



EUROPEAN STRUCTURAL FUNDS – SCOTLAND

GUIDANCE NOTES FOR THE COMPLETION OF SCOTTISH INNOVATIVE ACTIONS GRANT CLAIMS



PROJECT PART-FINANCED
BY THE EUROPEAN UNION

Europe and Scotland
Making it **work together**

SEPTEMBER 2004

WELCOME & INTRODUCTION

1. Welcome to the EUROPEAN STRUCTURAL FUNDS grant claims process.
2. This document provides **functional guidance** to assist in the completion of grant claims made to the Scottish Innovative Actions Programme.
3. To assist applicants work through the process this guidance is in three parts:
 - **Part A** – General Principles, which details the overriding requirements applicable to all claims, glossary of terms and Programme Management contact details.
 - **Part B** – Completing and submitting a Scottish Innovative Actions claim, which describes the process and takes you through the claim form section by section.
 - **Part C** - Specific guidance for Final Claims Audit and the declaration of Associated Fees.
4. Before starting to complete a claim you should refer to the following documentation which should also be taken into account:
 - **Conditions of Grant** and Post Approval Compliance issued with your Offer of Grant to ensure that you are complying with all the terms and conditions.
5. There are three main players in the Scottish Innovative Actions claims process:
 - The Applicant Organisation
 - Strathclyde European Partnership (SEP) Ltd – The Managing Body
 - The Scottish Executive – The Paying Body
6. The role of the **applicant** is to follow this guidance and submit accurate claims that can then be paid as quickly as possible. This includes accepting responsibility for ensuring that all eligibility criteria are met and that appropriate analysis/records to support each claim are maintained.
7. The role of the **SEP Ltd – The Managing Body** is to provide day-to-day advice and support to applicants. This includes the initial checking and processing of claims. SEP Ltd will also check and verify eligibility of expenditure before passing authorised claims to the Paying Body for payment. Contact details for the Programme Manager are given at the end of Part A of this guidance.
8. The role of the **Scottish Executive – The Paying Body** is to make payments against approved claims and ensure that the necessary expenditure declarations are made to the European Commission.

THE CLAIM FORM

1. The EUROPEAN STRUCTURAL FUNDS claim is in one part and should include all the quantifiable information such as costs, funding package and performance indicators which are directly taken from the approved application. The claim form and guidance notes can be obtained directly from SEP Ltd or accessed from the Scottish Innovative Actions website at www.scottishinnovativeactions.co.uk

2. Any queries on the completion of a claim should be addressed in the first instance to the Programme Manager – full contact details are in Part A.

GLOSSARY OF COMMON ABBREVIATIONS

1. The following abbreviations are commonly used throughout this guidance.

| Abbreviation | Terminology in Full |
|--------------|---|
| EC | European Commission |
| ERDF | European Regional Development Fund |
| SEP Ltd | Strathclyde European Partnership Ltd – the Managing Body for the Programme |
| SE | Scottish Executive, (Enterprise, Transport and Lifelong Learning Department) – European Structural Funds Division |
| Claim | Grant Claim Form |
| SME | Small and Medium Sized Enterprise |
| PPQ | Public Procurement Questionnaire |

POSTAL ADDRESS FOR CLAIM

1. Applications should be returned to the following address using the labels provided for your convenience. Using the labels will ensure that all Scottish Innovative Actions Programme claims will be clearly identified from other claims coming through SEP Ltd's office.

Moragh Hastie
Programme Assistance
Scottish Innovative Actions
Strathclyde European Partnership
94 Elmbank Street
Glasgow G2 4DL

PART A GENERAL PRINCIPLES

Frequency of European Structural Funds Grant Claims

1. Applicants must submit a first claim no later than three months after the project start date shown on the approved application.
2. The applicants must submit subsequent claims quarterly and in accordance with the grant conditions, compliance policy and these guidance notes.
3. Each claim must only include eligible expenditure that has been defrayed during the period specified on the form. This means that payment must have passed from the applicants' bank account to that of the payee. The Grant will then be paid at the approved rate on eligible expenditure.
4. If no expenditure has been incurred within any claim period, a nil Claim **must** still be submitted, with the financial reports fully completed and an explanation provided to SEP Ltd.
5. A maximum of one nil Claim is permitted. An explanation for why no expenditure has been defrayed and when funds are likely to be claimed must be provided with the nil Claim.
6. Applicants should refer to the Compliance Policy issued with the Offer of Grant in respect of the action taken in respect of a nil claim. In some cases projects may be considered to have been submitted prematurely and may be recommended to the Programme's Steering Group for decommitment.
7. The only exception to this rule is if a capital project has reached practical completion and is waiting for retention payments to be released.

Defrayed Expenditure

1. The eligible expenditure detailed in Claims must represent defrayed expenditure that can be documented by discharged invoices.
2. You do not need to submit copies of the invoices or other documentation such as time sheets, etc. with individual claims. This documentation should be made available if requested.
3. Applicants should also be aware that:
 - Any expenditure identified later as non-additional or ineligible, following, for example, a monitoring or verification visit, will result in the withdrawal or possible repayment of all or part of the grant.
 - As a general rule fee-only claims, covering eligible pre-works contract expenditure will not be paid until a claim including capital works has been processed. In consultation with SEP Ltd and with appropriate justification there may be scope for flexibility for exceptional projects.

Claims Capping

1. Claims' capping is intended to ensure that a project will have sufficient funds to deliver its objectives until the end of its timescale. A proportion of the approved grant will be held back from payment until the end of the project, so that a full assessment can be made in its latter stages of the total actual costs, revenue and match funding.
2. The payment for non-final claims will be capped when the total grant claimed reaches a pre-determined threshold. For Scottish Innovative Actions projects, this is 80% of the total approved grant.
3. Any grant retained by capping will be released at Final Claim. Audit Fees will be treated separately, after the Final Claim has been paid.
4. In practice, capping means that an applicant may receive less grant for a particular claim than they might expect.

Final Claim Grant Calculation

1. The calculation of grant and the intervention rate are calculated in the same manner as in the application. However, additional checks are applied in the final claim to ensure that:
 - Total Grant Payable = Total Eligible Costs – Total Eligible Revenue – Total Eligible Match Funding.
 - The grant payable on the final claim is the Total Grant Payable – Approved Grant from Previous Claims.
 - The Total Grant Payable is restricted to being the same as or less than the Approved Grant for the project.
 - The rate at which the project is funded from eligible matched funding must be the same as or greater than the required funding rate.
 - The actual intervention rate for the project is restricted to being the same as or less than the approved intervention rate for the project. This last case is taken care of automatically by applying the funding rate constraint detailed above.

Certification by Project Sponsor

1. It is suggested that an **unsigned** version of the claim form is submitted to SEP Ltd in the first instance. SEP Ltd as the Managing Body will check the hard copies you send before they are passed to the Scottish Executive as the Paying Body for payment. SEP Ltd will advise organisations when their claims have been checked and authorised for payment and at this stage no further amendments may be made and 2 certified copies of the claim form should be submitted which will then be passed to the Paying Body for payment.
2. A designated individual within the applicant organisation must certify the Claim Form. This signature must correspond to the sample signature returned with the Offer of Grant Acceptance Schedule and/or a subsequent update notification.

3. The certification **must bear the original signature** of the designated individual and should be **signed in blue ink**.
4. The date of certification must not be earlier than the end date of the period of the relevant claim.
5. This will also apply to the Final Claim Certification by Auditors. Advice on that part of the process is in Section C of this guidance.

Monitoring and On-the-Spot Check

1. Scottish Ministers, the EC and the European Court of Auditors have the right to inspect projects at any time during the auditable life of the Programme. The anticipated date for this is detailed in the Offer of Grant. These visits may require further information to be supplied and may include information concerning the financial stability of the applicant.
2. SEP Ltd carries out a regular programme of monitoring visits and full details of what is entailed will be provided at the appropriate time.
3. The Scottish Executive also undertakes a regular programme of verification visits. These visits will be directed in the first instance to applicants. However, they may also require the inspection of other beneficiaries' documentation and involve additional visits to third party premises.

Retention of Documents

1. In accordance with Council Regulation (EC) No. 1260/1999, Article 38.6, the applicant must retain all original documentation "or versions certified to be in conformity with the originals on commonly accepted data carriers¹" relating to the implementation of the project and its financing for three years following the final payment made under the Programme².
2. The effect of this is shown in Part V of the Offer of Grant Schedule. Failure to retain appropriate documentation may result in decommitment of the project and full repayment of the Scottish Innovative Actions grant.
3. At the time of preparing this guidance, it is anticipated that retention will be required until 31 December 2010.
4. Please remember that this requirement refers to all project documentation including that, which is held by third parties such as sub-contractors and service providers. It is the responsibility of the applicant to ensure that all information is accessible.
5. Applicants should also maintain and retain a detailed expenditure analysis for each claim reflecting the cost distribution methodology included in the approved

¹ Accepted data carriers include microfiche, CD and other electronic formats.

² This means the final payment made by the EC to the Member State relating to the overall Programme not the final payment made by SE on an individual project.

application. These should then be used to support the overall expenditure analysis required with the Final Claim.

Presentation of the Funding Package

1. For projects receiving co-funding in advance applicants are advised to present this as a pro-rata allocation corresponding the declared expenditure in an individual claim period. This approach will ensure that the appropriate level of grant is then calculated and overpayments do not occur.
2. Alternatively, applicants may prefer to declare the full amount of co-funding in advance during the claim period. This approach may result in payment adjustments at final claim to take account of any overpayment if the final declared expenditure is less than the approved level.

The Change Process

1. The Change Process refers to any alterations made to any of the information on the project application form. This refers not only to financial changes as in the past but also performance information, bank details and contacts details.
2. Changes should be notified as soon as you become aware of them to allow SEP Ltd sufficient time to process the request, which may require referral to the Programme's Steering Group.
3. Applicants cannot make changes to approved project information.
4. Any changes to the approved information on the application form must be notified and agreed with SEP Ltd.

FURTHER GUIDANCE AND INFORMATION

1. Overall information about the European Structural Funds is given below on the Scottish Executive and related websites -

The Scottish Executive - www.scotland.gov.uk

European Structural Funds – Scotland <https://sedsh10.sedsh.gov.uk>

Scottish Executive – Public Procurement: www.scotland.gov.uk/procurement

Scottish Executive – State Aids: www.stateaidscotland.gov.uk

2. For further information and guidance please contact the Programme Manager at the address below.

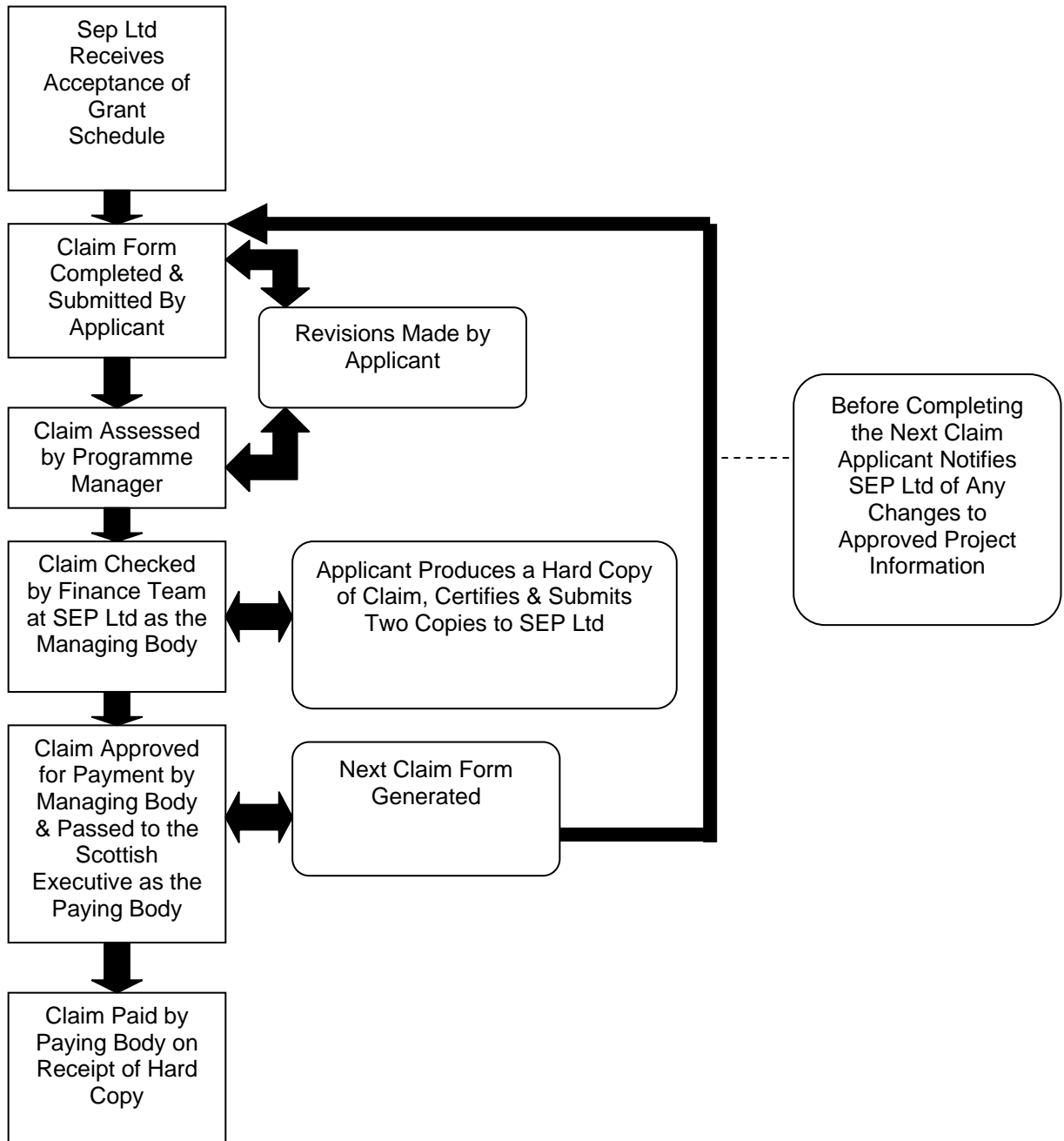
Derek Gallaher
Programme Manager
Scottish Innovative Actions
Strathclyde European Partnership
94 Elmbank Street
Glasgow G2 4DL

Telephone: 0141 572 4422 (Direct Line)
Facsimile: 0141 572 4499
E-mail: derek.gallaher@wsep.co.uk
Website: www.scottishinnovativeactions.co.uk

**PART B COMPLETING & SUBMITTING AN SCOTTISH INNOVATIVE
ACTIONS CLAIM INTRODUCTION**

1. In order to complete and submit a claim you must have received and accepted an Offer of Grant for the project application submitted through the Scottish Innovative Actions Programme.
2. The trigger for starting off the claim process is when SEP Ltd receives your acceptance of grant.
3. Completed claims must be submitted to SEP Ltd using the labels provided within 28 days of the end of the claim period.
4. The claim form has been designed to refer to the information contained in the approved project application form, any subsequent approved changes and cumulative reporting from previous claims. Applicants will only be required to provide the update information for the relevant claim period.
5. Updates to the application will have been addressed in advance of the first claim being submitted. It is anticipated that this will be addressed by letters and appropriate reports submitted to SEP Ltd during the application decision making process. This includes submission of the Public Procurement Questionnaire where appropriate.
6. Compliance with the Publicity Regulations will be checked as part of monitoring visits and a comprehensive portfolio of appropriate materials and press cuttings should be submitted by the Final Claim.
7. You will be required to submit two certified hard copies of each claim. As with the application, SEP Ltd will advise you when this is appropriate.
8. You will not receive payment until the hard copy has been received and passed by the Paying Body.

THE PROCESS – First Claim and Regular Quarterly Claims



COMPLETING THE CLAIM FORM

1. This section of the guidance will take you through the claim form section by section.
2. The claim form is available from the Programme Management Team at SEP Ltd or can be accessed from the Scottish Innovative Actions website at www.scottishinnovativeactions.co.uk
3. Please remember to notify any requests for change to approved project information to SEP Ltd before you start to complete the claim form.
4. Applicants are advised to have all working papers completed and available when completing the claim to ensure that all relevant information is included.

GRANT CLAIM FORM

Project Details – Section 1

1. This section should include the following and be the same as the application:
 - Project Title
 - Project Reference
 - Action Line – please choose appropriate action line
 - Project Applicant Details

Change Process

1. The Claim Form should reflect the application form, which was approved and issued with an Offer of Grant. Please read through the whole claim form prior to completion.
2. If you require to make changes to any of the sections you must notify SEP Ltd and receive agreement to the alterations prior to completing and submitting the claim.
3. Please allow sufficient time before the next claim submission date for changes to be received, assessed and approved.

Project Applicant & Finance Contact – Section 2

1. Please check that the **Contact Details** given in this section **for both the Project and Finance Contacts** are correct and up to date. Updates to contact details should be notified through the Change Process.

Claim Details – Section 3

1. Applicants must submit a first claim no later than three months after the project start date shown on the approved application. Where the **actual project start date** of the project differed from that shown on the approved application form this should be notified on the first claim at the **Project Start Date** section.
2. The Claim Period should indicate the three-month period for which a claim is being made. The **To** date should be no more than three months after the **From** date unless otherwise agreed with SEP Ltd. On subsequent claims, the **From** date should be the day following the end of the previous claim period.
3. Please remember to tick the box advising whether the claim is an interim claim or the final claim.
4. Any other changes in this section must be agreed through the Change Process.

Bank Account Details – Section 4

1. This section should confirm the bank account(s) to which payments should be made in an individual claim period.
2. The information in this section will be derived from the details included in the approved application and confirmed in the Acceptance of Grant.
3. You cannot alter existing bank account details and/or add additional bank accounts without appropriate justification and agreement with SEP Ltd, which should be notified through the Change Process.

Declaration of Eligible Expenditure – Section 5

1. The information in this section shows the **Eligible Costs** detailed in the approved application and any declared expenditure in previous claims.
2. In this section you **cannot**:
 - Add new categories of expenditure.
3. In this section you **should not**:
 - Redistribute expenditure across categories.
 - Declare expenditure in excess of the amount approved for an individual category.
4. These can only be done through the Change Process described on page 7.
5. In this section you are reporting against the generic expenditure headings as in the approved application.
6. Fundamental to this is the assumption that the allocation of costs within these headings will be in line with the detailed breakdown and methodology provided in the approved application.
7. Any significant alterations to this information should be notified to and agreed with SEP Ltd through the Change Process.
8. Please remember to retain an analysis and working papers for each claim. You are not required to provide the analysis with individual claims but appropriate evidence should be available on request.
9. You will be asked to provide a detailed analysis for the total project expenditure as part of the final claim, which should reflect the same methodology, approved in the application.

Grant Calculation

1. This section tracks:
 - The approved intervention rate for the project.
 - The total approved grant for the project.
 - The amount of grant claimed in the previous claim period.
 - The total amount of grant claimed in this period.
 - A cumulative total of approved grant claimed in all previous claims.

Financial Progress Report – Section 6

1. This section enables you to provide a concise and precise summary of how the project is progressing in both financial and qualitative terms.
2. This section should also be used to:
 - Justify NIL claims.
 - Explain any variances in expenditure profile.
 - Provide reasons if there is **No Progress to Report**.
 - Identify any potential/likely underspend of grant in the project.
3. Please keep this section relevant to the individual claim period. Do not repeat summary information from previous claim forms unless it is relevant.

Funding Package – Section 7

1. The information in this section reflects the **Funding Package** detailed in the approved application and any declared funding in previous claims.
2. Remember to allocate the funding proportional to the expenditure declared for the claim period.
3. In this section you **cannot**:
 - Add new categories of funder.
 - Redistribute funding between funders.
 - Declare funding in excess of the amount approved for an individual funder.

These can only be done through the Change Process.

4. In the Eligible Revenue box you can report revenue in excess of the amount approved. This will act as a trigger for SEP Ltd to seek confirmation of a reduction in grant requirement that should be done through the Change Process.
5. Revenue reported here will automatically be deducted from the eligible costs and grant payable as appropriate.

Project Performance & Progress – Section 8

Partnership & Networking – Section 9

1. These sections allow you to record in free text the **progress you have made** to date in your project. These should include:
 - Achievements in the current claim period.
 - Cumulative achievements to date.
 - Particularly innovative methods, activities and mechanisms employed on the project during the claim period.
 - New or innovative processes and /methodologies employed on the project.
 - Outputs and learning from the project which can be communicated to a wider audience.
 - Things that have or have not worked on the project.
 - Which other bodies and organisations have been involved in the project.
 - The impact your project has had on innovation support systems.
2. If there have been no achievements since the last claim please explain why there is **No Progress to Report**.
3. Please remember that it is part of the compliance requirements that applicants maintain accurate records for each project. It is the responsibility of the applicant to ensure that all delivery arrangements are being met.
4. The Programme Manager as part of the project monitoring process can request access to these records. Any activities found to be ineligible for support will have to be removed from the project and all associated costs stripped out from the claims.

Compliance – Section 10

1. This section reflects the undertakings given in the approved application that your project complies with and is proceeding according to all EC rules in the following areas:
 - State Aid.
 - Horizontal Themes.
 - Publicity.
2. Any changes in these sections or non-compliance with the regulations must be explained to SEP Ltd.
3. This section also contains a free text box for you to explain:
 - What monitoring procedures are in place on the project?
 - How learning from the project is being captured.
 - What innovative methods and processes have been used to capture this data?

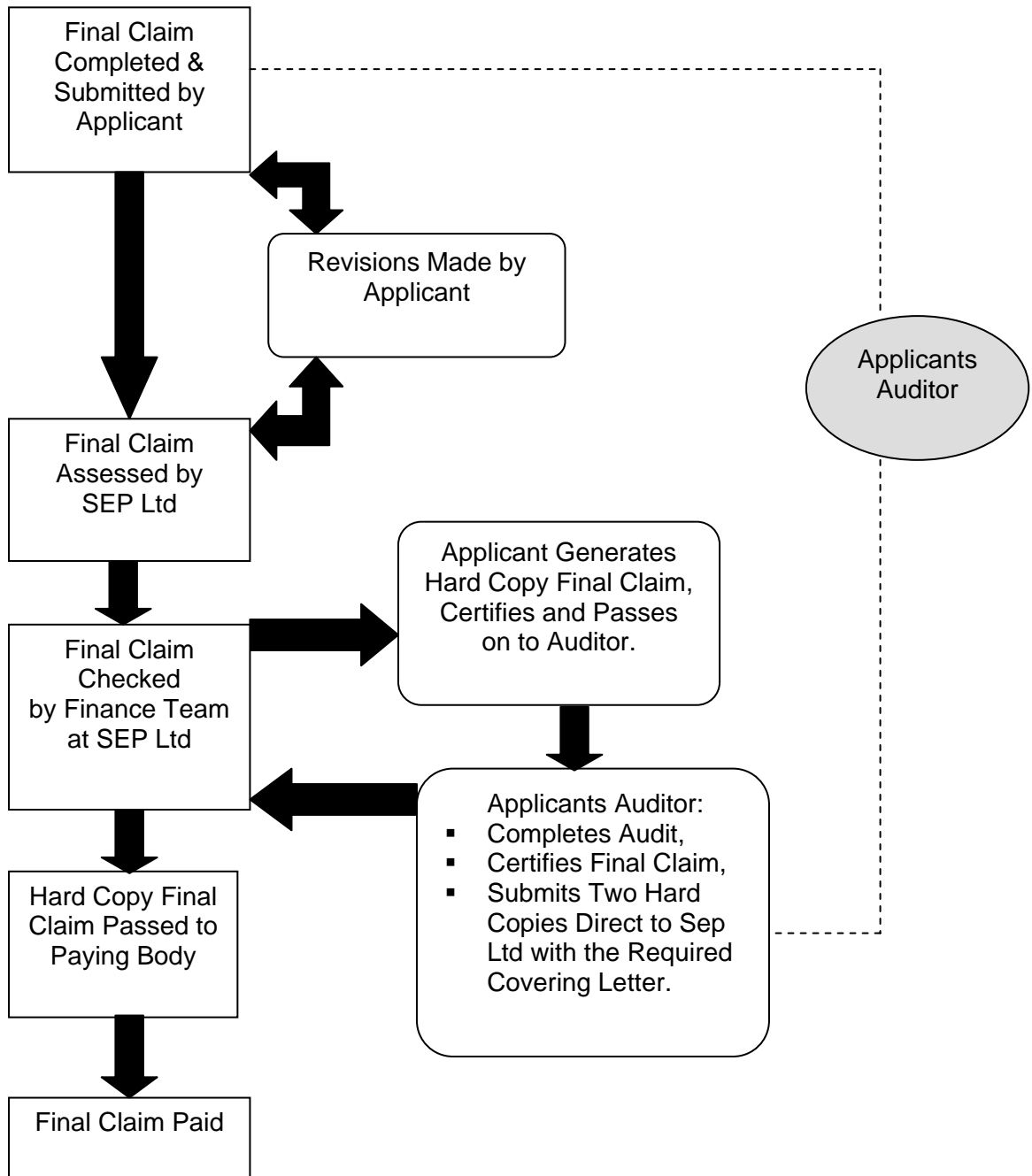
CERTIFICATION OF CLAIMS

1. The two signed hard copies you send to SEP Ltd will be passed, after checking, to the Scottish Executive as the Paying Body for payment.
2. This will also apply to the Final Claim Certification by Auditors. Advice on this part of the process is in Part C of the guidance.

PART C FINAL CLAIM AUDIT AND ASSOCIATED FEES INTRODUCTION

1. It has been agreed for all projects approved on or after 1 April 2004 where the amount detailed in the grant offer is £50,000 or more that the Final Claim will require independent certification by auditors.
2. The audit fees associated with the independent certification can be included in the eligible costs of approved projects.
3. In cases where an increase in grant is awarded during project implementation, which exceeds the threshold, the revised value should be applied and audit fees included in the increased grant request.
4. Certified Final Claims should be submitted by the Auditor **directly** to SEP Ltd with a covering letter and **not** via the applicant.
5. There are four sections to this part of the guidance:
 - Section 1 – The Process.
 - Section 2 – Guidance for Applicants.
 - Section 3 – Guidance for Accountants/Auditors.
 - Section 4 – Guidance on claiming final claim audit fees.

SECTION 1 - THE PROCESS – Final Claims



SECTION 2 - GUIDANCE FOR APPLICANTS

1. In order to comply with Final Claim audit requirements, applicants must do the following:
 - Complete a Grant Claim form indicating that it is a Final Claim.
 - Follow the process outlined in the flowchart in the Section 1.
2. You must then send the signed and dated hard copy of the completed Final Claim including the Certification by Independent Accountant/Auditor section to your auditor.
3. You should make this guidance note available to your auditor in particular Section 3 – Guidance for Accountants/Auditors.
4. For local authority projects, Audit Scotland's own guidance applies.
5. If satisfied, the auditor should certify that expenditure has been fairly stated and send the duly certified claim with a covering letter, including additional comments if appropriate, directly to SEP Ltd at the address shown on page 3.

SECTION 3 - GUIDANCE TO ACCOUNTANTS/AUDITORS CERTIFYING NON-LOCAL AUTHORITY GRANT CLAIMS

1. Independent certification is required for all Final Claims where the certified **cumulative grant claimed** equals or exceeds £50,000 in the Final Claim.
2. For Local Authority projects, Audit Scotland's own guidance applies and will have been issued to auditors by Audit Scotland.
3. The purpose of this note is to explain the administrative arrangements that apply and to offer guidance to facilitate the audit of final claims.

Administrative Arrangements

1. Certification of Final Claims is required before submission to SEP Ltd and subsequently the Scottish Executive for payment of grant.
2. The applicant should pass final Claims directly to the auditor.
3. The auditor should certify that expenditure has been fairly stated and forward the duly certified claim with a covering letter, including additional comments if appropriate.
4. On completion of the certification process, the Final Claim and accompanying documentation should be submitted by the auditor directly to SEP Ltd at the address shown on page 3.

Conditions of Grant

1. Each approved project with a Final Claim will have the following:
 - An approved Grant Application.
 - Grant Offer documentation consisting of Offer of Grant Schedule and Offer of Grant Acceptance Schedule, which may include project specific conditions of grant.
 - Standard Conditions of Grant.
2. This and all other documentation relating to an approved project should be readily available for inspection at the applicant's premises. You are strongly advised to make yourself familiar with this documentation.
3. It is a condition of grant that claims, both interim and final, must only include payments actually made (for example retention on contracts or accrued costs may not be claimed until discharged by payment).
4. Auditors should in particular check that certified final claims only contain payments made. They are also asked to ensure that applicants are aware that this condition applies to interim claims and that arrangements are in place to ensure compliance.

Eligible Expenditure

1. Conditions of grant relating to eligible expenditure may be found in statements of standard conditions and in the notes on completion of grant applications.
2. You should ensure that you have access to **Guidance Notes for the Completion of European Structural Funds Grant Applications (Parts One and Two) – Part D Eligible Expenditure** which can be accessed from the SEP Ltd website at www.wsep.co.uk. Although not exhaustive this provides guidance on expenditure that is eligible and ineligible for Structural Funds support.
3. Eligible expenditure should also be considered from the details in the approved application and supporting documentation and Offer of Grant.
4. It is acknowledged that doubts may occur in relation to whether or not specific items of expenditure are eligible. In such cases, auditors should include suitable observations in their covering letter with the certified Final Claim. The Scottish Executive will then decide whether the item is eligible or not.
5. In such cases it may be helpful to stress to applicants that the auditor is not disallowing expenditure, but responding to a specific request that auditors highlight such cases for the Scottish Executive to take a final decision on expenditure eligibility.

SECTION 4 - FINAL CLAIM AUDIT FEES

1. Final claim audit fees may be incurred, but cannot be defrayed in advance of the submission of a final claim.
2. There must be a sufficient proportion of eligible expenditure remaining after final claim stage to cover audit fees.
3. In order to claim these costs, you must complete a **Final Claim Audit Fees Pro-forma**, which can be accessed from the Scottish Innovative Actions website at www.scottishinnovativeactions.co.uk.
4. A designated signatory from the applicant organisation should sign and date the form and attach a copy of the invoice and letter received from the auditor, requesting payment of audit fees, and forward these to SEP Ltd for action at the address shown on page 3.
5. SEP Ltd will forward these documents to the Scottish Executive for payment.