have developed regional ESF frameworks for each region in England. These frameworks describe how ESF will help meet the employment and skills needs of that particular region. The regional ESF frameworks can also be found on the ESF website.

1.15 ESF in Scotland, Wales and Northern Ireland

Scotland, Wales and Northern Ireland have their own ESF programmes and further information is on their websites.