

London Councils ESF Programme 2014-2020

Eligible Expenditure, Monthly Return

and Quarterly Claims Guidance

for Direct Delivery Partners

Version 2.1 14th June 2017

1. Introduction

This document provides guidance on the eligible expenditure Partners can claim from London Councils, including the evidence that must be available to support your claim. This document has also been written in accordance with the following ESF guidance:

- ESF National eligibility rules
- ESF Interim Claims Process – Guidance for Grant Recipients
- ESF Audit and Management and Control Requirements
- ESF Guidance on Document Retention including data exchange
- ESF Anti-Fraud Policy
- ESF Data Evidence Requirements – Eligibility and Results
- ESF Programme Guidance

London Councils will during the data return and claims process need to be able to verify how a partner:

- satisfied themselves about a participant's eligibility on enrolment to enable a payment to be made.
- activity and or results eligibility were sufficiently evidenced to enable a payment to be made.
- can demonstrate that they have taken the appropriate steps and can evidence the above

You must ensure that all claims you submit are:

- Eligible
- Defrayed
- Evidenced

2. ESF MI Database System

London Councils will provide Partners with an ESF MI database system bespoke to their Priority and contract specification. It is designed to enable the:

- **Enrolment of participants** and verification of eligibility evidence obtained or recorded
- **Recording of participant's activity achievement** whilst on and progressing through an individualised programme of support and required supporting evidence
- **Recording of participant's progression to education, training or employment** and or achievement of a qualification result achievements and required supporting evidence.
- Submission of **monthly data and financial claims**
- **Quality Assurance verification** of partner data claims submissions
- Collection and processing of participant data to share with the DWP for **monitoring and evaluation** purposes.

3. Partner requirements

Leading or delivering an ESF compliant project puts quite specific requirements on you and your organisation. If your project is found not to be compliant, at best you will not be paid and at worst you will have funds already paid to you clawed back.

You will be audited, several times by several different audit authorities, so getting it right in terms of fulfilling your role is important.

Partners must assess to ensure that a participant is eligible, including:

- How to assess if participants are eligible
- The evidence required to demonstrate eligibility
- Eligibility evidence must be obtained at the point of enrolment
- Enrolment to the database is made only when eligibility evidence has been obtained
- That enrolment, activity and or results eligibility are sufficiently evidenced to enable a payment to be made.

Auditors (EU/DWP/GLA/London Councils) must be able to verify how a partner:

- satisfied themselves about a participant's eligibility on enrolment to enable a payment to be made.
- whether activities and or results eligibility were sufficiently evidenced to enable a payment to be made.
- can demonstrate that they have taken the appropriate steps and can evidence the above

4. Eligible expenditure

London Councils will only pay for actual costs that have been spent in the delivery of the project as per your funding agreement and prior to your claim being made.

You must ensure that all claims you submit are:

- Eligible
- Defrayed
- Evidenced

Claims based on actual eligible expenditure (including match funding) can cover staff, participants and other costs. There is a distinction between direct and indirect costs:

Direct costs	Are costs which are directly related to activity supported by an ESF project e.g. salaries of staff directly engaged on ESF activity, participant costs such as allowances, childcare costs and other costs such as stationery and consumables.
Indirect costs	Costs that cannot be connected directly to project activity and which are difficult to attribute to the project e.g. shared organisational costs, telephone costs, gas, electricity and water. Indirect costs will be calculated at a flat rate of 15% of direct staff costs for all projects as per your funding agreement.

You must ensure that at all times during the delivery of the project that:

- a record of eligible expenditure is maintained by you and your sub partners
- eligible expenditure is within the scope of your funding agreement
- you keep and provide evidence of all original documentation related to eligible expenditure – receipts, invoices, bank statements, accounting documents to be subject to verification checks and audit.
- all evidence must be 'certified as a true copy of originals' or supported by a covering letter which confirms that all documents are true copies of originals. Certification must be confirmed by the project's authorised signatories in line with the scheme of delegation of the Grant recipient.
- you must be able to evidence the defrayed payment to defrayal date as evidenced on the Bank statement (Date shown as being paid on the bank statement).

- failure to provide evidence of eligible expenditure and defrayal could result in your claim being ineligible and some or all of your claim being recovered.

5. Ineligible Expenditure that will not be paid

London Councils will only pay for the eligible costs you will incur in the delivery of the project as per your grant agreement. There are some things they are unable to pay for as they are not ESF eligible:

- Expenditure referred to in EC Regulation 1303/2013 (the Common Provisions Regulation (CPR)) Article 69 paragraph 3, and Regulation (EU) No 1304/2013 (European Social Fund Regulation) Article 13 Paragraph 4;
- Payments that support activity intended to influence or attempt to influence the UK Parliament, Government, political parties, European Union Institutions, or attempting to influence the awarding or renewal of contracts and grants, or attempting to influence legislative or regulatory action in the United Kingdom or the European Union”.

The EU Regulations state the following costs are not eligible for ESF support:

- In-kind contributions which comprise the provision of land, real estate, equipment
- Purchase of furniture, vehicles and equipment (other than small items of equipment under £1,000)
- Purchase of second hand equipment
- Bank debit charges
- Legal fees
- Fines, financial penalties and expenses arising from litigation
- Purchase of land
- Purchase of real estate (i.e. buildings after construction and the land on which they are built)
- Expenditure relating to venture capital loan and guarantee funds
- Redundancy costs/payments if people leave the employment of the organisation at the end of or during the life of the project.
- Activities that will not contribute to the delivery of the targets identified on the project outline
- Activities or staff costs that do not represent good value for money
- Anything that is a statutory obligation or will replace statutory funding
- Anything you start or spend money on before London Councils confirms its funding
- Projects that generate income or revenue
- Fundraising appeals, endowments and registration fees
- Expenditure relating to venture capital loan and guarantee funds
- VAT you can recover
- Furniture, refurbishment or landscaping work
- Finance leases (i.e. leases similar to hire-purchase agreements where at the end of the agreement the equipment becomes the property of the lessee)

NB: This list is not exclusive and any queries about the eligibility of costs not included in the list above should be addressed with your Performance or Priority Manager.

6. Eligible direct expenditure

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
Participant Costs such as expenses and childcare	Expenses • A record of the ESF project activities undertaken which resulted in these expenses (such as dated and signed attendance sheets, course materials and original certificates). • Receipts or invoices for every item of expenditure related to ESF project activity. • Dated and signed declarations of reimbursement for expenses or other costs that have been met on their behalf as a participant on the ESF project. • Audit trail of defrayed payment (BAC's and Bank statement). Childcare costs • Childcare costs are only eligible where the child-minder/childcare provider is appropriately registered. • A record of daily/weekly childcare costs, including evidence and a dated receipt for any contributions from participants towards these. • Appropriate procurement evidence to support the selection of the service provider if provided through the sub partner directly. • Contract with institution / service provider. • A record of the ESF project activities undertaken which resulted in these expenses (such as dated and signed attendance sheets, course materials and original certificates). • Receipts or invoices for every item of expenditure related to ESF project activity. • Dated and signed declarations of reimbursement for expenses or other costs that have been met on their behalf as a participant on the ESF project. • Audit trail of defrayed payment (BAC's and Bank statement).
Participant allowances and incentives	• A written explanation of the reasons for offering the allowance and how it represents good value for money. • Confirmation from the participant that they understand and have been advised that payment of allowances whilst participating on the ESF project may affect the level of benefits they are entitled to.

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
	• A written record of advice received from HM Revenue and Customs concerning allowance levels relating to the allowance received by the participant. • A written record of advice received from Jobcentre Plus, concerning allowance levels that may impact on a participant's existing benefits should they receive allowances and or incentives. • Original financial records showing the participant, date and amount paid, including a signed declaration. • A record of their participation that fulfils the terms of the allowance or incentive. • Audit trail of defrayed payment (BAC's and Bank statement).
Staff costs including employer's National Insurance and Pension contributions, and any taxable incentives linked to pay	For staff that are working fully on the project: • A letter of appointment with clear start and finish dates (if appropriate). • A job description stating that the individual will be wholly employed on the ESF project. • Projects are to claim actual salary costs for the period they are employed on the project. • Payslips and payroll information. • Audit trail of defrayed payment (BAC's and Bank statement). For any staff or managers that are only working part of their time on the ESF project, including senior management: • A letter confirming that the post is part-funded by ESF with effect from the appropriate date. • Timesheets describing the instances and tasks associated with their involvement in the project. • Payslips and payroll information. • A record of the work that has been carried out (such as diaries, emails, media and materials). • Audit trail of defrayed payment (BAC's and Bank statement). * Sick or maternity pay can be claimed if it is in line with the organisation's staff policy or on the individual's contract of employment. Alternatively, an organisation may claim for replacement staff costs, but only if maternity or sick pay is not being claimed. If an organisation is entitled to claim statutory sick pay back from HMRC it should do so and offset any such payments received against its claim for ESF.

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
	* Backfilling - In a situation where an organisation needs to replace a staff member being funded by ESF, the post that becomes vacant as a result must be backfilled. Please refer to the following points in this document for further guidance on: • Point 7 - Salary defrayal evidence. • Point 8 - Staff timesheets. • Point 9 - Salary hourly rate calculation.
Staff expenses such as allowances and travel	• A copy of the organisation's policy on travel and expenses so we can check that this is fair and reasonable. • Receipts and invoices for every item of expenditure. • Audit trail of defrayed payment (BAC's and Bank statement).
Staff training	• It is expected that all organisations who submit an application are in a position to deliver the project. • Any request for staff training needs to be discussed and approved by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Staff training costs can be claimed only if an individual has specific needs for training that could not have been identified before the project began. This needs to relate to the acquiring of specialist knowledge. • Audit trail of defrayed payment (BAC's and Bank statement).
Volunteer costs such as travel and subsistence	• Receipts for every item of expenditure. • Audit trail of defrayed payment (BAC's and Bank statement).
Consumables such as stationery or essential software	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Receipts and invoices for every item of expenditure. • Audit trail of defrayed payment (BAC's and Bank statement).

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
Venue hire and the lease or rental of buildings where the building is wholly used for the ESF project	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • A copy of the lease or rental agreement. • Room hire invoices for any temporary premises. • Audit trail of defrayed payment (BAC's and Bank statement).
Hire or operating lease of equipment	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • A written explanation of how the costs of the hire or lease are similar to market rates, including a minimum of three quotations, and that the cost of hiring or leasing this equipment is competitive and does not exceed the cost for buying the item outright. • Invoices for every item of expenditure. • Where assets valued up to £1,000 are acquired or disposed, the acquisition or disposal should be noted in your progress report form. • Asset register detailing all ESF assets valued up to £1,000. • Audit trail of defrayed payment (BAC's and Bank statement).
Small items of equipment costing up to £1,000	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Receipts or invoices for every item of expenditure. • Audit trail of defrayed payment (BAC's and Bank statement).
VAT that cannot be reclaimed from HMRC	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • A copy of the organisation's VAT eligibility declaration or certificate. • If you are able to recover VAT, but are choosing not to, the VAT amount must still be deducted

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
	from what you report to us. • Audit trail of defrayed payment (BAC's and Bank statement).
Marketing and promotion	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Original receipts or invoices for every item of expenditure and a detailed description of the work carried out. • Appropriate procurement evidence to support the selection of the service provider. • Audit trail of defrayed payment (BAC's and Bank statement).
Monitoring and evaluation	• Original receipts or invoices for every item of expenditure and a detailed description of the work carried out. • Appropriate procurement evidence to support the selection of the service provider • Contract with service provider. • Timesheets describing the instances and tasks associated with their involvement in the project. • Audit trail of defrayed payment (BAC's and Bank statement).
Storage of evidence and data	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Original receipts or invoices for every item of expenditure and a detailed description of the approach and security. • Audit trail of defrayed payment (BAC's and Bank statement).
Procurement costs	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • Annotated, dated and signed copies of all contracts, together with a detailed Procurement Register. • Receipts or dated invoices for every item of expenditure. • Audit trail of defrayed payment (BAC's and Bank statement).

Direct expenditure	Evidence that must be available to support your claims and retained until at least 31 December 2026:
Depreciation of buildings and equipment	• Costs can only be claimed if they formed part of your bid. Partners can only claim these costs in exceptional circumstances following discussion and approved in writing by your Priority or Performance manager prior to incurring any costs to ensure it is eligible. • If buildings and or equipment were previously funded by ESF funding, depreciation is not eligible to be claimed. • The calculation of depreciation must be in line with the organisation's accounting policy. Claims must be based on the actual costs of equipment owned. Depreciation can be claimed on second-hand equipment providing it has not been claimed for previously. Depreciation can be calculated in many different ways, the most common being straight line and reducing balance methods (depreciation is calculated each year on the value of the assets in the books at the start of the year). It is normally expected that the smallest number of years over which an item can be depreciated is three years. • If an organisation has received capital grants towards the costs of fixed assets, these grants should be deducted from the costs before calculating depreciation costs for ESF. Where deferred credits are used to offset depreciation costs, the amount of the deferred credit must be deducted from the depreciation costs for ESF purposes. An accountant will be able to advise if deferred credits have been used. • Working papers must be kept to show how depreciation costs have been calculated for the ESF project. These must include the costs and descriptions of the items purchased, when they were purchased, how the depreciation was calculated, how long the items were in use, where they are now, and an estimate of their current value. When applying for ESF it will be necessary to provide a list of items to be depreciated and details of how the depreciation costs together are to be calculated.

7. Salary defrayal evidence

- Obtain the pay details/ advice report of staff from the payroll system which gives a breakdown of pay costs and pay deductions and net pay due to the employee.
- Obtain Payroll report showing total Gross pay and all pay costs for the employee: Basic, Employers NI and pension contribution for the individual.
- Obtain staff payslip showing deductions and net pay. Net pay should be traced to the payroll BAC's report. Kindly black out personal details of staff like their address on the payslip for data protection purposes.
- Obtain the payroll BAC's report which should show the net pay of the staff and where appropriate the employee NI and tax. The BACs report should show the Total Payment Value which should be traced to the bank statement as defrayal.
- For the Employer NI and pension deductions this should be traced to the BAC's report and the bank statement as well. Where the employer NI and pension is paid on a different BAC's other than the payroll BAC's, this should be provided and a note indicating the link. If this link cannot be made clearly a narrative explanation should be provided as to why not.

8. Timesheets

Staff who spend only some of their time working on the project must clearly record the instances and tasks associated with their project involvement using their timesheet. This includes members of senior management staff. The timesheet must display the ESF Logo, staff members name and role together with a line-by-line description of:

- Each activity or task splitting the total hours between the ESF and non ESF hours.
- The date it was carried out.
- The start and finish time, rounded to the nearest 15 minutes.

The timesheet should also have:

- A row to show your hourly rate as already calculated and approved by the GLA
- Amount claimed which is the hourly rate multiplied by the number of ESF hours
- Line manager/supervisor approval
- Number of hours the staff is contracted to work.
- The original timesheet must be kept as evidence along with the payslips and payroll information for these staff.

9. Hourly rate calculation

If a staff member is working full-time but only working part of their time on European Social Fund the following calculations should be used:

Work out how many hours they work in a year. This is 52 weeks multiplied by 5 days, less the number of days of annual and public holidays they are entitled to, multiplied by the number of hours they work each day; and

Hourly rate calculation

Work out how many hours they work in a year. This is 52 weeks multiplied by 5 days, less the number of days of annual and public holidays they are entitled to, multiplied by the number of hours they work each day; and

Divide their annual salary by the number of hours worked as above to establish their hourly rate. Claims for European Social Fund should then be based on the number of hours worked on European Social Fund multiplied by the hourly rate

Staff Member Name	Annual 2015/16 gross salary (without on costs) £	Annual NI conts	Annual pension conts	Days of annual Leave	Bank Holidays	Other salary costs	Working days per wk	Contractual working hours per day	Total working hours per yr	Total staff cost per yr	Hourly rate £
Mary	45,000.00	8,736.00	9,087.00	33	8	Nil	5	7	1,533	62,823.00	40.98
	Hourly rate formula										
Total staff cost per year	Annual salary +Annual NI contributions+ Annual pension contributions										
Total working hours per year	((52wks x Working Days per wk) - (Annual leave days+Bank holidays)) x Contractual working hours per day										
	Calculation										
Total staff cost per year	62,823.00		£40.98								
Total working hours per year	((52x5)-(33+8))x7=1,533										

10. ESF Partner Data Return and Claim Schedule

To ensure there is effective performance monitoring, reporting and quality assurance of Partner claims submissions, the following data entry, return and claim process has been implemented:

- Partners will be required to data enter enrolments, activity and results achieved each month.
- The MI database system will be open for Partners to data enter on the 1st working day of each month and will close 20 working days thereafter.
- The remaining 5 working days of each month are to ensure that Partners verify and submit their data return and claim, including all required supporting and eligibility evidence (enrolment, activity, results, financial) to London Councils via Webform
- Monthly submissions (enrolment, activity, results, financial eligibility evidence) will be received by London Councils, quality assured (100%) and compliance checks undertaken on financial evidence submissions.

Quarter (Calendar)	Month	Partner data entry	Submit return and supporting evidence	Guidance
Q2 2017	Jun-17	1st to 29th	30 th June 2017	Enrolment, activity and results achieved in: Q3 –September 2016 Q4 - October, November, December 2016 Q1 - January, February, March 2017
Q3 2017	Jul-17	3rd to 24th	25th to 31 st July 2017	Enrolment, activity and results achieved in: Q2 – April, May, June 2017
	Aug-17	1st to 22nd	23rd to 31 st August 2017	
	Sep-17	1st to 22nd	23rd to 29 th September 2017	
Q4 2017	Oct-17	2nd to 23rd	24th to 31 st October 2017	Enrolment, activity and results achieved in: Q3 – July, August, September 2017
	Nov-17	1st to 22nd	23rd to 30 th November 2017	
	Dec-17	1st to 22nd	23rd to 29 th December 2017	
Q1 2018	Jan-18	2nd to 23rd	24th to 31 st January 2018	Enrolment, activity and results achieved in: Q4 - October, November, December 2017
	Feb-18	1st to 22nd	23rd to 28 th February 2018	
	Mar-18	1st to 22nd	23rd to 30 th March 2018	
Q2 2018	Apr-18	2nd to 23rd	24th to 30 th April 2018	Enrolment, activity and results achieved in: Q1 - January, February, March 2018
	May-18	1st to 22nd	23rd to 31 st May 2018	
	Jun-18	1st to 22nd	25th to 29 th June 2018	

Quarter (Calendar)	Month	Partner data entry	Submit return and supporting evidence	Guidance
Q3 2018	Jul-18	2nd to 23rd	24th to 31 st July 2018	Enrolment, activity and results achieved in: Q2 – April, May, June 2018
	Aug-18	1st to 22nd	23rd to 31 st August 2018	
	Sep-18	3rd to 24th	25 th to 28 th September 2018	
Q4 2018	Oct-18	1st to 23rd	24th to 31 st October 2018	Enrolment, activity and results achieved in: Q3 – July, August, September 2018
	Nov-18	1st to 22nd	23rd to 30 th November 2018	
	Dec-18	3rd to 24th	27th to 28 th December 2018	
Q1 2019	Jan-19	2nd to 23rd	24th to 31st January 2019	Enrolment, activity and results achieved in: Q4 - October, November, December 2018
	Feb-19	1st to 22nd	25th to 28th February 2019	
	Mar-19	1st to 22nd	25th to 29th March 2019	

Should you have any queries and or require any further information regarding your data return and or claim submission, please contact your Priority or Performance Manager in the first instance.

11. ESF Partner Monthly Return and Quarterly Claim Requirements

Partners must complete and maintain your own eligible expenditure spreadsheets monthly and for each quarter including any associated expenditure and or activity of sub partners which should be aggregated into one claim submission.

Partners are required to complete and submit the following documentation with each monthly return via Webform (Please refer to point 12):

- a. Data submission (via database).
- b. Participant supporting and eligibility evidence for enrolment, eligibility, activity and results documentation evidence
- c. Summary of target achievement (via database)
- d. Expenditure Transaction list – Please ensure each item of expenditure is allocated a separate unique reference number.
- e. Supporting expenditure defrayal evidence
- f. Claim deliverables template
- g. Procurement Register
- h. Claim form
- i. Progress report (Quarterly)
- j. Case Study (Quarterly)

On receipt of your data and financial return, London Councils will Quality Assure (QA) 100% your return and will liaise with you should there be any queries and or action required as appropriate.

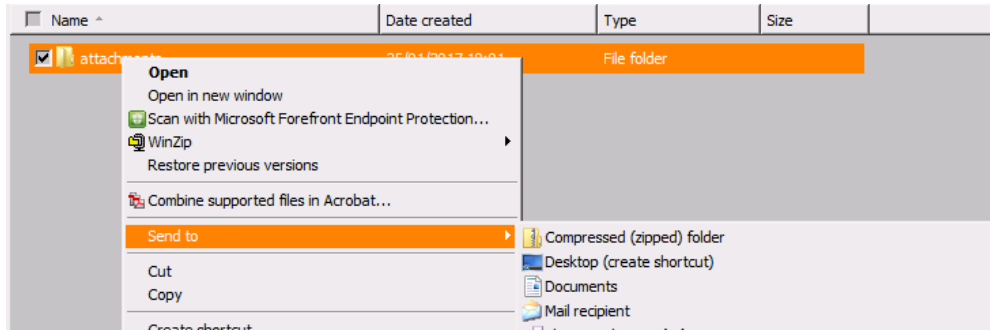
On completion of the QA process, we will provide you with a report confirming the enrolment, activity and result target achievement and the value of your approved return so that you are able to generate and submit an invoice to London Councils for payment each quarter.

12. Submitting your claim to London Councils using Webform

To use the web form all document need to be placed in a zip file/folder.

To make a zip file/folder place all of the documents that you wish to send in a folder ready to be zipped.

On many windows systems you should be able to right click on a folder and create a zip file or compressed folder. To create the zip file/folder select folder and then right click and select “**Send to**” and then from the next pop-out menu select “**Compressed (zipped folder)**” as show below. You do not need to password protected the zip file as the webform is secure.



Once you have done this you can then drop and drag the zipped folder on to the web form.

If you do not have this option you can download 7zip a free programme.

A link for the download of this free software is here:

Download	32-bit x86	7-Zip for 32-bit Windows
Download	64-bit x64	7-Zip for 64-bit Windows x64 (Intel 64 or AMD64)

Filling in the webform

You will need to fill out the form as detailed below. Please enter the **BOLD** text as stated and follow the instruction in *italics*.

Field	Instructions
Name of EI member	<i>the name of your London Councils Performance/Priority Manager name</i>
Project Team	<i>ESF</i>
Name of your Project	<i>enter the name of your project</i>
Purpose of Submission or Subject Matter	<i>monthly data submission</i>
Organisation name	<i>the name of your organisation</i>
Name of Sender	<i>the name of the sending of the claim or the best person to contact if there are any issues</i>
Email address	<i>the email address of the sender the claim or the best person to contact if there are any issues</i>
Telephone number	<i>phone number of the sender the claim or the best person to contact if there are any issues</i>

Once you enter the information and add the zip file you will need to complete the *Captcha* and the you can click **submit**. Once you have submitted you will receive an email.

To access the webform please click the below link

<https://eilondoncouncils.egressforms.com>

LONDON COUNCILS ESF CLAIMS PROCESS 2014-2020

