

EUROPEAN REGIONAL DEVELOPMENT FUND

Project Management's Guide

This guidance note aims to assist project managers co-ordinating schemes attracting grants under the 2000 – 2006 Objective Two programme. It supplements the European and National rules and regulations that apply to monitoring of ERDF projects, which are clearly indicated in your offer letter.

The guide is split into five sections.

Section One provides a brief overview of ERDF in general.

Section Two looks at the offer letter. It discusses how the grant approval letter works and gives an account of the various paragraphs contained in the offer letter and aims to show how this works in practice.

Section Three deals with the monitoring of the projects. As part of the offer letter, we need to carry out various checks to ensure that the EC is getting value for money. To do this, project managers need to have in place monitoring systems and this section will cover the basis on how this is to be achieved and advises on what information is required from the project managers to satisfy audit requirements.

Section Four examines the interim and final claims. The ERDF claim will form the basis on how we monitor the activities of the project and check on its progress. The guidance will run through the structure of the claims and what's expected of project managers in terms of providing feedback in the required format.

Section Five covers the post completion and economic life. In some cases project outputs may be delivered after the project completion and this section will give further advice.

I very much hope that you find this guide useful.

KATHY COGHILL

Objective 2 Programme Manager

CONTENTS

Section One: Overview of ERDF in General

Section Two: The Offer Letter

- General
- EC Requirements
- Legal and Financial Commitments
- Public Procurement
- EC Publicity Requirements
- Auditor Requirements
- Withholding or Repayment of Grant

Section Three: Ongoing Monitoring Requirements

- Setting Up Your Monitoring Systems
- Record Keeping
- "In Kind" Expenditure
- Double Funding
- Involving Partners in the Monitoring Process
- Private Sector Partners
- Supplementary Credit Approvals
- Monitoring Visits
- Project Outputs

Section Four: Submitting Interim and Final Claim Forms

I. Interim Claims

- Interim Claims and Progress Reports
- Notifying Changes
- Completing Claim Forms

II. Final Claims

Section Five: Post Completion Monitoring

- Post Completion Monitoring
- "Economic Life"

SECTION 1: INTRODUCTION

- 1.1 This guidance note aims to assist project managers co-ordinating schemes attracting ERDF grants under the 2000 – 2006 Objective 2 programme. It does not cover projects funded by the European Social Fund. It supplements the European and national rules and regulations that apply to the monitoring of ERDF projects, which are clearly indicated in your Offer Letter.

- 1.2 ERDF-assisted projects normally run over a number of years. A wide range of activities are supported, with ERDF grants ranging from a few thousand to a few million pounds. Many projects make a very significant contribution towards the economic regeneration of deprived areas. ***In order to maximise the impact of funding, and to minimise the threat of grant recovery due to poor performance or poor administrative systems, it is essential that you, the project manager, put effective financial and monitoring systems in place right from the start.***

- 1.3 Where responsibilities for financial control and project implementation are split within an organisation, GOL requests that the nominated project manager acts as a central contact point for all issues related to the implementation of the project. It is therefore essential that the project manager has effective structures in place to ensure that, say, the finance officer is able to provide up-to-date financial reports in good time to feed into the quarterly claims. Some projects are undertaken by a group of organisations (or “partners”), but the project manager is solely responsible for the collection of all relevant information from project partners.

- 1.4 ***If you have any queries about your ERDF project, the first point of contact in the European Unit at GOL is your Project Monitoring Officer shown at the end of the ERDF Offer Letter for your project.***

SECTION 2: THE ERDF OFFER LETTER

General

- 2.1 The ERDF Offer Letter sets out the conditions on which the grant offer is made, and outlines the claims and payment procedure. Offer Letters are long and, at first sight, complicated documents, but essentially consist of passages of “standard text” punctuated by project performance “variables”. These define your project’s start and end date, how much you can spend and on what activities, the outputs to be delivered and their achievement date, and when/how you should claim grant. It is important that you understand the following:
- The Offer Letter is an agreement between the organisation undertaking a project and GOL. It becomes binding once the offer letter recipient has signed the letter to show that he/she understands and agrees with its terms. The signed copy of the Offer Letter must be returned to GOL by the specified date, otherwise the offer of grant is automatically withdrawn.
 - If you do not meet the Offer Letter’s conditions, grant can be withheld, or reclaimed.
- 2.2 Be sure that you understand, and can meet, all the Offer Letter requirements. Our Development Team would have discussed specific elements of your grant application for inclusion in the offer letter so that you can discuss the issues and implications with your legal and financial experts. This helps to ensure that the formal Offer Letter can be signed and returned without delay, and that the project manager knows precisely what structures need to be put in place in order to meet the various funding conditions.
- 2.3 The Offer Letter is addressed to the person who signed the ERDF application form (e.g. your Chief Executive or Finance Officer). It must be signed at a similar level in your organisation, i.e. by someone who has the authority to make the necessary level of financial and legal commitment. The original Offer Letter plus an additional copy is dispatched under a covering letter addressed to the project manager.
- 2.4 The Offer Letter sets out, amongst other things, project performance targets (outputs), the maximum amount of ERDF that may be paid, the grant rate, details of estimated eligible costs, together with expected phasing. This information is taken from the application form, as amended during the assessment, and is agreed in draft. You will be expected to implement your project within these terms: if you do not, you run the risk of losing some or all of the ERDF. It is therefore important that you keep your Project Monitoring Officer fully informed of progress and, where relevant, discuss the need for amendments in advance (see paragraphs 4.4 and 4.5 below).

European Commission (EC) Requirements

- 2.5 The “standard” text in the Offer Letter lists the European Community regulations and policies that apply to all projects. These include references to:
- the Structural Funds Regulations
 - State Aid Limits and Notifications
 - public procurement and publicity arrangements (see paragraphs 2.9 – 2.12 below for more advice)
 - Environmental Impact
- 2.6 Some of these issues – e.g. state aids and environmental issues – are considered when the application is being assessed. Others, in particular public procurement and publicity requirements, are considered after approval, as part of the claims and monitoring procedures. ERDF will not be released until the Project Monitoring Officer is satisfied that these requirements have been met, or that work is in hand to ensure that they will be met.

Legal and Financial Commitments

- 2.7 All ERDF projects supported under Programmes currently operating in London must be the subject of legally binding commitments, and must have all sources of funding in place. These are requirements specified in the European Commission’s approval of the Programmes. Given that ERDF Offer Letters are not issued until matching funding is in place, the second point should not be a problem for project managers.
- 2.8 Legally binding commitments are defined as “the decisions taken by the final beneficiaries to implement eligible operations ... [taking] account of the particular features of institutional organisations, of administrative procedures in each Member State and the nature of the operations”. This is clearly open to interpretation and you should seek legal advice if you anticipate any problems. **To ensure that you meet this requirement, you must let at least the main contract (where contracts are being let) that commits the majority of expenditure to undertake your project.** You should bear in mind that the performance outputs and milestones in some Offer Letters often necessitate letting of contracts well in advance of that date.

Public Procurement

- 2.9 Annex 3 of your Offer Letter briefly sets out the public procurement requirements, including current advertising thresholds for various types of contract. [Copies of the relevant EC Directives, and corresponding UK Statutory Instruments, can be obtained from The Stationery Office (TSO) (enquiry number: 020-7873-8372) or log on to their website at (www.tso.co.uk)]
- 2.9 The rules relating to public procurement are complicated, and Annex 3 of the Offer Letter should be studied closely. It is *your* responsibility to ensure that the provisions are complied with. Your legal or specialist procurement colleagues can advise you in

detail on the procedures. If your organisation is covered by the public procurement directives, and you intend to let a contract valued above the relevant threshold, you will need to fill out a questionnaire detailing how you have met the public procurement requirements, and submit it with the first ERDF claim after the contract has been let.

- 2.10 If you let a contract valued below the relevant threshold, you must fill in a declaration to that effect, and send it to your Project Monitoring Officer. Copies of the questionnaire and the declaration can be obtained from your Project Monitoring Officer. Where no contracts will be let under your project, you should insert an appropriate note in the Tendering section of the claim form.
- 2.11 The European Commission's auditors check very closely that the public procurement regulations have been complied with. They look in particular for attempts to bypass the relevant procedures, e.g. by artificially splitting activities into separate contracts, such that the value of each contract is below the relevant threshold. Where they consider that there has been an infringement of the regulations, the ERDF funding may have to be repaid.

EC Publicity Requirements

- 2.12 Appendix 4 of your Offer Letter briefly summarises the publicity requirements that apply to your project. The European Commission have emphasised the importance of publicising European Community activity in Member States, and undertake thorough checks at project level to ensure this is observed.

Auditor Requirements

- 2.13 Annex 6 of the Offer Letter contains provisions covering the auditing of your project. All final claims must be accompanied by a report by a suitably qualified auditor who is independent of the organisation undertaking the project (for more information, see paragraphs 4.11 – 4.15 below). It is therefore essential that you have structures in place that clearly shows all the expenditure and outputs relevant to your project. Representatives of Government Departments, the National Audit Office, the European Commission, or the European Court of Auditors may audit your project at any time.
- 2.14 In addition, projects attracting an ERDF grant of £250,000 or more are required to submit an independent auditor's report each year. This should accompany an ERDF claim form. The reports should cover all activity on the project during the previous financial year and should reach GOL by 31 December.
- 2.15 The key to successful audits is preparation. When an audit visit is scheduled, you should plan well in advance to ensure that key personnel are aware of what is expected, that all relevant documents are available and in order, and that satisfactory "physical" arrangements are in place to accommodate the auditors' needs – such as a room for them to work in.
- 2.16 You should also undertake a "run through" or mock audit, as this often highlights practical problems that are easy to overlook however well you have planned. For greater realism, mock audits might be done on an exchange basis with another

organisation receiving ERDF. This helps to spread best management practice.

- 2.17 The project manager should explain the audit procedures to any partners involved in delivering a project, to ensure that they are using compatible operating systems and that they can provide the necessary documentary evidence of expenditure and outputs.

Withholding or Repayment of Grant

- 2.18 Annex 7 of your Offer Letter explains the circumstances in which ERDF may be withheld or recovered. By ensuring that you have sound administrative and monitoring arrangements in place from the start, you will minimise the risk of this happening. **You should inform your Project Monitoring Officer at the earliest opportunity of any problems with the project, including or possible under- (or over-) spends, difficulties in achieving agreed outputs, or slippage to the project's timetable.**
- 2.19 If identified and released promptly, it may prove possible to reallocate underspends to other projects, and so ensure that precious ERDF resources continue to benefit the programme area. The discipline of providing quarterly claims will encourage you to keep your expenditure and progress constantly under review.

SECTION 3: ONGOING MONITORING REQUIREMENTS

Setting Up Your Monitoring Systems

- 3.1 The previous section stressed the importance of setting up good administrative and monitoring systems for your project as early as possible. Active project monitoring commences as soon as you have signed the Offer Letter (and sometimes even before that).
- 3.2 The ERDF application form requires bidders to address in broad terms the basis for monitoring a project's performance. Any substantial changes to these procedures should be agreed in advance with your Project Monitoring Officer.
- 3.3 There is no prescribed best method for setting up and running projects attracting ERDF grants: there are simply too many different types of activity and possible partnership structures. A common-sense approach that endeavours to keep structures as simple as possible usually bears fruit. For instance, if the ERDF supports part of a larger project (e.g. the development of workshop units on the ground floor of a housing development), you will find the ERDF reporting and monitoring requirements much easier to meet if you keep separate records for the part of the project attracting ERDF support (e.g. by setting up a specific bank account or cost centre for relevant payments).
- 3.4 Some project managers have run into serious difficulties by failing to separate non-ERDF from ERDF expenditure, and this has caused long delays in settling grant claims. You should also consider co-locating all records on expenditure, outputs and match funding – e.g. in one filing cabinet – rather than splitting documents between different departments in your organisation.

Record Keeping

- 3.5 You must keep accurate and up-to-date records. You are required to maintain original documents relevant to your project at least until three years after the EC has made the final payment for the Programme to the Government Office. Bear in mind the possibility of unforeseen disturbances - e.g. staff changes or relocation of records – and endeavour to have procedures in place that ensure continuity.
- 3.6 A number of projects have run into serious difficulties because a project manager has moved on and left no clear records. Documents should establish a clear chronological trail that explains how each decision relating to a project has been reached and enables a thorough audit of all activity.
- 3.7 As a minimum, all expenditure relating to the project, down to the smallest transaction, must be recorded. Output records will vary according to the nature of the activity: e.g. for businesses assisted, you should record the name and location of the company (n.b. must be within the programme area), and a description of the nature and duration of the assistance. Where the assistance is provided over an extended period, you might wish to keep separate files for each company.
- 3.5 These are the principal documents that you should have available for inspection:

- a copy of the ERDF application form
- any correspondence detailing changes to the original application
- the signed ERDF Offer Letter
- contracts let and procedures followed
- copies of planning/related consents (where appropriate)
- state aid notification (where appropriate)
- publicity material (e.g. brochures, letterheads, photographs, press cuttings – with references to the ERDF contribution)
- ERDF claim forms and associated correspondence
- information to verify outputs
- records of payments generated by the project – i.e. income*
- original invoices and/or other documents demonstrating expenditure*
- records of payments made through your bank accounts*
- written confirmation of match funding from third parties
- any legal agreements with third parties
- committee reports on the project (where appropriate)
- auditors' statements
- annual reports or project impact evaluations
- details of monitoring procedures
- information to support any changes made to project.

* *All financial transactions must be clearly traceable through your financial accounting system.*

3.6 The Offer Letter stresses that you must comply, within a reasonable period, with any request for information concerning the progress of your project. You must be prepared for an audit or monitoring visit at any time (see paragraphs 2.13 – 2.17 above), so it is imperative that you have a clear and up-to-date records system.

"In Kind" Expenditure

3.7 Contributions "in kind" involve the free gift of services or materials to a project. As such, they do not involve actual expenditure by the organisation(s) running a project, but they must involve a real and measurable "cost" to the donator (e.g. waived/reduced charges, or loss of time or resources that might be employed elsewhere). In short, the key conditions are:

- The provision of in kind contributions must be agreed by GOL before a project is approved.
- They must conform with the normal rules on the eligibility of activities for ERDF grants.
- The value attached to the contribution must be evaluated and certified either using official scales drawn up by an independent authority (e.g. the National Council for Voluntary Organisation's valuation of volunteer work), or by a suitably qualified independent professional.

- 3.8 Establishing a clear audit trail for in kind contributions is not always easy, but the key thing is that you record and monitor the contribution in accordance with the arrangements agreed during appraisal. For instance, when submitting a claim that includes hours worked on a voluntary basis, you will need to multiply hours actually worked during the claim period, cross-referenced to time sheets, by the hourly rate agreed during appraisal. Where in kind contributions are provided by a third party, they will need to provide written confirmation of the basis on which they have been valued.

Double Funding

- 3.9 If you are running more than one project receiving Structural Funds assistance, you must establish distinct audit trails according to the requirements of each scheme. This should help you to demonstrate that funding sources are not being mixed (i.e. that you are not using the same funding source to attract grants into different projects), or that you are not matching one Structural Fund grant with another (e.g. from a different programme). ERDF grants cannot be matched with ESF, since the activities these grants support are mutually exclusive.

Involving Partners in the Monitoring Process

- 3.10 Partners include any third party that is responsible for implementing a part of the project, and therefore make payments attracting ERDF grant. For example, refurbishment work at a transport interchange co-ordinated by a local authority might involve works undertaken by different transport operators. The Offer Letter recipient, i.e. the organisation that is accountable for the ERDF grant, is responsible for ensuring that project partners are:
- aware of the ERDF Offer Letter conditions, and are familiar with monitoring/audit processes and requirements;
 - able to provide the necessary information at the correct time for each claim (e.g. by using legal, or service level, agreements); and are
 - keeping detailed financial records and information to support progress and outputs detailed on the claim forms;
- 3.11 Project managers run the risk of getting into difficulties if they cannot enforce compliance with the Offer Letter terms. GOL will not chase project partners for information. ***Problems securing information from a partner is not an acceptable excuse for the late submission of claims.*** For these reasons, GOL will normally look for some form of legal (or “service level”) agreement between the partners. These agreements should spread project risk amongst the partners, provide a mechanism for ensuring compliance by all parties with the Offer Letter terms (including grant recovery), and ensure the provision of matching funding (where relevant).

Private Sector Partners

- 3.12 Special considerations apply to infrastructure projects undertaken on a commercial basis by the profit-distributing private sector. These are addressed during appraisal, and involve additional monitoring of profitability in accordance with a profit recovery condition inserted into the Offer Letter. These issues are dealt with on a case-by-case basis.
- 3.13 The claim form requires you to report any on private sector contributions towards the eligible expenditure on the project. Over the life of the project, this should be in line with the amount predicted in the application. If you are unsure about the status of any source of match funding, contact your Project Monitoring Officer.

Supplementary Credit Approvals (Local Authorities Only)

- 3.14 Part IV of the Local Government and Housing Act 1989 requires local authorities to set aside capital receipts from Europe to meet their credit liabilities. ***This applies to ERDF grants for capital purposes.*** To receive the benefit of the grant, local authorities have to apply retrospectively for Supplementary Credit Approvals (SCAs), which basically allow the authority to increase its borrowing capacity.
- 3.15 Each year the Department for the Environment, Transport and the Regions write to local authority Chief Executives explaining the arrangements and the deadlines for local authorities to submit claims for SCAs for that year. GOL co-ordinates and checks the claims for London authorities.

Monitoring Visits

- 3.16 Project Monitoring Officers aim to visit all ERDF-assisted projects at least once during their lifetime. They undertake a standard series of checks, evaluate the relative strengths and weaknesses of financial and monitoring systems and check physical progress on site (for capital projects). It is important to note that these are monitoring, not audit, visits. On the one hand, they allow GOL to verify that a project is progressing satisfactorily, and to address possible weaknesses. But they also give project managers an opportunity to show what they have achieved, how effective their systems are, or to discuss the need to possible amendments to Offer Letter terms.
- 3.17 Following a site visit, the Project Monitoring Officer writes a short report, summarising their main findings and listing action points. A copy is sent to the project manager. Further details of our site visit procedures are given in the guidance notes at Annex 2.

Project Outputs

- 3.18 Annex 1c of your Offer Letter set out the performance targets against which your project will be measured. The performance indicator is shown, broken down into quarterly milestones. Some projects continue to deliver outputs after all the eligible payments have been made. Section 5 of this note explains how GOL continues to monitor these outputs.

- 3.19 In the past, project managers have encountered difficulties because they were not clear how their target outputs were defined – e.g. what an SME “assisted” actually meant. GOL therefore commissioned a firm of consultants, called EKOS Limited, to design an outputs monitoring strategy based on precise definitions of the various performance indicators that feature in ERDF Offer Letters. These definitions are circulated to potential bidders and are an important reference point for all ERDF project managers. Copies of the EKOS definitions can be obtained [from your Project Monitoring Officer here].

SECTION FOUR: SUBMITTING INTERIM AND FINAL CLAIM FORMS

I. Interim Claims

Interim Claims and Progress Reports

- 4.1 ERDF claims should be submitted every three months throughout a project's lifetime using standard forms that you can obtain from your Project Monitoring Officer. The form can be completed quite easily providing you have taken the trouble to put effective financial monitoring systems in place from the start of the project.

Please find on the following website, a copy of the new Electronic Claims Form software, which you should use for submitting all future ERDF claims to the Government Office for London.

http://www.odpm.gov.uk/stellent/groups/odpm_urbanpolicy/documents/page/odpm_u_rbpol_609283.hcsp

The ECS software is provided in standard .exe format. It requires a PC running Windows 95, 98, ME, NT, 2000 or XP and approximately 35Mb of free disk space.

The software is quite straightforward to use and there is a comprehensive help file included to guide you through the various processes.

You will need to double click on the ECS file to start the download onto your computer hard disk. The ECS user-training module will then launch automatically. You should follow this through from start to finish, as it will explain all the basic information you need to know. You will be able to trigger the installation of ECS once you reach the correct point in the training.

You will require a Project Specific File (PSF) to begin using ECS. This, as the name suggests, contains information individual to the particular measure of your project. Your claims will be based on and saved as part of this file. Your PSF will be sent to you separately, via email, or on a floppy disk if you do not have access to the Internet. To access your PSF you will need a password, which will also be sent to you by email/floppy disk. Please keep this password in a safe place, as you will need it every time you access ECS to prepare a claim.

Once you have opened your PSF with ECS you are ready to begin creating a claim. Each screen of ECS has a help button that provides a wealth of information to complement what you have learnt by completing the up-front training. Please ensure that you take full advantage of this facility, as it will save you a great deal of time and help ensure that your payment is not delayed by the submission of an incorrect claim.

Once the claim has been completed, a hard copy should be printed, authorised and then sent to GOL.

An electronic copy of the claim file should be emailed to your Project Monitoring Officer so that work on processing your claim can begin immediately. Please note however, that payments cannot be made until the signed hard copy has been received in GOL.

If you have any questions to which you cannot find the answer in either the up-front training or the on-screen help then please contact.

- 4.2 Essentially you are asked to give a short summary of key activities during the quarter, such as might be understood by anyone not familiar with the project, to show what progress you have made towards your target outputs and milestones, and to record what you have, and expect, to spend. Providing you can show that you have actually spent what you have claimed, and that satisfactory progress is being made, your claim will normally be paid within a matter of days.
- 4.3 On receiving the claim specific file and the hard copy of the claim form, the Project Monitoring Officer completes a series of basic checks, following a standard checklist. Your claim will be immediately rejected if you:
- fail to sign or date the form, or use correcting fluid;
 - fail to attach an expenditure breakdown summary (see paragraph 4.7 below); or
 - submit a claim in the name of an organisation that is not accountable for the project (i.e. is not the Offer Letter addressee).

All project managers should run through the checklist before submitting their claims to minimise the risk of payment delays.

- 4.3 You must submit a claim every three months even if you are not in a position to draw down ERDF. The form should outline progress and record any financial changes since the previous claim, but should insert a zero in the “balance of grant claimed” box.

Notifying Changes

- 4.4 The claim form invites you to outline any changes to the nature, timing, ownership or implementation of the project. Do not assume that GOL will automatically make any necessary amendments to the Offer Letter terms to reflect the revised details. ***Where you consider that changes are required, it is your responsibility to draw these to the attention of your Project Monitoring Officer (e.g. in a letter covering the claim form) and to make a formal request for the amendment.*** You can, of course, request Offer Letter amendments at any time. Reasoned requests submitted to the Project Monitoring Officer as soon as a problem has been identified are likely to be considered constructively. If you implement changes that have not been agreed by GOL, you may be committing a financial irregularity that has to be notified to the European Commission. There is no guarantee that a “retrospective” amendment will be agreed, and this could result in your losing some or the entire ERDF grant.
- 4.5 Not all changes involve a formal Offer Letter amendment. As a general rule, GOL will amend an Offer Letter only when this would affect the amount of, or rate that, ERDF is paid out. Occasionally an organisation receiving ERDF grant might wish to pass the legal responsibility for a project to another body. This is comparatively rare, and should only be contemplated as a last resort since a tri-partite legal agreement,

known as a novation, is required. A handful of project novations were agreed under the 1994-96 Objective 2 programme when the city challenge companies were being wound up.

Completing Claim Forms

- 4.6 The various sections in the claim form are fairly self-explanatory. If you are at all uncertain about how to complete the form, speak to your Project Monitoring Officer before you submit the claim. *A ten minute conversation can save several hours painful work later on.*
- 4.7 We do not normally require claimants to submit copies of invoices, receipts, or other accounting documents to support their claims. However, we need to be able to see at a glance how the expenditure breaks down. Advice on how to do this is attached to the claims checklist at Annex 2.
- 4.8 ERDF is claimed in arrears. Each claim should cover payments made in the three months preceding the claim. You may not include invoices in a claim unless payments against those invoices have actually been made. The expenditure breakdown summary requires you to show payment dates for all transactions. You should show in kind contributions (see paragraphs 3.7 – 3.8 above) against the quarter that the donation was made (e.g. when the voluntary work was undertaken, or when the gift of materials was made). When an in kind contribution covers the entire duration of a project, you should claim when the payment would have been made (e.g. for building/land purchase, at first claim; for discounted rental, when the rent payments would normally have been made). Please ensure that the value claimed against an in kind contribution is the same as that agreed with GOL during the assessment of the bid.
- 4.9 ERDF is paid against certified eligible expenditure according to the grant rate shown in paragraph 4 of the Offer Letter. You can claim up to 90% of the total ERDF through the Interim Claims process, providing of course that you have spent 90% of the project's total cost, and that GOL is satisfied with progress and project management arrangements.
- 4.10 You should discount all VAT payments *unless* you can show that they are irrecoverable.

II. Final Claims

- 4.11 The final grant payment (a minimum of 10% the total ERDF awarded) is held back until an auditors' report on the project has been submitted. By definition, final claims can only be submitted after all eligible payments on a project have been made. That is not to say that projects come to an end after the final claim – for example, many business advisory services set up or enhanced with ERDF assistance continue for many years after the ERDF subsidy has ended. ***However, once a final claim has been settled, no further ERDF payments can be made into a project unless a new approval is issued.***
- 4.12 The deadline for submitting the final claim is shown in the Offer Letter (normally paragraph 6). Project managers are generally allowed three months after financial completion (i.e. the last date on which an eligible payment can be made) to put the final claim together and to get it audited. ***You may not claim ERDF against payments made in the three month period between financial completion and your final claim date.*** It is your responsibility to ensure that the auditor completes their report in time to meet the final claim deadline: GOL will not chase auditors on your behalf.
- 4.13 The original copy of the final claim, plus all supporting documents, should be made available to the auditor, and a copy sent to the Project Monitoring Officer at GOL. This allows the Project Monitoring Officer to undertake the normal checks so that payment can be released quickly once a satisfactory report from the auditor has been received.
- 4.14 Care should be taken when negotiating contracts to ensure that they do not contain clauses that would push otherwise eligible payments beyond the project's financial completion date. ***For instance, contracts for building works often include "retention" clauses that can delay a final payment to a contractor for up to 12 months. If this pushes the payment beyond the financial completion date, the final payment cannot attract ERDF support.*** Project managers will rarely pick up on this issue unless they are directly involved in negotiating the contract.
- 4.15 You may submit a final claim in advance of the date specified in the Offer Letter if you are in a position to do so.

SECTION FIVE: POST COMPLETION MONITORING

Post Completion Monitoring

5.1 Some projects deliver outputs after financial completion. For example, an ERDF grant might assist the development of workshop units leading to the creation of 50 jobs associated with the companies that will move into the accommodation. These outputs cannot be delivered until after the units have been constructed and fully let. GOL will normally agree arrangements at assessment stage to monitor post completion targets. Essentially, this will involve full payment of grant at final claim stage based on agreed milestones, and one or two progress reports for up to a further 6 months. If outputs are not achieved, GOL might reclaim a proportion of the ERDF.

“Economic Life”

5.2 Every Offer Letter specifies a period during which the “project” (i.e. activities or assets that ERDF has helped to create or enhance) must be used exclusively for the purposes specified in the Offer Letter (normally paragraph 18 f). This is known as the project’s “economic life”.

5.3 For revenue projects (i.e. ERDF supports running costs only – normally business support activities), the economic life is identical to the period during which the project actually spends. The economic life of capital projects can be much longer. For projects involving the construction or improvement of buildings, the period is normally 20 years; for high-tech investments, such as telematics networks, the period can be shorter. This is addressed during project appraisal. Special arrangements apply to private sector commercial ventures supported on the basis of a “gap funding” methodology.

5.4 The onus lies with the project manager to notify GOL if any change of use is proposed during the economic life of a project. The likelihood or extent of grant recovery diminishes with time, but project managers should not assume that change of use would be acceptable to GOL.

Government Office for London
European Unit

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