

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

## Manual 2

### CFO beneficiary Guidance and Requirements

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## 2.1 Introduction

2.1.1 This guidance manual covers the rules, regulations and procedures that apply to all European Social Fund (ESF) activity delivered through co-financing in the 2007-2013 England ESF programme. This manual is intended primarily for Co-financing Organisations (CFOs) and will also be a key source document for Managing Authority staff in ESF Division and Government Offices as well as staff in the London Development Agency European Secretariat.

2.1.2 ESF co-financing arrangements are now well established. The introduction of co-financing has enabled better alignment of ESF with domestic employment and skills provision and simplified administration for ESF providers. All ESF funded activity in the 2007-2013 programme will be delivered through CFOs, apart from some very limited exceptions in the convergence and phasing-in areas.

2.1.3 This guidance takes full account of the ESF Operational Programme, national rules and the Structural Fund regulations. The Structural Fund regulations relevant to the delivery of ESF funded activity are:

- *Council Regulation (EC) No 1083/2006* – laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund
- *Regulation (EC) No 1081/2006* of the European Parliament and of the Council – on the European Social Fund
- *Commission Regulation (EC) No 1828/2006* – setting out rules for the implementation of Council Regulation (EC) No 1083/2006 – the “implementing regulations”

2.1.4 Under the Structural Fund regulations, Co-financing Organisations are deemed to be ‘beneficiaries’. A beneficiary is defined in Council Regulation 1083/2006 as:

‘an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid’.

2.1.5 Individuals who are supported through ESF activity procured by CFOs are referred to as ‘participants’. ESF eligibility rules which apply equally to CFO and non CFO managed provision are included in Manual 1 of the ESF guidance.

2.1.6 Any changes to this guidance will be notified on the ESF website. ESF Division will update this guidance every three months and highlight any changes made. CFOs will be bound by any changes to the guidance notified on the ESF website. ESF Division will circulate any changes to this guidance to CFOs in advance of its publication on the ESF website.

## 2.2 Applying for CFO status

2.2.1 ESF Division published CFO selection criteria in May 2007. The selection criteria were approved by the Programme Monitoring Committee at its first meeting on 2 October 2007.

2.2.2 CFOs operating under the 2000-2006 programmes could apply to become CFOs for the 2007-2013 ESF programme. They had to demonstrate that they could continue to manage ESF effectively as a CFO and make a contribution, in conjunction with other CFOs, to regional employment and skills priorities set out in the regional ESF frameworks.

2.2.3 Other eligible public organisations could also apply to become a CFO and had to demonstrate the capacity to manage ESF and contribute to delivery of the regional ESF framework in conjunction with other CFOs to ensure coherent delivery of ESF provision.

## 2.3 Eligibility

2.3.1 The eligibility criteria to become a CFO were the same as for the 2000-2006 programmes, namely, that an organisation must:

- have a legislative remit to deliver one or more of the activities described in the operational programme;
- be a public body (that is, it receives over 50% of its funding from central or local government);
- have sufficient cash resources to add to ESF as match funding for the duration of the co-financing plan. For the first round of the programme plans will cover ESF allocations for the calendar years 2007-2010; and
- deliver ESF and match funded activities by contracting with providers selected through competitive tender.

2.3.2 The following organisations met the above criteria:

- Learning and Skills Council
- Department for Work and Pensions
- Local Authorities
- Regional Development Agencies

2.3.3 Other types of organisation could contact ESF Division to discuss eligibility before completing an application. The capacity to deliver ESF funded activity in a way that meets EU Regulations is fundamental to the award of CFO status. Existing CFOs had to identify any changes that might have an impact on their ability to act as a CFO. The Managing Authority also took account of performance under the current programme as well as any change factors when making an assessment about capacity.

2.3.4 New CFO applicants had to demonstrate that they have sufficient capacity across the following areas:

- *Match funding* – availability, amount and sources of clean cash match funding (that is, not in kind match funding).
- *People* – are there enough people with the right skills, knowledge base and abilities to cover the range of functions required of a CFO (these functions are annexed to the application pro-forma)?
- *Accounting systems* – to enable ESF and match funding expenditure to be separately identified and to meet audit trail requirements.
- *Audit* – how will providers be audited to ensure that payment claims are eligible?
- *Management Information* – what systems are in place to collect participant level data from providers, validate and collate it and send to the managing authority.
- *Evaluation* – the contribution of delivering the three year CFO plan has made to the regional ESF framework and operational programme will need to have qualitative evaluation. The Managing Authority and regional ESF committee will require regular qualitative as well as quantitative reports on the delivery of regional employment and skills priorities.
- *Contract management and monitoring* – how will providers be managed so that they deliver what is expected of them contractually; what will happen in respect of poor performance
- *Quality* – all provision should be subject to quality inspection by OFSTED where it falls within the OFSTED remit; how will providers be supported to help them meet quality standards?
- *Publicity* – CFOs must meet the regulations so that, amongst other requirements, all participants, funded both through ESF and match, are made aware that the provision is part funded by the European Union.
- *State aids* – systems need to be in place to allow monitoring of state aids.
- *Cross cutting themes* – implementing and mainstreaming the themes of equal opportunities and gender equality, and sustainable development as required by EU regulations, and comply with UK legislation on these themes including the equality public duties.

## **2.4 Selection arrangements**

2.4.1 The deadline for receipt of completed applications to become a CFO was 29 June 2007. ESF Division developed assessment criteria, which was shared with applicants. All applications were jointly assessed by ESF Division and Government Office staff.

2.4.2 CFO status was awarded for the life of the 2007-2013 ESF programme. A list of the CFOs selected is included at Annex 1. There are no plans to consider any further applications for CFO status although this will be reviewed if, for example, there are changes to policy or other circumstances emerge that would warrant such consideration.

## **2.5 Contribution to the regional ESF framework**

2.5.1 The contribution a CFO will make towards delivery of the regional ESF framework was a key consideration in the selection process. Prospective CFOs had to demonstrate that they could make a real contribution to a range of employment and/or skills priorities described in the regional ESF framework. CFOs will normally operate at a regional level although a small number have been selected to operate sub-regionally.

2.5.2 Regional ESF frameworks have been developed to cover the first ESF planning round and will be reviewed in 2010. Frameworks may need to be revised earlier if there are significant changes to regional employment or skills issues. CFOs will need to respond accordingly if ESF frameworks have to be revised.

## **2.6 CFO plans**

2.6.1 CFO plans describe the planned activities and expected outputs and results needed to contribute to national and regional employment and skills priorities including the cross-cutting theme priorities. Plans must take full account of the England ESF Operational Programme and the Regional ESF Framework.

2.6.2 CFO plans must cover all participants and activities, funded through both ESF and match funding, to demonstrate the totality of the CFOs provision and the complementarity between ESF and match funded activity. Plans should follow a common format as set out in Annex 2.

## **2.7 Planning timetable**

2.7.1 The first round of plans will cover financial allocations for the calendar years 2007-2010. Activity and expenditure associated with the plan can continue beyond 2010 because spending profiles allow expenditure to take place for up to 2 years after funds have been allocated to meet the European Commission's N+2 spending targets.

2.7.2 There will be a second round of CFO plans covering financial allocations for the calendar years 2011-2013. Activity and expenditure relating to second round plans may continue until the end of 2015. Plans covering 2011-2013 will also take account of any ESF underspending from the first planning round. CFOs will need to manage any overlap of activity and spending between first and second round plans in 2011 and 2012.

2.7.3 The managing authority will review each CFOs performance against their plan quarterly. If there are significant changes to regional or national priorities, planned activities may need to be revised during the planning period.

## **2.8 Coverage**

2.8.1 CFO plans will normally be developed at regional level. However, in the South West, CFOs will need to prepare separate plans for Convergence and Competitiveness and Employment funding. In the North West and Yorkshire and the Humber CFO plans may cover the whole region, but must show separately the specific activities, financial profiles, target groups, outputs and results for phasing-in funding in Merseyside and South Yorkshire.

2.8.2 There will be separate CFO beneficiary agreements for Convergence and Phasing-in budgets. Where a CFO operates in two ESF Priorities, plans will cover activities in both priorities but there must be separate tables showing financial allocations, output and results targets for each Priority.

## **2.9 Complementarity with other CFOs**

2.9.1 CFOs should work together in developing plans to ensure that planned activities are complementary and avoid duplication. Joint CFO plans at regional level are encouraged although this may not be possible in all regions for the first planning round.

2.9.2 As part of the process of agreeing plans Government Offices (and the London Development Agency, European Secretariat in London) will agree with each CFO the ESF allocation by year, required match funding contributions and outputs and results targets. These will form annexes to the CFO plan. Where there are joint CFO plans there must be separate annexes for each CFO so that the specific financial contribution and output and result targets for each CFO is clear. The financial profiles and output and results targets contained in the annexes will form part of the CFO beneficiary agreement with the managing authority.

2.9.3 CFO Plans must be signed and dated by a suitable senior CFO official. Final CFO plans including the ESF allocations and output and results targets must be endorsed by regional ESF Committees before CFO beneficiary agreements can be concluded.

2.9.4 There may be occasions when individuals participate in more than one ESF project operated by different CFOs. This might occur, for instance, where a participant is following ESF supported employment provision but has a need for some specific skills training that can be provided by a different CFOs provider in order to enhance employability. Such instances may occur sequentially in which case participants would be treated as a leaver from one CFO and a fresh start with the other.

There may be occasions where a participant participates in more than one CFO project concurrently where training and employment patterns would allow such participation and there are clear benefits for the participant in doing so. In such circumstances the participant would be treated as a starter with both CFOs. However in these circumstances and to ensure there was no double funding the respective ESF providers should agree which elements of employment or skills provision each will provide to demonstrate that ESF support in both providers will be complementary and that neither provider will be claiming for similar activities from their CFO. The participant's action plans or equivalent documents should be noted accordingly to demonstrate that learning and employment objectives are complementary.

## **2.10 Public procurement**

2.10.1 All ESF and match funded activity must be delivered through contracts with providers that have been selected through competitive tendering. Public tendering arrangements are governed by the Public Contracts Directive (2004/18/EC) implemented in the UK by Public Contracts Regulations 2006 (Statutory Instrument 2006/5). CFOs as public bodies will also need to adhere to their internal tendering guidance and to work within the shared principles of the Compact and its codes of practice in terms of relationships with the Third Sector.

2.10.2 As providers are selected through invitations to tender CFOs have to ensure that the services delivered by their providers conform with the services defined in their contracts. The 'price' for the delivery of agreed services should be specified in the contract. CFO applications for payment of ESF should be on the basis of payments to providers for the delivery of agreed services.

2.10.3 Auditors will check that services have been delivered and that agreed contract prices have been applied correctly but will not check the underlying costs and the supporting accounting documentation the provider incurs in delivering the services unless this is specified in the contract. Auditors will also check that services has been rendered in compliance with the terms and conditions set out in the invitation to tender and in the contract, in accordance with national and Community rules on public contracts.

2.10.4 ESF procured through a public tender is therefore different to ESF assistance granted without tendering. Where ESF is awarded by means of a grant the application for payment is justified on the basis of expenditure actually incurred by providers.

## 2.11 Tendering procedures

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

- The open procedure
- The restricted procedure
- The negotiated procedure
- The competitive dialogue

2.11.2 Under the **open procedure** CFOs must invite any supplier who responds to the advertisement to tender to submit a tender. This may result in a very large number of tenders being received, some of which may be unsuitable. This can be a costly and inefficient procedure for all parties, and is not generally recommended except in cases where the likely level of interest among potential suppliers is expected to be low.

2.11.3 Under the **restricted procedure**, CFOs invite all interested suppliers to complete a Pre Qualification Questionnaire (PQQ). The advertisement must include a statement that the CFO will assess all PQQs and will then invite a stated range of suppliers – a minimum number of 5 and where appropriate a maximum number - 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 – but the full procurement process is restricted to those suppliers who have a genuine chance of being awarded a contract.

2.11.4 Any proposals to use the **negotiated procedure** must be cleared with the managing authority beforehand. If the negotiated procedure is used, claims for expenditure to ESF Division must be based on actual expenditure incurred by providers.

2.11.5 The Public Contracts Directive allows the possibility of using **competitive dialogue** in cases of "particularly complex contracts" where the contracting authorities consider that the use of open or restrictive procedure will not allow the award of the contract. CFOs should advise ESF Division in advance if they intend to procure ESF through competitive dialogue procedures

## **2.12 Competitive tendering**

2.12.1 Under competitive tendering arrangements, providers compete against each other to deliver a service specified by the CFO. This is distinct from bidding for a grant where providers make bids against general criteria and are appraised using objective criteria (a 'call for proposals').

2.12.2 A call for tender needs to clearly identify the:

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

2.12.3 All tenders must be evaluated 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. Tenders which fail to meet the minimum criteria, even if they are the only tenders received, cannot be approved.

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

2.13.1 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 must publicise the launch of a tendering round widely to regional ESF partners. This process might include dissemination through relevant web sites, press adverts, press releases, road shows and direct mail approaches. CFOs may choose to procure ESF through e-procurement procedures.

2.13.2 Where restricted tendering procedures are used CFOs will invite organisations to complete a Pre-Qualification Questionnaire (PQQ). This will enable the tendering organisation to make an assessment of an organisation's ability to deliver ESF funded programmes by considering for example, quality procedures, health and safety measures, financial viability and capacity to deliver the proposed employment or training measures.

2.13.3 Successful organisations will then be invited to respond to a more detailed Invitation to Tender setting out the activities, outcomes and results to be delivered. Once tenders have been assessed and successful applicants have been selected the CFO must publish a list of successful and unsuccessful applications and sent it to all bidders. Sufficient feedback should be provided, particularly for unsuccessful applicants to help them in future bidding rounds.

2.13.4 A list of requirements to be followed in order to meet the conditions for competitive tendering is provided at Annex 3. In addition, the following points cover good practice procedures to be followed:

- During a tendering round contacts with potential applicants should be limited. They should only occur at the request of the applicant (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.
- To compensate for the necessary limitations on discussions with potential applicants during a formal tendering round, general guidance workshops before the tendering round is launched can provide generic information to potential applicants on the nature of the call for tender.
- Potential applicants should be asked to submit tenders 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'. Closed tenders (the sealed envelopes) should be kept securely until the opening date. The post-marked envelopes should be retained as evidence that the tender was submitted before the deadline. If tenders are received by hand, two people should receive them recording the date and time received on a sealed envelope. Where CFOs use e-procurement procedures, the e-procurement system will highlight and track when proposals are received and opened.
- 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.
- There should be robust procedures for the assessment and moderation of tenders.
- When tenders are evaluated, it is recommended that you involve a financial specialist to assess the financial aspects.

- **2.14 Contracting with providers**

2.14.1 Following the assessment of tenders, CFOs will contract with selected providers. CFOs must ensure that contracts with providers comply with their own internal contracting procedures and ESF requirements. Contract management should follow normal practice for domestic funded activity, but will need to cover additional aspects that apply to contracts that are co-financed with ESF such as participant management information and publicity requirements.

2.14.2 To simplify record keeping and administration for providers, contracting arrangements should as far as possible be the same for ESF and match funded activity.

## **2.15 Moving funds between provider contracts**

2.15.1 Once contracts with providers have been agreed, CFOs may move funding from one provider to another for activity within the same Priority. This might be appropriate if one provider is performing poorly and another could take up the slack. Such arrangements promote effective delivery and help to ensure that underspends are kept to a minimum. In the interests of transparency CFOs should establish the criteria they will apply to any switching of funds in advance.

2.15.2 Under public procurement regulations, such movement of funds need not be subject to a further open and competitive tendering provided that the amount in question is less than the threshold, which is amended from time to time and which currently is set at 211,000 Euro **under public procurement regulations. This threshold only applies if existing contracts cannot be legitimately extended.** CFOs operating in two Priorities cannot move funding between providers operating in different Priorities.

## **2.16 Subcontracting**

2.16.1 Normally, there will be no more than one level of subcontracting beyond the CFO, other than to cater for proposals from partnerships. Where partnerships bid successfully to CFOs, allocation of ESF funds between the partners might not strictly be regarded as subcontracting, although there will need to be an accountable partner for the CFO to contract with.

2.16.2 CFOs may implement contracting through a 'Prime Contractor' model. Under this model, prime contractors who have successful tenders deal with a wide range of ESF provision. The prime contractor delivers some of the provision itself and is supported by one tier of sub-contractors. Contracts would be based on contract costs and the delivery of outputs and results. Prime contractors must show how they will, as part of their overall provision, undertake engagement activities with disadvantaged participants particularly those who are at a distance from the labour market. Prime contractors will agree the funding arrangements with sub-contractors.

## 2.17 Obligations

CFOs are required to use their best endeavours to deliver the activities, outputs and results set out in the CFO plan and contribute fully to regional expenditure targets required to meet the European Commission's N+2 targets. CFO plans will cover a wide range of activities with significant levels of ESF funding attached to them. It is essential that CFO plans identify key implementation stages and milestones to enable progress to be monitored effectively.

## 2.18 Information and publicity

2.18.1 This section of the guidance:

- sets out the information and publicity requirements for the procurement, management and delivery of activity covered by the CFO Plan, including both ESF and national match funded activity.
- is supplemented by additional publicity information and resources on the ESF website ([www.esf.gov.uk](http://www.esf.gov.uk)), including: the Communication Plan for the England and Gibraltar ESF programme for 2007-2013; downloadable versions of the 2007-2013 ESF logo and supporting guidance on its use; and information on the distribution and display of ESF plaques and posters.

2.18.2 CFOs and their providers (both ESF and match funded) must acknowledge the financial support from the European Social Fund and European Union. CFOs are responsible for ensuring that all ESF and match funded supported activity:

- is publicised to ESF and match funded participants and the general public.
- complies with the information and publicity requirements of the Secretary of State as set out in the CFO Agreement; and the European Commission as set out in articles 2-10 and Annex I of European Commission regulation (EC) No 1828/2006

2.18.3 To meet the regulatory requirements, the CFO and its providers must implement specific ESF information and publicity measures. At CFO level these must include the following:

- developing, implementing and reviewing an ESF Communication Plan, which sets out the strategy and measures through which the CFO and its providers will meet information and publicity requirements, including:
  - publicising funding opportunities to potential applicants;
  - using the ESF logo in line with guidance;
  - raising awareness of EU/ESF support amongst ESF and match funded participants and the general public;
  - providing their details and project details for the Managing Authority's list of approved beneficiaries and operations; and

- how information and publicity measures will be reviewed and evaluated.
- displaying the 2007-2013 ESF logo (downloadable from [www.esf.gov.uk](http://www.esf.gov.uk) along with supporting guidance) and references to financial support from the European Union on all information and publicity measures related to the 2007-2013 ESF programme. These include, but are not restricted to use on:
  - websites, e-communications, correspondence and literature used by the public and participants;
  - ESF programme documents such as Co-financing plans;
  - advertisements, press releases and other media targeted materials;
  - any other document concerning the administration of ESF or match funded activity.
  - *[The 2000-2006 ESF logo must continue to be used to publicise all activities related to the 2000-2006 ESF programme.]*
- disseminating as widely as possible information on funding opportunities offered by the joint assistance from ESF and CFO match funds, including clear and detailed information on at least the following:
  - the funding available and conditions of eligibility to be met in order to qualify for financing;
  - a description of the procedures for examining applications for funding and of the time periods involved;
  - the criteria for selecting the operations to be financed;
  - the contacts who can provide information on the measures to be co-financed.
- displaying an ESF 'Approved Co-financing Organisation' plaque for the 2007-2013 programme at the CFO's main office. Plaques are provided free of charge by the Managing Authority, and must be positioned in a prominent location where they are clearly visible to staff, participants and others using the building.
- distributing an ESF plaque and ESF posters provided by the Managing Authority, to each ESF and match funded provider, with instructions that they must be positioned in a prominent project location where they are clearly visible to staff, participants and wherever possible, others using the building.
- providing data to the Managing Authority about the CFO, measures in the CFO Plan and its providers of ESF and match funded activity, for inclusion in the publicly accessible list of CFOs and projects.
- giving ESF and match funded providers clear and comprehensive information about information and publicity requirements through contractual arrangements, supporting guidance and other measures. At provider level, these requirements include, but are not restricted to:

- ensuring all ESF and match funded participants are notified and reminded of EU and ESF support throughout their activity.
  - displaying the ESF logo and publicising EU support in line with ESF guidance on any document, including any attendance or other certificate concerning the administration of the ESF/ match funded activity.
  - in line with Article 7.2(d) of Commission Regulation (EC) No 1828/2006, providing data about the project to the CFO, for inclusion in the publicly accessible list of CFOs and their providers.
- nominating a representative to participate in the Managing Authority's national network of CFO publicity contacts to share good practice, ensure consistency and agree specific actions.
  - reviewing provider compliance with information and publicity requirements through formal monitoring checks and other measures, and instigating the taking of remedial activity where necessary.

2.18.4 In addition, the CFO is required to undertake and/or support other measures to publicise the ESF programme that are agreed at national and regional levels and/or which may be required by the Managing Authority. Such measures may arise from:

- the Communication Plan for the 2007-2013 England and Gibraltar ESF Programme (and any updates to the Plan).
- the annual Information and Publicity Plan (developed each year by the Managing Authority in consultation with CFOs).
- the CFO may also be asked to support requests arising from national, regional or local EU/ESF programme committees and/or publicity networks.
- requests made by the Managing Authority at national or regional level, which may include but are not restricted to the following:
  - planning and delivery of national and regional campaigns or events to publicise ESF;
  - developing and issuing press releases;
  - developing, maintaining and updating (complementary) ESF websites;
  - producing and distributing electronic and/or hard copy newsletters and/or other publicity materials such as booklets;
  - submitting news stories and case studies showcasing activities, outcomes and added value;
  - organising and publicising ESF visits by VIPs such as Government Ministers and representatives of the European Commission;
  - contributing to the production of annual implementation reports required by the European Commission and the evaluation of information and publicity activity; and
  - general networking and exchange of good practice.

## **2.19 List of beneficiaries and operations**

The Managing Authority will maintain a list of beneficiaries and operations on the national ESF website. It will list the CFOs by region. Under each CFO, it will list the names of their projects and the project providers, the amount of funding (i.e. sum of ESF and match funding) allocated to the provider, and whether the agreed activity is live or closed. The list will be:

- generated from information supplied by CFOs to the Managing Authority.
- updated quarterly.
- shared with the European Commission and may also be used on the Commission's website

## **2.20 Provision of participant level management information**

2.20.1 CFOs are responsible for ensuring that participants are ESF eligible and from the target groups in the ESF Operational Programme and regional ESF framework. CFOs should ensure that their providers recruit eligible participants and report on participant outcomes and results accurately so that programme performance can be monitored and evaluated effectively and accurate feedback on performance can be provided to regional ESF committees, the England monitoring committee and the European Commission.

2.20.2 CFOs have to provide the managing authority with core information on all ESF and match funded participants. Information is collected when participants start and leave ESF and covers particular characteristics of each participant and the results achieved such as qualifications gained. Information on participants supplied to the managing authority will be provided anonymously and will comply with Data Protection Act requirements. The specific participant level management information is shown at Annex 4.

2.20.3 CFOs will transfer participant level data electronically to ESF Division quarterly. Failure to submit participant data by required dates may result in payments to CFOs being suspended. If a CFO does not have an individual participant database arrangements will be made to enable it or its providers to enter and update individual participant details directly to the ESFD database through a secure website.

2.20.4 Provision of data at participant level will enable aggregation at various levels e.g. national, regional, by Priority, by participant type. This will enable programme managers to respond appropriately and quickly to emerging performance issues including progress towards outcome and results targets at CFO and programme level. Data will be available to regions to inform delivery of regional ESF frameworks. It will also be used to provide the European Commission with programme level data on ESF participants as required by Annex XXIII of the Implementing Regulation.

2.20.5 Core participant data will be supplemented by participant follow-up surveys and other evaluation activity to ensure a full picture of programme performance and activity is available at all levels. There will be two national follow-up surveys of

participants which will report in 2010 and 2013 based on a sample of all participants selected by ESF evaluators. CFOs will be required to provide contact details for those participants selected for the surveys having sought the permission of the individuals concerned to be contacted in advance.

## **2.21 Co-operation with audits**

2.21.1 CFOs must comply with requests from DWP, National Audit Office, the European Commission, the European Court of Auditors and other authorised organisations to examine any documents held by the CFO or its providers (including sub-contractors) that relate to the delivery of ESF programmes (including match funded activity).

2.21.2 The CFO and its providers must also provide access to premises where the relevant documentation is held and reasonable assistance (including the provision of onsite, photocopying, facsimile, and telecommunications facilities) to facilitate the examination of such documents.

## **2.22 State Aids**

2.22.1 State Aid rules aim to ensure fair competition and a single common market. Giving favoured treatment to some businesses would:

- harm business competitors;
- risk distorting the normal competitive market; and
- hinder the long-term competitiveness of the Community.

2.22.2 That is why the European Community founding Treaty generally forbids State-funded aid that would favour certain businesses or goods production. The State Aid rules contribute to the effective functioning of the Single Market and European Union economic reform in two key ways:

- They prevent State Aid that would seriously distort competition - thereby helping to achieve a fair market for businesses in all Member States;
- They allow State Aid that promotes economic development and other legitimate policy objectives, where this benefit outweighs any distortion of competition.

2.22.3 There is no precise definition of what constitutes a state aid. However there is a very clear statement of principle that any form of aid to a commercial undertaking – whether provided directly by the state or provided indirectly through ‘State resources’ – is incompatible with the Single Market if it distorts or threatens to distort competition within the Community.

2.22.4 Aid to individuals and most grants to public and not-for-profit organisations, such as voluntary, charitable and cultural bodies, are not affected by State Aid rules. These organisations are only affected when they are involved in commercial activities or compete with commercial organisations.

2.22.5 For most of the 2007-2013 ESF programme the ESF and public match funding provided to providers in Priority will not constitute state aid. Where ESF activity is supporting individuals to improve their employability and help them move closer to the labour market the aid is being provided to the individual and there are no direct benefits for enterprises. However for those elements of the programme in Priority 2 which provide support to individuals in employment there may be state aid implications because their employers are receiving support towards the costs of training. Where ESF supports individuals in employment to achieve full or part qualifications this may constitute an aid.

2.22.6 The new de minimis regulation covering the 2007-2013 programme enables an enterprise to receive up to €200,000 euros in aid (any public resources including ESF) over three fiscal years. Providing such aid is given within the de minimis rules there is no requirement to notify it to the Commission.

2.22.7 To ensure that the requirements of the de minimis regulation are met, scheme administrators must ensure that any award of ESF and other public match funding to an enterprise given under the terms of the de minimis block exemption does not breach the €200,000 (approximately £138,000 at € = 69p exchange rate) ceiling over three fiscal years. Member states are required to keep detailed records of any de minimis aid paid for 10 years. The new de minimis regulation:

- extends the scope of the regulation to marketing and processing of agricultural products with certain conditions and the transport sector (but not to road haulage operations for the acquisition of road freight transport vehicles).
- prohibits the cumulation of de minimis with other block exempted or notified aid schemes for the same costs, and ;
- **increases the de minimis level from €100,000 to €200,000 except the road transport sector which remains at €100,000.**

2.22.8 Organisations using the de minimis rules must put in place a monitoring system to ensure the limit is not breached. Typically, such a monitoring system will involve:

- asking enterprises receiving support under their scheme to identify all other sources of support (either in cash or in kind) that they have received in the last three years;
- checking if previous de minimis aid is involved, to ensure that the combined assistance does not exceed €200,000 over any three-year rolling period. If the limit is breached, the aid may have to be reduced or refused to ensure the limit is not breached.

2.22.9 The BERR (Department for Business, Enterprise and Regulatory Reform) State Aid Branch advises writing to each recipient in the following terms:

“The assistance for [...] constitutes State Aid as defined under Articles 87 and 88 of the Treaty of Rome and is being granted as ‘de minimis’ aid under Commission Regulation EC/1998/2006. European Commission rules prohibit any undertaking from receiving more than €200,000 euros (approximately £138,000) ‘de minimis’ aid over a rolling three-year period. Any ‘de minimis’ aid granted over the €200,000 limit may be subject to repayment with interest. If you have received any ‘de minimis’ aid over the last three years (from any source) you should inform us immediately with details of the dates and amounts of aid received. Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on ‘de minimis’ aid for the next three years.”

2.22.10 Whilst de minimis rules are straightforward in principle they are difficult and complex to operate in practice because they are not project related and as such rely on individual enterprises being able to identify how much aid and under which schemes they have received support over a rolling three-year period. Where enterprises have exhausted their aid ceilings under de minimis, there is no capacity for further aid through ESF.

2.22.11 The European Commission is developing a new block exemption which is expected to be adopted by June 2008. This will mean that the existing exemptions will be replaced by a ‘super’ block exemption regulation covering training, employment and small and medium sized enterprises. ESF Division will issue further guidance on using this block exemption in ESF supported programmes (if appropriate) when it is adopted. **Until then state aids in the 2007-2013 ESF programme must be dealt with using the de minimis rules.**

## **2.23 Match funding**

2.23.1 ESF can only meet part of the costs of eligible activity with the balance provided by match funding. CFOs are required to provide the necessary public match funding to access ESF. In the convergence objective match funding must contribute at least 25% of total eligible project costs. In the competitiveness and employment objective match funding must contribute at least 50% of the total eligible costs.

2.23.2 Match funding must support activity that is eligible in the Operational Programme and has been procured through competitive tendering arrangements. Match funded activity contributes to the delivery of outputs and results in the CFO plan and agreement.

2.23.3 CFOs are required to identify which of their budgets will be used as match funding as part of the CFO selection process. It is expected that match funding will be limited to a small number of eligible domestic budgets.

2.23.4 CFOs may procure ESF separately from match funded activity but must ensure that activities and participants supported through match funding is ESF eligible in the Priority of the Operational Programme to which it is applied and is subject to Structural Fund regulations, notably those relating to publicity.

## **2.24 Financial issues**

### *Funding of providers*

2.24.1 As CFOs procure ESF through public tenders, payments to providers will normally be based on contract costs and agreed prices for the delivery of services specified in the contract. There may be circumstances where CFOs reimburse providers using actual costs for some aspects of ESF activity if these cannot be covered through contract costs. In such cases, the arrangements must be clearly specified in the contract. Providers must keep records, for audit purposes, of any expenditure reimbursed on the basis of actual costs.

2.24.2 It is acceptable for CFOs to pay providers using standard national funding rates, providing funding has been allocated to providers through open and competitive tendering.

### *Profile payments*

2.24.3 CFOs may fund providers using profile payments, although this is not an ESF requirement. Under this method of funding, regular payments are made to providers (normally every four or five weeks) based on a financial expenditure profile agreed by the CFO and provider at the outset of the contract. The CFO will reconcile the profile payments made to the provider at regular intervals against the evidence of delivery of agreed services such as the outputs and results in the provider contract.

2.24.4 Profile payments to providers are adjusted in the light of actual delivery of services. If delivery of agreed services is falling short of that predicted, the provider payment profile can be adjusted accordingly. In some cases providers may need to

make repayments if it becomes evident that they cannot deliver sufficient of the agreed services in the contract to cover profile payments already made. Profile payments can provide valuable assistance to providers with cash flow as agreed services in the contract will often be delivered in the later stages of the contract. Profile payments can be especially helpful to small providers including those from the third sector.

2.24.5 Under profile payment arrangements, the cumulative payments made by the CFO to the provider will increasingly equate with the delivery of agreed services. When CFOs make claims for ESF funding to the managing authority they may include profile payments made to providers. Subsequent claims for ESF payment must be adjusted, if necessary, to reflect any adjustments made to provider payments when profile payments are reconciled against the delivery of agreed services in the provider contract.

#### *Delivery payments*

2.24.6 CFOs may make 'delivery payments' to providers in recognition that there are certain input costs (mainly staff and overhead costs) that have to be met throughout the life of the project. However, these input costs can only be fully recovered if the agreed results in the contract are achieved.

2.24.7 Under these arrangements, once a CFO has selected successful providers it will agree contract payments made up of, for example:

- 30% "delivery payment" (divided into instalments and paid during the lifetime of the contract)
- 50% paid for the achievement of short term results
- 20% paid for the achievement of long term results

2.24.8 The regular nature of the delivery payment also addresses the cash flow problems that some organisations might face, in particular small voluntary and community organisations. The amount of the delivery payment will be determined from the costs set out in the tender and will allow there to be competition between tenders on cost as well as quality by moving away from standard and predetermined funding rates.

2.24.9 The proportion of the delivery payment to the total contract cost will vary depending on nature of the client group. The delivery payment is likely to be higher where a provider is dealing with hardest to help groups because input costs are likely to be higher and results more difficult to achieve.

2.24.10 Where CFOs plan to use delivery payments as part of their contracting process they must ensure that tolerances are built-in to the arrangements so that delivery payments do reflect actual inputs in practice. Contracts should therefore specify the consequences if the agreed participant volumes are not achieved, and that the delivery price will be adjusted in accordance with the stipulations in the contract. Normal contract management procedures will confirm that activities are being delivered.

2.24.11 The delivery payment can be included in CFO claims to the managing authority for ESF. If delivery payments made to providers are subsequently adjusted

downwards in light of lower than anticipated participant starts such adjustments must also be reflected in subsequent claims made by the CFO for ESF.

#### *Advance payments*

2.24.12 Where CFOs provide advance payments to providers selected through public procurement arrangements these advances can be treated as expenditure paid out and included in claims for expenditure to the managing authority providing the payment of such advances is allowed in the CFOs own procurement rules.

2.24.13 Levels of advance payments must be proportionate to the length of the provider contract and total agreed costs. CFOs should clear the level of advance payments with the managing authority if it is proposed to pay an advance in excess of 5% of total contract value.

## **2.25 Eligible expenditure**

### *Timing*

2.25.1 The date from which ESF and match funded expenditure becomes eligible is the date that the CFO lodges its CFO plan with the Government Office. This eligibility date will be included in the managing authority's agreement with the CFO.

### *Categories of eligible expenditure*

2.25.2 In making claims to the managing authority for expenditure defrayed, CFOs must do so using the following categories:

- Contract cost payments to providers
- Other costs
- Administration costs
- Revenue

### *Contract cost payments to providers*

2.25.3 The majority of payments made to providers will be in the form of payments for the delivery of agreed services at prices agreed in the provider contract. Where CFOs are making use of delivery payments, profile payments or advances, these types of expenditure should be included in contract cost payments to providers along with any adjustments.

### *Other costs*

2.25.4 It is possible that CFOs will reimburse their providers for some ESF activity on the basis of actual costs incurred rather than contract costs. This might be the case where specific payments are made to support some participant costs such as travel or childcare costs. Where CFOs do pay providers on actual costs these should be claimed as other costs when submitting claims for ESF expenditure. CFOs should

claim the actual costs reimbursed and ensure that providers retain appropriate documentation of actual costs incurred for audit purposes.

#### *Administration costs*

2.25.5 CFOs can claim administration costs for activities undertaken relating to management, delivery and administration of their ESF agreements. Administration costs are limited to a maximum of 5% of the total eligible costs (ESF plus match funding) set out in the CFO agreement. The detailed requirements for claiming CFO administration costs are set out in the ESF eligibility rules.

2.25.6 CFOs with staff operating in both the 2000-2006 and 2007-2013 programmes must ensure that separate records are maintained for work carried out on both programmes to ensure no duplicate claiming for time.

#### *Administration costs and Technical Assistance*

2.25.7 There may be potential overlap between activities funded from administration costs and Technical Assistance (TA) activity. The position is as follows:

2.25.8 TA cannot be used to fund any activity that a CFO carries out in its role as a beneficiary and covered by the Beneficiary Agreement with the managing authority;

2.25.9 There are circumstances where a CFO can apply for TA in line with the regional strategy to undertake activities which address wider programme development or support. For example any evaluation costs associated with the CFOs own provision can only be funded from CFO administration costs. However a CFO might access regional TA for evaluation activity that covered the whole region. Where CFOs do access ESF TA funds they must ensure there is no double funding from TA and administration costs and maintain appropriate documentation to demonstrate this.

#### *Revenue*

2.25.10 If CFO provider contracts generate revenue as a result of ESF activity this must be recorded in claims for expenditure. Significant levels of revenue expenditure are not anticipated in CFO claims but any revenue received and included in claims will be offset against the total eligible costs.

#### *Apportionment within CFO Administration Costs*

2.25.11 All administration costs should be *actual* and if they can, wherever possible, be *direct* costs. Those costs which should be and can be classed as direct costs should not appear in apportionment methodologies. If the cost can be directly attributable to ESF this is how it should be accounted for.

2.25.12 There will be costs which cannot be connected directly to ESF and where it is difficult to attribute expenditure. The costs attributed to ESF must be fair and equitable. Costs which may need to be apportioned include:-

- central/support staff and personnel costs - where the ESF element of their duties cannot be extracted from general duties and put on timesheets – egg reception, central finance

- equipment (must not exceed £999.99) and premises costs where these are not used wholly for ESF activity
- telephone and postage costs
- electricity, gas and water
- insurance

This is not an exhaustive list. The Managing Authority Delivery Team will respond to any queries on eligibility - [ma.enquiries@jiu.gsi.gov.uk](mailto:ma.enquiries@jiu.gsi.gov.uk)

2.25.13 Where central/support staff costs are being apportioned higher management salary costs must not form part of the costs. These higher management costs must be extracted before the apportionment percentage is applied. 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.

2.25.14 Items should either be costed in direct or apportioned costs - the same item should *not* appear in both.

2.25.15 The preferred methodology for apportioning shared costs is the ratio of ESF staff time against total available staff time. This satisfies the fair and equitable criteria.

2.25.16 The complete CFO quarterly claim will be subject to Article 13 monitoring and Article 16 controls. Apportionment will be tested within these processes.

## **2.26 Profiling**

2.26.1 Accurate profiling of planned ESF expenditure is essential to effective financial planning at all levels. Financial profiles enable the managing authority to develop financial plans and so ensure that funds are in place to pay CFOs promptly. Profiles are also used to provide annual financial forecasts which the European Commission uses for its financial planning.

2.26.2 Once the CFO Plan has been agreed the CFO is required to produce a profile of expenditure at Priority level. The profile breaks down the ESF and match funding agreed in the CFO Plan into quarterly periods. The profile periods are standard for all CFOs and end on the last day of February, May, August and November. The profile also includes any anticipated project revenue. In addition to financial profiles, CFOs are also required to profile their participant starts

## **2.27 Activities in scope of the European Regional Development Fund (ERDF)**

2.27.1 Council regulation 1083/2006 allows ESF programmes to finance activities which fall within the scope of ERDF, up to a limit of 10% of the ESF agreed at Priority level.

2.27.2 The ESF Operational Programme does not anticipate that use will be made of this mechanism but the managing authority will consider its use in Priorities 1,2,4 and 5 in exceptional circumstances and should the need arise during the course of the

programme. Any use of this mechanism must be agreed with the managing authority in advance.

## **2.28 Making claims**

2.28.1 The claims procedure enables CFOs to declare eligible expenditure included in the CFO beneficiary agreement and for the managing authority to make payments based on expenditure declared.

2.28.2 The managing authority will not make advance payments to CFOs. It will reimburse CFOs for actual ESF expenditure declared. There will be no retention of payments and claims will be paid in full subject to satisfactory submission of the claim.

2.28.3 Claim arrangements are summarised below. Detailed information on claim and payment arrangements are provided in the guidance notes which accompany the claim forms.

### *Claims*

2.28.4 CFOs must submit claims for payment for the quarters ending on the last day of February, May, August and November within 20 working days of the quarter end. The managing authority must be informed if this timetable cannot be met. There is scope to submit claims outside of these periods if the need arises.

2.28.5 Claims must only include expenditure for the period covered by the claim together with any expenditure for previous periods that has not been previously declared. Claims must show the amount of ESF and match funding and a breakdown of expenditure by contract cost payments to providers, other costs, administration costs and any revenue received. CFOs are also required to declare any ineligible expenditure included in previous claims and recoveries of funds identified and confirmed as irregularities from previous claim periods.

2.28.6 Where actual expenditure varies by more than plus or minus 15% CFOs must provide a reason for the variance. If the next quarterly claim also has variances in excess of 15% CFOs must provide a revised profile with that claim. The number of participant starts in the period must also be provided and CFOs must have supplied participant management information for the period up to the end date of the previous claim.

2.28.7 The claim also requires the CFO to provide narrative comments on ESF performance in the period covered by the claim including any significant issues affecting delivery of the CFO agreement.

2.28.8 The requirement to provide in-period expenditure claims is a change from the arrangements for 2000-2006 ESF programmes when CFOs declared expenditure cumulatively. The provision of in-period claims will enable more effective reconciliation and reporting of the recovery of irregularities and any ineligible expenditure included in previous claims – a requirement of the Structural Fund regulations.

## *Claims*

2.28.9 The claim for final payment is similar in format to the claim and provides the final declaration of expenditure and revenue for the agreement. CFOs will provide with the claim a summary evaluation setting out achievements against the CFO Plan and agreement, bringing together the various monitoring and evaluation activity undertaken during the operation of the agreement.

## **2.29 Document retention**

2.29.1 All documentation relating to the delivery of ESF in the 2007-2013 period must be kept for a period of three years following the closure of the operational programme. This means that documents relating to any aspect of the programme including: expenditure; audit; committees; selection of operations and so on, must be kept until the final payment in respect of the operational programme has been received by the Managing Authority.

2.29.2 The rules regarding document retention apply to all organizations involved in delivering and administering structural funds, that is the Managing Authority, Certifying Authority, Audit Authority, any intermediate bodies, co-financing organizations and applicant bodies.

2.29.3 Under Structural Fund regulations, organisations are required to retain documents until three years after the European Commission makes the final payment for the programme concerned. As ESF Division is unlikely to make a final request for payment until 2016, documents will need to be retained until 2019 at the earliest. ESF Division will advise CFOs of the final date for document retention when it receives the final programme payment from the Commission.

### *Electronic retention of documents*

2.29.4 Commission regulations allow for documents to be retained as originals or 'in versions certified to be in conformity with the originals on commonly accepted data carriers.' The regulations allow for the electronic storage of documents provided that they are stored on a recognized data carrier, are certified as being copies of the original, meet national standards and are auditable. Documents must be held on an accepted data carrier. These include:

- photocopies of original documents;
- microfiches of original documents;
- electronic versions of original documents on optical carriers

2.29.5 For each data carrier used, a provider must retain a signed declaration that the documents held within the data carrier are certified as being true copies (conforming to) the originals.

The following declaration on provider headed paper satisfies this requirement:

**Name of organisation**

**Name/title of ESF supported projects**

**I certify that this data carrier [specify details of carrier] contains true copies of original documents relating to ESF supported projects**

**Signed..... Date.....**

**Position in organisation.....**

2.29.6 All organisations involved in the delivery of ESF must keep electronic copies for the same length of time as required for paper copies. It is the organisation's responsibility to ensure that the electronic copy of the document can be relied on for audit purposes.

## **2.30 Audit Trail**

2.30.1 In order to comply with Article 90 (1) (a) of Commission Regulation 1083/2006 organisations must keep original documents about implementing and financing ESF until three years after the European Commission make the final payment for the programme. Article 60 (f) of Commission Regulation 1083/2006 requires an adequate audit trail to be established. Article 15 of Commission Regulation 1828/2006 outlines the criteria which must be met in order that the Commission may regard an audit trail as adequate. These are that the audit trail:

- 'permits the aggregate amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the certifying authority, the managing authority, intermediate bodies and beneficiaries as regards operations co-financed under the operational programme;
- Permits verification of payment of the public contribution to the beneficiary;
- Permits verification of application of the selection criteria established by the monitoring committee for the operational programme;
- Contains(.....) the technical specifications and financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verifications and audits carried out.'

2.30.2 This requirement means a sufficient audit trail must be maintained at Government Offices, at Intermediate bodies, at Co-financing Organisations (CFOs) and at the project delivery level.

2.30.3 It is vital that documentary evidence is secured to support the audit trail including all documentation relating to delegations, contracting, payments, monitoring and inspection process such as Article 13 and Article 16. Organisations must ensure that they have robust systems and arrangements to do this. These key documents need to be categorised and stored in a way that ensures that they can be readily retrieved should they be required.

2.30.4 Audit trails should enable auditors to verify that:

- there is evidence to support the claim and that expenditure has/had been incurred in a proper manner;
- financial management is/was sound;
- applicants comply/ complied with EC regulations and the requirements of their contract;
- interim and project closure report entries are/were supported by evidence of expenditure; and,
- the project represented value for money

2.30.5 EU regulations also make clear that the maintenance of an audit trail is mandatory. The key documents are those relating to specific processes in the delivery of ESF. In particular these are:

- The **decision making process** and the roles and responsibilities of organisational staff. This covers:
- the establishment, membership and terms of reference of key committees including sub-committees;
- the minutes of committees reporting decisions taken; and
- delegated authorities

2.30.6 The retention of documentation relating to all aspects of ESF **contracting**. Key documents include:

- selection of projects;
- selection of CFOs;
- letters to successful and unsuccessful bidders;
- any notes relating to the selection process;

- all documents relating to any subsequent changes to contracts; and
- All ESF Regional committee decisions relating to the operation of the programme.

2.30.7 The retention of all the evidence supporting **Article 13 monitoring** including:

- all Article 13 monitoring reports and subsequent follow up action;
- copies of the invoices/timesheets and other evidence of costs relating to the project that have been inspected; and
- copies of Article 13 plans and reports

2.30.8 All documents relating to **project payments** which must be retained and include:

- profiles;
- claim forms ;
- copies of the appropriate payment certification and authorisation documents; and
- Any documentation relating to refunds, offsets or write offs must also be retained.

2.30.9 All documents relating to **audits** undertaken within the region by GO-AT, EC, ECA and internal auditors. All evidence relating to **Article 16 controls** should be retained. The documentation referred to above is not exhaustive. Please consult with ESFD if you require further clarification on the documents to be retained.

## 2.31 Community Grants

### *Overview*

2.31.1 ESF Community Grants will enable small third sector organisations, that would not otherwise be able to access ESF, to access small grants through simplified application arrangements. Grants will focus on progression towards the labour market but will not duplicate provision that is available through mainstream ESF activity. Grants will strengthen the ability of small third sector organisations to deliver employment and skills activities to disadvantaged people.

2.31.2 Arrangements to support Community Grants will build on good practice developed in the Objective 3 Global Grants programme. Global Grants allow

organisations that would otherwise not be able to access ESF, to do so through simplified administration.

### *Grant Co-ordinating Bodies*

2.31.3 ESF Community Grants will be awarded and administered by Grant Co-ordinating Bodies. It is the intention to deliver Community Grants through Co-financing arrangements with Grant Co-ordinating Bodies selected through open and competitive tendering. Grant Co-ordinating Bodies will be responsible for:

- publicising the availability of grants and making calls for applications in line with agreed regional priorities;
- selecting successful third sector applicants, agreeing level of approved grant and planned outcomes (for many grant awards outcomes are likely to focus on progress towards mainstream ESF and other provision);
- providing support, where necessary, to grant recipients to help them manage ESF effectively;
- monitoring performance and delivery of grant recipients and reporting back to the CFO.

### *Eligible activity*

2.31.4 ESF Community Grants will support a range of activities aimed at assisting the disadvantaged or excluded to move closer to the labour market by improving their access to mainstream ESF and domestic employment and skills provision. Activities will support participants from the target groups in the Operational Programme but because the focus will be on individuals who have difficulty in accessing ESF or mainstream provision outcomes are more likely to be based on progression rather than achievement of jobs and qualifications.

2.31.5 Grants must not be used to duplicate provision that is available through other ESF co-financing – they will provide support to hardest to reach communities and individuals to access and succeed in this or other provision. The small third sector organisations that access grants are likely to be well placed to reach excluded individuals facing barriers which hinder access to the mainstream. The grants will support a wide range of activities including:

- Initial help with basic skills
- Taster work experience including voluntary work
- Training, advice and counselling
- Jobsearch assistance including the provision of equipment and other assistance necessary to secure employment
- Confidence building
- First contact engagement activities, for example to provide support to engage individuals with barriers in a non-threatening environment

2.31.6 In addition there will be limited scope (up to 10% of the ESF available to support Community Grants) for grants to provide support to small third sector organisations themselves. Such support might include:

- Training for staff and volunteers in third sector organisations on mainstream routes to employment and training;
- Actions to support the development of delivery and accreditation arrangements in-house.

Care should be taken to avoid funding activities that are more appropriate for Technical Assistance.

2.31.7 If there were situations where third sector organisations had common needs, for example accreditation of staff for a particular qualification it might be more cost effective for the co-ordinating body to provide this through the provision of a service rather than a grant.

### *Funding*

2.31.8 ESF Community Grants will operate in priorities 1 and 4 of the Operational Programme. Ministers have agreed that up to 2.5% of ESF in these priorities can support small grants. Up to 4% of Priority 1 allocations for 2007-2010 may be allocated to Community Grant activity in phasing-in areas.

2.31.9 The maximum amount of ESF grant awarded will be £12,000 per small third sector organisation per year. Regions will have the flexibility to decide a lower maximum.

### *Delivery arrangements through Co-financing*

2.31.10 ESF Community Grants will be delivered at regional level with a separate scheme in each region. Regional ESF frameworks may identify issues or areas where grants should be targeted. Regions will also decide on the level of ESF from Priority 1 to support Community Grants within the 2.5% limit (4% in phasing-in areas for 2007-2010 allocations).

2.31.11 One CFO in each region will have responsibility for ESF Community Grants as part of its wider Priority agreement with the managing authority. The LSC has agreed to Co-finance Community Grants in most regions. In phasing-in areas the Operational Programme allows the completion of activities started under Objective 1 programmes. It is possible that Community Grants may continue to be supported outside co-financing arrangements in phasing-in areas for the period 2007-2010. The CFO will tender for one or more Grant Co-ordinating Bodies to implement ESF community grants in the region.

2.31.12 It will be for the CFO concerned to determine how payments based on contract costs will be paid to the grant co-ordinating body. However payments will not be based on the achievement of specific results and outputs in the ESF Operational Programme. Whilst Community Grants will contribute to ESF objectives overall by helping individuals to move closer to mainstream activity they will not contribute directly to the achievement of the participant, job and NVQ output and results targets.

2.31.13 CFOs will agree contract cost payment arrangements with Grant Co-ordinating Bodies based on the number and actual value of grants awarded. CFO payments to co-ordinating bodies and claims to DWP will be based on contract costs.

2.31.14 Community Grants will be awarded to small third sector organisations to support particular groups and achieve agreed outcomes and objectives. It will be necessary to capture and report on the outcomes achieved by the grant recipients including soft outcomes. There are likely to be some variations in the objectives of Community Grants schemes at regional level depending on specific regional priorities or targeting.

2.31.15 Grant Co-ordinating Bodies will need an appropriate level of resource to meet their administration costs. Contract cost payments will need to reflect necessary administration costs and provide the cash-flow for co-ordinating bodies and grant recipients where necessary. The CFO will agree an appropriate level of administration costs, normally within a limit of 10% of the ESF awarded to the grant co-ordinating body. It may be necessary to exceed the normal limit of 10%, for example in regions with below average Priority 1 allocations. Administrative costs will reflect necessary administrative, overhead and support costs to be undertaken and would be agreed as part of the normal tendering and contracting arrangements within Co-financing.

#### *Allocation of grants*

2.31.16 Grant Co-ordinating Bodies are required to allocate grants to small third sector organisations through an open, transparent and competitive process. They should advertise the call for applications for small grants widely and specify what activities can be supported including any targeting of participant groups.

2.31.17 Grant Co-ordinating Bodies must use simplified application procedures to ensure that small third sector organisations are able to apply for grants when applications are called for.

2.31.18 The allocation of grants will be made on the basis of selecting third sector applicants against specific criteria set out in calls for grant applications. Selection arrangements must be clear and transparent and published alongside the call for applications. A list of third sector organisations who are awarded grants following the selection process must be published. Grant recipients will receive 100% ESF. To avoid the risk of duplication Grant Co-ordinating Bodies should liaise with Community Development Foundations appointed to deliver the 'grassroots grants' scheme on behalf of the Office for the Third Sector.

2.31.19 Given the nature of the grants and delivery through small third sector organisations, it would not be appropriate to award them through full open and competitive tendering arrangements. As the grants themselves will not be awarded through tendering, grant recipients will be required to maintain records of actual grant expenditure to ensure a full audit trail.

2.31.20 Grant recipients should keep the following participant information:

- Details of all participants supported through Community Grants;
- Results of participant achievements including employment, full or part qualifications, soft outcomes;

2.31.21 Grant recipients should also keep the following financial records:

- Invoices to support all expenditure
- Bank statements
- Staff timesheets, job descriptions, expenses payments

Original documents (paper or scanned copies) must be maintained until advised by the CFO.

#### *Monitoring and reporting arrangements*

2.31.22 There is likely to be significant interest in the outcome and achievements of Community grants at regional and England level. Reports on progress will be provided to regional ESF committees and the England PMC. Grant Co-ordinating Bodies will need to ensure that reporting arrangements fully reflect the objectives and priorities of regional Community Grant schemes.

2.31.23 To ensure that certain key information on progress can be provided to ESF committees and reported for example in the Annual Implementation Report, Grant Co-ordinating Bodies will be required to supply the following key data to CFOs:

- Number of applications for grants received
- Number of grants awarded
- Average value of grants awarded
- Number of participants supported through grants
- Achievement of soft outcomes, jobs and qualifications;
- Short case studies of how grants have supported specific targets groups and specific outcomes achieved (case studies to be provided for 10% of completed projects)
- Summary of how grants are supporting regional priorities

## **2.32 Evaluation**

2.32.1 The DWP ESF Evaluation team will evaluate the programme at the national level (and also at the Convergence area level where appropriate). CFOs will contribute to the national evaluation process, for example by taking part in qualitative interviews with evaluators or supplying information to help inform research or survey work.

2.32.2 At the regional level, CFOs will evaluate the contribution made by their CFO plans to the Operational Programme and the regional ESF framework. This may take the form of a joint evaluation with other CFO in the region. The regional CFO evaluation will provide the Managing Authority and regional ESF committee with a qualitative as well as quantitative assessment of the delivery of regional employment and skills priorities. An evaluation of the 2007-2010 CFO plan must be completed by 2010, and an evaluation of the 2011-2013 CFO plan by 2013.

2.32.3 The DWP ESF Evaluation Team cannot carry out or commission CFO-level evaluations as it must remain functionally independent. However, CFO evaluations will be sent to the DWP ESF Evaluation Team so that they can inform the national evaluation.

## **2.33 Contribution to the Annual Implementation Report**

2.33.1 For the first time in 2008 and by 30 June each year, the managing authority is required to send the European Commission an annual report on the implementation of the operational programme.

2.33.2 To help it prepare the report the managing authority will request contributions from the CFOs in their progress report accompanying their claim for the period ending November each year. The CFOs will be required to provide the contributions within four weeks of the request.

2.33.3 The request will specify the type and detail of the information required which will include:

(a) the progress made in implementing their Co-financing Plan, including their contribution to the Operational Programme and regional ESF framework, and any regional or local labour market developments that may have affected implementation;

(b) the steps taken by the CFO to ensure the quality and effectiveness of implementation, in particular:

(i) monitoring and evaluation activities, including data collection arrangements;

(ii) a summary of any significant problems encountered in implementing the Co-financing Plan and any measures taken to address them;

- (iii) the use, if any, made of technical assistance;
- (c) the measures taken to provide information on and publicise the programme;
- (d) a summary and examples of the implementation of the crosscutting themes of equal opportunities and gender equality, and sustainable development;
- (e) a summary and examples of any gender specific activities, i.e. activities targeted on women or men (e.g. training for men or women to enter non-traditional occupations);
- (f) a summary and examples of any activities to increase the participation of migrants in employment;
- (g) a summary and examples of activities to increase the participation of ethnic minorities in employment;
- (h) a summary and examples of activities to strengthen the integration in employment and social inclusion of other disadvantaged groups targeted by the Co-financing Plan;
- (i) a summary and examples of innovative activities, including their themes, results, dissemination and mainstreaming;
- (j) a summary and examples of any transnational and/or inter-regional activities;
- (k) where appropriate, details of complementarity with activities funded by the European Regional Development Fund, European Agricultural Fund for Rural Development, European Fisheries Fund, Lifelong Learning Programme, Youth in Action Programme and Seventh Framework Programme for Research and Technological Development;
- (l) case studies of good practice projects.

## 2.34 Cross cutting themes

2.34.1 There are two cross-cutting themes:

- gender equality and equal opportunities; and
- sustainable development (which incorporates environmental sustainability).

2.34.2 EU Regulations require these themes to be promoted during the various stages of the implementation of the programme (see Section 2.2 – ESF and the Regulatory basis). The cross-cutting themes, and the CFOs role in promoting them, will be evaluated during the life of the programme. Their implementation will also be covered by monitoring and audit activities.

2.34.3 All CFOs and their providers will be expected to comply with relevant legislation. Cross-cutting themes will be promoted through the dual approach of:

- mainstreaming the themes into the delivery of all projects; and
- supporting specific actions (for example, activities aimed to improve women's participation, or to provide training in environmental management).

2.34.4 CFO plans should demonstrate:

- how they will actively promote equal opportunities and gender equality and build them into implementation arrangements;
- how they will build sustainable development (including environmental sustainability) into implementation arrangements;
- help support region-specific cross cutting theme priorities as described in the regional ESF framework for the region.

2.34.5 The guidance below is generic to all CFOs. CFOs should apply the guidance in the context of their own organisation's equal opportunities and sustainable development policies. The Managing Authority has agreed with DWP and the LSC how this guidance will be applied by their CFOs. Other CFOs will be expected to meet comparable standards.

### *Gender Equality and Equal Opportunities*

2.34.6 CFOs must ensure that they and their providers take appropriate steps to actively promote equal opportunities in line with their public duty under domestic legislation as well as prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation, especially in the access of participants to projects. In particular, they must take account of accessibility for disabled people. Providers must ensure their sub-contractors also take appropriate steps to promote equal opportunities and prevent discrimination.

2.34.7 CFOs will use their procurement process and contract management arrangements to help ensure that equal opportunities and gender equality are integrated into the services provided by the providers they contract with. The procurement process should enable providers to demonstrate their understanding and experience of addressing the needs of the target groups set out in the specification. It must also ensure that providers have a written equal opportunities policy and implementation plan for that policy as well as comply with the relevant legislation on equal opportunities.

2.34.8 The contract management process must monitor equal opportunities and gender equality. Reviews by CFOs to monitor the performance of projects must include equal opportunities and gender equality. The Managing Authority will examine progress in implementing the cross-cutting themes (including the targets on the participation of women, ethnic minorities, disabled people and older people) when it holds its reviews with CFOs. CFOs will be expected to explain action taken to address any under-performance. The Managing Authority may request case studies and examples of good practice (for publicity purposes).

2.34.9 The Equal Opportunities Sub Committee will set up a reporting process which will require each CFO to provide an annual written report on the progress it is making in mainstreaming equal opportunities in terms of: specific actions supported; the integration of the theme within projects; and progress towards targets. In addition, CFOs will be required to comment specifically on access to the programme by people who are disabled. This reporting process is required to inform the annual mainstreaming progress report to be produced by the Managing Authority and considered by the sub committee. The Managing Authority will align the reporting process with its request for contributions to the annual implementation report in March each year (section 4.14). The CFO reports should also inform the CFO review process referred to in the paragraph above.

### *Sustainable Development*

2.34.10 CFO procurement and contract management processes will promote a developmental approach to sustainable development, which adds value to EU and national sustainable development strategies. CFOs will encourage providers to take sustainable development into account in their delivery including taking appropriate action to reduce or mitigate the environmental impact of projects.

2.34.11 The developmental approach will require providers who do not already have a sustainable development policy and implementation plan covering environmental sustainability to prepare an appropriate policy and implementation plan within the first year of delivering their project. The policy statement should at least cover issues such as :

- how the provider complies with relevant environmental legislation (for example, Waste Electrical and Electronic Equipment Regulations);
- how the provider will reduce waste and energy consumption;
- how the provider will promote recycling

- a commitment to at least explore ways of minimising private transport use and promote public transport usage.

2.34.12 If the provider already has a sustainable development policy and plan which incorporates the above and will cover ESF activity, then it need not produce an additional policy statement and plan. The CFO should decide whether there are any shortcomings in the provider's existing policy and plan in terms of the minimum standards described above. If there are any shortcomings, the CFO will require the provider to ensure that these are addressed within the first year of delivery.

2.34.13 CFOs should monitor sustainable development including environmental sustainability during the normal contract management process.

The Managing Authority will recognise good practice through its national ESF sustainable development award scheme. Further guidance and training on Sustainable Development will be developed by the Managing Authority. .

## **2.35 Complementarity with other EU-funded programmes**

2.35.1 Where appropriate ESF activities may complement activities financed through other EU programmes. However, ESF activities must not duplicate activities financed by other EU programmes, and must not support activities which would otherwise be financed by other EU programmes.

### *European Regional Development Fund Programmes*

2.35.2 ESF skills and employment actions may complement European Regional Development Fund (ERDF) activity as identified in regional ESF frameworks. As indicated in paragraph 4.8.5, the Operational Programme is not expected to finance activities that fall within the scope of ERDF.

### *Rural Development and Fisheries Programmes*

2.35.3 The Operational Programme contains the following demarcation criteria with the European Agricultural Fund for Rural Development and the European Fisheries Fund. ESF funding is not available for interventions that target enterprises engaged in agriculture, forestry or fisheries, or enterprises engaged in the primary processing of agricultural, forestry or fisheries products. ESF cannot fund activities which support agri-food schemes or the primary processing of agricultural and/or forestry products. ESF cannot support specific vocational training for individuals employed in enterprises engaged in these activities. However, ESF can support basic skills and other generic training for individuals employed in enterprises engaged in these activities. These principles also apply to the European Fisheries Fund in respect of fish and shellfish products and processing.

### *European Investment Bank and European Investment Fund*

2.35.4 There are no plans to use European Investment Bank or European Investment Fund initiatives such as JEREMIE and JESSICA. Any queries about these initiatives should be referred to the managing authority.

### *Lifelong Learning and Youth in Action Programmes*

2.35.5 ESF cannot support activities, including transnational and inter-regional activities that are being financed through the Lifelong Learning and Youth in Action programmes.

### *Seventh Framework Programme for Research and Technological Development*

2.35.6 In the Convergence Objective, ESF can support the development of human potential in research and innovation. Priority 5 includes research activities that support training of researchers and post-graduate studies, where related to the knowledge economy, labour market and human capital. These research activities must be linked to employment and skills needs now and in the future. They should complement but not duplicate any research projects in Cornwall and the Isles of Scilly funded by the Seventh Framework Programme for Research and Development.

## **2.36 Social partner joint actions in the Convergence objective**

2.36.1 As required by the ESF Regulation, an appropriate amount of the ESF Convergence allocation will be available for social partner capacity-building activities, which can include training, networking measures, strengthening the social dialogue and activities jointly undertaken by the social partners. It is envisaged that this amount will be 2% of the ESF resources for Priority 5. This will enable social partners to contribute to the delivery of Convergence ESF activities and outcomes.

2.36.2 Joint actions with the social partners, particularly employers' organisations and trade unions, will be encouraged to ensure that this is achieved. These are likely to include activities to provide better access to training and development in the local workforce, and the support and development of social enterprises. These activities will be delivered through Co-financing as specific tender specifications. Further information is set out in the Cornwall and Isles of Scilly ESF Framework and activities will be detailed in the LSC CFO Plan, including any differentiation of capacity building and joint activities.

## 2.37 Business Support Simplification

2.37.1 The Government is committed through the Business Support Simplification Programme (BSSP) to reducing the number of publicly funded business support schemes by 2010<sup>1</sup>. The majority of ESF provision in the England 2007-2013 programme is likely to be outside the scope of the BSSP because its prime focus is on supporting workless and low skilled individuals to enhance their employability rather than providing direct support to business.

2.37.2 However there will be some areas where ESF projects do provide direct support or seek to influence employers and people starting self-employment and where this is the case ESF provision must be consistent with the plans to simplify business support as set out in the 2007 Pre-budget Report<sup>2</sup>. This confirmed Business Link as the primary gateway to publicly funded business support and announced a high-level summary of the broad areas where the Government believes there is a case for publicly funded intervention. The regional ESF frameworks are fully committed to ensuring that where ESF does provide direct support to business it is consistent with these principles.

2.37.3 CFOs will procure ESF activity in two tranches covering the financial allocations for 2007-2010 and 2010-2013. CFOs will publish their Invitations to Tender (ITTs) during the final quarter of 2007 and awarding contracts to successful bidders in the first half of 2008 for the first tranche of ESF activity. Invitations to Tender will be published therefore before the final detailed product descriptions of the business support portfolio are available.

2.37.4 Business Link is now the primary gateway to publicly funded business support, and acts as an independent source of information, diagnosis and brokerage for businesses. Most proactive engagement of business should be undertaken through the Business Link brand – any exceptions will need a clear business case. Government is committed to a single integrated brokerage service from April 2009, to include skills brokerage as a major component. This is essential to make it easy for business to engage with one clear access channel to public support. Funding proposals that encourage competition for clients with Business Link must be avoided. To ensure additionality any proposals for funding must demonstrate how they will work with and through Business Link.

2.37.5 There will be a portfolio which will define those business support products where there is a case for publicly funded interventions although this will not be finalised until 2008. ESF should not be supporting business support products or services that fall outside the scope of the portfolio, as these types of activity are unlikely to be justifiable on grounds of market failure or promoting equality and would be contrary to the aims of BSSP. In the interim, before committing funding it is essential that the relationship between ESF funded activity and any similar mainstream offers of support funded by the RDA is made clear. This is to ensure that ESF projects offer genuine additionality and do not duplicate or displace mainstream

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<sup>1</sup> <http://www.dti.gov.uk/bbf/small-business/streamlining-government/bssp/page41661.html>

<sup>2</sup> Chapter 4 (para 4.43) - [http://www.hm-treasury.gov.uk/pbr\\_csr/report/pbr\\_csr07\\_repindex.cfm](http://www.hm-treasury.gov.uk/pbr_csr/report/pbr_csr07_repindex.cfm)

activity. To reduce customer confusion, any addition or enhancement to mainstream activity should also use the same branding as is already in existence. In particular the Business Link brand should be used for self employment activity – this can be discussed with RDAs.

2.37.6 In order to achieve consistency with BSSP, CFOs should ensure that their ITTs are consistent with the latest business support product descriptions where proposed ESF activity will provide direct support to business. In particular the following eligible activities from the national ESF Operational Programme should be branded using the latest portfolio descriptions:

2.37.7 Where CFOs are tendering for ESF activities that will provide advice and support for self-employment, business creation and social enterprise, ITTs should reflect the latest descriptions in the portfolio as appropriate:

- Business Creation – helping to overcome barriers to setting up and growing a new business
- Local Community Business Coaching – helping hard to reach communities to start up in business

2.37.8 Where CFOs are tendering for ESF activities that will provide support to develop a skilled and adaptable workforce (including management and leadership activity), ITTs should reflect the latest description in the portfolio:  
'Skills Solutions for Business – helping businesses to improve the skills of their employees and individuals to improve their skills for business.

2.37.9 ESF Division will continue to work with the Department for Business Enterprise & Regulatory Reform (BERR) so that BSSP can be built into future ESF programming documents. The business support landscape is complex and simplification will take full effect in 2010 and further guidance will be provided before ESF procurement for 2010-2013 activity commences.

## Annex 1

### CFOs selected to operate in 2007-2013

Region	Name of Co-financing Organisations
Cornwall	DWP
Cornwall	Cornwall Learning and Skills Council
East of England	Bedfordshire County Council
East of England	DWP
East of England	East of England Development Agency
East of England	Learning and Skills Council
East of England	Luton Borough Council
East Midlands	DWP
East Midlands	Learning and Skills Council
East Midlands	Local Authorities in the East Midlands Consortium
London	DWP
London	Learning and Skills Council
London	London Councils
London	London Development Agency
North East	DWP
North East	Learning and Skills Council
North East	Newcastle City Council
North West	DWP
North West	Learning and Skills Council
South East	DWP
South East	Learning and Skills Council
South East	South East of England Development Agency (SEEDA)
South West	DWP
South West	Learning and Skills Council
West Midlands	DWP
West Midlands	Learning and Skills Council
Yorkshire & Humber	DWP
Yorkshire & Humber	Learning and Skills Council

## Annex 2

### Format and content of CFO plans

Section	Content
<p><b>How the plan will contribute to the implementation of the Operational Programme and the regional ESF framework</b></p>	<ul style="list-style-type: none"> <li>• Describe which elements of the framework the CFO will deliver</li> <li>• For each Priority, set out               <ul style="list-style-type: none"> <li>○ Activities to be supported</li> <li>○ Target groups</li> <li>○ Geographical targeting e.g. Local Area Agreements, cities strategy</li> </ul> </li> <li>• For each Priority, set out               <ul style="list-style-type: none"> <li>○ Quantified outputs (as per OP categories)</li> <li>○ Quantified results (as per OP categories)</li> <li>○ Contribution to other regional targets</li> </ul> </li> <li>• How will activity complement other CFO provision</li> </ul>
<p><b>Funding and added value</b></p>	<ul style="list-style-type: none"> <li>• Show ESF funding by Priority and year</li> <li>• Show match funding by Priority and year               <ul style="list-style-type: none"> <li>○ Which domestic budgets will be used</li> <li>○ How will ESF and match funded activity complement each other and contribute to Priority activities</li> </ul> </li> <li>• Provide a breakdown of planned administrative costs</li> <li>• Describe the added value of ESF</li> </ul>
<p><b>Project selection and tendering arrangements</b></p>	<ul style="list-style-type: none"> <li>• Describe the methods of tendering to be used</li> <li>• How will procurement comply with national legislation</li> </ul>
<p><b>Provider funding and monitoring</b></p>	<ul style="list-style-type: none"> <li>• Describe how contract costs will be formulated</li> <li>• Payment arrangements for providers</li> <li>• Any plans to reimburse project providers using actual costs (in exceptional circumstances)</li> <li>• Arrangements for monitoring ESF providers covering:               <ul style="list-style-type: none"> <li>○ Project delivery and outcomes</li> <li>○ Quality standards including how ALI recommendations will be addressed</li> <li>○ Financial performance</li> <li>○ Audit</li> </ul> </li> </ul> <p>Provision of management information Reporting performance to the regional ESF committee</p>

<b>Cross cutting themes</b>	How will the CFO promote equality and diversity and build equal opportunity into implementation How will the CFO support approaches to sustainable development, including environmental sustainability
<b>Implementation</b>	Key milestones for the first year of the plan (milestones would be reviewed annually): <ul style="list-style-type: none"> <li>○ Contracting with providers</li> <li>○ Participant starts</li> <li>○ Progress towards results targets</li> </ul>
<b>Finance and targets</b>	Annexed to the plan should be the agreed ESF and matched funding by year and the agreed output and results targets (for joint CFO plans, separate annexes for each CFO)

## Annex 3

### Conditions and requirements for ESF and open and competitive tendering

#### Advertising

When advertising for tenders, CFOs should use a wide range of media to make sure you reach the target audience. CFOs should consider using:

- CFO and Government Office websites;
- local press;
- mailing lists;
- contact with representative groups; and
- public meetings.

Where provision might be carried out by small third sector organisations, efforts should be made at the outset to identify through regional partners which local groups exist and should be advised.

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.

Tender documents must clearly state that activities to be supported will be partially financed by ESF

#### Activities

The activities for which provider proposals are being sought should be consistent with the ESF Operational programme, the regional ESF framework and the Co-financing Plan.

#### Appraisal and selection criteria

The published criteria for selecting providers must be objective. Where national funding rates will apply for a particular activity, the tender documents must say so. Documents must also state what criteria for selection will be used. The criteria should not be set so that new providers will be excluded.

There should be a clear statement of what support and advice will be available to help potential providers to submit proposals.

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.

The appraisal and selection process must be open to independent scrutiny. CFOs must keep supporting records and documents and make them available to Government Office staff and others for audit purposes.

**Timetable**

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.

**Publishing results**

CFO must publicise the providers they have selected and the activities they will carry out. 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.

**Feedback**

To comply with procurement requirements all organisations that apply should be offered feedback on their proposals.

## Annex 4

### CORE PARTICIPANT MI REQUIREMENT (ESF and MATCH)

#### Identification data

- Priority Project Number
- Transfer Date

NOTE: Characteristics such as Region, Objective and Priority can be derived from the above project number.

#### Individual participant details

Variable	Descriptors	Definition
<b>All starters</b>		
Gender	Male/Female	The gender of the participant
Age	Date of Birth	The full date of birth of the participant
Identifier	Participant identifier	The unique number by which the CFO identifies an individual participant. May be required for follow up surveys. <sup>i</sup>
Location	Postcode	The full postcode of the address that the participant resides at
Participation	Start date	The date that the participant started on the ESF project. <sup>ii</sup>

Variable	Descriptors	Definition
Status <sup>iii</sup>	Employed	<p>Participants who are in paid employment on the day they commence an ESF project. The participant must work 8 hours or more per week. This includes :</p> <ul style="list-style-type: none"> <li>• Employees (people who work for a company and have their National Insurance paid directly from their wages) and</li> </ul> <p>Self-employed (people who work for themselves and generally pay their National Insurance themselves).</p>
	Unemployed	<p>Participants who are without a job and available to start work and looking for work, or waiting to start a job that has already been obtained, as at the date they started on the ESF project.</p>
	Economically inactive	<p>Participants who are not employed, but who do not satisfy the ILO criteria for unemployment. This is because they are either not seeking work or are unavailable to start work.</p>
	Full time education or training	<p>A participant who satisfies one of the following criteria but is not a 14-19 NEET:</p> <ul style="list-style-type: none"> <li>• Full-time education either in a school, A FE Institution or a HE institution</li> <li>• In full-time Work-based learning (including apprenticeships, Entry to Employment and NVQ learning</li> </ul> <p>Other education or training (including independent colleges or training centres or receiving training or part-time education but not currently employed)</p>

Variable	Descriptors	Definition
	14 -19 NEET	<p>Participants aged 14-19 who on joining an ESF project who are <b>not</b> in:</p> <ul style="list-style-type: none"> <li>• Full-time education either in a school, A FE Institution or a HE institution or</li> <li>• Work-based learning (including apprenticeships, Entry to Employment and NVQ learning or</li> <li>• Other education or training (including independent colleges or training centres or receiving training or part-time education but not currently employed) or</li> <li>• Employment</li> </ul> <p>And</p> <p>Participants aged 14 and 15 who are at risk of becoming NEET when they leave school, for example those identified by the Connexions Service as needing 'support' or 'intensive support'.<sup>iv</sup></p>
If unemployed	Length of unemployment on starting < 6 months 6 – 11 months 12 – 23 months 24 – 35 months 36 + months	<p>Only for those whose status is Unemployed. Set to zero for participants who are not unemployed.</p> <p>Information on length of unemployment to be provided using bandings provided (i.e. less than six months; 6-11 months etc).</p>
Ethnicity <sup>v</sup>	<p><b>White</b></p> <ol style="list-style-type: none"> <li>1) British</li> <li>2) Irish</li> <li>3) Other</li> </ol> <p><b>Mixed</b></p> <ol style="list-style-type: none"> <li>4) White and Black Caribbean</li> <li>5) White and Black African</li> <li>6) White and Asian</li> <li>7) Other mixed background</li> </ol>	

Variable	Descriptors	Definition
	<p><b>Asian or Asian British</b>  8) Indian  9) Pakistani  10) Bangladeshi  11) Other Asian background</p> <p><b>Black or Black British</b>  12) Caribbean  13) African  14) Other Black background</p> <p><b>Chinese or other ethnic group</b>  15) Chinese  16) Any other ethnic group</p> <p><b>Prefer not to say</b>  17) Not stated</p>	
Disability	Disabled/with health conditions (Yes/No)	<p>Participants who on joining an ESF project report having a:</p> <ul style="list-style-type: none"> <li>• Work-limiting disability or learning difficulty (which includes long term health problems); or</li> <li>• A current disability covered by the Disability Discrimination Act (DDA).</li> </ul> <p>A ‘work-limiting disability’ is a long-term health problem disability or learning difficulty that affects the amount or type of work a person can do.</p> <p>The DDA defines disability as a ‘physical or mental impairment which has a substantial and long-term adverse effect on a person’s ability to carry out normal day-to-day activities. To count as disabling under this definition an impairment must be physical or mental, have a substantial adverse effect on day to day activities and be long-term.</p> <p>When this variable is set to ‘yes’ this indicates that the participant has either indicated that they have a disability or suffer from a health condition or have a disability and also</p>

Variable	Descriptors	Definition
		suffer from a health condition. When set to 'no' this indicates that a participant has indicated that they do not have a disability and do not suffer from a health condition
Highest level of qualification held <sup>vi</sup>	None	Participants who do not have a QCA defined relevant qualification at any level.
	Below Level 1	Participants who on starting ESF do not have a relevant full qualification at level 1 or above (as defined in the QCA National Qualifications Framework).
	Level 1 or equivalent	Participants who on starting ESF have a relevant full qualification at level 1 or the equivalent
	Level 2 or equivalent	Participants who on starting ESF have a relevant full qualification at level 2 or the equivalent
	Level 3 or equivalent	Participants who on starting ESF have a relevant full qualification at level 3 or the equivalent
	Level 4 or equivalent	Participants who on starting ESF have a relevant full qualification at level 4 or the equivalent
	Level 5 or higher or equivalent	Participants who on starting ESF have a relevant full qualification at level 5 or the equivalent
	Not known	This value indicates that it is not known which relevant qualifications the participant does or does not hold.  (N.B 'Relevant' means a qualification relevant to the sector in which a participant is working or seeking to work. For example, a participant may have academic qualifications at level 2 but these may not be relevant to the sector or occupation. Or a participant may have a level 2 vocational qualification which relates to an old or declining industry, and is not relevant to their current sector or organisation).
<b>Priority 1 and Priority 4 leavers</b>		
Date of leaving	End date	The date that the participant left the ESF project

<b>Variable</b>	<b>Descriptors</b>	<b>Definition</b>
Leaving status <sup>vii</sup>	Employed	Participants who are in employment within 6 weeks of leaving an ESF project in a job that lasts for 8 hours or more per week. This includes employees and self-employed people.
	Unemployed	Participants who on leaving the ESF project are unemployed.
	Economically inactive	Participants who on leaving the ESF project are economically inactive
	Into education or training	Participants who on leaving the ESF project are in education or training
	14 – 19 NEET	Participants who are classified as '14-19 NEET' on leaving the ESF project
Qualifications gained <sup>viii</sup>	Gained no qualification	Participants who did not acquire any relevant new qualifications after participating in the ESF project
	Gained basics skills qualifications	A participant who gained a Skills for Life entry level, level 1 or level 2 qualification in literacy or numeracy or language (e.g. ESOL) or ICT, as a result of the ESF project (even if the qualification is awarded after the participant has left the project).
	Gained Level 1	A participant who acquired a relevant level 1 qualification as a result of participating in the ESF project.
	Gained Level 2	A participant who acquired a relevant level 2 qualification as a result of participating in the ESF project
	Gained Level 3	A participant who acquired a relevant level 3 qualification as a result of participating in the ESF project
	Gained Level 4	A participant who acquired a relevant level 4 qualification as a result of participating in the ESF project
	Gained Level 5 or higher	A participant who acquired a relevant level 5 qualification as a result of participating in the ESF project.
<b>Priority 2 and 5 leavers</b>		
Date of leaving	End date	The date that the participant left the project
Leaving status	Into education or training (Yes/No)	Participants who on leaving the ESF project are in education or training

Variable	Descriptors	Definition
Qualifications gained <sup>ix</sup>	Gained no qualification	A participant, who did not acquire any relevant new qualifications after participating in the ESF project
	Gained basic skills qualifications	A participant who acquired a Skills for Life qualification as a result of participating in the ESF project
	Gained Level 1	A participant who acquired a relevant level 1 qualification as a result of participating in the ESF project
	Gained units or modules of level 2 qualifications	A participant who gains at least one unit or module of a level 2 qualification, but not a full level 2 qualification as a result of participating in an ESF project
	Gained Level 2	A participant who acquired a relevant level 2 qualification as a result of participating in the ESF project
	Gained units or modules of level 3 qualifications	A participant who gains at least one unit or module of a level 3 qualification, but not a full level 3 qualification as a result of participating in an ESF project
	Gained Level 3	.A participant who acquired a relevant level 3 qualification as a result of participating in the ESF project
	Gained units or modules of level 4 qualifications	A participant who gains at least one unit or module of a level 4 qualification, but not a full level 4 qualification as a result of participating in an ESF project.
	Gained Level 4	A participant who acquired a relevant level 4 qualification as a result of participating in the ESF project
	Gained Level 5 or higher	A participant who acquired a relevant level 5 qualification as a result of participating in the ESF project.

<sup>i</sup> For DWP, this is the 12 digit numeric client reference no. For LSC, this is the provider code followed by the client number.

<sup>ii</sup> A MI participant record is required for each participation in the programme by an individual.

<sup>iii</sup> The values for 'status' are mutually exclusive i.e. a participant can only belong to one of these categories not more than one.

<sup>iv</sup> Young people in part-time learning (less than 16 hours) are included in 'full-time education and training' and are not counted as NEET.

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<sup>v</sup> One only of the 17 ethnicity options to be used for each participant.

<sup>vi</sup> These values are mutually exclusive i.e. it is only the highest level relevant qualification for a participant that is recorded.

<sup>vii</sup> The values for 'leaving status' are mutually exclusive i.e. a participant can only belong to one category.

<sup>viii</sup> These values are not mutually exclusive. Any qualification that a participant has acquired must be recorded i.e. a participant may acquire one or more qualifications.

<sup>ix</sup> These values are not mutually exclusive. Any qualification that a participant has acquired must be recorded i.e. a participant may acquire one or more qualifications.