Building Better Opportunities

COMMUNITY FUND

European Union
European Social Fund

Guide to delivering European funding

Section four: Payments, claims and monitoring

About this guide

This is just one section in a series of guidance documents that make up the Guide to delivering European funding (the '**Guide**'). These documents are designed to support you to manage your Building Better Opportunities grant and should be used in conjunction with guidance produced by the Managing Authority and European Commission and does not replace it. This is guidance only and cannot cover all scenarios that grant holders will encounter.

This version of section four replaces all those we have previously published.

For the full contents visit our website here

Summary of changes

October 2019 – for v8.0 the following changes have been made:

- ✓ Branding has been updated to reflect our name change from the Big Lottery Fund to The National Lottery Community Fund.
- ✓ References to Kiteworks have been changed to OneDrive.
- ✓ For ease, **section four** has been subdivided into three: **Part one: Payments**, **Part two: Claims** and **Part three: Monitoring**.
- ✓ **Section 4.1 How we make payments** has been updated to reflect current practice and the fields in **Annex A** v9.0.
- ✓ **Section 4.2 Scheduling payments** has been updated to reflect **Annex A** v9.0
- ✓ **Section 4.3 Making payments** has been updated to reflect current practice and references the grant closure guidance.

Sections renumbered from 4.4 onwards

- ✓ **Section 4.4** is a new section on **Ineligible costs**. This contains some of the information previously in **making adjustments**.
- ✓ **Section 4.5** is a new section on **Irregularities.**
- ✓ **Section 4.6** is a new section on **Self-declared adjustments (SDAs).**
- ✓ **Section 4.7** is a new section on **Using Annex A to manage SDAs and irregularities.**
- ✓ **Section 4.8** is now **What you'll report to us each quarter**. Minor updates and reference to fixed percentage staff costs added.

- ✓ **Section 4.9** is now **Timetable for submitting information**. Submission times have been clarified, along with references added to further verification checks. The claims submission timetable has been extended to the end of 2022, and 2016 and 2017 have been removed, along with the 'standby time'.
- ✓ **Section 4.10** is now **What we'll do with your information**. This section has minor updates to reflect current practice. Additional information on feedback has been added.
- ✓ **Section 4.11** is now **Grant management**. It includes information previously in **what we'll do with your information** with additional details added.
- ✓ **Section 4.12** is now **Changes to your project**. Changes to project staffing added.
- ✓ **Section 4.13** is now **Reporting and verification beyond The National Lottery Community Fund**. This contains some information previously included in **what we'll do with your information,** with additional information on Article 125 and 127 checks.

May 2017 – Lottery logo updated.

March 2017 – Delayed quarterly update, including updated logo, merged with Annex Q to include claims detail; types of basic costs removed (4.2), three additional reporting requirements added (4.5), clarification to 4.4, 4.6 and 4.7.

September 2016 – Quarterly update, with use of National Insurance number for participant ID, updated Annex K, new Annex Q and revised annexes in Oct/Nov.

June 2016 - This version of the Guide incorporates appropriate comments gained from the consultation review in April 2016.

Any changes to the Guide will be:

- ✓ communicated on our website and on the inside page of each section
- ✓ emailed to current grant holders and highlighted in our programme e-bulletin.

Contents

Annex A - Your payment schedule (spreadsheet)

Annex B - Progress project report

Annex D - Changes to your project form

Part one: Payments

4.1 How we will make payments

We will usually pay the grant in instalments every three months, typically three to four weeks into a claim period. Payments are based on your estimates of planned expenditure for the period less any underspend.

You'll use a **payment schedule (Annex A)** to forecast your costs across the lifetime of the project. The costs will be broken down by quarter over each year of delivery. You will have the opportunity to review this forecast each quarter.

Your payments will be made based on your payment schedule and adjusted based on reported expenditure.

Two weeks after the end of each quarter, you'll submit a range of monitoring information to us. This will include a revised payment schedule which reflects your actual costs for the period.

If your actual costs are lower than your forecasted costs, we'll look to reduce the value of your next payment to reflect the difference. We'll also apply other adjustments where costs are found to be ineligible.

As you submit information to us, we'll report to the Managing Authority. They will carry out their own checks, which may result in further adjustments to future payments. Where serious issues are identified, the European Commission can 'claw back' some or all the money paid to a project.

4.2 Scheduling payments

During the set-up of the project, we'll need you to complete a **payment schedule (Annex A).**

Your payment schedule is used to map out your expenditure over the lifetime of the project. It'll also tell us how much you need from us for your first payment. You will continually add to and adjust this throughout the life of the project to manage your payments.

To schedule your payments, you will need to go to the third worksheet of **Annex A.** It has a table for each year of the project broken down into individual quarters, for example Q2 2019.

As the project progresses, you will complete the following:

✓ **Previous forecast (£)** – This is how much you previously thought you need for each quarter of delivery. If you provide a 'revised forecast' you should include the amount you previously forecasted in this column. This will enable us to see the variances in your forecast.

✓ **Revised forecast (£)** – This is your current forecast at time of submission. It should consider previous under or overspends along with changes to the project.*

✓ **Actual (£)** – This is how much you spent as reported on **Annex O.** You'll complete this at the end of whichever quarterly period you are reporting your actual costs for.*

✓ **Variance (£)** – This reflects any under or overspends. If you spent more or less than you intended to, this column is used to indicate how much. If it is a forecasted quarter, it will show the variance between the previous and revised forecasts.

✓ **Variance (%)** – This calculates the percentage difference between what you said you would spend and what the actual costs were for the quarter. You will need to report any variance of over 10 per cent in any budget line in your **Annex B** and discuss it with your funding officer. If it is in a forecasted quarter, it will show the variance between the previous and revised forecasts.

*Please note that the green column in each quarter changes from 'revised forecast' to 'actual' depending on the 'date as at' which has been selected on the 'front sheet'.

The payment schedule will also enable you to look at a summary of the project's cumulative expenditure for each year of the grant, along with a project total. You can see this on the fourth worksheet 'Project Summary'.

The front worksheet allows you to enter the payments you have received from the Fund. These figures will be pulled into the main spreadsheet so that the amount received is tracked throughout.

Annex A from version 9.0 onwards contains an additional worksheet called 'SDAs' (Self-Declared Adjustments) and 'Irregularities'. This enables adjustments following submission to the Managing Authority to be managed. Please see **section 4.6** for more details.

Types of costs

For purposes of managing your costs, we need you to use the cost headings provided on the payment schedule and in **Section eight: Costs and expenditure**.

4.3 Making payments

✓ **Your first payment**

There will be an initial payment at the start of the project to cover the first three months of project activity. It will be the value of your **'Total costs (£)'** for the first quarter that you have forecasted expenditure.

In some cases, the project may be starting partway through a quarterly monitoring period. Your funding officer will discuss this with you at the time to determine whether it may be possible to combine your first two quarterly payments into one.

✓ **Subsequent payments**

As discussed in **section 4.8** you will need to submit monitoring information to us 14 days after the end of every quarter. Once we have received and sense checked this information we will release your next payment. Therefore, a payment for a quarter will likely be released three to four weeks into the claim period, subject to the outcome of the sense check. If this delay in payment is likely to cause you any financial difficulties, please speak to your funding officer.

Payments will be based on the information provided in the **payment schedule (Annex A).** Using your forecast for the quarter as a starting

point, the payment will then be adjusted to reflect underspends carried forward or deductions applied to previous claims.

For each quarter **Annex A** shows the total grant paid and any unspent funds (both for the quarter and cumulatively). It also shows funds that have been removed because of irregularities or SDAs (see **section 4.6**). The amount in the **total unspent grant funds** box at the end of the previous quarter will usually be deducted from the forecasted amount for the next period to calculate your payment.

Please note, that if continual underspends are reported we may make a partial payment, releasing further funds later in the quarter if required.

✓ **Your final payment**

Please see **section 14: Grant closure**.

Penalties

We reserve the right to hold back all or a proportion of your next payment as a 'penalty' whilst you get your project back on track. A good example is where the performance against your targets is below expectations for a consistent period (see **Section five: Targets and project outcomes**).

We may also withhold or temporarily reduce payments if correct documentation is not retained or submitted.

4.4 Ineligible costs

We may ask you to revise and resubmit claim documents if we identify errors, duplication or ineligible costs.

Examples of why costs could be considered ineligible (this list is not exhaustive, please see section eight for further examples):

✓ you've not been able to provide evidence, such as defrayal, staff timesheets or receipts covering all items of expenditure

✓ staff recruitment is unsatisfactory because ESF has not been referred to in job adverts, the correct logo has not been used, or recruitment is for posts not 100 per cent BBO

- ✓ expenditure on other forms of publicity, such as websites or written documents that do not conform to our logo requirements
- ✓ delivery sites not meeting publicity requirements
- ✓ other forms of evidence relating to the delivery of the project have not been retained.
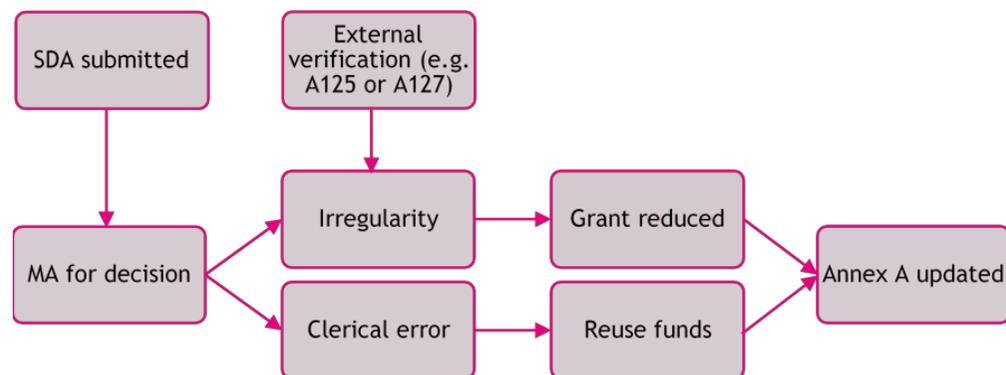
What happens after costs have been identified as being ineligible depends on the stage of the claims process and who it is identified by.

If an ineligible cost is identified before the claim is submitted to the Managing Authority by the Fund, you will need to correct and resubmit both the **payment schedule (Annex A)** and **financial monitoring spreadsheet (Annex O)**. You may self-identify the ineligible cost, or it could be found during the funding officer's testing.

Your funding officer will be able to tell you whether we have submitted the claim to the Managing Authority.

Once the Fund's claim has been submitted to the Managing Authority, any ineligible costs identified will need to be dealt with through the **irregularities** and/or **self-declared adjustment (SDA)** processes.

An overview of these processes is below:

4.5 Irregularities

Any errors or ineligible costs identified by verification checks or audits (such as those carried out by the Article 125 and 127 teams) will be classified as **irregularities**. In addition, following the submission of an SDA, the Managing Authority may deem the error that has been self-reported to be an **irregularity**.

The value of your grant will be reduced by the amount of the irregularity. This will be managed using **Annex A**, please see **section 4.7**.

If the irregularity is identified after grant closure you will be required to pay back the value.

For more information on irregularities please see European Social Fund Programme Guidance.

4.6 Self-declared adjustments (SDAs)

Where you have identified an error in a claim processed by the Managing Authority, if appropriate, we will ask you to submit an SDA form. We review this and then send it to the Managing Authority. The Managing Authority determines whether this is an **irregularity** or a **clerical/technical error** such as a typo. This process can take some time for the Managing Authority to do.

If it is deemed an **irregularity** it will be treated the same as if it had been identified during verification checks, and the overall grant amount will be reduced.

If it is deemed to be a **clerical error** there will still be an adjustment made, with the reported expenditure for the affected quarters reduced by the value of the error. However, those funds will remain available to **re-use.**

Further information on the Managing Authority's SDA process can be found here.

How to submit an SDA

In the first instance, please speak to your funding officer. There are some circumstances where you are unable to submit an SDA:

- you have been notified that your project has been selected for an Article 125/127 check or selected for audit by another body e.g. National Audit Office or European Commission Auditors.
- The error resulted in an underclaim.

If appropriate your funding officer will provide you with an SDA form to complete.

The form will ask you to provide information including:

- details of the error
- the resulting over claim
- actions taken to improve the robustness of your management control systems.

If the error impacts on more than one delivery quarter, a separate form must be completed for each quarter affected.

Please submit the form(s) to your funding officer. We will then submit this to the Managing Authority.

Your funding officer will advise you of the outcome of the SDA once we have received notification of the Managing Authority's decision. However, this is likely to take some time.

4.7 Using Annex A to manage SDAs and irregularities

The **payment schedule (Annex A),** from version 9 has been updated to include an additional worksheet 'SDAs and irregularities'. It contains a table that will be used to record all SDAs and irregularities along with the Managing Authority's decision.

Please do not complete this table yourself. It will be updated by the BBO support team and your funding officer using the most recent **Annex A** you have submitted.

The table will record the quarter the ineligible cost was reported, the amount, an explanation and one of three outcomes:

- SDA/Irregularity (grant can be re-used)
- Irregularity (grant reduced by Managing Authority)
- Awaiting Managing Authority decision

The selected outcome will determine how the information feeds into the rest of **Annex A**. It will enable you to correctly forecast your expenditure taking adjustments into account.

When the outcome of '**irregularity (grant reduced by MA)**' is selected on **Annex A** it will automatically show the following:

- A reduced 'award amount after irregularity reductions by the MA' on the front sheet.
- For the affected delivery quarter on the 'Quarterly Breakdown' worksheet, it will detail the adjusted total cost after SDA/irregularity.

As you are unable to reuse these funds it will **not**:

- Increase the amount in the 'unspent grant funds' figure.

When the outcome '**SDA/Irregularity (grant can be re-used)**' is selected on **Annex A** it will show the following:

- For the affected delivery quarter on the 'Quarterly Breakdown' worksheet, it will detail the adjusted total cost after SDA/irregularity.
- An increased amount in the 'unspent grant funds' figure.

As you will be able to reuse the funds, it will **not**:

- Reduce the 'award amount after irregularity reductions by the MA' on the front sheet.

The outcome of '**Awaiting Managing Authority decision**' will not change information elsewhere on **Annex A**.

It is important to note, that if The National Lottery Community Fund has made, or agreed to make an additional payment to you in respect of an irregularity or SDA, it will not be reflected on Annex A.

Part two: Claims

4.8 What you'll report to us each quarter

At the end of each quarter, you'll send us a **number of documents that constitute your performance monitoring and financial claim.**

1. an **updated payment schedule (Annex A)**, showing the latest actuals and any re-forecasts. Please ensure that the 'actual expenditure' matches your **Annex O** for this and previous quarters.

2. a **project progress report (Annex B)**

3. a **target and project outcome schedule (Annex E)** showing the latest actuals (see **Section five: Targets and project outcomes**). Please ensure the actuals recorded in here match your **Annex L**.

4. your **participant monitoring spreadsheet (Annex L)**, which records details of all eligible participants and reports the outputs and results for the individuals you have engaged to date (see **Section six: Participants**)

5. your **financial monitoring spreadsheet (Annex O)**, which reports your costs and evidence of expenditure during that quarter (see **Section eight: Costs and expenditure**).

6. a **list of all project staff**, this must specify how employment costs are covered: full cost, 1720 hourly rate or fixed percentage. It should also include start date on project, delivery partner and weekly hours of employment. Gross annual salary should be provided. (See **section eight: Costs**). From Q4 2019 submissions onwards there will be a standard template for the staffing list.

7. an **up to date partner list, including VAT status** (See **section eight: Costs**). From Q4 2019 submissions onwards there will be a standard template for the partner list.

8. a **project change form (Annex D)** if you plan to make any changes – these must be discussed with your funding officer. This should include line by line explanations for each entry to changes in participant and budget forecasts. (See **4.12 changes to your project**)

9. For projects covering more than one category of region you will need to provide an **Annex A** and **Annex E** for each. Please see **section eight: costs and expenditure**.

Additional monitoring for London projects

✓ Annually you will need to submit an Employability Performance Rating assessment

4.9 Timetable for submitting information

The Department for Work and Pensions (DWP) are responsible for administering this European Funding in England. They will monitor the Fund and have set the overall timetable within which The National Lottery Community Fund must submit information gathered from your project.

✓ The reporting year is divided into four periods: Quarter 1 (January to March); Quarter 2 (April to June); Quarter 3 (July to September) and Quarter 4 (October to December).

✓ You will need to submit all information for the quarter by 12:00 noon 14 calendar days after the end of that reporting period, we may amend this timetable in future. You can submit your information sooner if it is ready.

✓ We will review the information you have submitted and test it against supporting evidence for assurance you are adhering to the programme guidelines.

✓ The Fund will then report to DWP.

✓ You may receive an Article 125 On The Spot compliance check from DWP or an Article 125 Desk Based Evidence Check (see **4.13**).

✓ The DWP report to the European Commission, following this submission you may receive an Article 127 check (see **4.13**).

The document submission dates are set out on the next page.

Monitoring and Claims Submission Timetable

	Quarter dates		Claim Submission deadlines	
	Start	End	Day of submission	Deadline
2018				
Q1	01/01/2018	31/03/2018	Sat	14/04/2018
Q2	01/04/2018	30/06/2018	Sat	14/07/2018
Q3	01/07/2018	30/09/2018	Sun	14/10/2018
Q4	01/10/2018	31/12/2018	Mon	14/01/2019
2019				
Q1	01/01/2019	31/03/2019	Sun	14/04/2019
Q2	01/04/2019	30/06/2019	Sun	14/07/2019
Q3	01/07/2019	30/09/2019	Mon	14/10/2019
Q4	01/10/2019	31/12/2019	Tue	14/01/2020
2020				
Q1	01/01/2020	31/03/2020	Tue	14/04/2020
Q2	01/04/2020	30/06/2020	Tue	14/07/2020
Q3	01/07/2020	30/09/2020	Wed	14/10/2020
Q4	01/10/2020	31/12/2020	Thu	14/01/2021
2021				
Q1	01/01/2021	31/03/2021	Wed	14/04/2021
Q2	01/04/2021	30/06/2021	Wed	14/07/2021
Q3	01/07/2021	30/09/2021	Thu	14/10/2021
Q4	01/10/2021	31/12/2021	Fri	14/01/2022
2022				
Q1	01/01/2022	31/03/2022	Thu	14/04/2022
Q2	01/04/2022	30/06/2022	Thu	14/07/2022
Q3	01/07/2022	30/09/2022	Fri	14/10/2022
Q4	01/10/2022	31/12/2022	Sat	14/01/2023

How to submit information

Your funding officer will set up a shared folder using our secure file transfer service, Microsoft OneDrive. All information must be transferred this way to meet the data protection and security requirements associated with the ESF programme. E-mail must never be used for sending project information or evidence to your funding officer.

Missing the submission deadline

Should you miss the deadline for submission without prior agreement from your funding officer, your claim information will not be processed, and you may not receive your next payment. You may be able to submit the claim in the following quarter at our discretion.

4.10 What we'll do with your information

We'll review the information you sent us to check that:

- ✓ the project is on track and any problems or challenges are being addressed
- ✓ you have recorded the outputs and results correctly
- ✓ you are performing in line with the target schedule (see **section five: Targets and outcomes**)
- ✓ you are progressing towards your project outcomes
- ✓ you have provided a list of all your costs and retained the evidence to prove expenditure and defrayal
- ✓ your payment schedule reflects the actual costs incurred and you have made any appropriate adjustments to your forecast
- ✓ you are producing publicity following our guidelines
- ✓ you are acting on your plans and policies for implementing the cross-cutting themes.

We will either view on site or ask you to send us:

- ✓ electronic copies of a sample of your participant files, so that we can check that the people benefiting from the project are eligible to receive support and that records match the data provided in the **participant spreadsheet (Annex L)**
- ✓ electronic copies of a sample of your evidence of expenditure so that we can check that your records are complete, all costs are eligible and funding has been defrayed
- ✓ examples of your publicity
- ✓ examples of how you're implementing the cross-cutting themes across the project.

Preliminary checks

Preliminary checks will confirm if all the required information has been received. We'll do a sense check of transactions to look for ineligible costs and to identify any basic issues with the data. You will need to have someone available immediately to work with your funding officer on any queries and amend your documents if required.

Participant Evidence Checks

The evidence that you provide to us about a participant must prove that they are eligible to engage with the project and that funding has been spent helping the participant to achieve a result (or progress towards achieving it).

The evidence should be of a quality which is clear and legible. Poor unreadable scans are not acceptable, nor are those that cut off parts of the document, or split a single page document over two pages. Also, we need to see all the pages of a supporting document, as the other pages may offer insight and information that we need to know. Please do not shade a box rather than using a tick – if this document is scanned it is difficult to see which box has been selected.

You must ensure that any forms and evidence submitted to us has gone through your internal checking procedure. This is particularly important if you are submitting evidence prepared by partners. Make sure that simple errors, such as wrong names, mismatched addresses and un-ticked boxes, are picked up and corrected **before** you submit the evidence. An error will mean that the evidence is rejected.

We have tried to help with the identification of errors on spreadsheets, messages in **Annex L** against the appropriate lines will alert you to a problem. You must check and correct these lines **before** you submit the spreadsheet to us or we will reject it and remove the participant from your claim. It is your responsibility as the lead partner to check that your claim is completely correct.

The validations in **Annex L** are not exhaustive as it is too complex to build them in. We will carry out further validations following submission, your funding officer will alert you to these. Please see **section six: participants** for more details.

You will be advised which participants have been selected for checking and will then need to send the evidence via secure file transfer. We will need the complete participant file including:

- ✓ participant entry form
- ✓ evidence of participant eligibility including any supporting contextual information
- ✓ needs assessment and plan of activities
- ✓ participant progress form detailing activities and interventions to date
- ✓ proof of attendance at activities and interventions such as registration sheets
- ✓ evidence of how the activity or intervention added skills or addressed an identified need for each attending participant. For example, a post activity survey form where the participant details what they gained from the activity and how that gain will be used in progressing towards achieving a result
- ✓ exit form (where participant has left)
- ✓ evidence of expenses and incentives that have been paid.

The following details will be reviewed:

- ✓ check the participant data on the spreadsheet against the participant file – does this match and is all information recorded correctly?
- ✓ check the eligibility of the participant – is there evidence that the participant has the right to live and work in the UK?
- ✓ check the eligibility of the participant – is the participant eligible for the individual project outline?
- ✓ where preferred evidence has not been available, check the hierarchy has been followed and there's robust justification to explain the acceptance of an alternative and an explanation of the efforts made to obtain the preferred evidence
- ✓ does the participant file show that they have taken part in eligible project activities? (To be eligible a participant must have taken part in activities and not just have completed the initial engagement process).

- ✓ check the exit form for any results being claimed against the participant
- ✓ check that all copies of evidence have been certified as a true copy of the original document, see Guidance on document retention, including electronic data exchange, for more details.

Financial Transactions Evidence Checks

You will be advised which financial transactions have been selected for checking. The evidence will need to be transferred via OneDrive. Details of evidence requirements vary by transaction type and are explained in **section eight: costs and expenditure**.

The following checks will take place (this list is not exhaustive):

- ✓ check the primary evidence of expenditure (e.g. invoice or timesheets) against the **financial monitoring spreadsheet (Annex O)** – is all information recorded accurately or is there a satisfactory explanation for any variation?
- ✓ check the primary evidence of expenditure for eligibility – has the funding been spent on items eligible on the BBO programme?
- ✓ check the secondary evidence of expenditure (e.g. event sign in sheet or job descriptions) – does this confirm that funding has been spent on an eligible project activity?
- ✓ check that expenditure in claim has been defrayed back to bank statement level, all steps in the audit trail must be present (see **section eight: Costs and expenditure**)
- ✓ check that indirect costs have been claimed in line with guidance (i.e. they are 15% of direct staff costs)
- ✓ check that all copies of evidence have been certified as a true copy of the original document. See Guidance on document retention, including electronic data exchange for more details.

Submission of supporting evidence

Following the submission of your claim you will need to have someone available who can work with your funding officer to provide the supporting evidence for the transaction and participant data. You need

to ensure this person has access to the OneDrive folders set up by your funding officer.

All evidence needs to be held electronically and, if requested, transferred to OneDrive within 24 hours.

Tip - You should consider how you work with partners to collect evidence, and the resource that will be required to manage it, perhaps consider collecting it on a rolling basis or more frequently for ease.

You must have a process to check all supporting evidence provided by your partners to make sure it is compliant before it is passed to the Fund. This will help reduce the number of irregularities your project may receive.

Amount of evidence that will be requested

The financial evidence requirements are set out in Section Eight of the Guide and the participant evidence requirements are set out earlier in this document with finer detail in Section Six of the Guide. You should note that these outline the minimum requirements and your funding officer may request additional evidence if clarification is needed.

Naming convention for evidence files

We need to easily be able to identify the supporting evidence files for transactions and participants, if we are unable to do this those lines may be rejected from your claim. Electronic files submitted for evidence should follow the convention outlined here.

Transaction evidence should be prefixed with F (finance evidence), then Rxxx (the row the transaction appears on). For example, prefix FR12 would be a piece of evidence for the transaction on the row 12 of Annex O.

Participant evidence should be prefixed with P (participant evidence) then Rx (the row the participant appears on. For example, prefix PR20 would be evidence for the participant on row 20 of Annex L.

Outcome of monitoring and claims review

Following the review of your claim submission and monitoring information your funding officer will provide feedback to you on any

issues that have been identified. This may include ineligible lines and those lacking sufficient evidence that have to be removed from your claim. This may involve removing participants from **Annex L (participant monitoring spreadsheet)** and/or costs from **Annex O (financial monitoring spreadsheet)**. We may also require you to update **Annex A (payment schedule)** and **Annex E (targets and outcomes)** with up to date figures following any adjustments.

Your funding officer will discuss any options to re-submit missing or poor evidence and any corrective actions arising from the checks that have been carried out.

We may reject all or part of your claim if

✓ we aren't satisfied with the supporting evidence provided
✓ we find ineligible items or costs in your claim
✓ our testing reveals a high rate of non-compliance

Tip - You'll find information on the evidence we expect you to keep in the Guide to Delivering European Funding as well as the European Social Fund Programme Guidance.

Feedback

Following the completion of the funding officer's review, it will be quality checked. Once this has been completed you will receive a Performance and Compliance Testing Report. This summarises the findings of the claim check, enables the funding officer's observations to be recorded and from Q2 2019 claims onwards, includes an additional Project Performance section. This is used to record performance in line with our performance policy in areas of finance, outputs, results and compliance. Please see **section five: targets and project outcomes**.

Part three: Monitoring

4.11 Grant management

In addition to compliance checks your funding officer will work with you to monitor the progress of your project. This will include regular telephone calls, visits and email contact as well as the information you provide in the **project progress report (Annex B)**.

This will provide the opportunity to discuss the general progress of the project. It will include but is not limited to:

- ✓ Review any previously agreed actions
- ✓ Discuss the general progress of the project
- ✓ Review the budget spend to date and whether spend is in line with the latest forecast
- ✓ Review target and outcome achievements to date and whether these are in line with the latest forecast
- ✓ Discuss any issues, concerns or problems identified by the review of budget, target and outcomes
- ✓ Cascade any information or changes in procedure
- ✓ Respond to any questions or queries raised by you
- ✓ Discuss any requested changes to the project and agree way forward
- ✓ Agree any actions for next monitoring event.

Monitoring Visits

You will receive a quarterly visit, unless otherwise agreed with your funding officer. The purpose of the visit is to develop a working relationship between the Fund and yourself. The following points will be considered (please note not all points will be included in every visit):

- ✓ Check performance against your outcomes.
- ✓ Check compliance with ESF publicity requirements
- ✓ Check compliance with ESF Data Protection requirements
- ✓ Check performance against cross-cutting themes, sustainability and equalities.

- ✓ Complete any compliance checks as required
- ✓ Review your compliance process for partner organisations
- ✓ Discuss any learning or evaluation
- ✓ Review your risk and anti-fraud measures, including whistleblowing policies.

Project progress form (Annex B)

We will use the information in this form each quarter to review:

- ✓ Progress against previously agreed actions
- ✓ Project progress, key activities started, continued or finished
- ✓ Learning, achievements and unexpected outcomes
- ✓ Any major differences between financial forecasts and expenditure
- ✓ Progression against outputs and results targets
- ✓ Progression towards project outcomes
- ✓ Publicity produced has followed our guidelines
- ✓ Implementation of the cross-cutting themes
- ✓ Challenges being faced and plans to manage them.

Performance management

For performance management specifically relating to progress with targets please see **section five: Targets and project outcomes**.

4.12 Changes to your project

Any changes must be discussed and agreed with us before they are implemented. You'll use the **changes to your project form (Annex D)** to tell us about any:

- ✓ changes to your primary or legally responsible contact information
- ✓ changes to your partnership, or the management structure of the project
- ✓ changes to your target schedule
- ✓ changes to your project outcomes
- ✓ changes to your project budget
- ✓ changes to the delivery of the project.

We'll need to agree these changes before you can proceed and we may need to get approval from the Managing Authority. **If changes are implemented without prior approval, we may not cover the costs.**

Changes to your partners

Use this section to tell us if you want to:

- ✓ make changes to the membership of the partnership
- ✓ make changes to the role of existing partners
- ✓ replace a partner with a new organisation through a procurement process
- ✓ amend the partnership agreement.

Changes to your target schedule

Use this section to tell us if there are issues related to your target schedule. Please note, that changes to your target schedule are unlikely to be approved other than in exceptional circumstances.

Changes to your project outcomes

Use this section to tell us if you want to:

- ✓ amend or replace one or more of your project outcomes
- ✓ change the type or number of participants or the extent to which they will benefit
- ✓ change the project activities that you will deliver to achieve your project outcomes
- ✓ revise the milestones that you will use to measure changes resulting from your project's activities.

Changes to your project budget

Use this section to tell us if you want to:

- ✓ vary your expenditure between budget headings by more than 10% from what you told us about in your stage two application
- ✓ add additional lines of expenditure to what you told us about in your stage two application
- ✓ revise your grant instalments by more than 10% of what you forecast in your payment schedule.

Changes to your delivery

Use this section to tell us if you want to change:

- ✓ the objectives, target groups or delivery areas of your project
- ✓ the delivery structure and approaches from what you told us about in your stage two application
- ✓ the nature of the activities you will be delivering because of new information
- ✓ changes to project staffing.

4.13 Reporting and verification beyond The National Lottery Community Fund

Reporting to the local LEP area sub-committee

Each quarter, we'll provide a highlight report to the LEP area sub-committee.

Reporting to the Managing Authority

Once we have a set of monitoring information that is complete, correct and eligible, we'll submit our claim to the Managing Authority. Following our submission, the Managing Authority will carry out its own verification checks under the Article 125 regulations.

Once the Managing Authority has made its submission to the European Commission, claim samples will be audited by the Government Internal Audit Agency as part of the Article 127 regulations.

Where serious issues are identified, the Managing Authority or European Commission can 'claw back' some, or all, of the money which has been paid to a project. The risk of this happening can be mitigated by using the forms and templates we've provided.

We continue to learn from the Article 125 and Article 127 processes. We will publish this learning through the essential updates and quarterly roundups available on our [website](#).

Article 125

The checks, which are broadly in line with our own, look at a sample of staff costs and other direct costs from the claim. There will be one project check in each LEP area for each of our claims to the Managing Authority. The Article 125 checks currently take two forms, either a 'Desk-Based Check' or a 'Visit'.

When your project is selected for a desk-based check you will receive a checklist from our support team. It will detail five direct cost lines for which you will be required to provide evidence. No participant records will be tested, but if a participant expense is selected you will need to demonstrate the eligibility of that individual. You must upload the evidence to a specified OneDrive folder by the deadline provided.

The Article 125 visits are more in depth. You will be contacted by a member of our support team to arrange a date and sent a checklist in advance. You must complete and upload the checklist to a designated OneDrive folder by a given deadline prior to the visit.

The checklist provides information and supporting documentation on the following areas:
- ✔ publicity and communications
- ✔ cross cutting themes
- ✔ anti-fraud measures
- ✔ procurement
- ✔ sub-contracting and delivery partners
- ✔ state aid
- ✔ document retention and data protection.

You will also be given a list of direct staff costs, other direct costs and participant files that will be tested on the day. You will need to provide full evidence for each of these. This evidence should be provided on site, not uploaded in advance.

The Article 125 team will produce a report that will give you the opportunity to respond to any action points and irregularities. You will have 10 working days to respond to a report from a desk-based check and 30 working days for a visit. After this, a final report will be produced which the Fund's support team will check and discuss any actions with the Managing Authority. Once the support team have accepted the final version of the report, the Managing Authority will issue a closure letter detailing any irregularities (please see **section 4.5**).

Please note, full defrayal for both pensions and national insurance will be checked.

Article 127

Article 127 checks are carried out by the Government Internal Audit Authority (GIAA). The results are used to provide assurance to the European Commission that claims are compliant with ESF programme regulations and that funds are properly spent.

Once the projects are selected for audit, you will be contacted by the support team to arrange a date, approximately three months in advance of the visit.

The GIAA select a 'sub sample' of staff cost and direct cost lines that they will need to see full defrayal for, including on-costs, for both actual costs and those funded through simplified cost options (1720 and fixed percentage methodologies). In addition, a sample of participant records will be selected to test eligibility and data accuracy.

Once the 'sub sample' is selected you will be informed and the BBO support team will arrange a pre-compliance visit, where we will review all the available evidence. Grant holders will receive a report highlighting any missing evidence or eligibility issues. You are strongly advised (where possible) to resolve these prior to the actual audit.

The reports from the GIAA will be issued to the Fund. Following the initial findings, two weeks will be allowed for additional information to be submitted. The Fund will then have the opportunity for comment and to agree or disagree with the findings. The draft report will show the actual irregularities and a 'projected irregularity' (an amount based on a statistical algorithm which projects the error for the portion of the claim not tested).

Subject to the resolution of any issues with the draft, a final report from the GIAA will be issued indicating the total amount of clawback and any corrective action.

It is important to note that the GIAA are likely to **project clawback based on their findings onto the remainder of the claim, increasing the amount of the irregularity. This may be further extrapolated if the error rate is found to be significant.**

Evaluating the programme

Evaluation is an important feature of Building Better Opportunities. Throughout the delivery of the project, we need organisations to collect and report information so that key learning can be used more widely to influence the planning of similar provision and future programmes.

We have appointed an independent evaluator to carry out a programme-wide evaluation of Building Better Opportunities. To help with the evaluation, we will ask some projects to participate in a sampling exercise looking at the longer term changes that have resulted from this funding. We'll also ask a number of grant holders to take part in qualitative reviews around their experiences of being involved in the programme.

The Managing Authority will carry out their own overall ESF evaluation, which projects must contribute to if asked. This will include the tracking of some participants up to six months after they've left the project. The Managing Authority will carry this out using contact information provided by lead organisations.