



**EUROPE & SCOTLAND**  
European Regional Development Fund  
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**EUROPE & SCOTLAND**  
European Social Fund  
Investing in a Smart, Sustainable and Inclusive Future

# **EUROPEAN STRUCTURAL AND INVESTMENT FUNDS**

## **2014-2020 PROGRAMME**

### **Guidance For Grant Fund Managers**

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19/02/2021	4.1	Draft	Simon Macken, Tracey Gillon, Judy Moir, Belinda Taylor	<p>Whole of Document:</p> <ul style="list-style-type: none"> <li>Adoption of uniform terminology for “Grant Fund Manager” or GFM; “Grant Recipient”; “grant award letter, contract or agreement”</li> <li>Minor formatting, capitalisation, grammatical corrections</li> </ul> <p>Changes to Individual Sections:</p> <p>1.1 Wording changes for simplification and clarity;  1.1 Additional wording on confirmatory evidence of SME status  1.2 Wording changes for simplification and clarity;  1.3 “European Structural Funds Acknowledgement” title and paragraph moved to 1.4.2  1.4.1 – new paragraph – general requirement for written grant award letter, contract or agreement  1.4.2 “European Structural Funds Acknowledgement” paragraph moved from 1.3  1.4.3 Expanded and revised guidance on the timing of Grant Recipient claims and expenditure and eligibility;  1.4.4 Existing guidance in relation to Exchange Rates  1.6 &amp; 1.7; 1.8 &amp; 1.9 – re-ordering of evidence requirements with evidence items moved from Stage 1 to Stage 2  1.7 &amp; 1.9 - strengthened wording in relation to confirmatory evidence of SME status  FILE CHECKS – clarification of wording re responsibility for outcomes &amp; reporting on EUMIS</p>
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# Contents

- INTRODUCTION.....4**
- GRANT FUND MANAGER OVERVIEW .....5**
  - 1.1 Grant Recipient Eligibility Status.....5*
  - 1.2 State Aid.....5*
  - 1.3 VAT Status of the Grant Recipient.....6*
  - 1.4 Grants Awarded .....6*
  - 1.5 Salaries.....8*
- GRANT VERIFICATION - COSTS.....8**
  - 1.6 Grant Verification – Stage 1 .....8*
  - 1.7 Grant Verification – Stage 2 .....9*
- FILE CHECKS..... 10**
  - 1.8 Grants..... 10*

## **INTRODUCTION**

**The following information is for guidance only. This document sets out the minimum information that must be held and the minimum checking that must be undertaken by a Grant Fund Manager (GFM). The information that must be provided as part of a Verification Check undertaken by Scottish Government (hereafter referred to as SG) is detailed throughout this document**

## GRANT FUND MANAGER OVERVIEW

### 1.1 Grant Recipient Eligibility Status

The Grant Fund Manager (GFM) must make an assessment of the request for a grant to ensure that the proposed activity adheres to the overall objectives of the approved European Structural Funds Operation and the European Structural Funds [National Rules](#).

Where either approved operations, calls for grant applications or the operational programme stipulate that organisations being supported must be SMEs, the GFM must make an assessment of the SME status of the applicant organisation. Further information can be found in the European Commission [EC SME Definition Guidance](#). This assessment should be done as standard, and the documentation to confirm this held on file for any future audit. The system for doing this will be assessed by SG as part of an Article 125(5) visit and evidence of a grant recipient's SME status will be required to be submitted as part of the verification process. Please consult the Article 125(5)(a) Evidence Requirements documents available on our website.

### 1.2 State Aid

A State Aid Assessment must be completed for all grant applications received, under any grant scheme operation being re-claimed via European Structural Fund Programmes. There may be State Aid present in awards made by GFM's to Grant Recipients. Where aid is present, these awards must comply with EC State Aid rules and GFM's must ensure that robust processes are in place to ensure compliance. Where a grant award is State Aid but not covered by De Minimis or General Block Exemption Regulation, see further Information on the [State Aid Guidance](#), which is also published on our website.

Although the UK is, in general, no longer subject to the EU's State Aid rules from 1 January 2021, an exception to this is in the award of funds under European Structural Funds programmes. As such, any awards made under the 2014-2020 programme must still follow this guidance.

#### 1.2.1 State Aid Declaration

All recipients applying for a grant must be asked to declare any previous State Aid. This must also be completed prior to any grant award being given out to the Grant Recipient.

#### 1.2.2 State Aid Notification – De Minimis

Where the grant is awarded under De Minimis and as per the State Aid De Minimis rules, specific wording must be contained within all grant award letters, contracts or agreements. The wording can be found in the [De Minimis Guidance](#) under the "What to include in the grant offer letter".

### **1.2.3 State Aid Notification – General Block Exemption Regulation**

Where the grant is awarded under General Block Exemption Regulation (GBER), it must be notified in the grant award letter, contract or agreement that funding is being paid via GBER. Any award made under the GBER must adhere to the conditions of the relevant GBER article.

### **1.2.4 State Aid Compliance Template**

To determine whether state aid is present, the 4 State Aid Tests must be carried out. Please review the [State Aid Tests Guidance](#) for further details. To show you have carried out the tests, a State Aid Compliance Template (final page of the guidance note), must be retained for all recipients that have applied for a grant.

## **1.3 VAT Status of the Grant Recipient**

The GFM must be aware of the grant recipient's VAT status. VAT is an eligible item of expenditure but only where the recipient cannot re-claim this VAT. If the grant recipient is including VAT as part of their grant request then they must provide confirmation of their VAT status to the GFM. This evidence would be in the form of a letter from either HMRC, their Auditors or their Accountant confirming that they are not VAT registered or exempt from VAT for this type of activity.

## **1.4 Grants Awarded**

### **1.4.1 Awarding Grants**

All grants awarded should be the subject of a written grant award letter, contract or agreement setting out the amount, terms and conditions and duration of the grant award, and signed by an appropriate officer of the GFM. A signed and dated acceptance should be obtained from the Grant Recipient.

### **1.4.2 European Structural Funds Acknowledgement**

As the GFM you must be able to provide evidence on what was done to ensure the Grant Recipient was aware that their grant was part funded by either ERDF (European Regional Development Fund) or ESF (European Social Fund). As a minimum, all grant applications and grant award letters, contracts or agreements must carry the appropriate ESIF Logo relevant to the particular fund and the grant award letter, contract or agreement itself should in writing acknowledge the European involvement in the project. Please refer to the [Publicity Guidance](#) on the ESIF Website.

### **1.4.3 Duration of Grants, Timing of Claims & Expenditure**

From the date of this Guidance onwards, claims which are submitted to the GFM by the Grant Recipient outside of any timescale for the submission of such claims which is stipulated by the GFM in the agreed grant award letter, contract or agreement, will not be deemed eligible.

The same will apply where individual items of expenditure included in a claim have been incurred by the Grant Recipient outside of the operation dates stipulated in the agreed grant award letter, contract or agreement.

Any grant monies paid out by the GFM in respect of such claims or items of expenditure will not be reimbursed by the Managing Authority except where clear evidence has been provided to the Managing Authority that the relevant timescale had been formally extended by the GFM before the date that the claim was submitted by the Grant Recipient to the GFM.

Such a timescale extension would be granted by the GFM in the form of an updated grant award letter, contract or agreement, side letter, or by way of an email sent to the Grant Recipient by or on behalf of an official of the GFM who has the appropriate level of authority.

Where a grant award letter, contract or agreement specifies the timescale for the submission of claims in terms of a “no obligation to pay” date and the GFM has defrayed a claim which has been submitted after that date, the Managing Authority will require clear and evidenced justification for the GFM’s acceptance of the late claim before considering the grant payment eligible for reimbursement. Such “justification” needs to demonstrate that the payment of the late-submitted claim was a result of a clear, appropriately authorised, and properly documented decision and did not simply happen by default.

A safety margin of 5 working days in respect of both claim and expenditure incurred dates (both at the start and finish of an operation or claim period) may be applied by the GFM. This is to be applied solely to avoid claims or individual items of expenditure being deemed ineligible as a result of minor processing or transmission delays.

For claims which are in progress at the date of this guidance, relating to grants which have already been defrayed to grant recipients by the GFM, the GFM is required to provide the Managing Authority with evidenced justification for any claims/defrayals which lie outside of the relevant contract dates, otherwise the grant payment will not be deemed eligible and no reimbursement will be made. This “justification” needs to demonstrate that the payment of the claim was a result of a clear, properly authorised decision by the GFM, and did not simply happen by default.

Notwithstanding all of the above, all grants for which the GFM seeks reimbursement from the Managing Authority must be within the start and end

dates of the Operation Application as approved by the Managing Authority. This includes the Grant Recipient applying through to the Grant Recipient claiming from the GFM. Any grants out-with these dates are ineligible and will not be reimbursed.

#### **1.4.4 Exchange Rates**

Where recipient invoices are in another currency, the amount they can claim should be taken from their bank statement. This ensures the correct exchange rate from that date was used. Where they are only claiming part of an invoice, the claimed amount should be apportioned using the exchange rate detailed on the bank statement for that cost.

#### **1.5 Salaries**

Where grants are given for salaries, these must fall within the same rules detailed in the [National Rules](#) (see section 4.2.1). There should be a clear audit trail for staff costs through payroll records, via BACS to the bank statement. Job descriptions must be submitted as evidence for the post that the grant has been awarded for. Where salaries claimed are for part-time posts, timesheets must be submitted. [Timesheets](#) can be found on our website.

### **GRANT VERIFICATION - COSTS**

The organisation awarding the grant (Grant Fund Manager) is responsible for the eligibility of expenditure and related audit trails and record-keeping, not the Grant Recipient. Cost Verifications will take place at the level of the Grant Fund Manager (Grant Verification – Stage 1) and the Grant Recipient (Grant Verification – Stage 2). File Checks will be verified through both Stages.

#### **1.6 Grant Verification – Stage 1**

A sample of Grants will be provided to the GFM through the Claim Verification Check. As the GFM you will need to provide evidence of how the recipient claimed the grant (you must ensure the recipient has defrayed the expenditure before claiming it back through your EU funded operation). You must be able to provide the Managing Authority with the following information/documentation:

- The name of the Grant Recipient;
- Confirmation of the Grant Recipient's business type;
- Confirmatory evidence of the grant recipient's SME status, (if grant is awarded to an SME as per your approved Operation Application). This applies whether the SME is a limited company, sole trader or other unincorporated business.
- Signed and dated application from the Grant Recipient requesting a grant. The application must be within the approved start and end dates of your approved Operation Application;



- Signed and dated award letter, contract or agreement from the GFM. The award letter must contain:
  - State Aid Notification for De Minimis and GBER (see section 1.2.2 and 1.2.3 for further details)
  - ERDF/ESF acknowledgement
  - Grant Award amount and maximum percentage applicable
  - Terms and Conditions of the Award
  - Duration of the grant
- Signed and dated acceptance from the Grant Recipient
- State Aid Declaration; (see Section 1.2.1)
- State Aid Compliance Template; (see Section 1.2.4)
- Evidence of ERDF/ESF acknowledgement at both GFM and Grant Recipient level <sup>[1]</sup>
- Claim Form(s) used by Grant Recipient to draw down grant; <sup>[2]</sup>
- GFM Bacs Total (if applicable);
- GFM Bank Statement showing defrayment of grant to the recipient, including date of defrayment <sup>[3]</sup>

*<sup>[1]</sup> See Section 1.4.2 for further details on Publicity Guidance*

*<sup>[2]</sup> Where an amendment or apportionment has been made to a Claim Form, this must be clearly detailed, showing calculations where appropriate*

*<sup>[3]</sup> If the amount on the bank statement is more than the grant amount to be verified i.e. relates to more than one payment, then BACS/Ledger run(s) that show the grant amount to be verified and the total that appears on the bank statement must be provided. (MA only need see those items that refer to the grant, all other entries on the bank statement can be redacted).*

## **1.7 Grant Verification – Stage 2**

A sub-sample of the Grants from Stage 1 will be provided to the GFM through the Claim Verification Check. As the GFM you will need to provide evidence of how the Grant Recipient defrayed costs relevant to the Grant Award prior to claiming from the GFM. You must be able to provide the Managing Authority with the following information/documentation:

- The Grant Recipient's invoices (from their suppliers) on the activity claimed as Grant Recipient cost, clearly showing supplier names, invoice amounts and invoice dates, and/or;
- Evidence of staff salaries (for priority 4 only); <sup>[1]</sup>
- Grant Recipient BACS Total; (if applicable)
- Grant Recipient bank statements showing defrayment/defrayment date of these invoices and/or salaries; <sup>[2]</sup>

*<sup>[1]</sup> There should be a clear audit trail for staff costs through payroll records, via BACS to the bank statement. Where staff are 100% on Structural Fund Activity, job descriptions and contract or letter which details that staff are solely involved in Structural Funds activity. Where staff salaries claimed are for part-time staff,*

*timesheet must be submitted. [Timesheets](#) are found on our website. See Section 1.1 for further information contained within the National Rules*

*<sup>2]</sup> If the amount on the bank statement is more than the grant amount to be verified i.e. relates to more than one payment, then BACS/Ledger run(s) that show the grant amount to be verified and the total that appears on the bank statement must be provided. (MA only need see those items that refer to the grant, all other entries on the bank statement can be blacked out)*

**Please note Grants Awarded under:**

- ERDF Priority 3 must be completed prior to being submitted in a claim
- ERDF Priority 4 can be submitted in claims in batches, where they are paid in batches to the recipient. For recipients claimed in this way, the application and award letter the first time that particular recipient award is selected for Verification

## **FILE CHECKS**

The organisation awarding the grant (Grant Fund Manager) is responsible for the eligibility of outcomes, grant award related audit trails and record-keeping and reporting on EUMIS, not the Grant Recipient. File Verifications will take place at the level of the Grant Fund Manager (Verification – Stage 1) and the Grant Recipient (Verification – Stage 2).

### **1.8 Grants**

A sample of Grants will be provided to the GFM Lead Partner through the Claim Verification Check. The file check will include the GFM check and the Recipient Check. Please see:

- 1.6. Grant Verification – Stage 1 for the GFM Check Verification documentation and process
- 1.7 Grant Verification – Stage 2 for the Recipient Check Verification documentation and process